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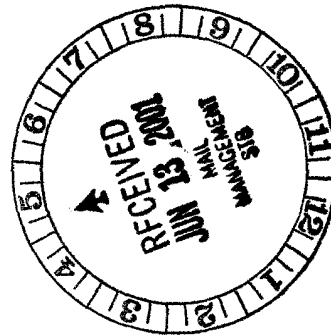
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June 13, 2001

Office of the Secretary
Case Control Unit
Finance Docket No. 34000
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-001

Attn: Phillis Johnson-Ball
Environmental Project Manager
Environmental Filing



**Re: Comments on Environmental Appendix to CN/WC Application -
Finance Docket No. 34000**

Dear Mr. Secretary:

Enclosed is Great Lakes Transportation LLC's Comments on Applicants' Environmental Appendix.

Please file-stamp the enclosed copy of the Comments and return it to our messenger. Thank you for your assistance.

Sincerely,

James R. Dean, Jr.

Enclosures

ENTERED
Office of the Secretary

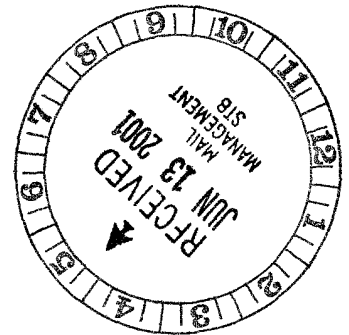
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GLT-9

BEFORE THE SURFACE TRANSPORTATION BOARD

STB Finance Docket No. 34000



CANADIAN NATIONAL RAILWAY COMPANY,
GRAND TRUNK CORPORATION, AND WC MERGER SUB, INC.
- CONTROL AND MERGER -
WISCONSIN CENTRAL TRANSPORTATION CORPORATION,
WISCONSIN CENTRAL LTD., FOX VALLEY & WESTERN LTD.,
SAULT STE. MARIE BRIDGE COMPANY, AND
WISCONSIN CHICAGO LINK LTD.

COMMENTS OF GREAT LAKES TRANSPORTATION LLC ON
APPLICANTS' ENVIRONMENTAL APPENDIX

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Dated: June 13, 2001

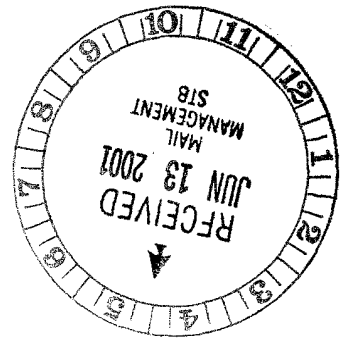
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COMMENTS OF GREAT LAKES TRANSPORTATION LLC ON
APPLICANTS' ENVIRONMENTAL APPENDIX

Great Lakes Transportation LLC ("Great Lakes") submits the following comments on the Environmental Appendix prepared by Canadian National Railway Company ("CN") and Wisconsin Central Transportation Corporation ("WC") and their respective affiliates and subsidiaries (collectively, "Applicants").

I. Introduction

Applicants applied on April 9, 2001, for authorization for CN, through an affiliate, to acquire control of WC and WC's rail carrier subsidiaries. Applicants argue that the transaction is needed to strengthen the competitive presence of WC. According to Applicants, WC faces financial constraints that prevent it from making additional investments that would permit it to improve its service.¹ The verified statements of the chief executive officers of both CN and WC state that the combined entity will have more resources and be a stronger

¹ See Rail Control Application ("Application"), at 5.

competitor.² These statements further indicate that the combined entity is likely to succeed in markets where WC alone had been unable to offer a competitive service.³

On May 1, 2001, Great Lakes petitioned for leave to intervene out of time, and, among other things, urged the Board to classify the proposed transaction as “significant” for purposes of its rules.⁴ In support of that request, Great Lakes pointed out that the Applicants apparently anticipate diverting to all-rail routes some or all of the taconite currently transported by a combination of rail and water.⁵ The verified statement of the chief marketing officers of CN and WC, included with the Application, specifically notes the potential for a seasonal diversion to all-rail movement of taconite traffic currently moving via the Great Lakes to USX Corporation’s Edgar Thomson Works in Pittsburgh, PA.⁶ This statement goes on to suggest that there might eventually be a year-round diversion of this traffic.⁷ Great Lakes noted that the greater resources of the merged CN/WC would allow the merged entity to seek to shift a

² See Verified Statement of Paul M. Tellier at 3, Application at 108 (“opportunities to improve WC’s competitive position are not economically feasible absent the scale and scope of a much larger system”); *id.* at 9, Application at 114 (“the CN/WC Transaction will infuse WC with greater financial strength and other resources necessary to ensure that WC’s prior successes in safely providing high quality service to customers can continue”); Verified Statement of Thomas F. Power, Jr. at 11, Application at 130 (“Bringing WC within the CN family will increase the financial strength of WC and will assure that it has the necessary resources to continue to invest . . .”).

³ See Tellier Statement at 5, Application at 110 (“we expect to gain new business in the transportation of these commodities [including metals and minerals] following the CN/WC merger”).

⁴ Reply of Great Lakes Transportation LLC to Petition Suggesting Procedural Schedule; Petition to Dismiss Application or Require Supplemental Information (“Great Lakes’ Reply”). Great Lakes’ Reply was supported by the verified statement of Peter D. Stephenson, Vice President of the Duluth Missabe and Iron Range Railway Company (“DM&IR”).

⁵ Great Lakes’ Reply at 6.

⁶ See Verified Statement of James M. Foote and William R. Schauer at A-16, Application at 170.

⁷ *Id.*

significant portion of, if not all, taconite traffic from the Great Lakes to all-rail movements. Such diversion, Great Lakes stated, would have substantial competitive, environmental, and safety effects and thereby significantly implicate the public interest. Great Lakes pointed out that these impacts were not addressed in the Application.⁸

In a response filed on May 2, 2001, Applicants sought to minimize the prospects that such diversion would actually occur. Despite their explicit statements in the Application about the potential for diversion of taconite traffic, Applicants stated: "From beginning to end, [Great Lakes'] Petition is based on a premise -- repeatedly stated but totally unfounded -- that Applicants expect and plan on a 'major' diversion of a 'significant,' 'large,' or 'substantial[ly] increase[d]' volume, the 'majority' of or all of the water-borne traffic now handled by [Great Lakes] and its affiliates. This fundamental premise is wholly unfounded."⁹

In its Decision No. 2, issued May 9, 2001, the Board accepted the Application for filing as a "minor" application under 49 C.F.R. § 1180.2(c), but provided additional time for filing comments on the Application, emphasizing that "Great Lakes' concerns (including environmental concerns) can be addressed in the submissions of all interested parties and considered by the Board with the schedule we are establishing for this proceeding."¹⁰ The Board also ordered the Applicants to make public the Environmental Appendix prepared as part of the Application and provided a 30-day period for interested parties to submit comments on it to the Board's Section of Environmental Analysis ("SEA").

⁸ Great Lakes' Reply at 7.

⁹ Applicants' Reply to Petition to Dismiss Application or Require Supplemental Information at 2 (May 2, 2001).

¹⁰ Decision No. 2 at 8.

In their Environmental Appendix, filed on May 14, 2001, Applicants assert that “the proposed transaction will not lead to an increase of more than one train per day on any rail segment, except for a one-mile segment between Harvey and Markham/Chicago Intermodal Terminal, Illinois, where they project an average increase of 1.77 trains per day.”¹¹ Based on this estimate of increased operations resulting from the transaction, Applicants urge SEA to find that the transaction falls within the “categorical exclusion from environmental review under the STB’s rules.”¹²

Applicants’ Environmental Appendix understates the likely environmental impacts of the transaction. As explained in the verified statements accompanying these comments, there is a significant likelihood that, as a result of the proposed transaction, as many as 8.13 additional trains per day would operate over the WC mainline between Superior, WI and Chicago, IL. Such an increase would have significant environmental impacts and require careful evaluation by the Board. Yet the Applicants’ Environmental Appendix ignores these potential diversions and provides no basis for evaluating their potential impact.

In view of the magnitude of the potential diversions identified in this filing, Great Lakes urges SEA to find that a formal environmental review of the transaction is required under the applicable regulations.

II. Statutory and Regulatory Framework

The National Environmental Policy Act (“NEPA”)¹³ requires that the Board consider the environmental impacts of the proposed transaction as part of its overall

¹¹ Environmental Appendix at 6.

¹² *Id.* at 8.

¹³ 42 U.S.C. §§ 4321 *et seq.*

consideration of the transaction. The Board's regulations, codified at 49 C.F.R. part 1105, identify levels of increased operations resulting from a transaction that will trigger a requirement for preparation of either an Environmental Assessment or an Environmental Impact Statement. *See* 49 C.F.R. § 1105.6(c)(2).

More stringent thresholds apply to areas designated as non-attainment areas under federal air pollution control guidelines. The threshold for non-attainment areas is an increase of three trains per day, or a 50% increase in annual gross-ton miles, on a segment. *See* 49 C.F.R. § 1105.7(e)(5)(ii). As stated in Applicants' Environmental Appendix, a portion of the WC main line between Superior and Chicago runs through a non-attainment area.¹⁴ The threshold for other areas is an increase of eight trains per day, or a 100% increase in annual gross ton-miles, on a segment. *See* 49 C.F.R. § 1105.7(e)(5)(i). If either of these thresholds is exceeded, further environmental review should occur.¹⁵

III. Comments

A realistic estimate of the traffic increases that appear likely to result from the proposed CN/WC transaction indicates that further environmental review should occur. The Operating Plan contained in the Application fails to include likely increases in taconite movements on the CN/WC system, despite indications in the Application and elsewhere that CN/WC will pursue this traffic. When the probable effects on taconite traffic are included in the overall analysis, it is clear that the transaction is likely to result in significant expansion of traffic on WC's Superior - Chicago mainline. In fact, diversion of taconite from the current rail-water route via the Great Lakes to an all-rail movement could add more than eight trains per day to the

¹⁴ *See* Environmental Appendix at Exhibit A-2.

¹⁵ *See* 49 C.F.R. § 1105.6 (a), (b)(4)(i).

WC mainline. The threshold of three trains per day would be exceeded on the Fond du Lac-Chicago segment (which traverses a non-attainment area), if CN/WC diverted just 5,944,000 tons, or less than 40% of the taconite traffic that Great Lakes currently moves via rail-water or rail-water-rail routes.¹⁶ Accordingly, a full environmental review of the transaction is warranted.

A. Current Taconite Flows and Potential Diversions

During the base year 1999, approximately 15.37 million tons of taconite moved from mines in northeastern Minnesota, over the DM&IR, and then via lake vessels to various ports in Indiana and Ohio.¹⁷ After the proposed acquisition is completed, the entire 15.37 million tons is potentially divertible to an all-rail routing.

There are no insurmountable physical barriers to all-rail movement of this taconite traffic. As explained in the verified statements of Peter Stephenson and Elliott Hughes, attached hereto as Exhibits A and B, respectively, each of the five integrated mills currently receiving taconite via lake movements is capable of receiving the same volumes of taconite via an all-rail movement, either immediately or following limited modifications to existing facilities.¹⁸ However, WC is constrained in its ability to pursue these opportunities aggressively absent the CN merger. There are currently constraints on the capacity of the WC line from Duluth to Chicago. As Applicants' statements in the Application suggests, WC's limited financial resources inhibit its ability to add sufficient capacity to permit diversion of substantial

¹⁶ Because Applicants plan on certain traffic consolidations, which will result in discontinuation of two WC manifest trains currently operating between Fond du Lac and Chicago, an increase of 3.14 trains per day beyond that projected by CN/WC is required to exceed the three-trains-per-day threshold. *See* Verified Statement of Peter D. Stephenson, attached as Exhibit A, p. 5.

¹⁷ *See* Verified Statement of Elliott Hughes, attached as Exhibit B, p. 3.

¹⁸ Hughes VS, p. 9.

taconite traffic from water routes. The combined entity, on the other hand, will be in a position to invest in expanding the capacity of this line, through track expansion and acquisition of additional equipment. Indeed, as noted above, one of the major reasons for the proposed acquisition is to bring CN's large financial resources to bear, allowing expansion of the currently constrained WC system and continued aggressive growth in WC's traffic base.

Moreover, CN and WC are clearly interested in diverting taconite traffic to all-rail. WC has taken steps to increase its taconite traffic in recent years. It has published at least one advertisement in a trade publication promoting an all-rail route from the Minnesota mines to eastern destinations.¹⁹ WC has also prepared a marketing presentation touting its ability to handle taconite movements, albeit on a limited basis.²⁰ Furthermore, WC has solicited year round all-rail movement of iron ore that has historically moved via water, casting doubt on the credibility of the statement by CN/WC's counsel that Great Lakes' expectation of significant diversion is "wholly unfounded." Once WC has access to additional resources from CN, it is likely to expand its taconite marketing efforts

The statements of Messrs. Foote and Schauer, described above, make it plain that this is not idle speculation. The comments in that statement specifically reference potential diversion of taconite, highlighting one substantial movement to Pittsburgh that currently moves via rail-water-rail. While Applicants subsequently attempted to dismiss the significance of these comments, it is reasonable to assume that Messrs. Foote and Schauer would not have included such a specific discussion of the potential for diversion of taconite unless they had discussed this

¹⁹ See WC Advertisement in Skillings Mining Review, attached as Exhibit C.

²⁰ See WC Presentation to Great Lakes Transportation and Mining Symposium, entitled "Rail Direct Delivery of Iron Ore," attached as Exhibit D.

prospect in some detail and concluded that they wanted to pursue it and that there is a realistic prospect that CN/WC efforts to divert such traffic would succeed.

While the great bulk of taconite traffic that moves on DM&IR has thus far continued to move on the Great Lakes, WC has already succeeded in diverting some of this traffic to an all-rail movement. For example, in the past year an increasing percentage of taconite traffic bound for AK Steel's facility at Middletown, Ohio, has moved entirely by rail; approximately 75% of this traffic will move via all-rail in the coming year.²¹ WC's ability to attract more taconite traffic has thus far been limited. However, with the increased resources of CN and the desire of WC and CN to pursue taconite traffic that currently moves on the Lakes (as evidenced by the comments in the Foote/Schauer verified statement), significant additional diversion appears likely. In fact, assuming that CN/WC are prepared to undercut existing rail-water rates in order to attract taconite traffic (as they presumably are), Great Lakes believes that most or all of this traffic is at risk.

B. Basis for Diversion Estimates

In view of the indications that the CN/WC transaction will enable the merged entity to divert to all-rail most or all of the taconite traffic that currently moves on the Lakes, Great Lakes believes that SEA must take such diversions into account in evaluating the potential impact of the transaction. To evaluate whether the potential traffic increases exceed the environmental guidelines set by the Board, Great Lakes has estimated the number of additional trains required to move certain volumes of traffic subject to diversion.

²¹ Hughes VS, p. 6.

The methodology Great Lakes has used to develop the number of trains that would be added as a result of taconite diversions is explained in the verified statements of Peter D. Stephenson and Elliott Hughes. As Mr. Stephenson explains, because of infrastructure limitations in Duluth/Superior, trains used in taconite movements originating on DM&IR are limited to 105 cars.²² Mr. Hughes therefore assumes a 105-car unit train (with a total lading weight of 10,500 tons) in calculating the number of additional trains resulting from the potential diversions. Mr. Hughes divides the annual diverted volume by 10,500 tons, the lading capacity of a 105-car ore train, in order to obtain the estimated number of unit trains required to move diverted volumes.²³

In the first case analyzed (the “Immediate Potential” case), Mr. Hughes addresses the diversion of potential taconite volumes – approximately 5.9 million tons annually – that would result in additional train movements exceeding the 3.0-trains-per-day threshold on the Fond du Lac-Schiller Park segment, thus triggering mandatory environmental review. As Mr. Hughes explains, diversions of this magnitude are reasonably likely to occur in the near term. CN/WC could achieve additional volumes of this magnitude in a number of ways. In Mr. Hughes’ judgment, one likely scenario would involve diversion of approximately 40% of the taconite consumed by the USX Edgar Thompson facility in Pittsburgh, which is the portion that could be readily diverted consistent with existing contract restrictions; a portion (roughly 40%) of the total taconite consumed by the USX facility in Gary, Indiana and Inland Steel’s facility at

²² Stephenson, VS, p. 4.

²³ Hughes VS, p. 12.

Indiana Harbor, Indiana; as well as the portion of the movement to AK Steel's facility in Middletown, Ohio, that still moves via the Lakes.²⁴

In the second case analyzed (the "Total Conversion" case), Mr. Hughes assumed that 100% of DM&IR taconite traffic now carried on the Lakes (approximately 15.37 million tons per year) would be diverted to all-rail. Under this case, the environmental thresholds would be exceeded both in the non-attainment area north of Chicago and on other WC mainline segments that are not subject to the stricter threshold. As shown in Table 1 to the Hughes statement, such a diversion would result in 8.13 additional trains per day.²⁵

In view of the fact that CN/WC can be expected to compete aggressively to win taconite traffic away from the Lakes, SEA should treat this 100% diversion case as a realistic alternative and should conclude that the potential increase in number of trains per day is sufficient to trigger further environmental review. In any event, the Immediate Potential case in itself shows effects that warrant further review.

C. Environmental Impacts

The diversion to an all-rail route of even a portion of the taconite that currently moves on the Lakes would have significant environmental impacts. The diverted traffic will move through a non-attainment area under the Clean Air Act, further exacerbating current air quality problems, and it will increase the disruption imposed on communities in the heavily populated Wisconsin and Illinois communities between Fond du Lac and Chicago. The verified statement of G. Avery Grimes, attached as Exhibit E, estimates the likely effects of such diversion on freight rail operations safety, hazardous materials transport safety, passenger rail

²⁴ *Id.* at 10.

safety, emergency vehicle response, highway at-grade crossing delay, traffic and roadway systems, energy, air quality, noise, cultural resources, land use, natural resources, and environmental justice. Based on the potential diversions calculated by Mr. Hughes, Mr. Grimes estimates the following environmental effects:

- An additional 9 to 24 Train Accidents (other than Highway-Rail) per year
- An additional 30 to 79 railroad Employee On-Duty Cases per year
- An additional 24 to 62 Highway-Rail Incidents per year
- An additional 13 to 33 Highway-Rail Casualties per year
- An additional 2 to 6 Railroad Trespasser Casualties per year
- An additional 0.826 to 1.923 million Train Crossing events per year (impacting emergency response and other vehicle delay)
- An increase in energy requirements of between 195 and 601 billion Btu's per year
- An increase in diesel fuel consumption of between 1.4 and 4.3 million gallons per year
- An increase in CO emissions of 68 to 217 thousand pounds per year
- A decrease in Hydrocarbon emissions of 21 to 44 thousand pounds per year
- An increase in NOx emissions of 312 to 1,145 thousand pounds per year
- An increase in train horn events of 0.8 to 1.9 million per year
- An increase of 57 to 136 thousand train passbys in cities and towns per year
- Additional rail capacity construction
- Additional exposure of natural resources (lakes, rivers, wetlands, wildlife areas, and recreational areas) to rail traffic²⁶

²⁵ *Id.* at 13.

²⁶ See Verified Statement of G. Avery Grimes, attached as Exhibit E, p. 4.

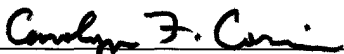
As Mr. Grimes notes, the environmental impacts are particularly acute in this case because the diversion in question is away from water carriage. Water transportation is generally safer and more efficient than rail transportation. Taconite moving via the Great Lakes does not traverse any communities. Thus, noise and emissions generally have less effect, and there are no highway crossing accidents. Unlike the typical rail-to-rail diversion, this is not simply a situation of shifting traffic volumes from one community to another. The transaction increases environmental impacts with few if any corresponding offsets in the areas from which traffic will be diverted.²⁷

IV. Conclusion

Based on the potential for diversion of taconite traffic as a result of the proposed transaction, SEA should conclude that further environmental review is appropriate.

Respectfully submitted,

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June 13, 2001

²⁷ *See id.*

VERIFIED STATEMENT

OF

PETER D. STEPHENSON

Introduction

My name is Peter D. Stephenson. I am Vice President, Duluth Missabe and Iron Range Railroad (DMIR) and USS Great Lakes Fleet, Inc. (GLF). I was appointed to this position on March 28, 2001. Prior to my current assignment, I was Vice President – Operations of Transtar, Inc., beginning May 1, 1999. In that position, I was responsible for operations of all Transtar subsidiaries. My career began with US Steel in 1967, and I have held positions of progressively greater responsibilities in the departments of Auditing, Industrial Engineering, and Operations. I served as Superintendent and General Manager of the DMIR; Superintendent of the Elgin, Joliet and Eastern Railroad (EJE); and Assistant Vice President and General Manager – East for Transtar. I graduated from the University of Minnesota in 1967 with a Bachelor of Arts degree in Political Science and Business Administration, and completed training at the University of Minnesota Graduate School of Business Administration Management Institute in 1981.

My current position and prior experience provides me with insight into rail operations associated with the movement of taconite iron ore. This statement addresses several operational considerations relating to current and potential future rail movements of taconite iron ore. These considerations have a direct bearing on the representations made by Canadian National Railway (CN) and Wisconsin Central Transportation

Corporation (WC), collectively “Applicants,” in the CN–WC Control Case Application filed with the Surface Transportation Board.

Summary of Rail Operations for Taconite

DMIR serves three northeastern Minnesota taconite iron ore production plants: Minntac, Evtac, and Minorca. Minntac is owned by USX Corporation and ships the taconite it produces primarily to the USX steel mills at Gary, Indiana; Pittsburgh, Pennsylvania; and Fairfield, Alabama; as well as steel mills at Lorain, Ohio and Geneva, Utah. The Evtac plant is jointly owned by AK Steel, Stelco, and Rouge Steel. Evtac supplies taconite to AK Steel at Middletown, Ohio and Stelco at Nanticoke, Ontario. The Minorca plant, owned by Ispat Inland, produces taconite for the Inland Steel facility at Indiana Harbor (East Chicago), Indiana. Virtually all of the taconite loaded into rail cars at Minntac, Evtac, and Minorca is transported by DMIR to one of three points on the DMIR: Steelton, Minnesota, the interchange point with WC and other railroads for interline rail shipments of taconite; the DMIR Duluth iron ore dock; or the DMIR Two Harbors (Minnesota) iron ore dock. The two port facilities, located on Lake Superior, are used for transloading taconite into Great Lakes vessels for subsequent movement, either directly to the integrated steel mills or to another lake port for transloading back into rail cars for final delivery.

Nearly all taconite transported by the DMIR is handled in unit trains. Whether destined for one of DMIR’s dock facilities or for Steelton for interchange with another railroad, complete trains of open top hoppers are used to transport taconite. While the unit trains of taconite may be broken apart for staging or servicing, efforts are made to

keep these trains “intact” and complete. There is no operational reason why taconite now originating on DMIR and moving by lake vessel cannot be handled by all-rail routings.

Rail Equipment Used to Transport Taconite

With one exception, discussed below, unit trains of taconite that DMIR interlines with other railroads are composed of standard open top hopper railroad cars, the type commonly used for the transportation of bituminous coal. These “coal” hoppers are approximately 52-feet long, typically with a capacity of 100 net tons. Due to the density of taconite iron ore pellets as compared to coal, DMIR loads such cars to their lading, but not cubic, capacities.

DMIR also uses cars specifically designed for the transportation of iron ore. These cars, known as ore “jennies,” are 24-feet long and can carry 70 tons of ore. The cars are almost exclusively used by DMIR for local movements on DMIR’s railroad between the three taconite production load-out facilities and the two DMIR taconite docks on Lake Superior. Most of these cars are over 50 years old, which, pursuant to the Association of American Railroads’ interchange rules, severely limits their use in interchange service. DMIR owns approximately 3,000 ore jennies.

While the vast majority of rail interline taconite shipments originating on DMIR use standard 52-foot open top hoppers, one train set of ore jennies (provided by BNSF) is used in a joint DMIR-BNSF movement of taconite between Minntac and the USX steel mill at Fairfield, Alabama. The other train sets used in this move consist of standard 52-foot hoppers.

In general, taconite unit trains are dedicated solely to carriage of taconite. This is done to avoid the potential contamination of taconite by other commodities that can be moved in the standard 100-ton open top hoppers, such as aggregates, limestone, various grades of coal, and other ores, and to avoid the expense and delays associated with inspection and cleaning of these cars when they are used for transporting taconite. The integrated steel manufacturers that use taconite iron ore are uniformly concerned about the purity of the taconite used in their blast furnaces, and would not tolerate any risks of contaminating the blast furnace charges with other commodities that are transported in open top hoppers. Consequently, entire taconite trains are typically returned empty directly to the DMIR-served taconite loading sites for reloading with taconite.

Length Restriction on “All-Rail” Trains Interchanged at Steelton

Taconite trains interlined between DMIR and other rail carriers -- including WC -- are limited in length to a maximum of 105 52-foot open top hoppers due to track length constraints at the Steelton interchange. The maximum lading weight (the weight of the ore load) of such a train is approximately 10,500 tons. No trains interchanged at Steelton can exceed these maximum train lengths, and there is no other feasible interchange location in the Duluth-Superior terminal that could accommodate longer trains. As a result, this critical physical limitation applies to all interline rail unit train shipments of taconite by the DMIR.

A CN/WC Calculation Error

In my review of the CN–WC Control Application, I found an erroneous assumption underlying CN/WC’s projection of the number of additional trains necessary to handle the Minntac-Fairfield traffic that Applicants anticipate diverting to a CN/WC route. Applicants projected that they would divert 1.9 million tons per year of taconite moving from Minntac to Fairfield. Applicants overestimated the number of cars per unit ore train, and, consequently, underestimated the number of trains needed to handle the tonnage Applicants anticipate diverting. This, in turn, led them to understate the traffic changes on line segments affected by the transaction.

Applicants assumed that taconite iron ore would move in unit trains consisting of 115 100-ton-capacity cars. As I describe above, however, track limitations in Duluth-Superior constrain train length to 105 cars. Thus, the capacity of Applicants’ unit trains is 9.5 percent greater than the capacity of unit trains that could realistically be operated. When unit trains with realistic capacities are considered, the number of new weekly unit trains forecast by Applicants increases to 3.48 trains in each direction from the 3.18 trains suggested by the Applicants. As a result, for each of the WC segments between Superior and Schiller Park, CN/WC's estimated increase in the number of freight trains, as set forth on Exhibit B-1 to the Environmental Appendix, should be increased by 0.09 trains per day.¹ This yields a net increase in the number of trains per day of 1.0 between Superior and Fond du Lac (0.91 plus 0.9) and a net reduction of 0.14 trains per day between Fond du Lac and Schiller Park (-0.23 plus 0.09).

¹ The additional 0.6 trains per week $((3.48 \times 2) - (3.18 \times 2) = 0.6)$ is the equivalent of 0.09 trains per day.

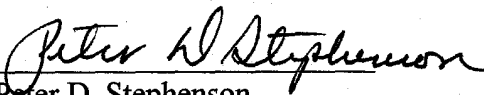
Conclusions

It is apparent that Applicants, in determining the increase in train activity between Duluth and Chicago, failed to determine properly the maximum number of freight cars that could operate in unit train service. They base the number of new unit trains on a train size of 115 cars. Track infrastructure constraints at the Steelton interchange, however, limit unit trains to 105 cars. As a result, while Applicants' Operating Plan incorporates a new unit train operating 3.18 times per week in each direction, the actual number of unit trains required to handle the additional tonnage that Applicants project would be 3.48 per week in each direction.

VERIFICATION

I, Peter D. Stephenson, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on // June, 2001.


Peter D. Stephenson



Kristen L. Kesty 6-11-01

VERIFIED STATEMENT

OF

ELLIOTT M. HUGHES, III

Introduction

My name is Elliott M. Hughes, III. I am Vice President of Sales and Marketing for Great Lakes Transportation LLC (GLT), a position I have held since March 28, 2001. My responsibilities at GLT include all sales, promotional, pricing and commercial development efforts of the companies owned by GLT, including the Duluth, Missabe and Iron Range Railway Company (DMIR), Bessemer and Lake Erie Railroad Company (BLE), USS Great Lakes Fleet, Inc. (GLF) and Pittsburgh and Conneaut Dock Company (P&C Dock). Prior to assuming my current position, I was Senior Director – Marketing for Transtar, Inc. (the predecessor parent company to the current subsidiaries of GLT). Before that assignment I was General Superintendent of the Birmingham Southern Railroad Company. I began my career with U.S. Steel in 1970 as an Internal Auditor, with subsequent and progressively more responsible assignments on Elgin, Joliet and Eastern Railway Company (EJE) and Birmingham Southern Railroad. My educational background includes a B.S. Degree in Accounting and History & Political Science from Birmingham – Southern College in 1970, and a MBA from Indiana University in 1978.

The Potential for Diversion of Taconite Traffic to CN-WC

With considerable interest I have read the CN-WC Control Application, including the verified statements of Messrs. Tellier and Power, the Chief Executive Officers of CN and WC (respectively), and the joint verified statement of Messrs. James Foote and William Schauer, commercial officers for CN and WC (respectively). Collectively, these statements explain how the CN acquisition and merger of the WC will strengthen WC. These statements make clear that CN will bring a new focus on growth and new depth of resources that will allow the combined company to realize substantial growth.

This focus on growth is reflected in the joint comments made by Messrs. Foote and Schauer regarding the potential of a combined CN-WC to divert taconite iron ore from shipment on lake vessels to all-rail movement. Unfortunately, the CN-WC Control Application and the related Environmental Appendix do not adequately evaluate the consequences of these and other diversions of taconite traffic to the CN-WC system.

The purpose of my verified statement is to explore the very real possibility that a combined CN/WC would divert some or all of the current taconite traffic handled by GLF to Applicants' all-rail route between Duluth and Chicago. I will review the flows currently handled by DMIR and GLF, and the ability of CN-WC to divert specific flows of taconite now handled by DMIR and GLF. My comments will not generally consider any commercial rail rate contracts in place at this time since such agreements are short term in nature and will not prevent rail diversions in the future.

Review of Current Taconite Moves

In this statement I consider taconite traffic originated at the three northeastern Minnesota taconite iron ore production plants served by DMIR: Minntac, Evtac, and Minorca. All the taconite transported by DMIR originates at one of these three plants. A CN-WC transaction might also result in diversion to CN-WC all-rail routes of taconite produced at other facilities in northern Minnesota or the Upper Peninsula of Michigan, but I have not considered such additional traffic in my analysis.

The Minntac facility is owned by USX Corporation and predominantly ships the taconite it produces to the USX steel mills at Gary, Indiana; Pittsburgh, Pennsylvania; and Fairfield, Alabama; as well as to the RTI mill at Lorain, Ohio and the Geneva Steel owned mill at Geneva, Utah. The Evtac plant is jointly owned by AK Steel, Stelco, and Rouge Steel, and supplies taconite to the AK Steel mill at Middletown, Ohio and the Stelco mill at Nanticoke, Ontario. The Minorca plant, owned by Ispat Inland, produces taconite for the Ispat Inland Indiana Harbor facility at East Chicago, Indiana.

The taconite loaded into rail cars at these three facilities is transported by DMIR, with very few exceptions, to either Steelton, Minnesota for interchange with another railroad for interline shipment, or to one of the two DMIR taconite docks in the Duluth area. The two port facilities, located on Lake Superior, are used for transloading taconite into lake vessels for subsequent movement, either directly to the integrated steel mills or to another port for transloading to rail for final delivery.

In 1999 DMIR moved 23,374,000 net tons of taconite from the three production facilities. Of this, lake vessels advanced 15,369,000 net tons beyond DMIR to lake docks

in Indiana and Ohio. A summary of the volume and traditional routing of the taconite traffic movements from these three plants by receivers is set forth in Table I.

Table I

1999 DMIR Originated Taconite Shipments, by Destination and Route

Receiver	Destination	1999 Volume (Net Tons)	Route
USX, Gary Works	Gary, IN	7,749,000	Lake vessels directly to mill
Ispat Inland, Indiana Harbor	East Chicago, IN	3,170,000	Lake vessels directly to mill
Stelco	Nanticoke, ON	2,923,000	Lake vessels directly to mill
USX, Edgar Thomson Works	Pittsburgh, PA	2,247,000	Lake vessels to Conneaut, Ohio; then rail (BLE) to mill.
AK Steel	Middletown, OH	1,949,000	Historically lake vessel to Toledo, then rail to mill; now partially all-rail
USX	Fairfield, AL	1,941,000	All rail
Geneva Steel	Geneva, UT	1,870,000	All rail
RTI	Lorain, OH	1,525,000	Lake vessels directly to mill

Why Diversion of Taconite to All-Rail is a Reasonable Expectation

In reviewing the potential for a merged CN-WC to divert taconite shipments away from lake vessels, I will address the lack of control by DMIR of taconite shipment routings, historical limitations on the ability of WC to divert this traffic (and the ability of CN to overcome these limitations), and the physical ability of the receivers to accept rail delivery of taconite.

DMIR Does Not “Control” Taconite Routings

As a preface to my comments on the likelihood that a CN-WC transaction would result in the diversion of taconite shipments to all-rail routes involving CN-WC, I will address a potential misunderstanding created by a statement Applicants made in their “Reply to Petition to Dismiss Application or Require Supplemental Information” dated May 2, 2001. CN-WC suggest that DMIR could block diversion to an all-rail route by exercising routing control over taconite shipped from the three taconite production facilities (referred to as “mines” in the CN-WC filing) served by DMIR. This could not be further from the truth. DMIR (and GLT) has little if any ability to influence routing decisions made by the shipper. For example, while DMIR is the sole rail carrier serving the Minntac facility, its arrangement with the shipper (USX) allows for the movement of the taconite to either the DMIR docks in Duluth and Two Harbors, or to interchange with any connecting railroad. Similar situations exist for the taconite shipped from Evtac and Minorca. This is hardly an ability to “be in a position to influence the routing” of the taconite traffic, as stated in the May 2nd CN Reply.

Diversion to All-Rail Is Economically Feasible,

But Inhibited by Existing WC Constraints

Recent history has discredited the conventional wisdom that all-rail cannot compete against lake vessel shipments of taconite. If WC were given access to the financial resources necessary to invest in additional capacity and equipment, it would be in a position to carry substantial volumes of taconite. A combined CN-WC could develop rail rates that attract taconite movements that might traditionally have been regarded as “natural” for lake transport.

A strong indication of this potential is modest WC success in recent years in securing taconite movements that historically did not move by all-rail routes. Over the last several years WC has had some success competing against rail-lake-rail transport of taconite to Pittsburgh, Pennsylvania, and Middletown, Ohio. In 2000 approximately ten percent of taconite that moved from Minntac to USX Edgar Thomson facility in Pittsburgh, Pennsylvania, moved via an all-rail route rather than lake vessel. This year, AK Steel is expected to ship 75 percent of the Evtac taconite shipments destined for its blast furnaces at Middletown, Ohio, entirely by rail. This is a significant change from prior years when essentially all of Minnesota taconite shipments to these facilities moved by lake vessel between Duluth and Conneaut or Toledo, Ohio (with final delivery by rail).

WC's limited success to date reflects long-term changes in the relative perceptions and economics of all-rail and rail-water movements. WC advertisements promote as a benefit of all-rail the avoidance of transloading that is necessary with rail-lake or rail-lake-rail shipments. Such transloading is claimed by some to damage the

structure of the taconite pellet. The claimed “quality” advantage has become a selling point for all-rail shipments. All-rail shipments of taconite are also promoted aggressively as a means to avoid the need for seasonal ground storage of taconite inventory. While it is not clear how much actual value the steel mills place on these “benefits” of all-rail movement of taconite, it does appear that the claims are beginning to have some influence on routing decisions.

Limitations on WC’s financial capabilities, however, have prevented WC from taking full advantage of the potential for diversions to all-rail. The existing base of WC traffic, including the current CN overhead haulage trains, already makes very heavy use of the primarily single track WC mainline between Chicago and Superior, Wisconsin. This is especially true between Chicago and Fond du Lac, Wisconsin. To handle significant additional volumes of taconite from northern Minnesota, WC would have to make investments in track capacity and equipment to handle this new traffic. From a marketing standpoint, WC would have to provide taconite shippers and receivers with incentives to modify past practices and try all-rail routings. For a railroad the size of WC, such investments in assets and marketing may be difficult to either justify or fund.

The CN transaction will empower WC. As Mr. Thomas Power of WC notes in his verified statement, “Bringing WC within the CN family will increase the financial strength of WC and will assure that it has the necessary resources to continue to invest in maintaining high quality, safe service to customers, and to ensure that WC’s prior successes will continue.” Mr. Power further states “I believe the proposed Transaction represents the best opportunity for the WC system to grow its traffic and revenue,

maintain sufficient investment in its system, and preserve and improve its existing route structure.”

Mr. Power’s expectations are well founded. CN is a railroad with significant earnings, excellent cash flows and a strong balance sheet. It could easily finance the investments needed to facilitate all-rail movement of taconite by the WC route, which are beyond the reach of WC today. CN will add resources to strengthen the WC orientation toward growing its traffic base. A merged CN-WC will be in a position to make the investments that are needed to significantly increase taconite tonnage. Moreover, the Applicants tout the fact that the CN-WC transaction would make WC’s operations more efficient, which would further enhance the ability of CN-WC to divert taconite from existing transportation modes.

In light of these factors, it is reasonable to expect that the CN-WC transaction will lead to substantial rail diversion of taconite traffic that now moves on the Lakes. In fact, the comments in the Messrs. Foote and Schauer V.S. specifically address the all-rail delivery of taconite to USX in Pittsburgh; this move clearly is a serious diversion candidate. The subsequent effort by the Applicants’ counsel (Applicants’ Reply to Petition to Dismiss Application or Require Supplemental Information, May 2, 2001) to dismiss this potential as “a remote, highly implausible scenario” and “based on a scenario bordering on fantasy” is both unsupported and inaccurate. Experience to date, and the V.S. of Messrs. Foote and Schauer, indicate a strong potential for a combined CN-WC to undertake actions that will result in the diversion of taconite from lake vessel to all-rail routings.

There are No Significant Physical Impediments to All-Rail Movement
of Taconite at the Receiver Locations

There are either no existing physical constraints that would prohibit the diversion of existing rail-water taconite movement to all-rail routes at the receiving locations, or such constraints could easily be addressed. The rail infrastructure at the USX plant in Pittsburgh and at the AK Steel facility in Middletown are already sufficient to accommodate rail deliveries of taconite, since all of their tonnage arrives by rail today, either by all-rail movement or rail delivery following transshipment from vessels at Conneaut or Toledo.

Nor are there any impediments to all-rail delivery at two of the destinations currently served directly by lake vessel: Lorain, Ohio, and Gary, Indiana. All moves to these two destinations are now all rail-lake but could reasonably be diverted to all-rail. The USX facility at Gary, Indiana can accept rail direct delivery of taconite and has done so in the past. The RTI facility at Lorain can also accept rail delivery of taconite at this time. The Ispat Inland Indiana Harbor facility at East Chicago would require construction of equipment to unload and ground store taconite delivered by rail cars. However, the required equipment could easily be installed and CN would likely conclude that an offer of financial support to the receiver would be economically justified. As with the Lorain and Gary facilities, rail trackage in the Ispat Inland Indiana Harbor facility is in close proximity to the iron ore storage site.

Levels of Diversion That Can be Reasonably Expected

Based on the previous review, it is reasonable to conclude that diversion from lake vessel to all-rail could take place. The diversion of taconite off of lake vessels to all-rail moves can be grouped into two categories: Immediate Potential and Total Conversion. See Table II.

Table II
Summary of Expected Diversions
DMIR Originated Taconite Shipments Now Routed by Lake Vessel

Destination	1999 Net Tons	Immediate Potential Diversion	Total Conversion Diversion
Northwestern Indiana (including Gary and Indiana Harbor)	10,919,000	4,367,600	10,919,000
Pittsburgh, PA	2,247,000	898,800	2,247,000
Lorain, OH	1,525,000	---	1,525,000
Middletown, OH	678,000	678,000	678,000

Immediate Potential Diversion to All-Rail

The Immediate Potential for diversion is based on the likelihood of several diversions occurring during the first few years following a CN-WC merger. Within this time horizon, the first step is the conversion to all-rail of the rail-lake-rail portion of taconite traffic now moving to Middletown, Ohio, and a partial diversion of the traffic to the USX Edgar Thompson facility in Pittsburgh. Next would come the conversion of a

percentage of the taconite now moving by rail-lake to the two steel mills in northwestern Indiana (Gary and Indiana Harbor). Expected levels of diversion of lake traffic to Middletown and Pittsburgh are straightforward to establish. Quantifying the absolute levels of diversion of lake traffic destined for the two northwestern Indiana mills is harder. However, the aggregate level of likely lake-to-rail diversion for the two northwestern Indiana mills would easily exceed a level that would warrant environmental concern.

The ability of CN-WC to divert taconite moving to the AK Steel facility in Middletown, from lake vessel to all-rail is well documented. With the significant resources available to CN that were not historically available to WC, it is reasonable to expect that the balance of this move could be shifted to all-rail within a short period of time.

In the short-term, the ability of CN-WC to divert taconite moving to USX in Pittsburgh is constrained by volume commitments in current contracts between USX and its transportation suppliers. However, those contacts would permit CN-WC to shift significant tonnage – as much as 40 percent of the 1999 total handled to this facility – to an all-rail route.

Regarding the taconite receivers in northwestern Indiana (USX, Gary and Ispat Inland, Indiana Harbor), either could be converted to all-rail. Rail delivery of taconite to Gary was last done in the mid-1990's. Although some modifications would be desirable to maximize the efficiency of long-term delivery of taconite to Gary, the mill can accept rail delivery of all of its taconite requirements. While the rail line within the Ispat Inland Indiana Harbor facility is close to the taconite ground storage area, rail delivery would

require installation of equipment to move the taconite from the rail cars to ground storage. Such capital investments would not be a financial hurdle given the significant financial resources of CN.

All-rail routing to either Gary or Indiana Harbor would be straightforward. This would be especially true with respect to potential shipments to the USX facility at Gary, Indiana, which would move DMIR-Steelton-CN (WC)-Leithton-EJE. This would be a very direct route with only two interchanges. Conversion of this move would be facilitated through the USX ownership of the EJE. This USX subsidiary already provides the in-plant rail services at the Gary facility.

It is reasonable to expect that CN-WC would be in a position to divert most or all of the taconite traffic moving to northwestern Indiana. Any commercial effort by CN-WC to attract this traffic would likely include volume commitments that would ensure use of the contract and limit the shipper's ability to further bid the rate. However, even a partial conversion would trigger environmental concerns. Neither facility today has formal volume commitments that would prevent diversion.

I understand that the STB environmental thresholds would be exceeded if taconite traffic moving on the WC Superior to Chicago line were to increase by 5,944,400 tons annually, the equivalent of 1.57 loaded unit trains per day (and, with empty returns, 3.14 total train movements). See the verified statement of Peter D. Stephenson. As indicated above, CN-WC could readily divert this amount of taconite to all-rail routes in the near term following the transaction. Assuming diversion of 40 percent of the Pittsburgh tonnage and 100 percent of the rail-water-rail Middletown tonnage, additional diversions of only 4,367,600 tons would result in traffic increases that exceed the relevant

environmental threshold. If CN-WC diverted just 40 percent of the tonnage moving to the USX Gary and Ispat Inland Indiana Harbor mills – in my view a conservative prediction of what they could achieve in the near term – total diversions would exceed the threshold.¹ See Table III.

Table III
Summary of Expected Taconite Diversions to “All-Rail”
Trains Per Day
Immediate Potential

Destination	Total 1999 Net Tons	Diversion Net Tons	Net Tons Per Car	Cars Per Train	Days Per Year	Loaded Trains Per Day	Total Trains Per Day
Northwest Indiana (including Gary and Indiana Harbor)	10,919,000	4,367,600	100	105	360	1.15	2.30
Pittsburgh, PA	2,247,000	898,800	100	105	360	0.24	0.48
Middletown, OH	678,000	678,000	100	105	360	0.18	0.36
Total		5,944,400				1.57	3.14

Total Conversion to All-Rail

Over a longer term (approximately seven years) the same factors that make likely the Immediate Diversion potentials could easily result in a diversion of all the DMIR originated taconite traffic. If all of this traffic were diverted to all-rail, the result would be an additional 8.13 loaded and empty trains per day moving over the WC line between Superior, Wisconsin and Leithton, Illinois. See Table IV. These diversions are in

¹ 40.0 percent of the total taconite volumes shipped annually to these two facilities (7,749,000 to Gary, 3,170,000 to Indiana Harbor) is 4,367,600 tons.

addition to the increased train movements already identified in the Applicants filings, and include the balance (beyond the diversion levels included in the Immediate Potentials) of the taconite moving to Gary and Indiana Harbor, Indiana and Pittsburgh, Pennsylvania as well as the taconite that now moves by lake vessel to Lorain, Ohio. Although GLT would work hard to retain this traffic on the Lakes, I believe that diversion of all the traffic is a definite possibility, in view of the incentives and capabilities CN-WC will have to add to its traffic base and grow its revenues.

Table IV
Summary of Expected Taconite Diversions to "All-Rail"
Trains Per Day
Total Conversion

Destination	Total 1999 Net Tons	Diversion Net Tons	Net Tons Per Car	Cars Per Train	Days Per Year	Loaded Trains Per Day	Total Trains Per Day
Northwest Indiana (Gary and Indiana Harbor)	10,919,000	10,919,000	100	105	360	2.89	5.78
Pittsburgh, PA	2,247,000	2,247,000	100	105	360	0.59	1.19
Lorain, OH	1,525,000	1,525,000	100	105	360	0.40	0.80
Middletown, OH	678,000	678,000	100	105	360	0.18	0.36
Total		15,369,000				4.06	8.13

Conclusions

CN will bring to a new CN-WC network the focus and resources necessary to facilitate the diversion of significant levels of taconite from lake shipping to all-rail routings. There is a significant likelihood that CN-WC will succeed in such diversions, especially for those movements now calling for rail-lake-rail routing. The verified statements of the top commercial officers of CN and WC, the financial strength of the CN (as compared to WC), and the physical ability of all-rail routings to accommodate such traffic all support the real potential of these diversions. My experiences in railroading, in management of railroad sales and marketing, and in the movement of taconite have helped to confirm my view that this risk is real.

STATE OF PENNSYLVANIA)
)
COUNTY OF ALLEGHENY)


Elliott M. Hughes, III

Cynthia A. Carver
Notary Public

Notarial Seal
Cynthia A. Carson, Notary Public
Monroeville Boro, Allegheny County
My Commission Expires Sept. 8, 2003
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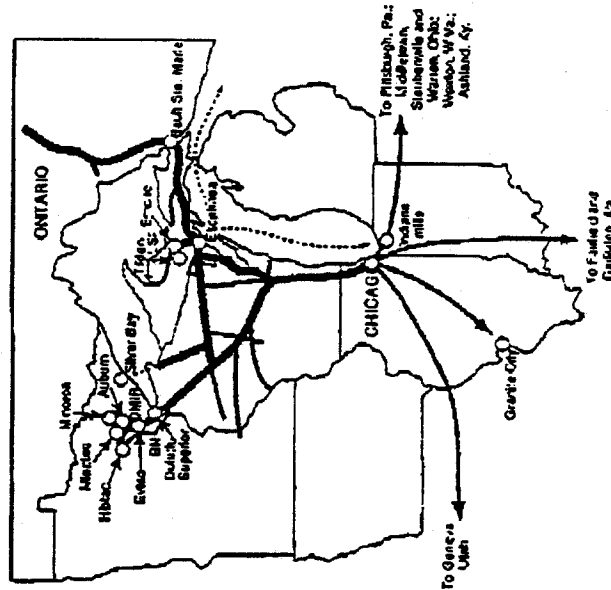
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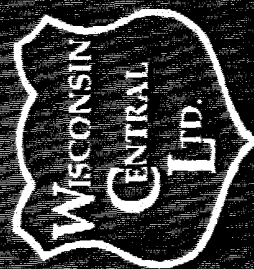




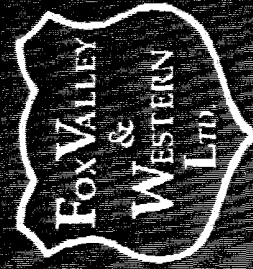
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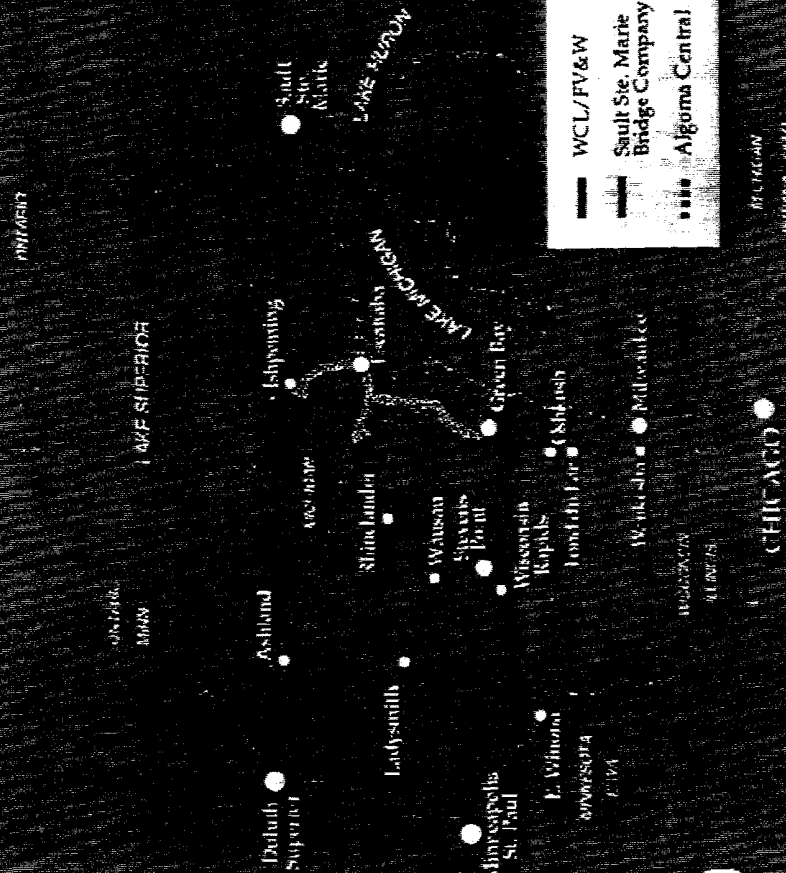
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1993



FACTS ABOUT WISCONSIN CENTRAL:

	1988	1997	1998
Operating revenues	\$93.8 mil.	\$333.5 mil.	\$344.1 mil
Revenue units	144,800	565,600	547,000
Miles of track operated	2,017	2,925	2,855
Number of employees	850	2,345	2,300
Rail cars	3,550	12,900	13,400
Locomotives	85	247	244
Scheduled trains / week	203	850	900





WISCONSIN CENTRAL QUALITY AWARDS:

Logistics Management — "Quality Carrier" 10th year

Railway Age — "Regional Railroad of the Year"

**Railway Age — Ed Burkhardt, WC Chairman, President and CEO
"Railroader of the Year 1999"**

Consolidated Papers — "Quality Carrier"

Mead Paper

Tenneco Packaging

Appleton Paper — Quality Carrier

Belt Railway of Chicago — "Stickney Award"



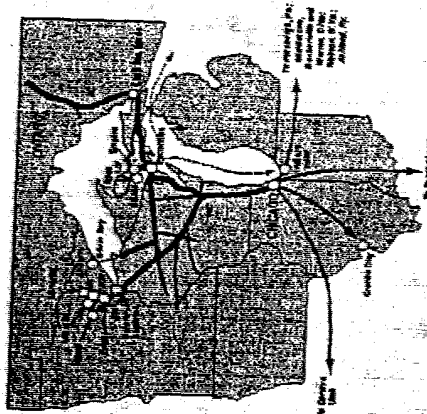
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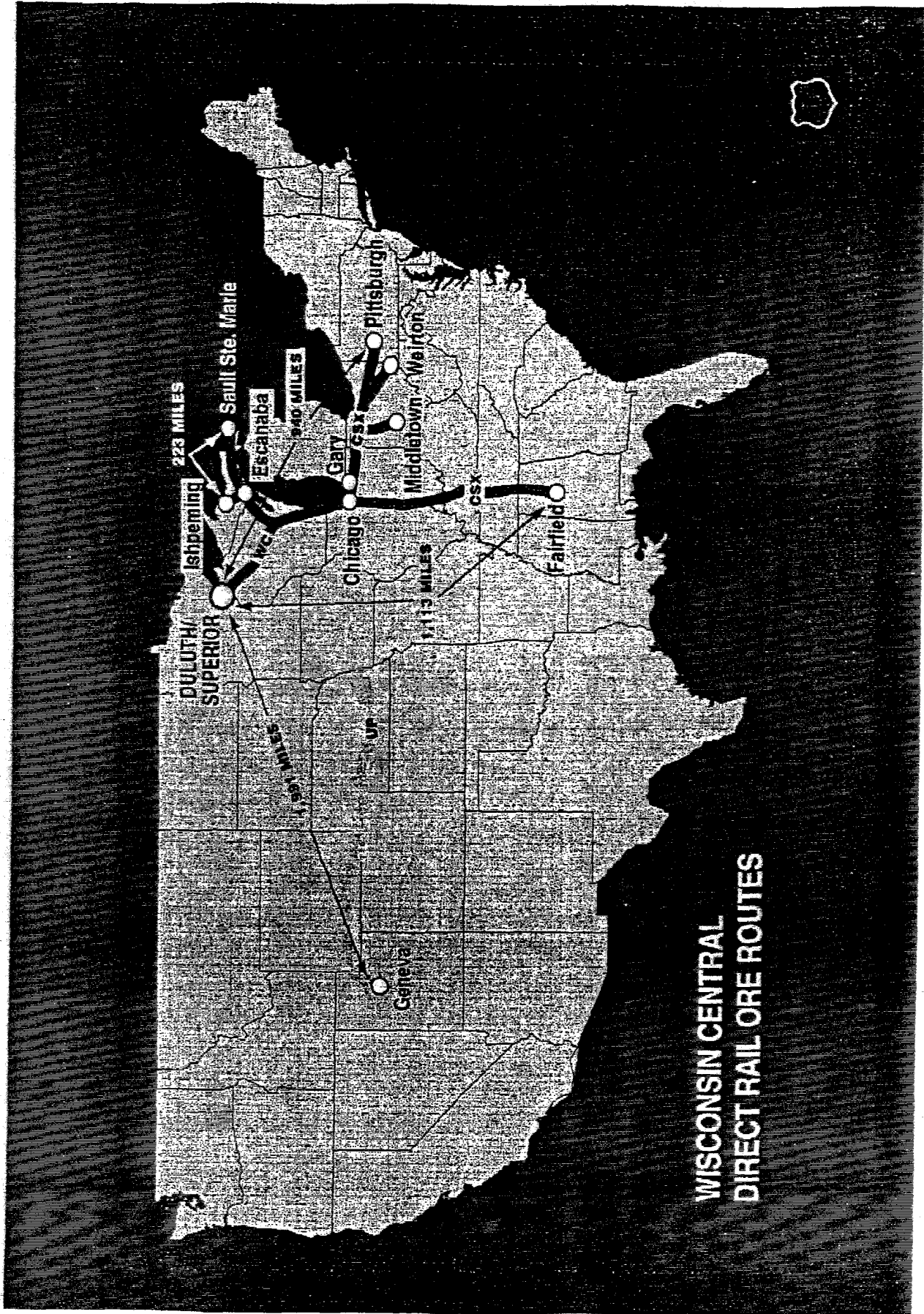
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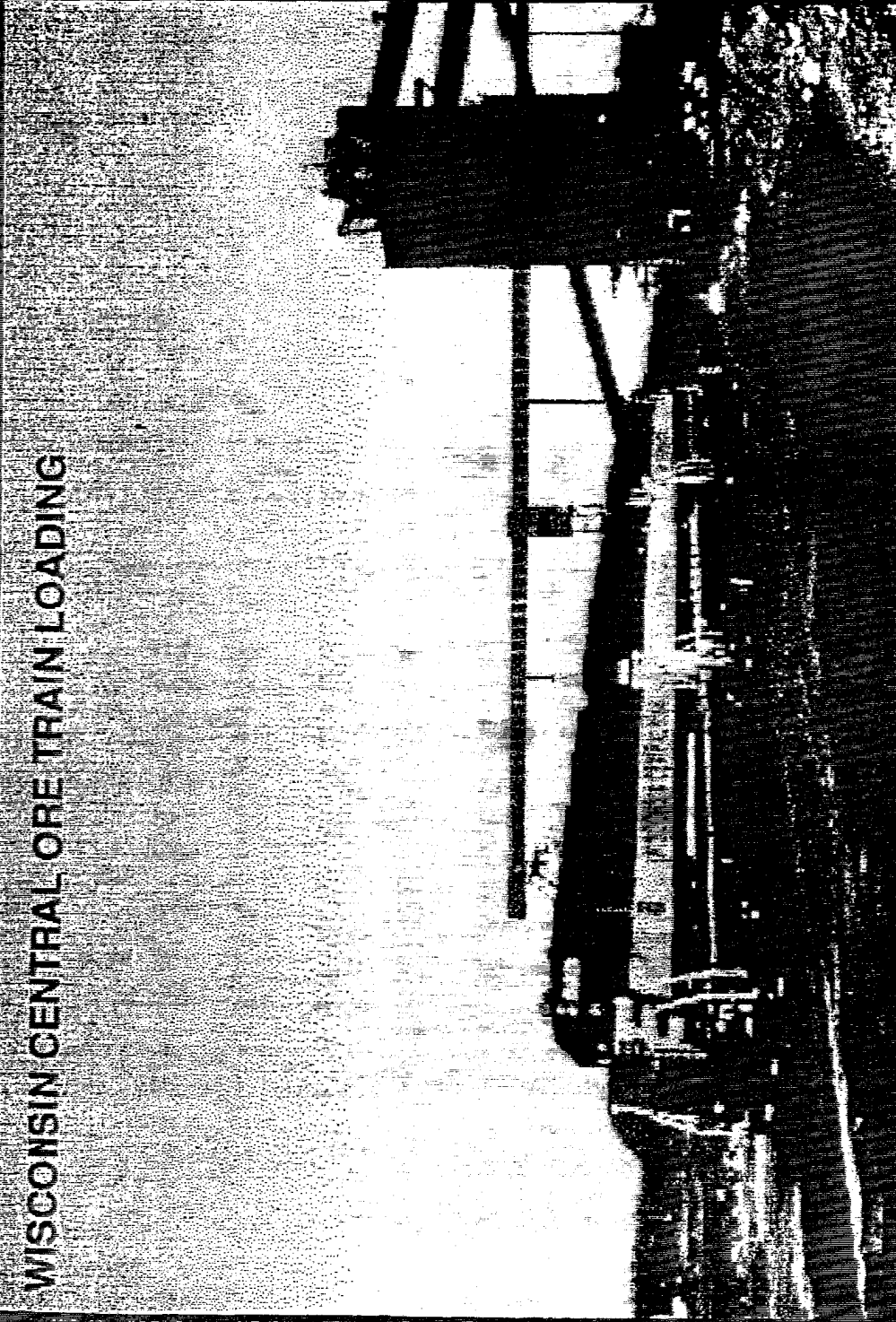
WISCONSIN CENTRAL ORE HISTORY:

WC began operations in 1987, handled 191 cars of ore
Rail-direct ore to USX Pittsburgh starting in 1989
Annual volume increased to 79,000 cars in 1995 with Geneva Steel
Algoma Central Railway added in 1995, serving ASI
Michigan ore lines, Escanaba dock acquired from UP in 1997
Rail-direct contract with AK Steel, Middletown, OH in 1997





WISCONSIN CENTRAL ORE TRAIN LOADING



RAIL DIRECT HIGHLIGHTS:

85-to-100 cars per train

Standard open-top, 100-ton capacity hopper cars

8,500 to 10,000 net tons per train

Two-to-three locomotives, 9,000-10,000 hp

40 mph maximum speed

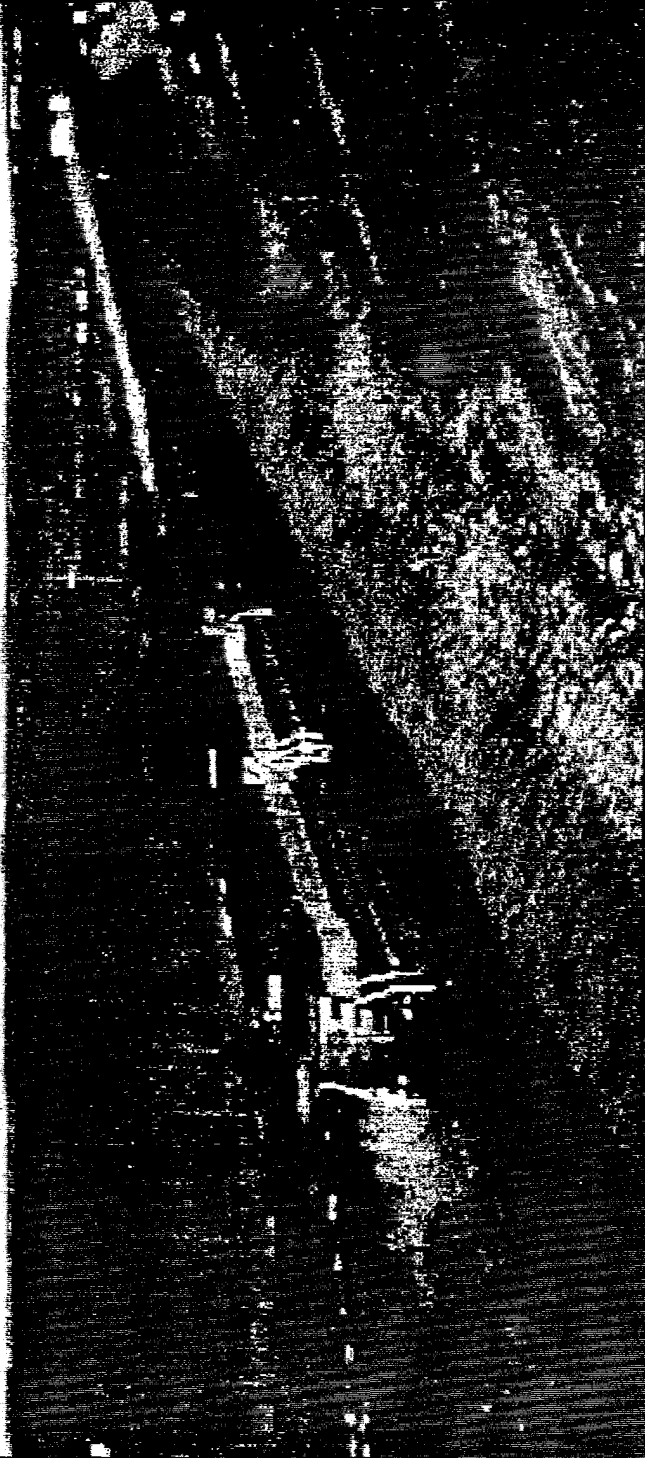
Moves to Middletown, OH; Fairfield, AL

Approximately 3.5 million tons annually

Test / seasonal shipments to Sault Ste. Marie, other destinations



WISCONSIN CENTRAL ORE TRAIN EN ROUTE



Briggs Business Communication

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RAIL DIRECT ATTRIBUTES:

Reduced handling of pellets

Fewer fines

Delivery of better product improves furnace efficiency, quality

Year-round delivery

Flexibility of origin / destination

Better inventory control

Willing partner, low-cost carrier

= Economic benefits



RAIL DIRECT RECAP:

Advantages of rail-direct shipments

- *Less handling, fewer fines*
- *Better pellets = better steel*
- *Year-round delivery, reduced inventory*
- *Economic incentives*

Increasing interest and use of rail-direct transportation

Responding to technological, environmental, marketplace changes

Outlook is positive

Looking forward to working with you



Our Pledge:

"To offer superior transportation
consisting of more frequent,
dependable train service,
at competitive prices,
with proper equipment,
accomplished by customer-minded employees."



—Wisconsin Central Ltd.

Verified Statement

of

G. Avery Grimes

My name is G. Avery Grimes. I serve as adjunct professor at the University of Denver's Intermodal Transportation Institute, where I lecture on transportation safety matters and research methods, and as visiting lecturer at the University of Illinois College of Engineering, where I lecture on railroad economics and operations. I also am a transportation and environmental consultant.

Prior to becoming a consultant, I held various positions in the transportation industry for nearly 22 years, including Manager Operations at Champaign-Urbana Mass Transit District, Senior Transportation Planner at Missouri Pacific Railroad, and Manager-Budgets, Director-Engineering, Director-Transportation Measurements, Director-Environmental Operations, all at Union Pacific Railroad. In the six years since becoming a consultant, I have been responsible for a wide variety of environmental studies related to the transportation industry. Particularly relevant to the issues in this statement, from 1990 through 1995, I was responsible for management of various environmental issues at Union Pacific as Director of Environmental Operations, first for the Central Region and then for the Western Region. The environmental issues I managed included emergency response planning, emergency response management, hazardous material management, air quality permits, community noise complaints, natural resource concerns, as well as a variety of other environmental matters. From

1996 through 1998, I was responsible for monitoring Union Pacific Railroad's compliance with environmental requirements mandated by the Board's Section of Environmental Analysis. I have also provided consulting services regarding a wide range of environmental and transportation matters, including railroad emergency response plans, transportation risk analysis, emergency responses to railroad derailments, and air emissions management. I have been a licensed locomotive engineer and have operated both road and switch locomotives in freight service.

I am a graduate of the University of Illinois Department of Civil Engineering (Railroad Engineering) and of the University of Nebraska Graduate College of Engineering (Environmental Engineering). I am a registered Professional Engineer in the states of Missouri and Washington and a member of American Society for Testing and Materials, Transportation Research Forum, American Railway Engineering Maintenance-of-Way Association, and Air & Waste Management Association.

My professional career has required extensive knowledge of various safety issues related to railroad operations including statistical analysis of derailments and personal injuries, and environmental impacts of railroad operations on communities and natural resources.

Summary of Conclusions

My analysis examines the environmental impact of the proposed merger between Wisconsin Central ("WC") and Canadian National ("CN"), collectively "Applicants," which is presently under consideration by the Surface Transportation Board in Finance Docket No. 34000. I first examine the Board's thresholds for an environmental analysis,

and then identify and estimate some of the effects the transaction would have on freight rail operations safety, public safety, delays at at-grade crossings, energy, air quality, noise, construction, and natural resources.

Of critical importance to a proper analysis of the environmental effects of the proposed CN/WC transaction is the potential for the transaction to increase the volume of traffic moving over the combined system. Applicants' Environmental Appendix assumes that the transaction will have essentially no impact on CN/WC's operations, and thus performs no analysis of potential environmental effects. There is reason to believe, however, that CN/WC's analysis underestimates the impact of the transaction. As explained in the verified statement of Messrs. Hughes and Stephenson, the transaction may divert considerable volumes of taconite traffic water routes (rail/water or rail/water/rail) to all-rail freight routes. If these diversions occur, there would be a significantly greater number of trains operating on WC routes than projected by CN in the Environmental Appendix.¹ Mr. Hughes estimated traffic diversions under two scenarios, 1) Immediate Potential (for traffic that is subject to immediate diversions from water route to all-rail routes), and 2) Total Conversion (for traffic that is ultimately subject to diversion from water routes to all-rail routes). It is not the purpose of this statement to comment on the likelihood of such diversions, but rather, only to determine the environmental impact should such diversions occur.

The Board's thresholds for an environmental analysis would be exceeded in both scenarios. A diversion of slightly less than 6 million tons on an annual basis, which the Immediate Potential diversion scenario contemplates, results in an additional 3.01 trains per day for the WC Fond Du Lac - Schiller Park route segments, where the threshold

¹ See Verified Statements of Elliott M. Hughes and Peter D. Stephenson

level is 3.00 trains per day, because WC's line traverses non-attainment areas of southeastern Wisconsin and northeastern Illinois. The Total Conversion diversion scenario results in exceeding the Board's thresholds on all WC segments between Superior and Chicago. The conclusion is that the requirement for an environmental analysis of the proposed transaction is met in both instances.

Of importance in assessing the environmental impact of these diversions is that they have a net modal impact, that is, they result in a net decrease in Revenue-Ton-Miles hauled by water transport and a net increase in the tonnage hauled by rail transport. This creates a net cumulative impact on safety, noise, and emissions, because water transportation is generally safer and more efficient than rail transport where the water mode is an available transportation option.

My preliminary analysis indicates that the potential environmental consequences of the transaction are significant, based on the diversion of traffic from water-borne routes as explained by Mr. Hughes. I estimated the environmental impacts resulting from the proposed transaction as follows:

- An additional 9 to 24 train accidents (not Highway-Rail) per year
- An additional 30 to 79 railroad Employee On-Duty Cases per year
- An additional 24 to 62 Highway-Rail Incidents per year
- An additional 13 to 33 Highway-Rail Casualties per year
- An additional 2 to 6 railroad Trespasser Casualties per year
- An additional 0.826 to 1.923 million train crossing events per year (impacting emergency response and other vehicle delay)

- An increase in energy requirements of between 195 and 601 billion Btu's per year
- An increase in diesel fuel consumption of between 1.4 and 4.3 million gallons per year
- An increase in CO emissions of 68 to 217 thousand pounds per year
- A decrease in Hydrocarbon emissions of 21 to 44 thousand pounds per year
- An increase in NOx emissions of 312 to 1,145 thousand pounds per year
- An increase in train horn events of 0.8 to 1.9 million per year
- An increase of 57 to 136 thousand train passbys in cities and towns per year
- Additional rail capacity construction
- Additional exposure of natural resources (lakes, rivers, wetlands, wildlife areas, and recreational areas) to rail traffic

Introduction

I appear in this proceeding on behalf of Great Lakes Transportation LLC ("Great Lakes"), at whose request I have:

1. Developed revenue-ton-mile² (RTM) and train-mile calculations of the proposed CN/WC transaction based on testimony in this proceeding of Mr. Elliott M. Hughes, Mr. Peter D. Stephenson, and CN witnesses.
2. Compiled data on operations and environmental impacts for railroads and water-borne transportation from a wide range of publicly available sources in order to

² A revenue-ton-mile equals weight in tons of freight carried for hire multiplied by the distance in miles between origin and destination.

develop an analysis of the potential environmental impact of the proposed transaction.

This statement is not intended to be a complete environmental impact analysis of the proposed CN/WC merger. Time constraints established by the Board's scheduling order do not permit a complete analysis at this time. However, this statement is intended to identify important concerns for further analysis and consideration by the Board.

If traffic or train activity from a proposed railroad transaction exceeds certain prescribed thresholds, then the Board's Section of Environmental Analysis (SEA), on behalf of the entire Board, is charged with evaluating the effects of the transaction on such issues as freight rail operations safety, hazardous materials transport safety, passenger rail safety, emergency vehicle response, highway at-grade crossing delay, traffic and roadway systems, energy consumption, air quality, noise levels, cultural resources, land use, natural resources, environmental justice, and how the transaction may contribute to cumulative effects.³ SEA has established thresholds that determine whether a full environmental review pursuant to the National Environmental Policy Act of 1969 (NEPA) is required. The relevant thresholds for this analysis are an increase of eight trains a day or a 100 percent increase in traffic volume in air quality attainment areas, or an increase of three trains a day or a 50 percent increase in traffic volume in non-attainment areas. Other threshold levels exist for rail yards and intermodal facilities.

This testimony is intended to address, to the extent possible given the time constraints imposed, the likely environmental effects arising from the revised traffic estimates described in the testimony of Messrs. Hughes and Stephenson. I have focused

³ See 49 C.F.R. § 1105.6(c)(2)(i).

on traffic increases on WC's line between Superior and Chicago, but have addressed system-wide issues where feasible.

1. Data Sources

I have obtained data to support this analysis from the DOT Federal Railroad Administration (accident data), Association of American Railroads (Class I Railroad operating data), Canadian National Railway Company (STB Finance Docket No. 34000), Wisconsin Central Transportation Company (annual report and condensed profiles), Wisconsin Atlas and Gazetteer (maps), Great Lake Transportation LLC (VS Hughes), Great Lakes Commission (fuel efficiency, noise parameters), Transport Canada (energy efficiency), DOT Bureau of Transportation Statistics (energy consumption), US EPA (emissions rates), and STB Section of Environmental Analysis (mitigation measures). A review of this data and the methods of its compilation are described in this section.

Federal Railroad Administration Data

The Federal Railroad Administration (FRA) collects and distributes data on railroad accidents including injuries, fatalities, and accidents involving railroads operating in the United States. Train Accidents, Highway-Rail Crossing Incident Casualties, Trespasser Casualties, and Employee On-Duty Cases are available for WC operations from the FRA.⁴ Summaries of these statistics for WC and all Class I Railroads are provided in Tables 1-1 and 1-2:

⁴ FRA data is available from FRA's internet site: www.fra.dot.gov. In FRA-usage, a "Train accident" is a safety-related event involving on-track rail equipment (both standing and moving) causing monetary damage to the rail equipment and track above a prescribed amount (the threshold for 1998 was \$6,600). Train accidents are required to be reported on form FRA F 6180.54, RAIL EQUIPMENT ACCIDENT/INCIDENT REPORT. "Highway-rail grade crossing incidents" are defined as any impact between a rail and highway user (both motor vehicles and other users of the crossing as a designated

Table 1-1 Wisconsin Central Index of Accidents and Casualties Compiled by the Federal Railroad Administration 1997-2000				
	1997	1998	1999	2000
Train Accidents (excluding Highway-Rail)	36	23	35	48
Highway-Rail Crossing Incidents	92	74	67	96
Highway-Rail Crossing Incidents - Fatal Casualties	3	5	6	9
Highway-Rail Crossing Incidents - Nonfatal Casualties	42	38	36	43
Trespasser Casualties - Fatal	3	1	0	2
Trespasser Casualties - Nonfatal	7	3	1	6
Employee On-Duty Cases	122	86	95	102

Table 1-2 Class I Railroad Index of Accidents and Casualties Compiled by the Federal Railroad Administration 1997-2000				
	1997	1998	1999	2000
Train Accidents	1,842	2,059	2,188	2,338
Highway-Rail Crossing Incidents	2,976	2,683	2,657	2,635
Highway-Rail Crossing Incidents - Fatal Casualties	360	342	306	313
Highway-Rail Crossing Incidents - Nonfatal Casualties	1,199	955	1,059	935
Trespasser Casualties - Fatal	371	407	360	301
Trespasser Casualties - Nonfatal	379	385	358	321
Employee On-Duty Cases	4,230	4,624	4,855	4,611

crossing site, including walkways, sidewalks, etc., associated with the crossing). They are reported on form FRA F 6180.57, HIGHWAY-RAIL GRADE CROSSING ACCIDENT/INCIDENT REPORT. "Employer On Duty Cases," which are reported on form FRA F 6180.55a, RAILROAD INJURY AND ILLNESS SUMMARY, include any death, injury, or occupational illness of a railroad employee that is not the result of a "train accident" or "highway-rail incident."

The FRA computes accident rates using train-miles and employee hours as a denominator to develop an accident rate statistic. However, in the current proceeding, employee hour data is not available to predict the number of increased accidents as a result of the proposed CN/WC transaction. Furthermore, WC does not include train-miles in its financial reports to the Securities and Exchange Commission (SEC). Therefore, to predict estimated safety impacts from anticipated operations, it is necessary to base accident rates on revenue-ton-miles (RTM).

Wisconsin Central Operations and Physical Data

WC provides operating data in its annual report, which is available on-line.⁵

Selected statistics are provided in Table 1-3:

Table 1-3 Wisconsin Central Revenue-Ton-Miles and Fuel Consumption 1997-2000				
	1997 ⁶	1998	1999	2000
Revenue-Ton-Miles of freight (millions)	10,338	9,677	10,779	NA
Revenue-Ton-Miles per freight train-hour (000's)	38	38	39	NA
Fuel Consumption (thousand gallons diesel fuel)	29,634	29,743	31,248	NA

WC provided track charts for selected portions of its route segments. Based on my review of the track charts, I developed the following statistics, listed in Table 1-4:

⁵ See www.wclx.com

⁶ Includes partial year (11 months) results of the operation of the Duck Creek North lines acquired January 1997.

Table 1-4 Wisconsin Central Highway-Railroad At-Grade Crossings For Selected Line Segments					
Route Segment	Miles	Unsignaled Grade Crossing ⁷	Signaled Grade Crossing - no gate ⁸	Signaled Grade Crossing - with gate ⁹	Total
Superior - Ladysmith	124	61	12	9	82
Ladysmith - Owen	46	46	13	1	60
Owen - Junction City	53	60	11	13	84
Junction City - Stevens Point	12	16	4	2	22
Stevens Point - Neenah	68	66	12	11	89
Neenah - Fond Du Lac	28	18	13	27	58
Fond Du Lac - Schiller Park	136	75	39	105	219
Total Highway-Rail Grade Crossings	467	342	104	168	614
Summary Pct		56%	17%	27%	100%

I also developed a summary of environmental features by combining information from the WC track charts and the Wisconsin Atlas & Gazetteer.¹⁰ This process produced the information shown in Table 1-5:

⁷ Includes Grade Crossing types No Sign, Crossing Buck, Crossing Buck + Stop Sign.

⁸ Includes Grade Crossing types Flasher, Flasher + Bell, Bell Wigwag, Flasher + Bell + Cantilever, Bell + Stop Sign.

⁹ Includes Grade Crossing types Flasher + Gate, Flasher + Bell + Gate + Cantilever, Flasher + Gate + Cantilever.

¹⁰ DeLorme, Fifth Edition, 1998.

Table 1-5 Wisconsin Central Environmental Features For Selected Line Segments									
Segment Name	Seg #	Creek ¹¹	River ¹²	Wet-lands ¹³	Rec. Area ¹⁴	SWA ¹⁵	Lake ¹⁶	Town ¹⁷	City ¹⁸
Superior - Ladysmith	6	17	8	6	6	5	6	4	0
Ladysmith - Owen	7	13	2	0	0	1	2	5	0
Owen - Junction City	9	2	0	0	0	1	0	5	0
Junction City - Stevens Point	11	0	1	0	0	1	1	1	0
Stevens Point - Neenah	13	3	2	3	2	1	1	3	1
Neenah - Fond Du Lac	14	2	2	1	0	0	1	1	2
Fond Du Lac - Schiller Park	15	25	6	5	8	4	2	10	12
Total		62	21	15	16	13	13	29	15

Great Lakes' Estimates of Traffic Diversions from Water to Rail

Great Lakes provided an estimate of annual tons and loaded trains that would be diverted from five water routes (rail/water or rail/water/rail) to all-rail routes (via WC) as a result of the proposed merger.¹⁹ Two estimates were provided in each instance: an "Immediate Potential" scenario, and a "Total Conversion" scenario. This information is summarized in Table 1-6:

¹¹ A creek was determined to be any waterway with a name specified on the atlas that was not determined to be of sufficient size to be considered a river.

¹² A river was determined to be a waterway with significant width and flow to be considered important to commerce and/or recreation.

¹³ A wetlands area was determined to be a swamp either as defined by the track charts or a named feature in the atlas.

¹⁴ A recreational area was determined to be a feature shown in the atlas with a recreational purpose, such as boating, fishing, hunting.

¹⁵ A state wildlife area was determined from the atlas and is an official state designated land use. Also includes state fishery areas.

¹⁶ A lake was determined from the atlas as an identified body of water not considered a stream or river.

¹⁷ A town was determined from the atlas as a locality not considered an urban area.

¹⁸ A city was determined from the atlas as a defined urban area.

¹⁹ See Verified Statements of Messrs. Hughes and Stephenson.

Table 1-6 Great Lakes Transportation Estimate of Traffic Diversions From Water Routes to All-Rail Routes							
From /To	Current Route	Diversion Route	Annual Tons	Immediate Potential Scenario		Total Conversion Scenario	
				Diversion Percent	Loaded Trains (annual)	Diversion Percent	Loaded Trains (annual)
Minntac / Pittsburgh (USS)	DMIR - Duluth - (GLF) - Conneaut - BLE - N. Bessemer - URR	DMIR - Steelton - CN - Toledo - WLE - URR	2,247,000	40%	86	100%	214
Minntac / Lorain, Ohio (USS)	DMIR - Duluth - (GLF) - Other Lake - Lorain	DMIR - Steelton - CN - Chicago - CSXT (or NS) - Lorain	1,525,000	0%	0	100%	145
Minntac / Gary, Indiana (USS)	DMIR - Duluth - (GLF) - Gary	DMIR - Steelton - CN - Leithton - EJE - Gary	7,749,000	40%	295	100%	738
Minorca / East Chicago, Indiana (Inland)	DMIR - Duluth - (Other Lake) - East Chicago	DMIR - Steelton - CN - Chicago - IHB - East Chicago	3,170,000	40%	121	100%	302
Evtac / Middletown, Ohio (AK Steel)	DMIR - Duluth - (Other Lake) - Toledo - CSXT - Middletown	DMIR - Steelton - CN - Chicago - CSXT - Middletown	678,000	100%	65	100%	65

To determine the total effect, I added the traffic diversions projected by Great Lakes to traffic changes projected by CN.²⁰ The Board's threshold levels are exceeded on one segment (Fond Du Lac -Schiller Park) for the Immediate Potential Scenario and on all WC segments for the Total Conversion Scenario, as shown below:

²⁰ See Exhibit B-1 of the Environmental Appendix, STB Finance Docket No. 34000

Table 1-7 Rail Traffic Changes (Trains/day) Resulting from CN/WC Transaction Wisconsin Central Rail Line Segments Only					
Route Segment	Threshold Trains/day	Immediate Potential Scenario ²¹		Total Conversion Scenario ²²	
		Additional Trains/day	Threshold Met or Exceeded?	Additional Trains/day	Threshold Met or Exceeded?
Superior - Ladysmith	8.0	4.1	N	9.1	Y
Ladysmith - Owen	8.0	4.1	N	9.1	Y
Owen - Junction City	8.0	4.1	N	9.1	Y
Junction City - Stevens Point	8.0	4.1	N	9.1	Y
Stevens Point - Neenah	8.0	4.1	N	9.1	Y
Neenah - Fond Du Lac	8.0	4.1	N	9.1	Y
Fond Du Lac - Schiller Park	3.0	3.0	Y	8.0	Y

I separately calculated the revenue-ton-mile impact by mode of transportation based on traffic diversions from water-borne transportation to all-rail movements as shown in Table 1-8. Any traffic increases projected by Applicants were not included because I presumed that such traffic would involve diversion from other rail routes. This presumption resulted in a conservative estimate of net modal impact because Applicant's statement included numerous references that would imply a net growth in demand for transportation services in general rather than only diversion from other rail routes. The results of these calculations are shown below:

²¹ Includes estimated traffic changes identified in CN Environmental Appendix and "Immediate Potential" diversions from Hughes verified statement.

²² Includes estimated traffic changes from identified in CN Environmental Appendix and "Total Conversion" diversions from Hughes verified statement.

Table 1-8 Change in Annual Revenue-Ton-Miles For Wisconsin Central, Other Rail, and Water Carriers Traffic Diverted from Water Mode Only		
Transport Mode	Immediate Potential Scenario RTM/yr (millions)	Total Conversion Scenario RTM/yr (millions)
Rail - WC	+2,655	+6,875
Other Rail ²³	+1,722	+2,394
Water	-4,772	-12,369

2. Environmental Impacts

I have identified environmental impacts relating to freight operations safety, public safety, grade crossing delays, energy demand, air quality, noise, construction and natural resources. In some instances I have quantified these impacts and in others have provided only a qualitative assessment due to data limitations and time constraints.

Freight Operations Safety

Traffic diverted to the WC from water carriers will increase the likelihood that the general public and railroad employees will be involved in accidents or injured. To the extent water-borne freight transport creates similar risks, they are comparatively insignificant and can reasonably be excluded for purposes of this analysis.²⁴

²³ To determine the net modal RTM effects of the traffic diversions, I calculated RTM for rail and water-borne route segments from a common origin (Steeltown) to destination. Although the majority of RTM were carried on WC routes for the traffic diversions, origin and destination carriers (*i.e.* DMIR, CN, CSX, NS, IHB, EJE, URR, and BLE) were required for the complete movement from common origin to final destination. RTM resulting from these other carriers are accounted for in the "Other Rail" row in Table 1-8.

²⁴ The number of fatalities and injuries in water-borne freight transportation in 1997 were 46 and 109, respectively. This results in a fatality and injury rate of 65 and 154 per trillion revenue ton-miles, respectively. Railroad fatality and injury rates are 18 and 63 times that of water-borne commerce on a RTM basis. See Bureau of Transportation Statistics, U.S. Department of Transportation NATIONAL TRANSPORTATION STATISTICS 1999, Water Transport Profile. Great Lakes marine accident rates are estimated at 1 per 4.57 billion ton-miles, or 0.219 per billion ton-miles. See "Great Lakes and St Lawrence River Commerce: Safety, Energy, and Environmental Implications of Modal Shifts," Great Lakes Commission, 1993.

I estimated the number of additional train accidents and Employee On-Duty Cases from the proposed transaction on a RTM basis, relying on the information described in the previous section. While train-miles are the preferred basis for predicting changes in accidents and injuries, train-mile information for WC is not available from the statistics published on the FRA website, WC's Annual Report or SEC filings, or AAR Class I Railroad Statistics.

An argument could be made that using RTM as a basis would unduly bias the resultant accident and injury estimates, due to the potential of a proportionately greater number of short trains operated by WC. To test this proposition, I compared Class I Railroad and WC accident rates on an RTM basis and train-hour basis. A review of the results indicates that it is appropriate to use of WC's Train Accident and On-Duty Case estimates on a RTM basis, because, using both RTM and train-hours, WC's accident rates are greater than the corresponding average rates for Class I Railroads. The results are shown below in Table 2-1:

Table 2-1 Train Accidents (not Highway-Rail) and Employee On-Duty Cases Per Billion Revenue-Ton-Miles and Million Train-Hours 1997-1998					
Measure	Basis	Rail Group	1997	1998	Average
Train Accidents (excluding Highway-Rail)	Per Billion Revenue-Ton- Miles	WC	3.48	2.38	2.95
		Class I Railroads	1.37	1.48	1.43
	Per Million Train-Hours	WC	132.3	90.3	112.0
		Class I Railroads	74.7	82.7	78.7
Employee On- Duty Cases	Per Billion Revenue-Ton- Miles	WC	11.80	8.89	10.39
		Class I Railroads	3.14	3.33	3.23
	Per Million Train-Hours	WC	448.4	337.7	394.9
		Class I Railroads	171.4	185.7	178.6

Table 1-8 provides an estimate of the net increase in Revenue-Ton-Mile for WC and other rail carriers. I estimated additional WC Train Accidents and Employee On-Duty Cases by multiplying the WC accident rates shown in Table 2-1 above by estimated increases in WC's annual RTM. I estimated the number of additional Other Rail²⁵ Train Accidents and Employee On-Duty Cases by multiplying Class I Railroad accident rates shown in Table 2-1 by projected increases in annual RTM for other railroads impacted by the diversions. The results of these calculations are shown in Table 2-2:

Table 2-2		
Additional Train Accidents (not Highway-Rail) and Employee On-Duty Cases - Annual		
	Immediate Potential Scenario	Total Conversion Scenario
WC Train Accidents - not Highway-Rail	7.8	20.3
Other Rail Train Accidents - not Highway-Rail	1.2	3.4
<u>Total Train Accidents</u>	9.0	23.7
WC Employee On-Duty Cases	27.6	71.4
Other Rail Employee On-Duty Cases	2.7	7.7
<u>Total Employee On-Duty Cases</u>	30.2	79.2

Public Safety

Traffic diverted to WC from water carriers will exposure the general public to additional trains at highway-rail grade crossings and increase Trespasser Casualties. Accidents in water-borne transportation involving recreational vessels also occur, but

²⁵ See *supra* footnote 23.

they are relatively insignificant in number and can be reasonably excluded from this analysis.²⁶

Based on the information provided in the previous section, I have estimated the number of additional Highway-Rail Incident Casualties and incidents from the proposed transaction on a RTM basis.²⁷ To determine if WC-RTM basis (as opposed to Class I-RTM basis) would unduly bias the results of the accident and casualty estimates, I compared Class I Railroad and WC accident rates using both an RTM basis and a train-hour basis. The results are shown in Table 2-3, below:

Table 2-3 Highway-Rail Crossing Incidents and Casualties Per Billion Revenue-Ton-Miles and Million Train-Hours 1997-1998					
Measure	Basis	Rail Group	1997	1998	Average
Highway-Rail Incident Casualties	Per Billion Revenue-Ton-Miles	WC	4.35	4.44	4.40
		Class I Railroads	1.16	0.93	1.04
	Per Million Train-Hours	WC	165.4	168.9	167.1
		Class I Railroads	63.2	52.1	57.6
Highway-Rail Incidents	Per Billion Revenue-Ton-Miles	WC	8.90	7.65	8.29
		Class I Railroads	2.21	1.93	2.07
	Per Million Train-Hours	WC	338.2	290.6	315.2
		Class I Railroads	120.6	107.8	114.2

²⁶ The number of fatalities and injuries in water-borne transportation resulting from recreational vessels in 1997 were 7 and 5, respectively. This results in a fatality and injury rate of 9.9 and 7.1 per one trillion revenue-ton-miles, respectively. The total number of fatalities and injuries in water-borne transportation in 1997 were 46 and 109, respectively. This results in a fatality and injury rate of .054 and .065, respectively. See Bureau of Transportation Statistics, U.S. Department of Transportation NATIONAL TRANSPORTATION STATISTICS 1999, Water Transport Profile.

²⁷ As with the above analysis of effects on freight operations safety, I could not use a train-mile basis, which is generally more appropriate for predictive purposes, because of the lack of publicly available WC train-mile data.

The results indicate that, on both an RTM and train-hour basis, WC's accident rates are significantly greater than the same rates for Class I Railroads, and, therefore, a WC-RTM basis is appropriate for predicting Highway-Rail Incidents and Casualties.

The previous section (Table 1-8) provided an estimate of the net increase in RTM for WC and other rail carriers resulting from both diversion scenarios. Additional WC Highway-Rail Incidents and Casualties are estimated by multiplying the above WC accident rates shown in the above table by projected increases in annual WC-RTM. Additional Other Rail Highway-Rail Incidents and Casualties are estimated by multiplying Class I Railroad accident rates by projected increases in annual RTM for other railroads impacted by the diversions. The results of these calculations are shown in Table 2-4:

Table 2-4 Public Safety Impact Additional Highway-Rail Incidents and Casualties Annual		
	Immediate Potential Scenario	Total Conversion Scenario
WC Highway-Rail Incidents	22.0	57.0
Other Rail Highway-Rail Incidents	1.7	4.9
<u>Total Highway-Rail Incidents</u>	23.7	62.0
WC Highway-Rail Incident Casualties	11.7	30.2
Other Rail Highway-Rail Incident Casualties	0.9	2.5
<u>Total Highway-Rail Incident Casualties</u>	12.5	32.7

I estimated the incremental Trespasser Casualties attributable to the increased taconite movements also on an RTM basis, based on the information provided in the previous section. I was unable to use a train-mile basis, which generally is more appropriate for predictive purposes, because of the lack of publicly-available WC train-mile data. To determine if WC-RTM basis (as opposed to Class I-RTM basis) would unduly bias the Trespasser Casualty estimates, I compared Class I Railroad and WC accident rates using an RTM basis and a train-hour basis. The results are shown in Table 2-5:

Table 2-5 Trespasser Casualties Per Billion Revenue-Ton-Miles and Million Train-Hours 1997-1998					
Numerator	Denominator	Rail Group	1997	1998	Average
Trespasser Casualties	Per Billion Revenue-Ton-Miles	WC	0.97	0.41	0.70
		Class I Railroads	0.56	0.57	0.56
	Per Million Train-Hours	WC	36.76	15.71	26.58
		Class I Railroads	30.40	31.81	31.11

The results indicate that average WC train-hour rate is less than the Class I Railroad average train-hour rate even though the WC-RTM rate is greater than the Class I-RTM rate. Therefore, the WC-RTM basis may be a less appropriate method of predicting Trespasser Casualties than using the Class I-RTM rate. Therefore, I calculated the predicted impact on Trespasser Casualties using the average Class I-RTM rate.

The previous section provided an estimate of the net increase in RTM for WC and other rail carriers. I estimated the number of additional WC and Other Rail Trespasser Casualties by multiplying the Class I accident rates shown in the above table by projected

increases in WC and Other Rail annual RTM. The results of these calculations are shown in Table 2-6:

Table 2-6 Public Safety Impact Additional Trespasser Casualties - Annual		
	Immediate Potential Scenario	Total Conversion Scenario
WC Trespasser Casualties	1.9	4.8
Other Rail Trespasser Casualties	0.5	1.3
Total Trespasser Casualties	2.3	6.2

Grade Crossing Delays for Emergency Vehicles and Total Vehicles

Traffic diverted to the WC from water-borne transportation will increase the exposure of the general public and emergency response vehicles to delays at highway-rail grade crossings. Although a thorough analysis of the precise impact on emergency vehicle response and general Level of Service (LOS) at crossings along the affected portions of WC is beyond the scope of this study, I have estimated the number of highway-rail at-grade crossing events in Table 2-7:

Table 2-7 Additional At-Grade Train Crossing Events For Wisconsin Central Routes							
Route Segment	Total At-Grade Crossings	Immediate Potential Scenario			Total Conversion Scenario		
		Add'l Trains per day	Daily Increase (train xings)	Annual Increase (train xings)	Add'l Trains per day	Daily Increase (train xings)	Annual Increase (train xings)
Superior - Ladysmith	82	4.1	340	122,366	9.1	749	269,569
Ladysmith - Owen	60	4.1	249	89,536	9.1	548	197,246
Owen - Junction City	84	4.1	348	125,350	9.1	767	276,144
Junction City - Stevens Point	22	4.1	91	32,830	9.1	201	72,323
Stevens Point - Neenah	89	4.1	369	132,812	9.1	813	292,581
Neenah - Fond Du Lac	58	4.1	240	86,551	9.1	530	190,671
Fond Du Lac - Schiller Park	219	3.0	658	236,929	8.0	1,750	630,069
Total	614		2,295	826,374		5,357	1,928,604

In previous environmental assessments conducted by SEA, an analysis was conducted to determine the change in total vehicle delay that would be experienced after the post-transaction increase in train traffic. Such an analysis would use procedures described in the Transportation Research Board's Highway Capacity Manual and consider potential traffic impacts using LOS standards. A LOS study would include additional information such as:

- Volume of highway traffic (average weekday)
- Volume of train traffic (24 hours)
- Speed of trains at crossing
- Length of trains
- Number of roadway approach lanes on each side of tracks

In previous environmental assessments related to railroad mergers, the Board's Section of Environmental Analysis (SEA) recommended mitigation measures identified

below. These include options intended to decrease the total time that a train blocks crossings and warn emergency response service providers of a blocked crossing.

- Railroad to provide an 800 number to assist communities
- Increasing the speed of trains through the crossing
- Installation of "constant-time" crossing signals to maintain a fixed 30-second period between crossing closure (by lights and/or gates) and train arrival, as opposed to potentially longer gates cycles for "constant distance" operated signals where train speeds vary
- The possibility of interconnection of the railroad crossing circuitry with an alarm system which would advise the emergency vehicle driver or dispatcher of a blocked crossing

Additionally, after community review of the potential impact at critical at-grade crossings, a decision to relocate an emergency response service (such as a fire engine station) may be required. Such impacts cannot not be properly assessed unless SEA requires an environmental review.

Energy and Fuel

Diversion of taconite traffic from water carriage to all-rail would require an increase in transportation-related energy consumption. While the shift from the current water route to all-rail reduces the total RTM required for transportation of the commodities involved, water transportation is generally more energy efficient (on a RTM basis) than rail transportation. To identify the net energy impact of the proposed modal shift, I compiled data on the energy efficiency of water carriage in the Great Lakes region

from three studies.²⁸ Variance among the estimated Btu/RTM from the individual studies was not significant (<14%). Therefore, I used an average efficiency rate derived from the three studies of 224 Btu per RTM.

I calculated the energy efficiency for rail freight transport using both WC and Class I Railroad operating data. WC's average energy efficiency for (1997-1999) was 408 Btu per RTM and the Class I Railroad energy efficiency (1995-1998) was 364 Btu per RTM. Although most of the additional train-miles resulting from the diverted traffic are on WC, I adopted a conservative approach was taken and used the Class I Railroad energy efficiency rate. I used a conversion factor of 138,700 Btu/gal for diesel and petroleum distillate fuel.²⁹ The results of this comparison are given in Tables 2-8 and 2-9:

Table 2-8		
Annual Energy Impact (Btu)		
	Immediate Potential Scenario	Total Conversion Scenario
Class I Railroad average Btu/RTM	363.5	363.5
Rail carriers (net MRTM)	3,477	9,269
Water carrier average Btu/RTM	223.8	223.8
Water carriers (net MRTM)	-4,772	-12,369
Net change in Btu demand (Mil.Btu's)	195,906	601,189

²⁸ Dr Samuel Eastman, "Fuel Efficiencies in Freight Transportation," 1980; Great Lakes Commission, "Great Lakes and St Lawrence River Commerce: Safety, Energy, and Environmental Implications of Modal Shifts", 1993; Transport Canada, Dr AM Kahn, "Environmental Efficiency of Marine Transportation," 1993.

²⁹ Bureau of Transportation Statistics, U.S. Department of Transportation, NATIONAL TRANSPORTATION STATISTICS 1999, Table 4-6 Energy Consumption by Mode of Transportation.

Table 2-9		
Annual Fuel Demand Impact (Gals Fuel)		
	Immediate Potential Scenario	Total Conversion Scenario
Rail mode	+9,112,203	+24,292,115
Water mode	-7,699,756	-19,957,659
Net change Gals Diesel (annual)	+1,412,447	+4,334,456

The energy and fuel impact estimates given above do not include additional fuel used by idling motor vehicles delayed at at-grade crossings.

Air Quality

The freight diversions predicted by Great Lakes would have adverse consequences for regional air quality. The first consequence is that there will be an increase in the absolute quantity of air pollutants released to the environment. The second consequence is that there will be an adverse change in where those pollutants are emitted.

To estimate the net cumulative impact on emissions of air pollutants, I considered both emission rates and changes in modal RTM. For emission rates, I relied on Air Pollutant Emissions Factors from a 1991 U.S. EPA report. The results are shown in Table 2-10:

Table 2-10						
Net Change in Annual Air Emissions						
	Immediate Potential Scenario			Total Conversion Scenario		
	Carbon Monoxide	Hydro-carbons	NOx	Carbon Monoxide	Hydro-carbons	NOx
Rail Mode Rate - USEPA Estimate of lbs. per gallon diesel	0.0591	0.0179	0.4990	0.0591	0.0179	0.4990
Rail Mode - Net change in total emissions - (lbs)	538,076	163,108	4,546,989	1,434,449	434,829	12,121,765
Water Mode Rate - USEPA Estimate of lbs. per gallon diesel	0.0610	0.0240	0.5500	0.0610	0.0240	0.5500
Water Mode - Net change in total emissions - (lbs)	-469,685	-184,794	-4,234,866	-1,217,417	-478,984	-10,976,713
Net Change in total annual emissions (lbs)	68,390	-21,686	312,123	217,032	-44,155	1,145,053

An important consideration is that railroad emissions will have greater impact on populated areas whereas water-borne transportation emissions (at least in the Great Lakes) are generally at a significant distance to these areas. Additionally, the above stated air emissions estimates do not include additional emissions from motor vehicles delayed at at-grade crossings.

In previous environmental assessments conducted by SEA, a detailed study of air quality effects resulting from the proposed merger was calculated for rail line segments, rail yards, and intermodal facilities (that exceed thresholds for changes in railroad activity). Additionally, the analysis was expanded to respond to public comments in four general areas:

- Information was requested on total emission increases within air quality control regions (AQCRs). Specifically, the requests asked that emissions be quantified for segments that were not expected to have increases in activity over the Board's thresholds or would have decreased activity.

- Clarification was requested with respect to emission increases and how these increases relate to air quality standards and local General Conformity Thresholds.
- Additional information on the air quality impacts from idling motor vehicles at grade crossings was requested.

In previous environmental assessments, SEA also developed methods to mitigate potential air quality impacts. Recommended mitigation strategies included:

- The merged railroad would assign newly manufactured or re-built locomotives that produce fewer emissions on a priority basis to specific corridors.
- The merged railroad would consult with appropriate state and local air pollution officials in affected areas.

Noise

Noise from transportation sources is a significant public concern. The diversion of taconite from Great Lakes water routes to rail routes will increase the quantity and intensity of noise related to transportation of taconite and shift its location to populated areas. Water-borne freight generates fewer noise events at lower decibels at distances farther from the public than does train generated noise. Ships do not encounter highway crossings that require frequent horn events to warn the public of crossing dangers, and they generally do not operate in the immediate vicinity of towns and cities, both of which are common features of rail operations. When ships do operate close to shore, they generate noise at lower intensity levels than trains do. One study undertaken in 1972 of ships transiting a lock in the Welland Canal measured noise levels of 58 to 66 dB(A) at

the lock side. In contrast, freight trains are considered to generate noise at levels of 78 dB(A) to 94 dB(A) when operating at 30 mph at a distance of 50 feet.³⁰

Traffic diverted to WC from water-borne transportation will increase the exposure of the general public to noise from train operations. Train-related noise emanates from train horns at grade crossings, locomotive engine operation, track vibrations, steel wheel-steel rail interface, and various rail car sources such as brakes and flat spots. Noise also emanates from rail yard and intermodal facility operations where cars are switched and intermodal equipment is handled.

Horn noise generally represents the greatest noise level associated with train movements and is a necessary safety measure. Although calculating the precise impact on the public from train noise exposure is beyond the scope of this study, the annual number of additional horn events (as a result of highway-rail at-grade crossing events) on WC routes is estimated between 826,372 and 1,928,604 per year based on data presented in Table 2-7. Additional horn events on other rail routes affected by the traffic diverted from water freight transportation are not included in these estimates.

The number of additional train passbys that towns and cities along WC routes will experience as a result of the proposed transaction is shown in Table 2-11 for selected WC route segments. Additional train passbys through towns and cities is estimated at 56,631 per year and 135,618 for the Immediate Potential and Total Conversion modal diversion scenarios. Additional train passbys on other rail routes affected by the traffic diverted from water freight transportation is not included in these estimates.

³⁰ Great Lakes Commission, "Great Lakes and St. Lawrence River Commerce: Safety, Energy, and Environmental Implications of Modal Shifts," 1993.

Table 2-11 Estimated Increase in Town & City Train Passbys For Wisconsin Central Routes							
Route Segment	Towns and Cities along Route Segment	Immediate Potential Scenario			Total Conversion Scenario		
		Add'l Trains per day	Daily Increase (train passbys)	Annual Increase (train passbys)	Add'l Trains per day	Daily Increase (train passbys)	Annual Increase (train passbys)
Superior - Ladysmith	4	4.1	17	5,969	9.1	37	13,150
Ladysmith - Owen	5	4.1	21	7,461	9.1	46	16,437
Owen - Junction City	5	4.1	21	7,461	9.1	46	16,437
Junction City - Stevens Point	1	4.1	4	1,492	9.1	9	3,287
Stevens Point - Neenah	4	4.1	17	5,969	9.1	37	13,150
Neenah - Fond Du Lac	3	4.1	12	4,477	9.1	27	9,862
Fond Du Lac - Schiller Park	22	3.0	66	23,801	8.0	176	63,295
Total	44		157	56,631		377	135,618

In previous environmental assessments conducted by SEA, a detailed analysis identified noise sensitive receptors where the change in operations could result in noise exposure increases that would meet or exceed the Board's environmental analysis thresholds. The analysis provided an estimate of the number of noise sensitive receptors (e.g., residences, schools, churches) where the Board's thresholds for impact analysis would be exceeded, and potentially cause adverse increases in noise exposure. The noise studies used the following criteria to determine whether adverse impacts would occur:

- An incremental increase in noise levels of 3 decibels (dBA) or more, as measured by Day-Night Equivalent Sound Level (L_{dn}); or
- An increase to a noise level of L_{dn} of 65 dBA or greater.

The L_{dn} noise descriptor represents an average of the noise levels occurring during a complete 24-hour period. However, it includes a 10 dB weighting applied to those noises occurring during nighttime hours, reflecting the fact that most people are more

sensitive to nighttime noise. In calculating L_{dn} , the nighttime adjustment makes one freight train passby occurring between 10:00 pm and 7:00 am equivalent to ten freight train passbys during the daytime hours.

In previous environmental assessments related to railroad mergers, SEA recommended mitigation measures that require the railroad to consult with those affected communities that would experience a noise increase of 3 or more dBA and if appropriate, develop a noise abatement plan.

Other noise abatement mitigation measures that may be considered are:

- Crossing activated horns sounded at at-grade crossings in lieu of train horns. Crossing horns allow a more directed sound that is effective at warning vehicle drivers but reduces exposure to the surrounding community.
- Noise barriers at specific locations where engine, track, and car noise exceed thresholds for sensitive receptors.

Construction

Rail construction projects create potential environmental impacts on land use, transportation and safety, water resources, biological resources, air quality, noise, and historic and cultural resources. In previous mergers, SEA has reviewed construction projects for environmental impact and recommended mitigation measures where appropriate.

Traffic diverted to the WC from water-borne transportation will significantly increase train density along the WC route segments as indicated in Table 2-12. These increases in train density likely will require the construction of siding extensions and/or new sidings along WC's routes.

Table 2-12 Additional Capacity Demand on Wisconsin Central Routes							
Route Segment	Miles	Immediate Potential Scenario			Total Conversion Scenario		
		Passenger & Freight Train Base (trns/day)	Add'l Trains per day	Percent Increase	Passenger & Freight Train Base (trns/day)	Add'l Trains per day	Percent Increase
Superior - Ladysmith	124	11.0	4.1	38%	11.0	9.1	83%
Ladysmith - Owen	46	11.0	4.1	38%	11.0	9.1	83%
Owen - Junction City	53	15.0	4.1	28%	15.0	9.1	61%
Junction City - Stevens Point	12	19.0	4.1	22%	19.0	9.1	48%
Stevens Point - Neenah	68	17.0	4.1	24%	17.0	9.1	54%
Neenah - Fond Du Lac	28	25.0	4.1	17%	25.0	9.1	37%
Fond Du Lac - Schiller Park	136	32.0	3.0	9%	32.0	8.0	25%

A capacity analysis of the proposed merger using the projected traffic diversions is beyond the scope of this statement. However, a "back-of-the-envelope" analysis is useful in identifying potential capacity needs that may result in construction that would fall under review of SEA.

Track charts provided by WC (timetables were not provided) indicate roughly 49 sidings and 70 miles of siding capacity between Superior and Schiller Park. If existing demand-to-capacity ratios were to remain constant with the additional traffic, there is no doubt that additional sidings and siding extensions would have to be constructed.³¹ A "back-of-the-envelope" calculation indicates that approximately 16 to 36 miles of additional siding capacity would have to be added to maintain current available capacity, as shown in Table 2-13. This is, of necessity, a very rough calculation, but it does indicate the possible impact from potential capacity construction activities.

³¹ In this instance, "demand-to-capacity" means traffic demand to available capacity of the existing infrastructure. Available capacity must, in general, be greater than average traffic demand to account for variations in traffic volumes, track maintenance, train breakdowns, severe weather, and other situations that create fluctuations from the standard operating environment. A reduction in available capacity generally results in an increase in train delay.

Table 2-13 Potential Siding Construction to Maintain Current System Capacity For Wisconsin Central Routes						
Route Segment	Number of Sidings	Total Siding Miles	Immediate Potential Scenario		Total Conversion Scenario	
			Percent Increase	Add'l Siding Miles	Percent Increase	Add'l Siding Miles
Superior - Ladysmith	11	13.8	38%	5	83%	11
Ladysmith - Owen	4	5.7	38%	2	83%	5
Owen - Junction City	5	6.1	28%	2	61%	4
Junction City - Stevens Point	2	2.8	22%	1	48%	1
Stevens Point - Neenah	8	11.8	24%	3	54%	6
Neenah - Fond Du Lac	4	4.8	17%	1	37%	2
Fond Du Lac - Schiller Park	15	24.9	9%	2	25%	6
Total	49	70		16		36

In previous environmental assessments of railroad mergers, SEA required a complete description of construction projects and identified and analyzed potential impacts to adjacent land uses, safety, water resources, biological resources, and historic and archaeological resources in and around proposed construction sites. Construction mitigation measures included such items as:

- Disposal measures,
- Restoration measures,
- Permit requirements,
- Best Management Practices requirements,
- Herbicide and fugitive dust management procedures,
- Noise-abatement procedures,
- Consultations with adjacent Indian Tribes,
- National Historic Preservation Act review process,
- Consultations with local DOT and appropriate local agencies,

- Restrictions on mechanized equipment,
- Consultation with Army Corps of Engineers,
- Noise monitoring where new connections are constructed.

Natural Resources

Train operations create potential impacts to natural resources such as lakes, wetlands, rivers and streams, wildlife areas, and recreational areas. Fortunately such impacts resulting from train accidents are small, but they do exist and are significantly greater than water-borne freight accident rates.³² In preceding sections, train accidents (including highway-rail) for WC routes were estimated between 30 and 77 (Immediate Potential and Total Conversion Scenarios) each year.

Other natural resource impacts include wildlife kills on right-of-way and noise disturbance to sensitive habitats and recreational areas. A rough estimate of the increased potential for natural resource impacts is provided in Table 2-14.

³² Great Lakes marine accident rates are estimated at 1 per 4.57 billion ton-miles, or 0.219 per billion ton-miles. See Great Lakes Commission, "Great Lakes and St Lawrence River Commerce: Safety, Energy, and Environmental Implications of Modal Shifts," 1993. This is roughly 10 times less than the rate for railroads, which is 2.47 accidents (including highway-rail) per billion ton-miles.

Table 2-14 Natural Resources and Potential Train Impacts						
Route Segment	Miles	Natural Resource Features	Immediate Potential Scenario		Total Conversion Scenario	
			Add'l Trains per day	Potential Resource Impacts (annual)	Add'l Trains per day	Potential Resource Impacts (annual)
Superior - Ladysmith	124	48	4.1	71,629	9.1	157,797
Ladysmith - Owen	46	18	4.1	26,861	9.1	59,174
Owen - Junction City	53	3	4.1	4,477	9.1	9,862
Junction City - Stevens Point	12	3	4.1	4,477	9.1	9,862
Stevens Point - Neenah	68	12	4.1	17,907	9.1	39,449
Neenah - Fond Du Lac	28	6	4.1	8,954	9.1	19,725
Fond Du Lac - Schiller Park	136	50	3.0	54,093	8.0	143,851
Summary		140		188,397		439,720

VERIFICATION

I, G. Avery Grimes, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed on June 12, 2001.



G. Avery Grimes, P.E.

CERTIFICATE OF SERVICE

I, James R. Dean, Jr., certify that, on the 13th day of June, 2001, I caused a copy of Great Lakes Transportation LLC's Comments on Applicants' Environmental Appendix to be served by hand upon:

Paul A. Cunningham
Harkins Cunningham
801 Pennsylvania Avenue, N.W.
Suite 600
Washington, D.C. 20004-2664

I also certify that on the 13th day of June, 2001, I caused a copy of the foregoing document to be served by overnight mail on the following:

William C. Sippel
Fletcher & Sippel LLC
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Chicago, IL 60601-6721



James R. Dean, Jr.