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SURFACE TRANSPORTATION BOARD¹

DECISION

Finance Docket No. 32479

CADDO ANTOINE AND LITTLE MISSOURI RAILROAD COMPANY
—FEEDER LINE ACQUISITION—
ARKANSAS MIDLAND RAILROAD COMPANY LINE
BETWEEN GURDON AND BIRDS MILL, AR

Decided: August 10, 1999

The Board approves the feeder line application to acquire the Arkansas Midland Railroad Company's Norman Branch and establishes a price for the purchase and other terms of the sale.

BY THE BOARD:

The Feeder Line Development Program at 49 U.S.C. 10907 enables shippers and communities to acquire marginal rail lines that are likely to be abandoned or are receiving inadequate rail service. This feeder line proceeding involving the Arkansas Midland Railroad Company's (AMR) Norman Branch line between Gurdon and Birds Mill, AR, was remanded to the Board by the United States Court of Appeals for the Eighth Circuit in 1996. Caddo Antoine and Little Missouri R. Co. v. STB, 95 F.3d 740 (8th Cir. 1996) (Caddo). The court directed that we consider the Norman Branch as a single line and determine whether the public convenience and

¹ The ICC Termination Act of 1995 (ICCTA), which took effect on January 1, 1996, abolished the Interstate Commerce Commission (ICC) and transferred certain functions and proceedings to the Surface Transportation Board (Board). Section 204(c) of the ICCTA provides, in general, that, if a court remands a suit against the ICC that was pending on the date of that legislation and involves functions retained by the ICCTA, subsequent proceedings related to the case shall proceed under the applicable law and regulations in effect at the time of the subsequent proceedings. The feeder line functions at issue in this proceeding were retained and are now found at 49 U.S.C. 10907. Thus, current 49 U.S.C. 10907 will apply to this proceeding on remand.

necessity (PC&N) requires or permits sale of the entire Norman Branch under the feeder line statute, 49 U.S.C. 10907(c)(1), and, if so, what the sale price for the entire line should be.

Following the court's remand, we reopened the feeder line proceeding and directed the filing of additional evidence. On the basis of the record before us, we will now grant the feeder line application for sale of the entire Norman Branch and set a price and other terms of sale for the purchase.

BACKGROUND

A. Nature of the Case. This proceeding involves AMR's approximately 52-mile Norman Branch line in Arkansas. AMR, a subsidiary of Pinsly Railroad Company, Inc. (Pinsly), acquired the Norman Branch line from what is now the Union Pacific Railroad Company (UP) in 1992.² The line runs between Gurdon and Birds Mill, AR, and connects at the southern end with UP's main line. The principal shipper on the line is International Paper Co. (IP), which is located on the southernmost portion of the line, approximately 3 miles from the connection with UP. The line also serves GS Roofing Products Company, Inc. (GS Roofing), Beazer West, Inc. d/b/a Gifford-Hill & Company (Gifford-Hill), Bean Lumber Company and Curt Bean Lumber Company (Bean), and Barksdale Lumber Company (Barksdale) (collectively, Shippers), which are located on the northern part of the line extending to Birds Mill, AR.³

On December 3, 1993, a storm caused flooding, washouts, and landslides on the Norman Branch. On December 15, 1993, AMR notified the affected shippers and the Association of American Railroads that the resulting track conditions required it to embargo service to four stations located at or near the northern end of the line, thereby interrupting service to GS Roofing and Bean. On February 22, 1994, AMR amended the embargo to include an additional station to the south of the initially embargoed stations due to track and bridge conditions, interrupting service to Gifford-

² The Norman Branch was one of four rail lines that AMR purchased from UP's subsidiary, the Missouri Pacific Railroad Company (MP). See Arkansas Midland Railroad Company, Inc.—Acquisition and Operation Exemption—Missouri Pacific Railroad Company, Finance Docket No. 31999 (ICC served Mar. 6, 1992); and Pinsly Railroad Company, Inc.—Continuance In Control Exemption—Arkansas Midland Railroad Company, Inc., Finance Docket No. 32001 (ICC served Mar. 6, 1992).

³ Prior decisions in this proceeding described the Norman Branch as being 52.9 miles long between milepost 426.3 near Gurdon and milepost 479.2 at Birds Mill, AR. Subsequently, the ICC accepted CALM's assertion that the line terminates at the interchange with UP at milepost 426.87. Dardanelle & Russellville Railroad Company--Trackage Rights Compensation--Arkansas Midland Railroad Company, Finance Docket No. 32625 (ICC served June 22, 1995) (Compensation 1), at 2-3. Thus, the Norman Branch is actually 52.33 miles long.

Hill. However, AMR continued to serve IP on the southern portion of the line, which was apparently not affected by the flooding.

On February 18, 1994, AMR initiated the abandonment process, at first indicating its intent to abandon the entire line, and ultimately indicating its intent to abandon the Norman Branch except for the portion serving IP. These events led to the initiation of three different actions at the ICC. First, the Caddo Antoine and Little Missouri Railroad Company (CALM), a non-carrier subsidiary of the Dardanelle & Russell Railroad Company (DRRC), filed a feeder line application under former 49 U.S.C. 10910 (now 49 U.S.C. 10907) and 49 CFR part 1151 to acquire the entire Norman Branch (including the 3 miles necessary to serve IP). Second, on March 18, 1994, as supplemented on March 22, 1994, DRRC and CALM requested that the ICC issue a directed service order pursuant to 49 U.S.C. 11125⁴ that would allow DRRC/CALM to begin immediate operations over the entire Norman Branch. Finally, on March 21, 1999, the Shippers filed a complaint in Docket No. 41230 seeking damages from AMR and Pinsly.⁵

On March 28, 1994, shortly after the feeder line application was filed, the ICC denied the request for directed service under section 11125 because it concluded that the statutory criteria had not been met. The carrier had not been shown to lack funds to provide service, had not been ordered to discontinue operations by a court, and had not “discontinued transportation without obtaining [an abandonment] certificate.” 49 U.S.C. 11125(a)(3). Pursuant to 49 U.S.C. 11123(a), however, the ICC authorized DRRC/CALM to provide voluntary interim service over the northern portion of the Norman Branch, including the portion affected by the embargo, based on its willingness to do so, and AMR’s agreement to permit it to do so. The ICC also authorized DRRC/CALM to enter into an

⁴ Pursuant to 49 U.S.C. 11125, the ICC could direct service when a carrier lacked the funds to operate; a court had ordered the cessation of operations; or the railroad had unlawfully discontinued operations.

⁵ The complaint alleged that AMR’s cessation of service from December 1993 until March 1994 over portions of the line violated the railroad’s obligation under former 49 U.S.C. 11101(a) to provide transportation or service upon reasonable request. In a decision issued March 11, 1997, we concluded that AMR and Pinsly were not liable for damages because AMR’s initial determination to suspend service over washed out track was not unreasonable, and AMR acted reasonably in not repairing the line immediately. On judicial review, the court agreed with our finding that AMR acted reasonably in initially embargoing the storm-damaged line, but concluded that AMR should have repaired the track as soon as possible even though AMR made a determination shortly after instituting the embargo to abandon or otherwise dispose of it. The court remanded the damages proceeding for the Board to determine damages. GS Roofing Products Company, et al. v. STB, 143 F.3d 387 (8th Cir. 1998) (GS Roofing). The court denied a petition for rehearing and suggestion for rehearing en banc in July 1998.

agreement with AMR to operate overhead trackage rights over the rest of the line on which AMR continued to serve IP so that DRRC/CALM could interchange directly with UP.⁶

DRRC/CALM began operations in early April 1994, pursuant to the ICC service order. DRRC/CALM's service continued until August 10, 1996, when it ceased operations.⁷ At the request of the Shippers and with the consent of all parties including AMR, we amended Service Order No. 1516 and substituted the East Texas Central Railroad Company (ETC) as the authorized operator in September 1996.⁸

B. The ICC's Feeder Line Proceeding. On April 12, 1994, the ICC published its notice of acceptance of the CALM feeder line application, and a proceeding was instituted. CALM filed comments and evidence in support of its position that the public convenience and necessity required or permitted the sale of the entire Norman Branch.⁹ CALM alleged that if IP was not included among the shippers it could serve on the Norman Branch, it would incur a net operating loss of \$124,701, whereas it projected net operating income of \$264,649 if it was permitted to acquire the entire Norman Branch and to serve all the shippers on it.

During the course of the feeder line proceeding, AMR entered into a "lease and option to purchase" agreement with Glenwood & Southern Railroad Company (GSR) for the northern portion

⁶ Given the condition of the line, the ICC required that before operations could commence, DRRC/CALM certify to the ICC that it had made repairs to the damaged portion of the line and that, in its opinion, the line was safe to operate.

⁷ The parties disagreed on the amount of compensation DRRC/CALM was required to pay for trackage rights over the southern portion authorized by Service Order No. 1516. DRRC/CALM requested that the ICC set the amount of compensation it was obligated to pay AMR. The ICC did so in Dardanelle & Russellville Railroad Company—Trackage Rights Compensation—Arkansas Midland Railroad Company Finance Docket No. 32625 (ICC served June 3, 1996) (Compensation 2), petition for rehearing and oral argument denied by decision served Sept. 5, 1996 (Compensation 3). However, by decision served December 23, 1996, we reopened the Compensation proceeding and stayed the effective date of the Compensation 2 and Compensation 3 decisions until the feeder line proceeding was resolved.

⁸ East Texas Central Railroad Company--Authority to Operate--Lines of Arkansas Midland Railroad Company, Supplemental Order No. 7 to Service Order No. 1516 (STB served Sept. 24, 1996).

⁹ The Shippers and others submitted statements in support of CALM's application to acquire the entire line.

of the line. However, the ICC subsequently disallowed GSR's lease of the line.¹⁰ GSR then filed a competing feeder line application, which was denied on the ground that GSR had not shown that it was financially responsible, as required by former 49 U.S.C. 10910(a).¹¹

In the feeder line proceeding, the ICC by decision served on April 18, 1995, granted the feeder line application only for the 49-mile northern portion of the line that AMR had sought to abandon.¹² The ICC determined that the southernmost 3-mile portion on which AMR continued to serve IP was not eligible for sale under the PC&N requirements in former section 10910(b)(1)(A)(i). CALM declined to acquire the northern portion of the line. On April 26, 1995, CALM and the Shippers filed a petition for judicial review of the ICC's feeder line decision in Caddo.¹³

In September 1996, the Eighth Circuit in Caddo reversed the ICC's feeder line decision in Caddo 2 and remanded the proceeding for the Board to consider CALM's application to purchase the entire Norman Branch under the PC&N standards now in section 10907(c)(1). The court noted that the Norman Branch had been historically operated as a single unit and, for this reason, it disagreed with the ICC's determination that the line could be segmented.

C. Subsequent Proceedings. By decision issued November 15, 1996, we reopened the feeder line proceeding and invited the parties to present their views on how we should proceed on

¹⁰ Caddo Antoine, et al.—Feeder Li. Acq.—Arkansas Midland R.R., 10 I.C.C.2d 323, 326 (1994) (Caddo 1).

¹¹ Glenwood and Southern Railroad Company—Feeder Line Acquisition—Arkansas Midland Railroad Company Line Between Gurdon and Birds Mill, AR, Finance Docket No 32613 (ICC served Nov. 23, 1994).

¹² Caddo Antoine and Little Missouri Railroad Company—Feeder Line Acquisition—Arkansas Midland Railroad Company Line Between Gurdon and Birds Mill, AR, Finance Docket No. 32479 (ICC served Apr. 18, 1995) (Caddo 2).

¹³ On May 17, 1995, GSR filed a second notice of exemption in Finance Docket No. 32705 to lease and operate (with an option to purchase) the northern portion of track and to operate trackage rights over the southern portion of the line. GSR's notice became effective May 24, 1995, and was served and published on June 15, 1995 (60 FR 31494). The ICC subsequently denied a motion filed by CALM to have GSR's notice of exemption declared void ab initio or, in the alternative, to revoke GSR's notice of exemption. Glenwood and Southern Railroad Company--Acquisition and Operation Exemption--Arkansas Midland Railroad Company, Inc., Finance Docket No. 32705 (ICC served Aug. 8, 1995). CALM's petition for review of that decision is in abeyance in the Eighth Circuit pending the issuance of our decision on remand in the feeder line proceeding. GSR is not currently operating the line.

remand to consider CALM's application to purchase the entire Norman Branch as a single line.¹⁴ After considering the parties' submissions, in a decision issued May 14, 1997, we accepted the Shippers revised operating plan that assumes that ETC, not DRRC/CALM, will be the operator, and the Shippers' updated financial information to support their argument that the entire line could be successfully rehabilitated and operated by ETC for three years.

Our decision noted that the Shippers had clarified CALM's role in this case. According to the Shippers, CALM had been organized by its president, William K. Robbins, as a vehicle to enable the Shippers to acquire the Norman Branch. The Shippers explained, however, that effective August 30, 1996, Mr. Robbins had withdrawn from the venture due to circumstances unrelated to this proceeding. The Shippers then engaged ETC to operate the line. The Shippers submitted a copy of an agreement dated April 28, 1997, under which Mr. Robbins assigned to the Shippers all of his interest in the feeder line application, as well as the name "Caddo Antoine and Little Missouri Railroad Company" and "CALM." The Shippers stated that they were in the process of incorporating a new noncarrier entity to which they would assign their interests, including those received from Mr. Robbins. The Shippers stated that if their acquisition of the line is approved, the new corporation would hold title to it even though the Shippers would provide financial backing and exercise control over the new entity.

In the May 14, 1997 decision, we made it clear that, on remand, we would consider the feeder line application to buy the entire Norman Branch Line based on the current record, updated to reflect the circumstances that have changed and additional information we would require to ensure that we have the information we need to decide the case. Specifically, we directed the parties to submit updated evidence and argument as to whether the five criteria set forth in 49 U.S.C. 10907(c) require or permit a forced sale of the entire line. In addition, we noted that the Eighth Circuit in Caddo (95 F.3d at 748) indicated that we should take into account in reaching our decision on remand AMR's argument that it would suffer a grievous financial loss that would jeopardize the remainder of its rail line operations if it were required to sell the southernmost portion of the line on which it serves IP. We invited further evidence addressing the matter, particularly the views of AMR as to whether the impact of the loss of IP's traffic would be mitigated by receiving the proceeds from the sale of the line, as the Shippers had claimed.

We also invited additional evidence on the Shippers' financial responsibility and the valuation of the line. With respect to valuation, we explained that the feeder line procedures require that we determine the constitutional minimum value of the line, which is defined as "not less than the net liquidation value of such line or the going concern value of such line, whichever is greater." 49 U.S.C. 10907(b)(2). In Caddo 2, the ICC indicated that AMR had claimed a going concern value (GCV) of \$2.65 million, but did not consider AMR's arguments about GCV because it was granting the application only for the northern portion of the line, which was a candidate for

¹⁴ Responses to our November 15, 1996 decision were submitted by the Shippers, AMR and GSR.

abandonment. Thus, the ICC determined that the constitutional minimum value for the northern portion of the line was the line's net liquidation value (NLV).

We noted that, while the Shippers had asked that on remand we use NLV as the value of the entire line, it is "almost certain that the line has a GCV, since it is being used to serve IP (and indeed the Shippers as well)." Therefore, we indicated that NLV may be an inappropriate standard to value the whole line and that if a GCV is claimed, the proponent should indicate the methodology used to determine that value. In addition, we requested the applicants to update the record and supply information required by our regulations with regard to ETC as operator of the line.

Finally, we rejected AMR's request that we terminate the feeder line proceeding in view of the substitution of ETC as the operator of the line. We also denied AMR's motion to strike the financial projections submitted by the Shippers relating to ETC's proposed operations and found that GSR, which had indicated that it remained interested in leasing and operating the line under the notice of exemption in Finance Docket No. 32705, had a legitimate interest in this proceeding and should be able to participate.

Pursuant to the May 14, 1997 decision, the parties submitted supplemental statements on June 27, 1997, and reply statements on July 14, 1997. The feeder line applicants submitted a rebuttal statement on July 30, 1997. The data submitted by the parties included confidential data submitted under seal.

In 1998, the Eighth Circuit in GS Roofing reversed our decision in the damages case and denied our petition for rehearing. Following the Court's denial of rehearing, we directed the parties to work with an Administrative Law Judge (ALJ) to attempt to reach a negotiated resolution of the pending feeder line, compensation and complaint proceedings. Several discussions were held. However, in a letter dated January 13, 1999, the Shippers advised the Board that the mediation process had reached an impasse and requested that the Board decide the pending cases. Counsel for the Shippers also suggested that it would make sense to handle the pending feeder line proceeding first, and submitted an updated "Proposed Decision" in the feeder line proceeding.

In a decision served January 26, 1999, we accepted the Shippers' letter as a motion to govern further proceedings.¹⁵ In a reply to the motion filed on March 8, 1999, AMR asks us to hold the feeder line case in abeyance for 3 three years to permit AMR to resume service over the entire Norman Branch. On March 17, 1999, the Shippers responded, opposing AMR's proposal.

We agree with the Shippers that further delay of the feeder line proceeding is not warranted and that the feeder line proceeding should be decided prior to the compensation and damages proceedings. Thus, AMR's request to hold the feeder line case in abeyance will be denied and, as

¹⁵ The Shippers' "Proposed Decision" was also made part of the record in this proceeding.

directed by the Eighth Circuit in Caddo, we will now address the Shippers' feeder line application for the entire Norman Branch.

DISCUSSION AND CONCLUSIONS

Eligibility

A. The Appropriate Standards. The statute and our regulations require us to make certain findings in approving a feeder line application. See 49 U.S.C. 10907 and 49 CFR 1151.4. We must determine if a line is eligible for forced sale. If a line is eligible, we must then determine the constitutional minimum value, and the applicant's ability to (1) purchase the line at the constitutional minimum value and (2) cover expenses associated with operating the line for the first 3 years after acquisition. 49 CFR 1151.3(a)(3).

Under section 10907(b) and 49 CFR 1151.1, a line is eligible for forced sale if: (1) the PC&N require or permit sale of the line, section 10907(b)(1)(A)(i), or (2) it appears in category 1 or 2 of the owning carrier's SDM, but the owning carrier has not filed for abandonment, section 10907(b)(1)(A)(ii). As indicated previously, the court in Caddo directed us to consider whether the PC&N requires or permits sale of the entire Norman Branch. To find a line eligible for sale under the PC&N standards, section 10907(c)(1) requires that we determine that:

- (A) the rail carrier operating such line refuses within a reasonable time to make the necessary efforts to provide adequate service to shippers who transport traffic over such line;
- (B) the transportation over such line is inadequate for the majority of shippers who transport traffic over such line;
- (C) the sale of such line will not have a significantly adverse financial effect on the rail carrier operating such line;
- (D) the sale of such line will not have an adverse effect on the overall operational performance of the rail carrier operating such line; and
- (E) the sale of such line will likely result in improved railroad transportation for shippers that transport traffic over such line.

We can order a sale under the PC&N standards only where we can make all the findings under the five criteria in the statute. PSI Energy, Inc.—Feeder Line—Norfolk Southern Corp., 7 I.C.C.2d 227, 233 (1991).

B. Arguments of the Parties. The Shippers maintain that the entire Norman Branch is eligible for forced sale under the PC&N standards in section 10907(b)(1)(A)(i). They claim that AMR refused within a reasonable time to make the necessary efforts to provide adequate service to

the Shippers on the line, with the exception of IP. The Shippers assert that AMR unreasonably refused to repair the line and reinstate service and that the failure to provide service caused the Shippers collectively to suffer extensive money damage losses in the months they were without rail service.

The Shippers contend that transportation over the Norman Branch is inadequate for the majority of shippers who transport traffic over the line. By refusing to operate the northern portion of the line, they argue, AMR has provided inadequate service to the majority of shippers on the Norman Branch — a situation which was alleviated only by DRRC/CALM's and ETC's interim operations over the line.

The Shippers further argue that sale of the Norman Branch would not have a significant adverse financial effect on AMR, and in support they submitted a verified statement from Joseph J. Plaistow and Christena N. Adams of Snavely King Majoros O'Connor & Lee, Inc., economic consultants. Citing AMR financial statements which were submitted under seal, Mr. Plaistow and Ms. Adams maintain that AMR's remaining operations in Arkansas would not be harmed by sale of the entire Norman Branch. Rather, they assert, AMR would benefit by eliminating operating expenses for the line and by applying the proceeds from the sale of the Norman Branch to reduce debt and interest expenses. In addition, AMR allegedly could concentrate on operating its other lines in Arkansas, benefitting its overall operations.

The Shippers also contend that the sale of the entire Norman Branch will likely result in improved railroad transportation for all shippers that transport traffic over the line. The Shippers assert that their ownership of the entire line will lead to the rehabilitation of the entire line. Furthermore, they assert that because they will exercise control over the operator of the line, the new operation will serve their needs as well as those of IP.

AMR responds that the Shippers have not shown that the PC&N warrants sale of the entire line. AMR asserts that it tried to provide reliable and safe transportation on the Norman Branch and made reasonable efforts to correct the problems on the northern portion of the line.

AMR notes that it has never failed to provide adequate service to IP. Moreover, AMR contends that the Shippers should not be permitted to force the sale of the Norman Branch on the ground that AMR has refused to provide adequate service because it tried to provide a reasonable substitute for direct rail service to the Shippers by entering into a lease agreement with GSR, which assertedly stands ready and willing to provide service over the Norman Branch.

AMR further asserts that forced sale of the entire Norman Branch and the loss of IP as a customer¹⁶ will have a devastating adverse financial impact on it. AMR submitted under seal a

¹⁶ AMR claims that IP is the second largest shipper on its system and that IP's traffic is
(continued...)

Verified Statement of James A. Bowers, a Certified Public Accountant who advises short line railroads. Mr. Bowers analyzed the financial impact on AMR of the forced sale of the Norman Branch. Mr. Bowers computed AMR's break even point, in carloads, of operating with and without the Norman Branch. He then developed the pro forma computation of the financial impact on AMR of operating without the Norman Branch. Based on 1996 data representing AMR's operations over the southern segment, Mr. Bowers determined that the forced sale of the Norman Branch will decrease AMR's operating profit by \$310,000, which would be a 54% decline in AMR's operating profit. Mr. Bowers asserts that this decline would cripple AMR, and would also be devastating to Pinsky.

AMR claims further that the forced sale of the Norman Branch will adversely impact the operations on its other lines. It states that a 54% decline in net income as determined by Mr. Bowers would undoubtedly affect its ability to maintain, let alone upgrade, service levels on its remaining branches.

Finally, AMR asserts that the Shippers have failed to demonstrate how the forced sale of the Norman Branch will result in improved railroad transportation to shippers on the Norman Branch. AMR indicates that the Shippers' assertion that "the Board can rest assured that adequate rail service will be provided for the indefinite future once (1) rail operations are consolidated on the Norman Branch under one operator; (2) the payment of commercially unreasonable trackage rights fees is eliminated; and (3) the line is rehabilitated" should give the Board little comfort given the Shippers' track record and the fact that the Shippers' initial choice of an operator for the line, DRRC/CALM, backed out of the operation.

C. Our Analysis. As noted, in Caddo, the court specifically directed that, on remand, we should treat the entire Norman Branch as a single line. Under these circumstances, we conclude that, for the reasons discussed below, the Shippers have carried their burden of satisfying the PC&N standards in this case.

1. Adequacy of service. The first two aspects of the PC&N standards require us to determine if AMR refused within a reasonable time to make the necessary efforts to provide adequate service to the shippers on the line and whether transportation over the line was inadequate for the majority of the shippers on it.

In Caddo 2, the ICC specifically found (at p. 5) that the northern portion of the line on which the Shippers are located clearly qualifies for acquisition under the feeder line provisions because (1) AMR filed an SDM proposing to abandon that portion of the line, and (2) service on that portion of the line is inadequate. And in GS Roofing, the court specifically found that AMR did not act aggressively enough to restore adequate service to the Shippers, and that the transportation under its

¹⁶(...continued)
profitable.

watch was thus inadequate. Nothing in the updated information submitted since that point gives us a basis for seeking to overrule the court's conclusions. AMR appears to provide adequate service to IP on the southernmost portion of the line, but that does not permit a finding that AMR's overall service on the entire Norman Branch was adequate. Rather, the PC&N provisions of the feeder line statute expressly require that we look at the adequacy of service from the perspective of all the shippers on the line. 49 U.S.C. 10907(c)(1)(A), (B).

In short, when the Norman Branch is considered as a single line, as the court in Caddo required, it is clear, as the court found in GS Roofing, that a majority of the shippers on the line were not being adequately served and, thus, the Shippers were justified in seeking the self-help remedy provided by the feeder line program to acquire the entire line. The Shippers were also justified in seeking to have interim service by DRRC/CALM and then ETC authorized so that they would not be without rail service while the feeder line application was being considered.

2. Financial impact. Our evaluation of the evidence submitted by the parties also indicates that a forced sale of the line would not have a significant adverse financial impact on AMR. AMR witness Bowers claims that the sale of the southernmost portion of the line on which IP is located would reduce AMR profits by \$310,000, which would be 54% of AMR's total net profit for 1996. Mr. Bowers' revenue figure is based on a per-car calculation derived from AMR's total system revenues. He indicates that AMR realized revenue of \$612,000 for handling 2,867 carloads on the Norman Branch in 1996.

However, Mr. Bowers' revenue figure is inconsistent with AMR revenues shown in Exhibit No. 4 to a verified reply statement of Mr. Plaistow and Ms. Adams, which is a copy of revenue data that AMR itself submitted to the Shippers in response to a discovery request. Exhibit No. 4 is a breakdown of the revenues realized and carloads handled for each AMR branch in 1996 for the years 1992 through 1996 and a forecast for 1997. The exhibit shows that AMR realized revenues of \$425,660 for operating the Norman Branch in 1996 for the same number of carloads.

The Shippers contend that the revenue figure of \$425,660 should be used rather than Mr. Bowers' figure. We agree that the \$425,660 amount is the better revenue evidence given the record before us. As the Shippers state, that was the figure that the Shippers received from AMR in their discovery request. Moreover, Mr. Bowers never explained the discrepancy between his \$612,000 revenue amount and the \$425,660 AMR revenue figure.

Using the \$425,660 revenue figure, we compute a net profit of \$128,660 from AMR's operation of the southern portion of the line in 1996, which is 22% of AMR's net profit.¹⁷ This is substantially less than the 54% decline in net income alleged by Mr. Bowers. Furthermore, in the event of the sale of the entire Norman Branch, AMR would avoid the cost of rehabilitating the approximately 49-mile northern portion of the line. Since the northern portion of the line is in very

¹⁷ \$425,660 revenues, less \$297,000 variable costs, results in a net profit of \$128,660.

poor shape, the cost of rehabilitation would substantially reduce, if not wipe out, AMR's profits from serving IP on the southernmost portion of the line. AMR would therefore realize substantial cost savings from elimination of the northern portion of the line, which would have a positive impact on its overall bottom line. In addition, if the northern portion of the line were not rehabilitated, we presume that it would continue to be operated at a loss. Finally, AMR's own witness indicated that, without the Norman Branch, AMR will continue to generate annual anticipated profits in excess of \$250,000 from its operations over the remaining 52.63 miles of track in its system.

Later in this decision, we will set the selling price of the Norman Branch at its constitutional minimum value of \$1,628,727. The compensation AMR would realize from the sale of the line would neutralize any adverse financial impact from loss of traffic on this line. The selling price we have set for this line adds the GCV of the profitable southern portion on which IP is located (\$726,893) to the NLV of the remainder of the line (\$901,834). GCV represents the net present value of the future income stream for the southern portion. A GCV of \$726,893 when invested at 17.7% (the 1996 pre tax railroad industry cost of capital rate)¹⁸ would yield an annual payout of \$128,660, which equals the net profit we computed above. Thus, apart from the rehabilitation expenses or operating losses over the northern portion of the line that AMR will avoid, receiving the GCV for the southernmost portion of the line would compensate AMR for lost income that it would have derived from IP's traffic.

AMR presently realizes compensation from the interim operations of the northern portion of the line and trackage rights over the southernmost portion of the line. These rentals and trackage rights fees would cease when the line is sold. However, given the compensation that AMR would receive from the sale of the line and AMR's operations on the rest of its system, the loss of this income would not have a significant adverse financial effect on AMR.

3. Operational impact. There is nothing in the record to indicate that sale of the Norman Branch would adversely affect AMR's operations on its other lines. As noted, AMR acquired four unconnected rail lines from MP in 1992. Its operations do not require the integration of the four separate lines.

4. Improved rail service to shippers. The circumstances here indicate that sale of the entire Norman Branch to the Shippers will likely result in improved rail service for the shippers on the line. The Shippers have made the financial commitment to purchase the line and operate it for the required three years. They are also committed to performing the rehabilitation which all parties agree is necessary, which would reduce transit times, thus improving service. By having control over the operator, the Shippers also will be assured that their service needs are a priority.

¹⁸ We used the 1996 cost of capital rate because 1996 revenues and expenses were used in the parties' evidence.

The Shippers indicate that they are committed to continuing service to IP. While IP has not actively participated in this proceeding, there is nothing in the record to indicate that service to it would be materially affected if the Shippers acquired the line and assumed responsibility to provide operations to IP.

AMR notes that GSR, a new carrier, is prepared to take over operating the northern portion of the line and provide service to the Shippers. However, the Shippers are not interested in having GSR serve them. Moreover, there is nothing in the record showing that GSR and/or AMR are willing to spend the funds that all parties agree would be necessary to rehabilitate the line to assure continued service in the future. Nor does it appear that the Shippers are willing to fund rehabilitation if AMR continues to own the line. Rather, if GSR were to take over operating the northern portion of the line, the apparent animosity between the Shippers and AMR will likely continue and impede future operations.

Constitutional Minimum Value

The feeder line procedures require us to determine the purchase price at the constitutional minimum value of the line. As noted, section 10907(b)(2) defines constitutional minimum value as not “less than the net liquidation value of such line or the going concern value of such line whichever is greater.”

In Caddo 2, because the ICC granted CALM’s application only for the northernmost portion of the line, which was listed as an abandonment candidate and unprofitable, the ICC determined that the constitutional minimum value of the line was its NLV. See id. at 8. The decision set the NLV of the entire Norman Branch at \$972,282; the northern portion was valued at \$901,834, and the southern portion at \$70,448. See id. at 11. However, in Compensation 1, the ICC accepted DRRC/CALM’s adjustment of the mileage of the line. The NLV of the entire Norman Branch was determined to be \$961,096.24. See May 14, 1997 decision at 5 n.7.

In the May 14, 1997 decision issued following the Court’s remand in Caddo, we directed the parties to file additional evidence addressing the value of the line. We noted that, in Caddo 2, the ICC indicated that because it had granted the application only for the northern portion, which was a candidate for abandonment, it did not consider AMR’s arguments about GCV. We also pointed out that, on remand, NLV may not be appropriate to value the whole line, because the line is being actively used to serve IP and the Shippers and may, therefore, have a GCV.

In response to our request for evidence as to GCV,¹⁹ AMR submitted the statement from Mr. Bowers. Using the Shippers’ traffic, revenue and expense projections for ETC’s operations over the Norman Branch for three years (1997 through 1999), which were provided by the Shippers in their supplemental submissions, Mr. Bowers calculated that the GCV of the Norman Branch is

¹⁹ Neither AMR nor the Shippers updated the NLV data on reopening.

\$3,674,000, if AMR operates the line, or \$3,137,000 if ETC operates the line. Mr. Bowers indicates that his higher GCV estimate if AMR operates the line indicates that AMR would incur less overhead than ETC. According to Mr. Bowers, his higher GCV figure is the more appropriate figure, given that the definition of GCV is the price at which a willing seller would sell the property at issue.

The Shippers dispute AMR's contention that the line has a GCV and argue that the entire line is unprofitable. In support, they submit the Plaistow-Adams statement which asserts that, in determining the constitutional minimum value of the line, the best data available are AMR's data for 1993. The Shippers indicate that 1993 is the last year in which AMR operated the entire Norman Branch and is the last year for which AMR produced financial data broken down by branch, by shipper, and, in the case of the Norman Branch, by segment. They state further that the data reflect that AMR realized a net loss from operations on the Norman Branch, before income taxes, of \$442,217. For this reason, they contend that the Norman Branch has no GCV, but should be valued at the NLV.

Conclusions as to Valuation. The court directed that on remand we consider the Norman Branch as a single line, and we have done so. The evidence before us, however, shows that while the entire line has a NLV, the southernmost portion of the line on which AMR profitably serves IP also plainly has a GCV. That GCV has to be taken into account in order to compensate AMR if it is to be deprived of the opportunity to serve IP in the event of a forced sale of the Norman Branch. Section 10907(b)(2) specifically provides that the constitutional minimum value of a particular line shall be the greater of the NLV or the GCV for such line. Although we are requiring AMR to sell the entire line, because it serves IP at a profit, the only fair way to value this line to provide AMR the constitutionally required minimum value is to add the GCV of the part of the line that has a GCV (the southernmost portion on which AMR serves IP) to the NLV of the remaining portion of the line.

We do not agree with Mr. Bowers that GCV for the entire line should be based on ETC's projections for operating both the northern and southern portions of the line. GCV is defined as what a line is worth as an operating business, not its break-up value. ETC's projections may or may not prove correct, but in any case, the relevant GCV here is what the line is worth to AMR as a going concern, not its projected value to the acquiring company. United States v. Miller, 317 U.S. 369, 375 (1942). AMR does operate over the southern portion of the line, which has a current value to AMR. Thus, ETC's projections as to that part of the line are irrelevant to AMR. And although AMR is not now operating over the northern segment, when it last did over four years ago, it did so at a loss, and indeed sought to terminate its operations over that segment. Therefore, we must conclude that ETC's projections are essentially irrelevant in the overall determination of GCV or value of the entire Norman Branch.

On the other hand, the Shippers continue to rely on AMR's operating results for 1993, the last year in which AMR operated the entire Norman Branch, to support their argument that NLV is the appropriate way to value the entire line. However, we have data from both parties showing the

result of operations over the southernmost portion on which IP is located for 1996. These data clearly are more representative of current traffic levels and demand for services over the Norman Branch than the older 1993 data. Moreover, because AMR has continued to operate, and indeed is currently operating, the southernmost portion to serve IP, that portion of the line plainly has a GCV. Indeed, the Shippers themselves have presented evidence that supports this conclusion, by arguing during the ICC's feeder line proceeding that the projected difference in operating results if IP's traffic is not included is the difference between a \$124,701 per year loss and \$264,649 per year profit. In these circumstances, even though we have required AMR to sell the line as a single line, it is appropriate to add the GCV of the southernmost portion of the line to the NLV for the rest of the line to develop an overall valuation for this line pursuant to 49 U.S.C. 10907(b)(2).

In determining the GCV for the line's southern portion, we used data furnished by the Shippers and AMR in their supplemental filings that reflect AMR's operations over the southern portion for the year 1996. These data show that in 1996, AMR realized revenues of \$425,660 for moving 2,867 cars on the southern portion. AMR reported incurring variable costs of \$297,000. Applying a multiplier of 17.7% based on the 1996 pretax cost of capital rate for the railroad industry,²⁰ we have computed the GCV of the southern portion at \$726,893.

Our GCV estimate does not include costs associated with rehabilitating the approximately 3-mile southern portion on which AMR continues to serve IP. It is unclear from the evidence submitted how much rehabilitation will be necessary for the southern portion. Inasmuch as trains are regularly using that portion of the line to serve IP, we have assumed that the amount of rehabilitation on that portion will be minimal. Because the purchaser would be rehabilitating primarily the northern portion, and because that portion of the line has no GCV since AMR is not operating it, the Shippers' projected rehabilitation costs for that segment are not relevant for our GCV analysis.

Also, we have not included fixed costs in our GCV for the southern portion. AMR has contended that there would be no fixed cost savings if the Norman Branch were eliminated, and there is nothing in the record that would pinpoint any fixed cost decreases. Furthermore, fixed costs, by definition, are those that do not vary with volume. Thus, we have not included fixed costs in determining GCV for the southern portion.

In Caddo 2, the ICC set the NLV based on evidence that valued the line in 1994. On remand, neither party has presented any supplemental evidence to update the NLV of the Norman

²⁰ In Railroad Cost of Capital—1996, STB Ex Parte No. 558 (STB served July 16, 1997), we found that the after-tax cost of capital for 1996 is 11.9%. The pre-tax cost of capital equivalent of this number is 17.7% (which assumes 35% Federal and 2% state tax rates) is an appropriate number for use as an earnings multiplier here. As noted, we used a 1996 cost of capital here because the parties' evidence was for 1996.

Branch. Without additional evidence, we have no choice but to use the NLV set in Caddo 2, even though that value may not totally reflect current conditions on the Norman Branch.

The value of the entire line using the GCV for the southern portion and NLV for the northern portion is as follows:

Southern segment GCV	Amount
Revenues	\$425,660
Variable Costs	\$297,000
Net Contribution Before Fixed Costs	\$128,660
Estimated Fixed Costs	0
Net Revenue After Fixed Costs	\$128,660
Earnings Multiplier	17.7%
GCV	\$726,893
Northern segment NLV	\$901,834
Total Value	\$1,628,727

The statute provides that the constitutional minimum value of a line shall be the greater of the NLV or the GCV. 49 U.S.C. 10907(b)(2). The value of the entire line at \$1,628,727, adding the GCV for the southern portion (\$726,893) to the NLV for the remainder of the Norman Branch (\$901,834), exceeds the NLV for the entire line (\$961,096.24). Accordingly, to provide AMR the constitutionally required minimum value, we will set the selling price of the line at \$1,628,727.

Financial Responsibility

The feeder line procedures require us to determine if the purchaser of the line is a “financially responsible person.” The statute defines a “financially responsible person” as a person who (1) is capable of paying the constitutional minimum value of the line; and (2) is able to assure that adequate transportation is provided over the line for at least 3 years. When it originally reviewed the application in Caddo 2, the ICC found (at p. 6), that CALM would be able to obtain the necessary funding from the Shippers to operate the northern 49.2 mile portion of the line. We are revisiting the issue in light of the court’s instruction that we determine whether CALM has the financial resources to operate the entire line, in light of DRRC/CALM’s cessation of interim operations and the substitution of ETC.

The Shippers reconfirm their intent and willingness to acquire the Norman Branch, stating that they would acquire the Norman Branch through a newly formed corporation that will be jointly owned by GS Roofing, Bean, and Gifford Hill. They indicate that GS Roofing and Bean will each pay half of the purchase price of the line. The Shippers also submitted confidential financial data under seal showing that GS Roofing and Bean have the financial resources necessary to acquire the line. GS Roofing and Bean state that each is committed to providing the necessary funds to assure rail operations for at least three years.

The Shippers state further that, in the past three years, they have covered many of the costs of rail operations over the Norman Branch over and above the freight rates they paid to UP. They explain that they shared in the purchase of locomotives and other operating equipment and track materials. They also assertedly covered the costs resulting from a major derailment in 1994. In addition, GS Roofing evidently created a separate fund which was used to purchase ties.

In their supplemental statements, the Shippers submitted new projections of future operations on the line, assertedly showing that the line will be viable after being rehabilitated, a process which is anticipated to take about three years to complete. The Shippers point out that their new projections are based on experience gained by three years of operations over the entire line. They claim that, as the line is rehabilitated, operating speeds will increase, thereby reducing operating expenses. In addition, they expect that financial results will improve because they would not have to pay trackage rights fees to AMR for operating over the southern portion.

The Shippers expect that under their ownership the line would generate additional revenues ensuring the line's future viability. Gifford-Hill, IP, and Barksdale likely would maintain their current traffic levels. However, the Shippers anticipate that GS Roofing and Bean will increase their traffic over the Norman Branch, and, in turn, generate additional revenues. A verified statement by Curt Bean indicates that Bean has opened a new facility in Kansas City, KS, which will receive rail shipments that originate on the Norman Branch. John W. Smith testifies that GS Roofing intends to use its facility at Birds Mill as the primary source of roofing granules to supply its manufacturing facilities in Little Rock, AR, Charleston, SC, and Shreveport, LA. The Shippers expect that GS Roofing's shipments of covered hoppers from its Birds Mill facility will provide the major source of revenues realized from operating the Norman Branch.

In response to our request for additional information, the Shippers also updated the record to show that they would cover expenses for service over the line for at least 3 years after they acquire the line, as required by section 1151.3(a)(3)(ii) of our regulations. The Shippers also submitted a cash flow analysis, which is set forth in Appendix A to this decision. The data indicate that revenues will exceed expenses in each of the first 3 years of operating the line. As a result, the Shippers do not expect that they would have to provide any subsidy. However, in the event that operations are unprofitable, GS Roofing and Bean state that they are committed to providing funding necessary to assure rail operations for at least 3 years.

The Shippers further indicate that they propose to spend more than \$2 million to rehabilitate the line over three years. In the first year, they propose to replace ties on all curves on a portion of the line between milepost 447 and milepost 479.2, brush-cut the entire line, and perform 17 miles of ditching and drainage work at a total estimated cost of \$799,705. In year 2, they propose to replace ties on tangent track between milepost 447 and milepost 479.2, surface and dress tangent track and replace ties and rails on Gifford-Hill lead at a total estimated cost of \$617,422. In the third year, they propose to replace ties, and surface and dress track between milepost 447 and milepost 426.3, at a total estimated cost of \$604,691. The proposed rehabilitation is detailed in Appendix B to this decision.

The Shippers also submitted an operating plan, which indicates that, after completion of year 1, maximum speed will be increased from 5 mph to 10 mph for the portion between M.P. 447 and M.P. 479.5. The increased speed will allow CALM to make a complete turn on a daily basis, which would give the Shippers complete daily service. According to the plan, train operations during rehabilitation would be adjusted by running trains early or late so as not to disrupt construction during the day. Following completion of the initial phase of the rehabilitation process, the Shippers expect that train speed on the entire Norman Branch should be 10 mph.

According to the operating plan, following acquisition of the entire line, rail service to IP will continue on a daily basis as currently provided by AMR. With the exception of the IP operations which now are being conducted by AMR, the proposed operations will be comparable to the operations which have been conducted by DRRC/CALM and ETC since April 1994 under Service Order No. 1516.

AMR complains that the Shippers have not clarified the identity of the operator of the line or established its financial responsibility. AMR further asserts that the Shippers have not submitted adequate information regarding how the purchase will be funded. Without this information, AMR claims, the Shippers have not shown that the operator is financially responsible within the meaning of the statute. However, the Shippers have adequately explained that they reached an agreement with ETC to replace DRRC/CALM as the operator of the line. Consistent with the requirements of 49 CFR 1151.3(a)(7), ETC submitted a detailed operating plan. ETC also has provided an updated pro forma cash flow statement which details the anticipated financial situation for the first three years after acquisition. Moreover, the Shippers submitted extensive evidence under seal showing the financial condition of the prospective purchasers of the line.

We find that the Shippers have provided sufficient information to show financial responsibility within the meaning of section 10907. The Shippers have shown that they will control and provide financial backing to the operators and insure that operations are conducted for at least three years. Also, the supplemental financial information in the record shows that GS Roofing and Bean have ample resources to purchase and rehabilitate the line and finance its operations for three years. Both shippers project increases in their traffic to generate additional revenues, and both have shown that they are committed to providing the funds to acquire the line and assure that operations will continue for three years. This is adequate to satisfy the statutory requirement of financial

responsibility. See Cheney R. Co.—Feeder Line Acq., 5 I.C.C.2d 250, 263 (1989), aff'd sub nom. Cheney R. Co., Inc. v. ICC, 902 F.2d 66 (D.C. Cir.), cert. denied, 498 U.S. 985 (1990).

Exemption

Under section 10907(g)(1), ETC has elected to be exempt from the provisions of part A of Subtitle IV of 49 U.S.C., except the joint rate provisions of chapter 107.

Labor Protection

ICCTA removed mandatory labor protection from the feeder line procedures now in section 10907. However, the statute provides that we shall require, to the maximum extent practicable, the use of employees who would normally have performed work on the line at issue. 49 U.S.C. 10907(e). In the Proposed Decision provided by the Shippers, the Shippers suggest that ETC be required to employ AMR employees currently on the line for a 90-day probation period, and that, at the end of the probation period, each employee be evaluated for further employment. We believe the Shippers' approach represents a reasonable accommodation of the statute, and it will be imposed as a condition.

Closing Terms

To ensure the smooth transfer of the line, we will establish the following terms: (1) payment will be made by cash or certified check; (2) closing will occur within 90 days after the service date of this decision; (3) AMR will convey all property by quitclaim deed; (4) AMR will deliver all releases from any mortgages and original documents conveying interest in the right-of-way to the Shippers or their designee within 90 days from closing; (5) all taxes should be prorated as of the date of closing; and (6) deed recording fees should be paid by Shippers. Mortgage or lien releases, taxes and recording fees should be paid by AMR. The parties may modify the terms of sale by mutual agreement.

SUMMARY

Given the findings of the court in Caddo and GS Roofing, we have little choice but to conclude that the circumstances surrounding the embargo require a finding that the Shippers have met their burden as to the first two criteria of the PC&N standards in 49 U.S.C. 10907(c)(1). We also find that, at the price we are setting, a sale to the Shippers will not cripple AMR financially or operationally. Finally, we find that a sale will lead to better service.

This action will not significantly affect either the quality of the human environment or the conservation of energy resources.

It is ordered:

1. The feeder line application is granted.
2. The Shippers must notify the Board and AMR by August 23, 1999 whether they accept or reject our determination.
3. The purchase price of the Norman Branch is set at \$1,628,727. The sale is subject to the labor protection condition voluntarily undertaken by the Shippers and the other terms of sale set forth in this decision.
4. This decision is effective September 11, 1999.

By the Board, Chairman Morgan, Vice Chairman Clyburn, and Commissioner Burkes.

Vernon A. Williams
Secretary

Appendix A

NORMAN BRANCH
NORMAL CASH FLOW PROJECTIONS
FOR THE YEARS 1, 2 & 3

	Year 1	Year 2	Year 3
Projected Revenues:			
Freight	1,473,136.00	1,512,918.00	1,553,088.00
Incidental	<u>55,750.00</u>	<u>56,875.00</u>	<u>58,000.00</u>
Gross Profit	1,528,886.00	1,569,793.00	1,611,088.00
Costs and Expenses:			
MOW Wages	84,764.16	87,010.41	89,316.19
Repairs & Main. - Roadway	48,550.00	49,836.58	51,157.24
Repairs & Main. - Structure	10,000.00	10,265.00	10,537.02
Signals & Interlockers	11,724.33	12,035.02	12,353.95
Other Main of Way Expense	41,392.24	42,489.13	43,615.10
Track Rehab. - Phase I, II & III	799,705.00	617,422.30	604,691.91
Wages - Mechanical	27,507.60	28,236.55	28,984.82
Locomotive Repairs	38,362.80	39,379.41	40,422.97
Car Repairs	5,000.00	5,132.50	5,268.51
Other Equipment Repairs	3,413.88	3,504.35	3,597.21
Equipment Rental	5,500.00	5,845.75	5,795.36
Equipment Depreciation	28,998.60	29,767.06	30,555.89
Other Equipment Expense	6,519.12	6,691.88	6,869.21
*Conductor Wages	56,477.20	57,973.85	59,510.15
*Engineer Wages	72,314.43	74,230.78	76,197.88
Train Fuel	124,860.94	128,169.75	131,566.25
Other Train Fuel	11,991.72	12,309.50	12,635.70
Administrative Expense	207,369.60	212,664.89	218,505.81
Insurance	33,521.92	34,410.25	35,322.12
Other General Expense	11,460.96	11,764.68	12,076.44
Station Expense (Pike City)	3,960.60	4,065.56	4,173.29
General Depreciation	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total Cost & Expenses	1,633,395.10	1,473,205.19	1,483,153.04
Earnings (loss from operations)	(104,509.10)	96,587.81	127,934.96

Other Income and Expenses:

Finance Docket No. 32479

Payroll Taxes	(64,351.76)	(66,057.08)	(67,807.59)
Income Lease of Road & Equipment	0.00	0.00	0.00
Car Hire Expense	(18,000.00)	(18,477.00)	(18,966.64)
Misc. Non-Operating Revenue	0.00	0.00	0.00
Interest Income	0.00	0.00	0.00
Misc. Income	0.00	0.00	0.00
Interest of Funded Debt	0.00	0.00	0.00
Other Income & Expense	200,000.00	0.00	0.00
Misc. Income Charges	0.00	0.00	0.00
Total Income & Expense	<u>117,648.24</u>	<u>(84,534.08)</u>	<u>(86,774.23)</u>
Net earnings (loss) for year	13,139.14	12,053.74	41,160.63

APPENDIX B

NORMAN BRANCH PROPOSED REHABILITATION

Year 1

CURVES ON NORTH END

Milepost 447 To Milepost. 479.2
32.2 MILES

1. Brush Cutting Entire Line (machine and operator)	\$10,639.00
2. Crossties (7' x 9' x 8'6" industrial grade)111 1,800 per mile @ \$18.00 each x 17 miles	\$550,800.00
3. Ballast (10,000 tons @ \$4.50 per ton)	\$45,000.00
4. Spikes (400 kegs @ \$86.00 each)	\$34,400.00
5. Tieplates (1500 @ \$2.00 each)	\$3,000.00
6. Surfacing and Dressing Curve (17 miles @ \$.65 per ft)	\$58,344.00
7. Drainage work (17 miles)	\$30,000.00
8. Track Gang Labor (262 days)	\$41,022.00
9. Leased Equipment	
1 tie inserter @ \$4,000.00 month x 3 months	\$12,000.00
1 tie cranes @ \$2,500.00 month (each) x 3 mo	\$15,000.00
1 spike driver @ \$3,000.00 month x 3 months	\$9,000.00
1 ballast plow @ \$3,500.00 month x 3 months	\$10,500.00
10. Less Salvage Ties (10,000 @ \$2.00 each)	(\$20,000.00)
Total of Year 1	\$799,705.00

Year 2

TANGENT TRACK ON NORTH END

Milepost 447 To Milepost 479.2
15 Miles

1. Crossties (7' x 9' x 8'6" industrial grade) 1,500 per mile @ \$18.00 each x 15 miles	\$405,000.00
2. Ballast (10,000 tons @ \$4.75 per ton)	\$47,500.00
3. Spikes (360 kegs @ \$86.00 each)	\$30,960.00
4. Bridge Ties (800 @ \$35.00 each)	\$28,000.00
5. Surfacing and Dressing Curves 15 miles @ \$.55 per ft)	\$43,560.00
6. Track Gang Labor (131 days)	\$15,902.00
7. Leased Equipment	
1 - tie inserter @ \$4,000.00 month x 3 months	\$12,000.00
2 - tie cranes @ \$2,500.00 month (each) x 3 mo	\$15,000.00
1 - spike driver @ \$3,000.00 month x 3 months	\$9,000.00
1 - ballast plow @ \$3,500.00 month x 3 months	\$ 10,500.00
 Total of Year 2	 \$617,422.00

Year 3

SOUTHERN END

Milepost 426.3 To Milepost 447
20 Miles

1. Crossties (7' x 9' x 8'6" industrial grade) 1,000 per mile @ \$18.00 each x 20 miles	\$360,000.00
2. Ballast (12,500 tons @ \$4.75 per ton)	\$59,375.00
3. Spikes (325 kegs @ \$86.00 each)	\$27,950.00
4. Surfacing and Dressing Curves (20 miles @ \$.65 per ft)	\$68,640.00
5. Track Gang Labor (142 days)	\$28,326.00
6. Leased Equipment	
1 - tie inserter @ \$4,000.00 month x 4 months	\$16,000.00
2 - tie handler @ \$1,800.00 month (each) x 4 mo	\$14,400.00
1 - spike gauger @ \$4,000.00 month x 4 months	\$16,000.00
1 - ballast plow @ \$3,500.00 month x 4 months	\$14,000.00
 Total of Year 3	 \$604,691.00