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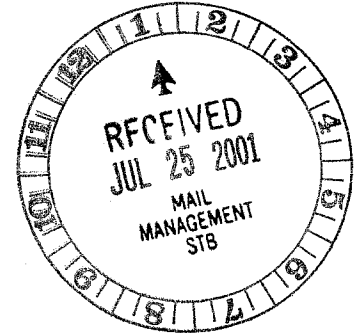
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July 25, 2001

BY HAND

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20423-0001



Re: STB Finance Docket No. 34000, *Canadian National Railway Company, Grand Trunk Corporation, and WC Merger Sub, Inc.—Control—Wisconsin Central Transportation Corporation, Wisconsin Central Ltd., Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and Wisconsin Chicago Link Ltd.*

Dear Secretary Williams:

Enclosed are the original and 25 copies of RailAmerica, Inc.'s Reply Comments in this proceeding, along with file RailAmerica-Reply Comments on a 3.5-inch floppy diskette formatted in Word '97. Please time and date stamp the extra copy of this letter and the Comment and return it with our messenger. Thank you for your assistance.

Sincerely yours,

Louis E. Gitomer
Attorney for RailAmerica, Inc.

Enclosure

ENTERED
Office of the Secretary

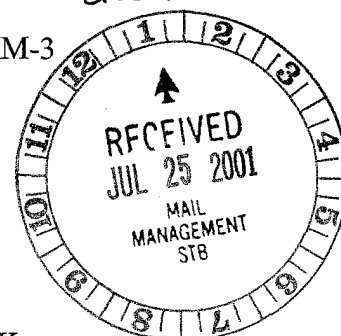
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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34000

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

REPLY COMMENTS IN SUPPORT

ENTERED
Office of the Secretary

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Public Record

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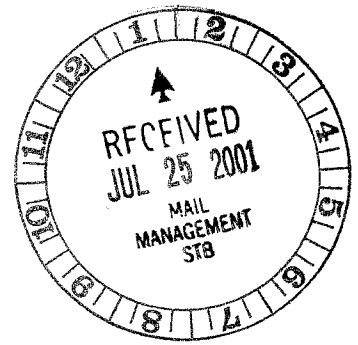
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Attorneys for RailAmerica, Inc.

Dated July 25, 2001

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34000



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

REPLY COMMENTS IN SUPPORT

RailAmerica, Inc. ("RailAmerica") on behalf of itself and its North American railroad subsidiaries files this reply in continued support of the proposed acquisition of Wisconsin Central Transportation Corporation, Wisconsin Central Ltd., Fox Valley & Western Ltd., Sault Ste. Marie Bridge Company, and Wisconsin Chicago Link Ltd. (all referred to as "Wisconsin Central"), by the Canadian National Railway Company ("CN") (referred to as the "Control Transaction").

RailAmerica is the world's largest short line and regional railroad operator. It owns 39 railroads operating approximately 11,000 route miles in the United States, Canada, Australia and the Republic of Chile. In North America, RailAmerica's railroads operate in 22 states and six Canadian provinces. Internationally, RailAmerica operates an additional 4,300 route miles under track access arrangements in Australia and Chile. In October 2000, RailAmerica was ranked 103rd on Forbes magazine's list of the 200 Best Small Companies in America.

RailAmerica's strategy is to grow its existing subsidiaries and to create a diversified international rail transportation company through an aggressive, focused

acquisition program. A major component of this strategy has been, and will continue to be, the acquisition and operation of short line and regional railroads both domestically and internationally.

From an operational standpoint, RailAmerica's subsidiaries' experience with the combination of CN and the Illinois Central Railroad Company ("IC") has been positive. As an example, the Toledo, Peoria & Western Railway Corporation ("TP&W") subsidiary of RailAmerica interchanged traffic with IC before and after its acquisition by CN. TP&W experienced a smooth transition from an independent IC to a combined CN/IC. Unlike other recent consolidations, TP&W did not experience bottlenecks, car routing problems, lost cars, or billing problems when CN and IC combined. TP&W experienced a very well handled and properly implemented consolidation when CN acquired IC. The CN/IC combination made the markets served by CN available to TP&W's customers through one interchange. Based on TP&W's experience with the combined CN/IC, RailAmerica is certain that the same level of planning, and execution will lead to an equally well done implementation of the CN/Wisconsin Central combination.

RailAmerica reviewed the comments filed in this transaction, and, based on the record, believes that the Surface Transportation Board (the "Board") should approve the Control Transaction without imposing any of the conditions suggested by the commenting parties, except where those conditions have been agreed to by CN.

The Board's predecessor, the Interstate Commerce Commission (the "ICC") recognized that it had limited power to impose conditions on a transaction that was not major.

[W]e believe that we should not attempt to impose a condition on our approval of a transaction related to a matter which we could not lawfully

consider as a basis for withholding our approval of that transaction. In enacting new subsection 11344(d), Congress unambiguously stated its intent that ‘the number of factors the Commission must consider in ruling on transactions other than merger would be reduced.’ H. Rept. 96-1430, 96th Cong. 2d sess. 120 (1980). Any effort to review ... (any other issue unrelated to competition) would remove all limits on the ‘number of issues’ we must consider in approving a transaction; it would frustrate Congress’ intent in enacting subsection 11344(d). To give effect to the congressional intent, we will exercise our conditioning power only where a condition bears on issues we may consider in deciding whether to approve a transaction.”¹

Norfolk & Western Ry. Co.—Pur.—Illinois Term. R. Co., 363 I.C.C. 882, 891-892 (1981)

(“*N&W—Pur.—IT*”). The followed the ICC’s precedent in *CSX Corporation and CSX Transportation, Inc.—Control—The Indiana Rail Road Company*, STB Finance Docket No. 32892 (STB served November 7, 1996) (“*CSX—Control—IRR*”), where the Board stated that service “concerns do not relate to the issue of competitive impact” and denied the relief sought for this, among other reasons. Precedent and the facts presented in the Control Transaction warrant denial of the conditions proposed to the Control Transaction.

It is RailAmerica’s position that the statute governing the Board’s decision on the Control Transaction limits conditions to those that address competitive harm.

the Board shall approve such an application unless it finds that--

- (1) as a result of the transaction, there is likely to be substantial lessening of competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States; and
- (2) the anticompetitive effects of the transaction outweigh the public interest in meeting significant transportation needs.

49 U.S.C. §11324(d). In order to approve the Control Transaction, RailAmerica contends that the Board must first determine whether any anticompetitive harm will be caused.

CSX—Control—IRR; N&W—Pur.—IT, at 886; *Southern Railway Company—Purchase—Kentucky & Indiana Terminal Railway Company*, ICC Finance Docket No. 29690 (ICC

¹ Former section 11344(d) was essentially reenacted as section 11324(d), which is the

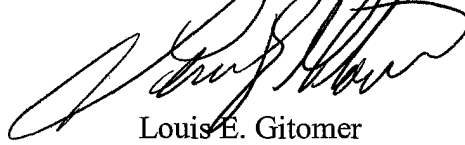
served December 8, 1981); *Chesapeake and Ohio Railroad Company—Control—Toledo Terminal Railroad Company*, ICC Finance Docket No. 30201 (ICC served October 28, 1983); and *Chesapeake and Ohio Railway Company and CSX Corporation—Control Port Huron and Detroit Railroad Company*, ICC Finance Docket No. 30440 (ICC Served September 19, 1984). It is RailAmerica's position that the only conditions the Board can impose on the Control Transaction are to relieve any anticompetitive impacts of the Control Transaction. Based on this analysis, RailAmerica contends that the Board must deny all of the proposed conditions that are not intended to resolve anticompetitive concerns. Moreover, RailAmerica also contends that even those proposed conditions that purport to clothe themselves in the cloak of resolving competitive concerns but are actually naked attempts unrelated to competitive concerns to extract concessions from CN and Wisconsin Central must also be denied by the Board. Based on its expertise in this area, the Board can readily uncover those proposed conditions that claim to solve competitive problems where there are none.

RailAmerica contends that no competitive harm will result from CN's control of Wisconsin Central based on the analyses developed by the ICC and the Board under section 11324(d). Therefore, RailAmerica argues that there is no basis for the imposition of conditions to cure competitive harm, and that the Board should approve the Control Transaction as proposed by CN and Wisconsin Central.

statute governing the Control Transaction.

In conclusion, RailAmerica respectfully urges the Board to approve the Control Transaction without conditions.

Respectfully submitted,



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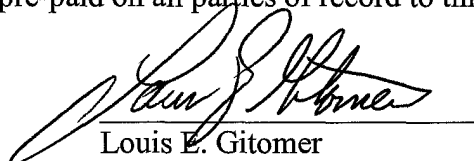
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Attorneys for RailAmerica, Inc.

Dated July 25, 2001

CERTIFICATE OF SERVICE

I hereby certify that on July 25th, 2001, I have caused the foregoing document to be served by first-class mail postage pre-paid on all parties of record to this proceeding.



Louis E. Gitomer
July 25, 2001