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July 25, 2001

The Honorable Vernon A Williams
Secretary
Surface Transportation Board
Case Control Unit
1925 K Street, N.W.
Washington, D.C. 20423-0001



Re: *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, Finance Docket No. 34000*

Dear Secretary Williams:

Enclosed for filing in the above-referenced docket are an original and 25 copies of the Reply Comments of Great Lakes Transportation LLC. A certificate of service is attached to the filing. This filing is designated GLT-18.

Also enclosed is a 3.5 inch diskette containing the pleading in Word 2000, which is capable of being read by WordPerfect for Windows 9.0.

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

Respectfully submitted,

Carolyn F. Corwin
Attorney for Great Lakes Transportation LLC

Enclosures

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Office of the Secretary

JUL 26 2001

Part of
Public Record

GLT-18

BEFORE THE
SURFACE TRANSPORTATION BOARD

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.

REPLY COMMENT: ORIGINAL TRANSPORTATION LLC

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Dated: July 25, 2001

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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

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**CANADIAN NATIONAL RAILWAY COMPANY,
GRAND TRUNK CORPORATION AND WC MERGER SUB, INC.
-CONTROL-
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AND WISCONSIN CHICAGO LINK**

REPLY COMMENTS OF GREAT LAKES TRANSPORTATION LLC

In accordance with the procedural schedule adopted in Decision No. 2, Great Lakes Transportation LLC ("GLT") hereby submits its reply comments in response to comments filed in this proceeding on or about June 25, 2001 concerning the proposed acquisition of control of the Wisconsin Central Transportation Corporation and its affiliates ("WC") by Canadian National Railway Company ("CN") (the "Transaction").

As stated in the comments it served on June 25, 2001, GLT supports approval of the Transaction, so long as the Board imposes as an unqualified condition of its approval compliance by CN with the terms of the settlement agreement GLT and CN have reached.¹ In its comments, GLT notified all parties of the substantive terms of the settlement, attaching a June 22

¹ See Comments of Great Lakes Transportation LLC, filed June 26, 2001 (GLT-14).

letter agreement that CN and GLT had executed and a description of additional settlement terms relating to rail operations in the Duluth/Superior area. On July 18, 2001, GLT filed with the Board the executed formal agreement containing the definitive terms of the parties' settlement (the "CN-GLT Settlement," the "Settlement," or the "Agreement").²

These Reply Comments explain why imposition of compliance by CN with the terms of the Settlement as an unqualified condition of approval of the proposed Transaction addresses concerns expressed by several parties in their comments. The Reply Comments also show why AK Steel's request that the Board impose as a condition a requirement that GLT maintain service to an AK Steel facility must be rejected.

I. BACKGROUND

A. GLT's Interest in this Proceeding

As explained in its previous filings in this proceeding, GLT is engaged in transportation of taconite and other commodities by rail and water through four subsidiaries: the Duluth, Missabe, and Iron Range Railroad Company ("DM&IR"), USS Great Lakes Fleet, Inc. ("USS Fleet"), the Pittsburgh & Conneaut Dock Company ("P&C Dock"), and the Bessemer and Lake Erie Railroad Company ("B&LE"). Together, DM&IR, USS Fleet, P&C Dock, and B&LE provide integrated transportation of taconite pellets and related materials from the iron-ore producing region of northeastern Minnesota to various steel production facilities. Specifically, DM&IR transports taconite from three production facilities that it serves (known as Minntac, Evtac, and Minorca) to either (a) DM&IR docks on Lake Superior (located at Duluth and Two Harbors, Minnesota) for loading onto USS Fleet ships (or vessels operated by other carriers) or

² See Submission of Settlement Agreement, filed July 18, 2001 (GLT-16). For the Board's convenience, a copy of the Settlement Agreement is included herewith as Attachment A.

(b) Duluth/Superior for interchange with other railroads. Beyond Duluth/Superior, taconite can move via several connecting rail carriers – including WC, Canadian Pacific Railway Company (“CP”), The Burlington Northern and Santa Fe Railway Company (“BNSF”), and Union Pacific Railroad Company (“UP”) – to points throughout North America, including both locations served by (or via) Great Lakes water carriers and other inland destinations.

Initially, GLT was concerned that the proposed Transaction would result in extensive diversions of taconite traffic from existing efficient rail-water routes to all-rail routes. Statements in the Application³ appeared to signal a desire on the part of CN/WC to pursue such diversions without regard to the underlying economics of all-rail movement relative to rail-water movement. GLT feared that CN’s greater financial resources would allow it to pursue such a strategy effectively, whereas WC had had only limited success in attracting to all-rail routes taconite that can move by water. GLT believed that, through reallocation of its resources and strategic pricing conduct, CN could cause extensive diversions of taconite traffic from Great Lakes shipping to CN/WC all-rail routes. GLT’s May 1 and June 13 filings in this proceeding took the position that such diversions could result in the decline and perhaps complete demise of lake transportation as a competitive option for shippers and could produce significant environmental impacts.

Recognizing the Board’s preference for privately-negotiated settlement of issues raised in control proceedings, GLT’s CEO contacted CN’s CEO to see whether they could reach a resolution that would address GLT’s concerns. After an extensive exchange of views, CN offered settlement terms that GLT believed would adequately address its concerns about the

³ See Joint Verified Statement of James M. Foote and William R. Schauer, at Application, p. 170.

potential effects of the proposed Transaction. At the same time, GLT and CN were able to agree on certain steps to rationalize rail operations in the Duluth/Superior area once CN gained control of WC and to resolve certain pre-existing disputes between GLT and CN.

As explained in these Reply Comments, the Settlement addresses GLT's concerns while at the same time ensuring that taconite shippers will continue to have the full range of existing transportation options. Assuming that CN's compliance with the terms of the Settlement Agreement is imposed as an unqualified condition of the Board's approval of the Transaction, GLT supports approval of the Transaction and believes that further conditions addressing its concerns are unwarranted.

B. Terms of the Settlement Agreement

There are two key elements of the Settlement:

1. *DM&IR-CN/WC Interline Cooperation*

First, the Settlement establishes a cooperative interline relationship between DM&IR and CN/WC that will improve efficiency and expand transportation options for taconite shippers. There are two key features of this set of provisions.

(a) Under an arrangement that CN initially proposed to GLT, the Settlement would establish DM&IR as CN/WC's agent with respect to all-rail movements of taconite from the three Minnesota production facilities served by DM&IR to the five destinations that were the primary subjects of GLT's concerns: Gary and Indiana Harbor, IN; Pittsburgh/Braddock, PA; Nanticoke, ON; and Lorain, OH.⁴ This agency designation will remain in place for ten years, absent specified changes in the control of GLT or DM&IR.⁵

⁴ Attachment A, Settlement Agreement at ¶ II.A.

⁵ *Id.* at ¶ II.B.

Pursuant to this agency relationship, DM&IR will arrange for all-rail taconite movements whenever such movements are commercially feasible and whenever requested to do so by a shipper.⁶ As required under the terms of the Agreement, DM&IR and CN/WC will develop their respective revenue requirements independently.⁷ The Agreement prohibits CN/WC and DM&IR from acting “unreasonably or anticompetitively” in establishing their respective revenue requirements.⁸ It also requires that CN/WC’s revenue requirement render any resulting movements profitable for CN/WC.⁹ Within these broad parameters, both CN/WC and DM&IR will be free to discuss any aspects of potential all-rail movements – including revenue requirements, service design, and other issues – with interested shippers. DM&IR will be responsible for working cooperatively with CN/WC to assemble the pertinent revenue requirements and develop an all-rail service design that meets the needs of a particular shipper, providing shippers with the advantage of one-stop shopping.¹⁰

(b) As part of the agency arrangement, CN/WC has committed to provide DM&IR with a rate factor for the movement of taconite pellets originating on DM&IR to and via the WC-owned docks at Escanaba, Michigan, for subsequent water movement.¹¹ No such rate

⁶ *Id.* at ¶ II.A.2 & A.3.

⁷ *Id.* at ¶ II.A.4.

⁸ *Id.* at ¶ II.A.7.

⁹ *Id.* at ¶ II.A.4. The fact that shippers will not be able to demand an unprofitable rate from CN/WC does not deprive them of a meaningful option. Any such rate would not be sustainable in the long run, and its availability likely would cause harm to other important transportation options, including Great Lakes shipping.

¹⁰ See generally the transcript of the Deposition of John Ernest Giles, taken July 17, 2001 (“Giles Dep.”), at 50-52. For convenience, pages from deposition transcripts that are cited herein are included as Attachment B to these Reply Comments.

¹¹ Settlement Agreement at ¶ II.A.6.

factor is in place today.¹² This commitment will therefore allow DM&IR to provide an additional lake transportation option for its taconite shippers. This new option is a significant one; it involves access to a Lake Michigan port that is open several months longer every year than the Lake Superior ports that DM&IR serves directly.

2. Operational Issues

Second, the Settlement resolves several significant issues involving rail operations in the Duluth/Superior area. This aspect of the Settlement will allow CN/WC's post-merger operations to be more efficient, and will resolve a dispute between the parties concerning CN's obligation to fund major improvements to the "Oliver Bridge," which spans the St. Louis River between Minnesota and Wisconsin and is used by DM&IR and CN trains moving between Duluth and points south. The Oliver Bridge is a crucial element of the infrastructure comprising CN/WC's mainline route between Canada and the Chicago gateway.

Specifically, the Settlement provides for: (1) expanded trackage rights to ensure that WC traffic can move to/from CN's Pokegama Yard in Superior, Wisconsin, in order to interchange with all other carriers there, facilitating CN/WC use of Pokegama Yard as the hub of its combined operations in the Duluth/Superior area;¹³ (2) removal of the track structure associated with an at-grade crossing of DM&IR and a WC track segment at Ambridge, Wisconsin, known as the Ambridge Diamond, reducing costly maintenance burdens for DM&IR, and a related commitment by DM&IR to handle any CN/WC traffic to/from the Koppers facility at Ambridge via reciprocal switching at a charge of \$50 per loaded car;¹⁴ and (3) a commitment

¹² See Giles Dep. at 75-76.

¹³ Settlement Agreement at ¶ III.A.1.

¹⁴ *Id.* at ¶ III.B & C.

by CN to contribute \$1.9 million towards an ongoing project involving vital reconstruction of the Oliver Bridge, allowing the parties to avoid costly arbitration of their dispute over CN's obligation to contribute to this project.¹⁵

3. *Other Features of the Settlement Agreement*

The Settlement becomes effective only if the Board approves the Transaction and imposes CN's compliance with the terms of the Settlement as an unqualified condition of such approval. In addition, the Settlement Agreement will terminate if the Board has not issued a decision on the merits of the Transaction by October 9, 2001.¹⁶ Disputes arising under the Agreement may be submitted to arbitration or brought to the Board where a party seeks enforcement of the condition imposed by the Board.¹⁷ Under the Settlement, GLT and its affiliates have agreed to support approval of the proposed Transaction subject to imposition of a requirement that CN and its affiliates continue to comply with the Settlement Agreement as a condition of approval.¹⁸

II. THE BOARD'S IMPOSITION OF COMPLIANCE WITH THE SETTLEMENT AGREEMENT AS A CONDITION WILL ADDRESS CONCERNS ABOUT THE EFFECTS OF LARGE TACONITE DIVERSIONS ON THE VIABILITY OF LAKE SHIPPING AND THE WELFARE OF CERTAIN COMMUNITIES.

Several parties filing comments on June 25 expressed concern about the proposed Transaction on the ground that it could result in substantial diversions of taconite traffic to all-rail routes and that such diversions would have negative effects on the viability of lake transportation and on the welfare of communities that would face large increases in rail traffic.

¹⁵ *Id.* at ¶ III.D.

¹⁶ *Id.* at ¶ IV.A.

¹⁷ *Id.* at ¶ IV.C.

¹⁸ *Id.* at ¶ I.A. and B.

For example, the comments of the Transportation Institute cited the potential for predatory competition in connection with carriage of taconite pellets originating in northern Minnesota. These comments suggested that predatory pricing by CN/WC to gain market share could devastate the maritime system in the Great Lakes region.¹⁹ ONDEO Nalco Company expressed concern that the proposed transaction could harm Great Lakes shipping interests involved in moving taconite, which in turn could harm other Great Lakes economic interests and shipping infrastructure.²⁰ Representatives of several cities or towns provided statements expressing concern about the effect of increased rail shipments of taconite on safety and the environment and the quality of life in their communities.²¹

As indicated in Part I above, GLT initially had similar sorts of concerns about the proposed Transaction, based in part on statements contained in the verified statement of CN and WC marketing officials. GLT feared that CN's large financial resources would allow it to engage in strategic conduct to divert large amounts of taconite traffic to all-rail routes and that the result of such diversions would be to destroy an important transportation alternative for a number of commodities that currently depend on lake shipping.²² While Applicants

¹⁹ Letter from James L. Henry, President, Transportation Institute, filed June 25, 2001.

²⁰ Comments of ONDEO Nalco Company on the proposed CN-WC Merger, filed June 28, 2001, at 2.

²¹ See, e.g., verified statements of Scott L. King on behalf of the City of Gary, Indiana; Duane W. Dedelow, Jr. on behalf of the City of Hammond, Indiana; Robert A. Pastrick on behalf of the City of East Chicago, Indiana, all filed on June 25, 2001.

²² The impact of the proposed transaction on lake shipping is a proper subject for the Board's inquiry under the public interest standard. The Rail Transportation Policy requires the Board "to ensure the development and continuation of a sound rail transportation system with effective competition among rail carriers *and with other modes*, to meet the needs of the public and the national defense," and "to foster sound economic conditions in transportation and *to ensure effective competition and coordination between rail carriers and other modes.*" See 49 U.S.C. § 10101(4) - (5) (emphasis added); see also 49 U.S.C. § 13101(a)(1)(A) (stating policy "to recognize and preserve the inherent advantage of each mode of transportation").

subsequently denied in filings with the Board that they had either the intent or the ability to cause large-scale diversions of taconite traffic to all-rail routes, GLT continued to have concerns. However, mindful of the Board's encouragement of privately-negotiated resolutions of disputes in merger proceedings,²³ GLT worked with CN in an effort to find a way to resolve its concerns. As described above, ultimately GLT and CN were able to reach a settlement that GLT believes addresses these concerns.

Assuming that the Board imposes as a condition of its approval of the Transaction a requirement that CN comply with the Settlement Agreement, GLT believes that the issues raised by the Transportation Institute and other parties described above should no longer be of concern. Certain features of the Agreement help to allay the concerns expressed by these commenters. The Agreement provides a commercial framework that ensures that shippers will

²³ As the Board explained in the CN/IC proceeding: "It has been our practice to encourage settlement agreements in merger proceedings. This derives from our experience that such agreements can be procompetitive and beneficial because they can go beyond what the agency could do with its authority. Such settlement agreements are in the public interest." STB Finance Docket No. 33556, *Canadian National Ry., Grand Trunk Corp. & Grand Trunk Western R.R. - Control - Illinois Central Corp., Illinois Central R.R., Chicago, Central & Pacific R.R. & Cedar River R.R.* (Decision No. 37), Decision served May 25, 1999 ("CN/IC"), Slip Op. at 25. See also STB Finance Docket No. 33388, *CSX Corp. & CSX Transportation, Inc., Norfolk Southern Corp. & Norfolk Southern Ry. - Control & Operating Leases/Agreements - Conrail, Inc. & Consolidated Rail Corp. ("CSX/NS/Conrail")* (Decision No. 89), Decision served July 23, 1998, Slip Op. at 58 ("whenever possible, disputes should be resolved by negotiated settlement between affected parties, rather than addressed by a resolution imposed by government decree"); *Union Pacific Corp., Pacific Rail System, Inc., & Union Pacific R.R. - Control - Missouri Pacific Corp. & Missouri Pacific R.R.*, 366 I.C.C. 459, 601 (1982), *aff'd in part and remanded in part sub nom. Southern Pacific Transportation Co. v. ICC*, 736 F.2d 708 (D.C. Cir. 1984) ("We favor the negotiation of settlements by parties to a consolidation proceeding.").

The recently revised Major Rail Consolidation Procedures reaffirm the Board's policy favoring privately-negotiated settlements and explicitly note the Board's willingness to "impose [settlement agreements] as conditions as appropriate." Ex Parte No. 582 (Sub-No. 1), *Major Rail Consolidation Procedures*, Decision served June 11, 2001 ("*Major Rail Consolidation Procedures*"), Slip Op. at 52. The Board further explained that it encourages private-sector solutions to competitive and other problems shortline and regional railroads (such as GLT's subsidiaries DM&IR and B&LE) and ports may experience as a result of a rail merger. *Id.* at 27.

have a full range of rail and water options available to them and that provides assurance that the choice among such options will be made based on what makes economic sense, rather than on shipper responses to predatory or strategic conduct.²⁴ In particular, under the agency arrangement provided for under the Agreement, CN must set its revenue requirement at a level that will allow a movement to be profitable for it; DM&IR and shippers will then have ultimate responsibility for determining whether an all-rail route is commercially feasible when compared with other alternatives, including alternatives that include water transportation; and CN and its affiliates (as well as DM&IR and its affiliates) must refrain from acting unreasonably or anticompetitively in connection with establishment of their revenue requirements.²⁵

The Settlement thus addresses the concerns raised by GLT and others by assuring that large diversions of taconite traffic will occur only if the underlying economics – or other shipper preferences – favor such movement.²⁶ Because there is general agreement that lake shipping today enjoys a considerable cost advantage over rail shipment,²⁷ with the Settlement Agreement in place it is unlikely that there will be substantial diversion of taconite traffic to all-rail routes (with the accompanying effects on safety and the environment) in the near term.²⁸

²⁴ While the antitrust laws provide some protections against the potential for predatory conduct, there are various hurdles to enforcement of such protections. GLT believes that the commercial framework established by the Agreement, with CN's compliance enforced by the Board, would provide greater assurance that predatory conduct will be deterred.

²⁵ See Settlement Agreement ¶ II.A.

²⁶ The Settlement Agreement is superior to various conditions the Board might have imposed on Applicants against their will, because it addresses the concerns raised by GLT and others without imposing artificial restrictions on CN/WC's ability to participate in all-rail taconite movements that are economically efficient and desired by shippers.

²⁷ See Giles Dep. at 26-27; transcript of the Deposition of G. P. "Rusty" Radloff, taken on July 12, 2001 ("Radloff Dep."), at 53, 58-59, 85.

²⁸ Of course, the Settlement Agreement will not allow DM&IR to "force" taconite shippers to use lake shipping if they would prefer an all-rail routing. The agency arrangement with

(continued...)

The Agreement further addresses concerns about unwarranted diversions of taconite by expanding the rail-water options for DM&IR's shippers, thereby strengthening lake transportation as a competitive alternative. Under the Settlement CN/WC will provide DM&IR with rate factors for taconite originating on DM&IR and moving to or via the WC docks at Escanaba, Michigan. The Escanaba docks are located on Lake Michigan, and the shipping season there is several months longer than for docks at Duluth, Two Harbors, and other Lake Superior ports. By assuring DM&IR's ability to offer the taconite producers it serves an efficient option for shipping their taconite via Lake Michigan, the Settlement Agreement will improve the ability of lake shipping to serve the needs of taconite shippers, thereby making water transportation more attractive (as well as expanding the array of transportation options available to shippers). Absent the Settlement, DM&IR and its shippers would have no assurance that

(... continued)

CN/WC does not allow DM&IR to control every all-rail route serving northeastern Minnesota. As today, any DM&IR route (rail-water or all-rail) will have to compete against BNSF's *single-line* route from certain Iron Range origins to Chicago and other gateways. In addition, interline routes that include DM&IR and other carriers serving the Duluth/Superior area – *i.e.*, UP and CP – will be unaffected by the agency arrangement with CN/WC. Thus, in addition to being subject to restrictions on anticompetitive conduct contained in the Settlement Agreement, GLT and DM&IR will have competitive incentives to ensure that a DM&IR-CN/WC route provides a viable alternative to other all-rail routes.

In addition, there are numerous other sources of taconite, including mines in Upper Michigan as well as numerous foreign sources, that will create competitive pressures on DM&IR. Perhaps of even greater importance, global overcapacity in the steel industry has given steel producers strong incentives to shift production among their facilities in response to differences in input costs. Because GLT's customers – the taconite producers served by DM&IR and the steel manufacturers that receive DM&IR-originated ore – operate in fiercely competitive markets, DM&IR will be under strong pressure to develop the DM&IR-CN/WC all-rail route to its full potential to avoid disadvantaging its customers. GLT will not be in a position to dictate a rail-water route if shipper preferences or the underlying economics come to favor an all-rail route. *See* Giles Dep. at 40-44, 51-52, 56-62.

CN/WC would cooperate in providing a reasonable rate factor for movements of taconite between Duluth/Superior and Escanaba.²⁹

Thus, so long as the Board grants, without modification, the request to impose CN's compliance with the Settlement Agreement as a condition to approval of the proposed Transaction, the concerns of the commenters who fear the effects of large diversions of taconite traffic should be allayed, and further conditions addressing those concerns should be unnecessary. In fact, a number of the entities in the Great Lakes region that previously had expressed concern about the effects of the Transaction have concluded that the Settlement Agreement addresses their concerns and that they can support approval of the Transaction so long as the Agreement is imposed as a condition of approval.³⁰

In addition to the fact that it addresses the concerns of GLT and other commenters, the Settlement Agreement is consistent with the public interest in other respects. The agency arrangement established under the Agreement offers the advantage of one-stop shopping to those shippers on the DM&IR that choose all-rail routing of taconite, thereby minimizing time and costs for those shippers. By providing for a cooperative interline arrangement (as opposed to an antagonistic relationship) between DM&IR and CN/WC, the agency arrangement promises to improve the DM&IR-CN/WC all-rail option for those shippers interested in using that option, while leaving intact the ability of each of the railroads to price its service independently and as it wishes, so long as it avoids anticompetitive pricing practices.

²⁹ See Giles Dep. at 76-78, 83-84.

³⁰ Attachment C to these Reply Comments includes letters from American Steamship Company, Bay Shipbuilding Co., Duluth Seaway Port Authority, Great Lakes Towing Company, Mon River Towing, Inc., Monroeville Area Chamber of Commerce, Oglebay Norton Marine Services Company, City of Proctor, Minnesota, Tanoma Energy, and Transcor Corporation. Each of these letters expresses support for the Transaction so long as the Board imposes compliance with the Settlement Agreement as a condition of approval.

In addition, as described in Part I.B.2 above, several of the operating provisions in Section III of the Agreement will help to improve the efficiency of post-merger rail operations in the Duluth/Superior area. And portions of the Section III provisions will resolve disputes that would otherwise have had to be arbitrated, resulting in considerable savings in time and resources for the parties.

Because the terms of the Agreement address the concerns of GLT and other commenters, and because they are otherwise commercially reasonable and in the public interest, CN's compliance with the Settlement Agreement (so long as GLT and DM&IR remain materially in compliance with the Agreement) should be imposed as an unqualified condition on the proposed Transaction.³¹

III. AK STEEL'S REQUEST FOR IMPOSITION OF A CONDITION SHOULD BE DENIED.

In its comments filed on June 25, 2001, AK Steel Corporation ("AK Steel") asked the Board to impose an order requiring GLT "to adhere to its representations made in this case

³¹ By its terms, the Settlement will become effective only if the Board imposes CN's compliance with the Agreement as an unqualified condition of approval of the Transaction. Accordingly, the benefits of the Settlement – and the resolution of GLT's opposition to the Transaction – will be achieved only if the Board grants the condition GLT and CN are requesting without modification. Particularly given the Board's oft-stated preference for privately-negotiated settlements in contested proceedings, conditioning the Transaction on compliance with the Settlement would fulfill the Board's mandate to "approve and authorize a transaction ... when it finds the transaction is consistent with the public interest." 49 U.S.C. § 11324(c).

Without the protection afforded by this exercise of conditioning authority, there would be no deal, because of the chilling effect of potential collateral attacks on the Settlement Agreement. While GLT believes the terms of the Agreement are clearly procompetitive and in the public interest, there is always a threat of claims by some who may misunderstand the Agreement. Thus, the parties were not prepared to go forward with the Settlement without the benefit of the antitrust immunity that flows from its imposition as a condition. Of course, the Board will continue to have jurisdiction with respect to the terms of the Agreement.

that it will not take any actions to abandon service to AK Steel's Butler, Pennsylvania facility."³²

This request is both procedurally improper and substantively unnecessary, and it should be rejected.

This issue originated with GLT's concern that the proposed CN/WC transaction would result in significant diversions of taconite traffic from the Great Lakes, and thus from the B&LE. In its initial filing on May 1 (GLT-1), GLT expressed the belief that, if the B&LE no longer carried taconite, the southern portion of the B&LE would no longer be viable. GLT subsequently analyzed the B&LE traffic in greater depth. In its opposition to a motion to compel production of documents filed by AK Steel, GLT stated that, on the basis of this further analysis, it had "concluded that, even if there were substantial diversions of taconite traffic to all-rail, B&LE would continue to serve customers on the southern part of its line," and that GLT "no longer expects to argue that AK Steel and other shippers on the southern part of the B&LE line are likely to lose rail service if the merger is approved."³³

GLT continues to believe that, even if there were substantial diversions of taconite from the rail-water-rail route, B&LE would continue service on the southern portion of its line. But there is no basis for imposing any condition to enforce this expectation.

As an initial matter, the Board's conditioning authority under 49 U.S.C. § 11324(c) does not extend to imposition of conditions on non-applicant carriers. The Board has repeatedly acknowledged that it does not possess authority to impose merger conditions on non-applicants. In the CN/IC proceeding, for example, the Board rejected a request that it condition the transaction on a grant of trackage rights over the lines of KCS, which the Board deemed a

³² AKS-8 at 2.

³³ See Great Lakes' Opposition to AK Steel's Motion to Compel Production of Documents, June 14, 2001 (GLT-10), at 5.

non-applicant. The Board held that “[n]o provision of the Act gives us a general authority to impose trackage rights over the lines of a non-applicant carrier such as KCS.” *CN/IC*, Decision served May 25, 1999, Slip Op. at 30. In its recently issued Major Rail Consolidation Procedures, the Board reaffirmed this basic principle, stating that “imposing ... conditions on carriers that are not applicants or controlled by applicants is not within our merger conditioning authority, which gives us only the power to ‘impose conditions governing the transaction.’” *Major Rail Consolidation Procedures*, Decision served June 11, 2001, Slip Op. at 32. As the Board noted there, the essential character of a “condition” is that it is relief that the *applicants* must accept if they choose to consummate their proposed transaction. *Id.* No such choice is available to non-applicants such as GLT.

The two authorities AK Steel cites do not provide any basis for imposing a condition on GLT. Both cases involved requests that additional conditions be imposed *on an applicant* in a consolidation proceeding. The *CSX/NS/Conrail* order cited on page 7 of AK Steel’s Comments involved a request that the Board issue an order directing Norfolk Southern – one of the applicants – to continue to operate a maintenance facility it had acquired from Conrail. AK Steel cites a second order – *Norfolk & Western Ry. & New York, Chicago & St. Louis R.R. – Merger*, 363 I.C.C. 270 (1980) – for the proposition that a supplemental order entered pursuant to 49 U.S.C. § 11327, rather than a merger condition, could be entered against GLT. However, the order requested in that proceeding (integration of the Delaware & Hudson into the merged N&W system) would have been against N&W, an applicant in the original proceeding. Moreover, the Board has noted that its authority to issue supplemental orders in merger cases should be used sparingly because parties to an approved merger no longer have the opportunity to elect not to proceed if they are unwilling to accept the conditions. *Major Rail Consolidation Procedures*, *supra* at 45 n.53. The *N&W* case thus provides no support for using a Section

11327 supplemental order to impose a condition against a non-applicant like GLT, which likewise would have no opportunity to choose whether to proceed in the face of a Board-imposed condition.

Wholly apart from the Board's lack of authority to grant the relief requested by AK Steel, an order compelling GLT not to "take any actions to abandon service to AK Steel's Butler, Pennsylvania facility" is unwarranted and would be contrary to the public interest. First, GLT has not "represented" in this case that it will not take such actions. Rather, it has merely stated that it no longer believes that loss of service to AK Steel and other shippers on the southern part of the B&LE would be a likely result of the CN/WC transaction. Moreover, GLT should not be artificially constrained in its ability to seek authority to abandon portions of the B&LE if future economic conditions should render their continued operation unprofitable.³⁴ Putting in place the restrictive and unprecedented order sought by AK Steel would be an unwarranted intrusion into GLT's business affairs, as well as an act that is beyond the Board's authority.

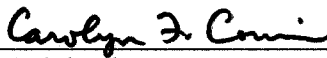
³⁴ Of course, any future request to abandon a portion of the B&LE would be subject to STB review and approval, providing AK Steel with all of the protection to which it is entitled.

CONCLUSION

For the foregoing reasons, GLT respectfully requests that the Board (1) approve the proposed Transaction subject to the unqualified condition that CN and its affiliates comply with the terms of the Settlement Agreement submitted to the Board on July 18, 2001, so long as GLT and DM&IR remain materially in compliance with the Agreement, and (2) reject AK Steel's request for a condition requiring GLT to maintain service to AK Steel's Butler, Pennsylvania, facility.

Respectfully submitted,

Leean M. Greenwald
Great Lakes Transportation LLC
135 Jamison Lane
Monroeville, PA 15146
(412) 829-6892



J. Michael Hemmer
Nicholas W. Fels
Carolyn F. Corwin
David L. Meyer
Covington & Burling
1201 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2401
(202) 662-5578

Counsel for Great Lakes Transportation LLC

Dated: July 25, 2001

CERTIFICATE OF SERVICE

I, Carolyn F. Corwin, certify that, on this 25th day of July, 2001, I caused a copy of the foregoing Reply Comments of Great Lakes Transportation LLC to be served as indicated below:

By Hand:

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

Nicholas J. DiMichael
Thompson Hine, LLP
1920 N Street, N.W.
Suite 800
Washington, D.C. 20036-1601

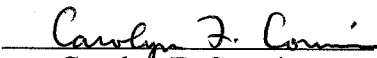
John H. LeSeur
Andrew B. Kolesar III
Slover & Loftus
1224 - 17th Street, N.W.
Washington, DC 20036-3081

Paul Samuel Smith
U.S. Department of Transportation
400 Seventh Street, S.W.
Room 4102 C-30
Washington, D.C. 20590

By Overnight Mail:

William C. Sippel
Fletcher & Sippel LLC
180 N. Stetson Avenue
Two Prudential Plaza
Suite 3125
Chicago, IL 60601-6721

I further certify that on this 25th day of July, 2001, I caused a copy of the foregoing Reply Comments of Great Lakes Transportation LLC to be served by first-class mail, postage prepaid, on all other parties of record listed on the official service list, as modified, issued as Appendix A to Decision No. 3 in Finance Docket No. 34000.


Carolyn F. Corwin

ATTACHMENT A

CN-GLT SETTLEMENT AGREEMENT

This Settlement Agreement dated as of July 18, 2001 (the "Agreement") by and between Great Lakes Transportation LLC ("GLT") and its indirectly wholly-owned U.S. railroad subsidiary, the Duluth, Missabe, and Iron Range Railway Company ("DMIR"), on the one hand, and Canadian National Railway Company ("CN"), on the other,

WITNESSETH:

WHEREAS, CN has sought by application dated April 9, 2001 the approval of the Surface Transportation Board ("STB") with respect to CN's proposed acquisition of control of Wisconsin Central Transportation Corporation and its wholly-owned U.S. railroad subsidiaries (together, "WC") (the "Transaction");

WHEREAS, GLT is willing to support STB approval of the Transaction based on the assumption that CN's continued compliance with this Agreement will be imposed as a condition of such approval; and

WHEREAS, CN is willing to have such compliance imposed as a condition of the STB's approval of the Transaction based on the assumption that such approval will be granted within the time frame contemplated by the STB when it accepted CN's application for review;

NOW, THEREFORE, the parties to this Agreement, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, agree as follows:

I. SUPPORT OF TRANSACTION AND CONDITION; EFFECTIVE AND OPERATIVE DATES

A. GLT Support of Transaction. GLT and its Affiliates will support (and to the extent it has not already done so will urge other persons who have submitted comments to the STB at GLT's behest to support) STB approval of the Transaction, subject only to the STB's unqualified imposition of the condition described in Section I.B. Neither GLT nor any of its Affiliates will advocate or otherwise support any proposal to impose any other condition with respect to STB approval of the Transaction.

B. Request for STB Imposition of Condition. CN and GLT will each request that the STB impose without qualification, as a condition of its approval of the Transaction, a requirement that CN and its Affiliates continue to comply with this Agreement in accordance with and subject to its terms and conditions so long as GLT and DMIR remain materially in compliance with this Agreement. CN and GLT will each actively support the unqualified imposition of such a condition on the grounds, among others, that the condition is commercially reasonable and fully consistent with the STB's authority to impose conditions pursuant to 49 U.S.C. §11324 (c).

C. Effective Date and Operative Date. For the purposes of this Agreement, "Effective Date" means the later of the date on which this Agreement has been executed by all of the parties or the date first above written; and "Operative Date" means the date, following STB approval of the Transaction, on which CN consummates the Transaction and acquires control of WC.

D. Affiliate. For purposes of this Agreement, "Affiliate" means any person, or group of persons acting in concert, controlling, controlled by, or under common control with, a party to this Agreement.

II. CN/WC-DMIR INTERLINE COOPERATION

A. DMIR Agency.

1. Effective as of the Operative Date, CN hereby designates (and will thereupon cause WC to designate) DMIR to act as the exclusive agent for CN and WC to the extent and for the purposes set forth in this Section II.A., or in any ancillary agreements or other documents negotiated by the parties pursuant to Section IV.H.

2. DMIR, on its own behalf and as agent for CN and WC, may solicit and, upon the request of or pursuant to a contract with a shipper, shall make all necessary arrangements for the all-rail, joint-line movement of taconite and other forms of beneficiated iron ore (the "Commodity") originating at points served by DMIR (each an "Origin" and, collectively, the "Origins") and moving over CN's and/or WC's lines to ultimate destinations at Gary or Indiana Harbor, IN, Pittsburgh/Braddock, PA, Nanticoke, ON, or Lorain, OH (each, a "Destination" and, collectively, the "Destinations"); provided that DMIR's agency responsibility hereunder will extend only to all-rail, joint-line movements of the Commodity to a Destination that are commercially feasible, as reasonably determined by DMIR. So long as this Section II.A. remains in effect, neither CN nor any of its Affiliates as of the Operative Date or thereafter (including WC) will, independently of DMIR, solicit all-rail movements of the Commodity between an Origin and a Destination described in this paragraph or set prices to shippers for its portion of such a movement unless it is legally required to do so.

3. For purposes of Section II.A.2., an all-rail joint-line movement is commercially feasible if DMIR reasonably determines that the aggregate revenue requirements of DMIR, CN/WC and any other participating rail carrier or carriers permit

a through rate and a quality of service for such movement from an Origin to a Destination that are competitive with comparable through rate and service offerings otherwise available to the shipper, including any offerings involving maritime transportation.

4. CN will provide notice to DMIR from time to time of the revenue requirement applicable to CN/WC's portion of each movement referenced in subsection 2. above, in accordance with the service design for such movement developed by DMIR in consultation with CN/WC and other carriers involved in the movement, and DMIR's pricing authority will be exercised only in accordance with such notice of revenue requirement. CN/WC's revenue requirement shall be established independently by CN/WC at a level that causes the movements to which the revenue requirement applies to be profitable for CN/WC. Each such notice will supersede any prior notice, and DMIR will be entitled to rely on the most recent CN notice in arranging transportation pursuant to Section II.A.2.

5. The parties will negotiate in the manner set forth in Section IV.H. the form or forms of shipper contract that DMIR may enter into pursuant to its agency authority under this Section II.A. and any other agreement or document that CN or GLT deems necessary or appropriate in the exercise of such authority or in carrying out the purposes of subsection 2. DMIR will not, in the exercise of its agency authority under this Section II.A., enter into any shipper contract containing terms and conditions that are not included in, or are materially different from, the provisions of such form or forms of shipper contract, without CN's prior written consent.

6. As part of the agency arrangement described in this Section II.A. DMIR shall be authorized to offer through rates for joint-line movements of the

Commodity from Origins (as defined in Section II.A.2.) to WC's Escanaba Docks and through WC's Escanaba Docks for further waterborne transport. CN will provide DMIR with the revenue requirement applicable to CN/WC's portion of any such movement identified from time to time by DMIR (including any requested services at Escanaba to facilitate rail to vessel movement), in accordance with the service design for such movement developed by DMIR in consultation with CN/WC, and DMIR's pricing authority will be exercised only in accordance with the information so provided.

7. CN and DMIR agree to cooperate with each other, and to use reasonable best efforts, in providing efficiently any transportation service arranged by DMIR pursuant to this Section II.A. In establishing from time to time their respective revenue requirements for their respective portions of movements covered by this Section II.A., neither DMIR and its Affiliates nor CN and its Affiliates (including WC) shall act unreasonably or anticompetitively.

8. DMIR will not exercise its agency authority under this Section II.A. to enter into any contract with a shipper with a term longer than one year without CN's prior written consent.

B. Termination Date. Unless sooner terminated pursuant to Section IV.A. below, the agency relationship contemplated under Section II.A. shall terminate, and the provisions of Section II shall expire, on the earlier of the tenth (10th) anniversary of the Operative Date or the date on which there has occurred a Change in Control. "Change in Control" means (i) the acquisition of a majority interest in DMIR's or GLT's voting capital stock by a customer of CN or a Class I rail carrier, or (ii) the acquisition by a customer of CN or by a Class I rail carrier, by any means, of what would be regarded by

the STB as control of DMIR for purposes of 49 U.S.C. §11323, as in effect on the date hereof, irrespective of whether such acquisition of control would be subject to the jurisdiction of the STB.

III. OPERATIONAL MATTERS

A. WC Trackage Rights.

1. The parties will draft and execute an amendment to the Trackage Rights Agreement between DMIR and WC's railroad subsidiary Wisconsin Central Ltd. ("WCL") dated April 14, 1988, as amended by the Amendment Agreement dated May 9, 1991, pertaining to DMIR trackage between South Itasca, Wisconsin, and Pokegama, Wisconsin (collectively, the "April 14, 1988 WCL Agreement"), to become effective as of the Operative Date. The April 14, 1988 WCL Agreement shall be amended to the following effect: WCL shall have the right to use the trackage rights granted thereunder to interchange all traffic with any other carrier at Pokegama Yard, subject to the restrictions set forth in Section 8 of the April 14, 1988 WCL Agreement and any other restrictions in that agreement that are not inconsistent with such right to interchange. The parties will undertake best and good faith efforts to execute the amendment by August 31, 2001.

2. The parties will draft and execute an amendment to the Trackage Rights Agreement between DMIR and WCL dated May 9, 1991, as amended, pertaining to DMIR trackage between South Itasca, Wisconsin, and Saunders, Wisconsin (collectively, the "May 9, 1991 WCL Agreement"), to become effective as of the Operative Date. The May 9, 1991 WCL Agreement shall be amended to the following effect: Section 5.A. of the May 9, 1991 WCL Agreement shall be revised to substitute the same "per loaded car" rate applicable to CN's subsidiary, the Duluth, Winnipeg and

Pacific Railway Company ("DWP"), under Section 6.A. of Trackage Rights Agreement between DWP and DMIR dated July 30, 1981, as amended by agreement dated August 24, 1987 (collectively, the "CN/DMIR Trackage Rights Agreement"), as that rate may subsequently be escalated, for the rate calculated pursuant to the "per loaded car mile" rate formula set forth in Section 5.A. of the May 9, 1991 WCL Agreement. The parties will undertake best and good faith efforts to execute the amendment by August 31, 2001.

B. Removal of Ambridge Diamond. Subject to DMIR's agreement to provide switching services as described in Section III.C. and to amend the April 14, 1988 WCL Agreement to permit WCL to interchange directly with all carriers at Pokegama Yard as described in Section III.A., neither CN nor any of its Affiliates as of the Operative Date (including WC) will object to DMIR's removal of the track structure associated with the at-grade crossing of WCL track and DMIR track at Ambridge, Wisconsin, known as the "Ambridge Diamond," and all associated signaling and control systems, if any, following the Operative Date. Upon removal of the Ambridge Diamond, DMIR shall be relieved of any obligation to provide ongoing maintenance and repairs thereupon. DMIR shall bear all costs and expenses associated with the removal of the Ambridge Diamond.

C. Reciprocal Switch at Koppers Facility. Effective no later than upon removal of the Ambridge Diamond, DMIR will amend its Switching Tariff DMIR 8002-I to provide DWP/WC with switching services as required on a nondiscriminatory basis between Pokegama Yard and the Koppers facility at Ambridge, Wisconsin, over DMIR trackage at a charge of \$50 per loaded car. Empty cars shall be switched at no charge. DMIR shall continue to provide such switching services unless and until (a) DMIR elects

to restore the Ambridge Diamond or (b) the facility now maintained by Koppers at Ambridge ceases operation and no longer needs rail service.

D. Oliver Bridge.

1. CN (and its Affiliates, including WC) will pay DMIR a share of the Total Project Costs incurred by DMIR and the States of Minnesota and Wisconsin for reconstruction of the Oliver Bridge (DMIR Bridge SL/IT 13C, Mn/DOT Bridge No. 6544), which project is currently underway and more fully described in Agreement No. 78755 between DMIR and the State of Minnesota (the "Current Oliver Bridge Reconstruction"). The term "Total Project Costs" shall mean all costs incurred by DMIR and the States of Minnesota and Wisconsin for the Current Oliver Bridge Reconstruction. The aggregate amount of CN's (and its Affiliates') share of Total Project Costs upon completion will be U.S. \$1,900,000 (the "CN Share").

2. Within thirty (30) days of the Effective Date, CN will pay DMIR U.S. \$220,000 toward its share of Total Project Costs. Thereafter, and subject to the last sentence of subsection 1. above, CN will pay DMIR an amount equal to twenty-five percent (25%) of each invoice for costs associated with the Current Oliver Bridge Reconstruction submitted after the Effective Date in accordance with the methodology reflected in invoices for costs associated with the Current Oliver Bridge Reconstruction submitted prior to the Effective Date. Each such amount shall be paid within twenty (20) days of CN's receipt of such invoice. Further payment to cover the CN Share will be provided by CN to DMIR within twenty (20) days following the Operative Date up to the full amount of invoices for costs associated with the Current Oliver Bridge Reconstruction previously received by CN, subject to the last sentence of subsection 1. above. If such payment does not fulfill the CN Share, CN will continue to pay DMIR an

amount equal to one-hundred percent (100%) of each invoice for costs associated with the Current Oliver Bridge Reconstruction submitted by DMIR in accordance with the methodology reflected in invoices for costs associated with the Current Oliver Bridge Reconstruction submitted prior to the Effective Date, until the CN Share has been fully paid. If such payments do not fulfill the CN Share, CN will make an additional payment to fulfill the CN Share at the time of its payment of the final invoice.

3. While this Agreement remains in effect, the parties will not seek arbitration of their dispute concerning DWP's responsibility for expenses associated with the Current Oliver Bridge Reconstruction pursuant to the CN/DMIR Trackage Rights Agreement. Upon full payment by CN or any of its Affiliates of the CN Share, the dispute among the parties and their respective Affiliates concerning the allocation of costs incurred in the Current Oliver Bridge Reconstruction will be fully resolved, without any admission or determination as to the merits of the positions taken by the parties and their respective Affiliates.

4. In the event that this Agreement terminates pursuant to Section IV.A. before the CN Share has been fully paid, the parties shall be free to seek resolution of the dispute referred to in subsection 3. by arbitration, except that for purposes of any such resolution CN shall receive credit for any payments made to DMIR under this Section III.D. Any payments by CN or its Affiliates pursuant to this section, and any acceptance of such payments by GLT or its Affiliates, shall be without prejudice to the parties' respective rights and obligations regarding reimbursement of expenses associated with the Current Oliver Bridge Reconstruction pursuant to the CN/DMIR Trackage Rights Agreement.

IV. GENERAL TERMS

A. Termination of Agreement. This Agreement will terminate in the event that (1) the STB issues a decision denying approval of the Transaction, (2) the STB issues a decision approving the Transaction but does not impose, without qualification, the condition contemplated under Section I.B., or (3) for any reason, the STB has not issued a decision on the merits of the Transaction by October 9, 2001, whichever event is first to occur.

B. Amendment. This Agreement may not be modified except by written agreement duly executed by the parties.

C. Dispute Resolution.

1. The chief marketing officers of the parties will meet or confer from time to time, as appropriate, and will attempt to resolve any issues arising under this Agreement. The parties will seek to resolve all issues concerning the interpretation or application of this Agreement pursuant to the process described in the previous sentence. If a dispute arises between or among the parties that cannot be resolved pursuant to that process, the parties agree that (a) GLT or DMIR may seek enforcement by the STB of any condition imposed by the STB and (b) any party may, upon ten (10) days prior notice to the other party or parties, submit any dispute arising out of or relating in any way to this Agreement to arbitration pursuant to subsection 2. below.

2. Except as set forth in subsection 1. above, any dispute arising out of or relating in any way to this Agreement shall be subject to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and the further terms of this subsection 2. The arbitrator shall be jointly selected by CN and by

GLT or DMIR, as the case may be, but, if the parties do not agree on an arbitrator within thirty (30) days after demand for arbitration is made by a party, they shall request that the arbitrator be designated by the American Arbitration Association.

(a) Until any award is made upon the question or questions submitted to arbitration, the business, settlements and payments to be transacted and made and other performance under this Agreement shall continue to be transacted and made in the manner and in the form existing prior to the time such questions arose. Any damages in such an award shall earn interest from the date the damages were initially incurred until paid at the corporate "prime rate" as reported in The Wall Street Journal on the date of the award.

(b) The arbitrator shall have the power to require the performance of acts found to be required by this Agreement and to require the cessation or nonperformance of acts found to be prohibited by this Agreement. The arbitrator shall not have the power to award consequential or punitive damages. No award under this Section IV.C. may change the terms of this Agreement.

(c) The arbitrator shall make an award in writing, which, except as provided in paragraph (d) below, shall be final, binding and conclusive on all parties to the arbitration when delivered to them.

(d) Any party may, within ten (10) days of delivery of the award, seek clarification or reconsideration of the award from the arbitrator. The other party or parties shall be provided an opportunity for a response thereto within twenty (20) days of receipt thereof. The arbitrator shall make the decision granting or denying such clarification or reconsideration in writing, within sixty (60) days of receipt of a petition

for such clarification or reconsideration which decision shall then be final, binding and conclusive on all parties to the arbitration when delivered to them.

(e) Each party to the arbitration shall pay the fees and expenses of its own witnesses, exhibits and counsel. The compensation, cost and expenses of the arbitrator shall be paid in equal shares by all parties to the arbitration.

(f) The parties may conduct such reasonable discovery as will facilitate a prompt and efficient resolution of the issues in dispute; provided that the arbitrator may provide for and place such limitations on the conduct of such discovery as the arbitrator may deem appropriate. The books and papers of all parties, as far as they relate to any matter submitted for arbitration, shall be open to the examination of the arbitrator.

(g) The location of any arbitration proceeding shall be agreed upon by the parties, or if they are unable to agree, in Washington, D.C.

(h) All proceedings relating to any such arbitration, and all testimony, written submissions and award of the arbitrator therein, shall be private and confidential as among the parties, and shall not be disclosed to any other person, except as required by law and except as reasonably necessary to prosecute or defend any judicial action to enforce, vacate or modify such arbitration award.

D. No Joint Venture or Partnership Intended. The parties do not intend by this Agreement or by any activities contemplated by this Agreement to create a joint venture or partnership.

E. Governing Law. This Agreement shall be construed in accordance with and governed by the law of the United States to the extent of any jurisdiction of the STB

with respect to the subject matter hereof and otherwise by the laws of the State of Illinois.

F. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that no party may assign, delegate or otherwise transfer any of its rights or obligations hereunder to any person without the prior written consent of the other party or parties hereto, which consent shall not be withheld unreasonably.

G. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including telecopy or similar writing) and shall be given:
if to CN:

Canadian National Railway Company
935 de La Gauchetiere Street West
Montreal, Quebec
Canada H3B 2M9
Attention: Chief Legal Officer
Telecopy: 514-399-4854

if to GLT:

Great Lakes Transportation LLC
135 Jamison Lane
Monroeville, PA 15146
Attention: General Counsel
Telecopy: 412-829-6607

or if to DMIR:

Duluth, Missabe and Iron Range Railway Company
500 Missabe Building
Duluth, MN 55802
Attention: Vice President
Telecopy: 218-723-2127

H. Further Assurances.

1. The commercial and other rights and obligations described in Sections II and III shall be set forth or amplified, as the parties deem appropriate, in separate agreement documents of the kind, and containing such provisions as are

normally and customarily utilized by the parties, including, where applicable, exhibits depicting specific rail line segments, subject to and consistent with the descriptions set forth in this Agreement. The parties shall in good faith use their reasonable best efforts to complete such agreements no later than August 31, 2001. If any such agreement is not reached by such date, either such party may request that any dispute over the terms of such agreement document be resolved by arbitration pursuant to Section IV.C.2. hereof, with the arbitration proceeding to be completed within sixty (60) days of its institution.

2. The parties agree to execute such other and further documents, and to undertake such acts, as shall be reasonable and necessary to carry out the intent and purposes of this Agreement.

I. No Third Party Beneficiaries. This Agreement is intended for the sole benefit of the parties to this Agreement. Nothing in this Agreement is intended or may be construed to give any person, firm, corporation or other entity, other than the signatories hereto, their permitted successors and permitted assigns, and their Affiliates, any legal or equitable right, remedy or claim under this Agreement.

J. Severability. If any one or more of the provisions of this Agreement should be ruled wholly or partly invalid or unenforceable by a court, arbitrator or government body of competent jurisdiction, then: (i) the validity and enforceability of all provisions of this Agreement not ruled to be invalid or unenforceable shall be unaffected; (ii) the effect of the ruling shall be limited to the jurisdiction of the court, arbitrator or government body making the ruling; (iii) the provisions(s) held wholly or partly invalid or unenforceable shall be deemed amended, and the court, arbitrator or government body is authorized to reform the provisions(s), to the minimum extent necessary to render them

valid and enforceable in conformity with the parties' intent as manifested herein and a provision having a similar economic effect shall be substituted; and (iv) if the ruling and/or the controlling principle of law or equity leading to the ruling is subsequently overruled, modified, or amended by legislative, judicial, or administrative action, the provision(s) in question as originally set forth in this Agreement shall be deemed valid and enforceable to the maximum extent permitted by the new controlling principle of law or equity.

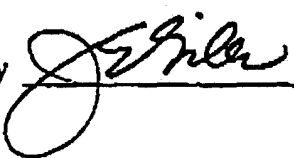
K. Confidentiality. The parties agree and acknowledge that this Agreement will be filed as part of the public record in Finance Docket No. 34000. The parties further agree that the terms of any further agreements or other document contemplated by this Agreement may be highly confidential and shall not be disclosed by CN, or by GLT and DMIR, without the prior written consent of the other, to individuals not employed by, acting as counsel for, or consultants to CN or GLT, except as required by law; provided that any party may make appropriate disclosure of such terms to government entities under applicable confidentiality procedures.

L. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

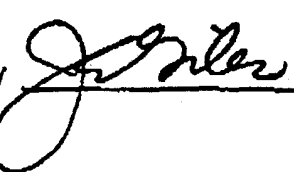
M. Entire Agreement. This Agreement supersedes all prior understandings between the parties with respect to the particular subject matter of the Agreement and constitutes (along with the further agreements and documents referred to in this Agreement) a complete and exclusive statement of the terms of the Agreement between the parties with respect to its subject matter.

IN WITNESS WHEREOF, the parties have caused this Agreement to be
executed by their duly authorized representatives as of the day and year first above
written.

GREAT LAKES TRANSPORTATION LLC

By  Pres.
(Title)

DULUTH, MISSABE, and IRON RANGE
RAILWAY COMPANY

By  Pres.
(Title)

CANADIAN NATIONAL RAILWAY COMPANY

By _____
(Title)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

GREAT LAKES TRANSPORTATION LLC

By _____
(Title)

**DULUTH, MISSABE, and IRON RANGE
RAILWAY COMPANY**

By _____
(Title)

CANADIAN NATIONAL RAILWAY COMPANY

By *Herald P. Paul*
(Title)
Assistant Vice President
Marketing and Sales

ATTACHMENT B

BEFORE THE
SURFACE TRANSPORTATION BOARD

CANADIAN NATIONAL RY. CO.)
et al. - Control -)
Wisconsin Central) Finance Docket
Transportation Corp.) No. 34000
et al.)

DEPOSITION OF JOHN ERNEST GILES,
taken pursuant to the Federal Rules of Civil
Procedure, before Sheila A. Rivers, Registered
Professional Reporter-Notary Public in and for the
Commonwealth of Pennsylvania, on Tuesday, July 17,
2001, at the offices of Great Lakes Transportation,
LLC, 135 Jamison Lane, Monroeville, Pennsylvania
15146, commencing at 9:00 o'clock a.m.

HIGHLY CONFIDENTIAL CONTENT

- - -

JOHN ERNEST GILES
~~HIGHLY CONFIDENTIAL CONTENT~~
- - - -

1 in the past.

2 Q. On that basis, you believe that they could
3 occur in the future?

4 A. Sure. You asked me are they viable, and the
5 answer -- I'm answering that in the context of, yes,
6 there are rail tracks that cover that territory,
7 there's rolling stock and there's locomotives and
8 people to move the trains. So, I think it's
9 absolutely viable.

10 Q. Can an all-rail move from Minntac to
11 Pittsburgh compete effectively with the rail-water
12 rail move that exists today?

13 MR. MEYER: Are you talking about a
14 seasonal basis, or year-round basis, or emergency
15 basis, or any other basis?

16 MR. MORENO: Well, let's break it out.

17 BY MR. MORENO:

18 Q. First, on a year-round basis.

19 A. I'd answer that in two ways. At the end of
20 the day, the shipper's going to make a decision based
21 on the total economics of the alternatives available
22 to the company. So, if you're asking me is it
23 possible to put together a rate and service package

JOHN ERNEST GILES

~~HIGHLY CONFIDENTIAL CONTENT~~

- - - -

1 that could convert the business to all-rail, the
2 answer is theoretically, sure.

3 The history, however, is pretty clear that --
4 to me at least, that when a product has been moving
5 over a certain route for, I don't know, pick a
6 hundred years as a reasonable amount of time, it
7 tells you something about the basic economics of that
8 mode, and so, you know, all things are possible.

9 Q. Do you believe that a CN/Wisconsin Central
10 merger would improve the economics of an all-rail
11 movement from the Minntac Mine to Pittsburgh?

12 A. I want to answer that by going back and
13 giving an example. I gave you a conceptual response
14 earlier in our comments. And I want to give you a
15 very critical example now of what I saw occur.

16 I was in the coal department back at the
17 Chessie system back in the early '80s, and there are
18 significant movements of coal that moved to the Ohio
19 and Kentucky and Mississippi River, movements and
20 beyond. And we at Chessie were greatly concerned
21 that the truckers were making inroads and capturing
22 more market share and competing very effectively.
23 And, so, it was decided to become a more aggressive

JOHN ERNEST GILES
~~HIGHLY CONFIDENTIAL CONTENT~~
- - - -

1 MR. MEYER: I'm going to reiterate my
2 objection regarding settlement privilege. And I know
3 we have a standing agreement on this subject, which
4 if you'll reaffirm as to this specific issue, I'll
5 let the witness answer this specific question.

6 MR. MORENO: I'll reaffirm.

7 A. CN.

8 Q. Does the DMIR have any similar arrangement
9 with Wisconsin Central currently or in the past?

10 A. Not to my knowledge.

11 Q. What concern of GLT's is this exclusive
12 agency addressing?

13 A. Actually, it tends to address a number of
14 concerns. One of the concerns is the importance that
15 DM&IR and CN feel about keeping shippers on a DM&IR
16 competitive. At the end of the day, if we don't
17 cooperate and effectively knit together
18 transportation solutions that serve DM&IR shippers
19 well, they don't prosper, and we don't prosper. So,
20 this arrangement with CN institutionalizes a
21 cooperation and enhanced level of dialogue and
22 additional options for those shippers. So, that's,
23 if you will, one concern that it addresses.

JOHN ERNEST GILES
~~HIGHLY CONFIDENTIAL CONTENT~~
- - -

1 The other important consideration here is
2 that, while this only deals with taconite producers
3 on the DM&IR, it's important that we keep in mind
4 that there are many other taconite producers up on
5 the Iron Range and elsewhere, Michigan and other
6 points in Canada, that are eager to sell their
7 pellets to destinations we serve. So, this, in a
8 sense, allows CN and DM&IR to be more effective
9 suppliers for DM&IR origins, and then able to compete
10 more effectively against taconite producers that
11 originate their product on other Class 1 railroads in
12 that area.

13 Q. Why is it necessary for DM&IR to be the
14 exclusive agent for CN on these taconite moves in
15 order to accomplish the two objectives you've just
16 outlined?

17 A. Would you repeat the question.

18 Q. Why is it necessary for DM&IR to be CN's
19 exclusive agent?

20 A. I don't know that that's the case. This is
21 what was proposed, and it was acceptable to us.

22 Q. What other options might be available, aside
23 from this exclusive agency arrangement, to accomplish

JOHN ERNEST GILES
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- - - -

1 your objectives?

2 MR. MEYER: Object to the form.

3 A. I don't know. I haven't thought about it
4 that way. This was proposed, it clearly served a
5 number of objectives.

6 One of the things we constantly have heard
7 from shippers and customers over the years is, "You
8 railroads are way too difficult to deal with." You
9 know, "Why do I need to call four different railroads
10 to track a car?" "Why can't we have one-stop
11 shipping?" "Why is it I need to go negotiate rates,
12 service, equipment, escalation and many other
13 provisions with three or four rail carriers between a
14 single OD pair?"

15 This agency arrangement was designed to --
16 it's very responsive to all those concerns that we've
17 historically heard from shippers, and it's designed
18 to make life easier and more effective for shippers.

19 Q. Did you consult with any of your shipper
20 customers regarding the benefits of this arrangement
21 before signing the June 22 letter?

22 A. No.

23 Q. In the last paragraph of the June 22 letter,

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1 four lines down, the sentence begins, "So, as far as
2 we are concerned, we have nothing to lose by this
3 arrangement." "We" referring to CN.

4 Do you agree that CN has nothing to lose by
5 this settlement agreement?

6 A. I'm not comfortable speculating as to what
7 they think or how they view this issue.

8 Q. I'm asking what you think. Do you agree?

9 MR. MEYER: No, you're clearly asking
10 him to agree with something that CN is saying about
11 its own view of its internal analysis. So, I think
12 the witness's reaction in answer to your question was
13 quite appropriate.

14 MR. MORENO: I'm attempting to clarify.

15 Let's move on.

16 BY MR. MORENO:

17 Q. Is this exclusive agency arrangement
18 beneficial to DMIR?

19 A. Yes, we think so.

20 Q. How so?

21 A. Well, in a range of ways. I think I've
22 covered some of them just a few minutes ago. But, in
23 our view, there's a big competitive world out there.

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1 If you were to ask your associates at U.S. Steel,
2 they would be very concerned about the delivered cost
3 of Brazilian pellets, taconite pellets, being landed
4 here in the U.S. And I can assure you they're
5 working very, very hard trying to get their
6 production costs down. I'm trying to reduce my
7 transportation costs. And we're trying to
8 participate -- continue to participate with Minntac
9 pellets into the Midwest. This arrangement, I think,
10 allows an enhanced level of cooperation between us
11 and CN so that we can continue to help USX retain
12 their competitive advantage in serving those
13 customers.

14 So, this, I think, really helps DM&IR, keeps
15 us engaged with the shipper, it allows for an
16 enhanced level of cooperation and dialogue with CN.
17 And, frankly, it also brings about more options and
18 better options for the shipper. So, I think, long
19 term, that's good and healthy for DM&IR.

20 Q. Why is it necessary to achieve these
21 objectives, to have this exclusive agency impose a
22 condition on the merger?

23 A. Why is it as -- say that again, please.

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- - - -

1 Q. Focusing again on the last sentence of that
2 paragraph, is the exclusive agency provision in the
3 June 22 settlement agreement designed to preclude the
4 applicant from competing for taconite movements
5 originated on the DMIR?

6 A. No. No. We've consistently said, and we
7 should say it again, that we at Great Lakes and we at
8 DM&IR don't mind competing. In fact, it's critical
9 that we do so. In fact, we like to do so.

10 The only competitive issues that we have
11 concerns with is that competition isn't on a
12 straight-up and forthright basis. Again I'll go back
13 to my coal to the river model, and there are others
14 I've witnessed over the years, having been vice
15 president of sales and marketing for a major Class 1.
16 So, it is not competing that gives us any angst at
17 all. In fact, the more effective competitor we are,
18 the better we serve U.S. Steel and the other shippers
19 on the Iron Range.

20 And, as I said, you know, this document, when
21 it came in, you know, startled would be the way to
22 kind of review how it was viewed and read. And, as I
23 said, it's got an incorrect context, it's not

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1 reflective of the conversations. We never talked
2 about not competing for business. That's not
3 something we initiate, not something we talked about,
4 it's not how we behave.

5 I would actually -- it's too bad we don't
6 have the document in place now to give you, the
7 agreement, because I think you'll see that it's, in
8 our view, it's -- we think in yours, it's pro
9 competitive. It serves to not just maintain the
10 existing competitive options that shippers have, but
11 it increases the options available to them, and so, I
12 still don't know where this comes from.

13 Q. As the exclusive agent of CN under this
14 settlement agreement, is it fair to say that DM&IR
15 would have the sole ability to set a through-rail
16 rate to, say, the Edgar Thomson facility in
17 Pittsburgh?

18 A. No. Our role is not to set the total
19 through-rate. Our job is to manage and arrange the
20 pieces of the puzzle that originate, let's say, at
21 one of the DM&IR origins and terminates at, to use
22 your example, Edgar Thomson. Our job is to go out
23 and get in place the components of the rates, you

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1 know, "CN, let's talk about all-rail to ET. How do
2 you think about equipment, how do you think about
3 transit time, service, your requirements, revenue
4 requirements, interchange points?" And, of course,
5 that just gets the business to Chicago.

6 From Chicago east, there are a range of
7 alternatives, CSX, Norfolk Southern, Wheeling Lake
8 Erie and others, that would then want to weigh in and
9 compete for that business. Again, our role, as I see
10 it, is to be the arranger, the orchestra leader, you
11 know, bringing in those components, making sure that
12 the service and the transit and the equipment,
13 etcetera, is all there and good. And to that, we
14 then add our component, and that's what goes to the
15 customer after all that work is done. So, the
16 characterization of -- you made an oversimplification
17 that I wanted to clarify in terms of how I see the
18 role.

19 Q. Let's say in my example what if U.S. Steel
20 desired to go out and assemble a through-rate on its
21 own with each of the railroads involved in the
22 movement, in the movement of taconite to Pittsburgh,
23 would this settlement agreement preclude CN from

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1 Railroad, which is needed to serve ET.

2 I don't know if -- I hope I answered your
3 question.

4 Q. Recognizing that DMIR doesn't have the right
5 to quote the revenue requirements that involve the
6 individual railroads --

7 A. Right.

8 Q. -- DM&IR does have the right to determine the
9 final through-rate, as long as those other railroads'
10 revenue requirements are satisfied?

11 A. Yes. We would tender the through-rate to the
12 shipper.

13 Q. What incentive does DM&IR have to quote a
14 through all-rail movement to Pittsburgh that would be
15 competitive with a rail-water move?

16 A. I think we have a number of incentives to do
17 so. One is, at the end of the day, economics
18 prevail. U.S. Steel's, ours, everybody's. And if
19 the all-rail mode proves to hold the best economics
20 for USX, U.S. Steel, and that traffic originates on
21 the DM&IR, we have to compete for it. We're not in a
22 position to torture rates in competing modes to serve
23 our best interests.

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1 Q. What would preclude the DM&IR from quoting an
2 all-rail rate that is uneconomic compared to a
3 rail-water rate?

4 MR. MEYER: You mean assuming the
5 underlying rail economics were favorable?

6 MR. MORENO: Yes, that's a fair
7 assumption behind the question.

8 A. So, the question is again, it's...?

9 Q. Let's assume that an all-rail rate is
10 economical.

11 A. Okay.

12 Q. What would preclude DM&IR from quoting a
13 through all-rail rate at a level that would make the
14 all-rail route uneconomic compared to a rail-water
15 move?

16 A. There are specific provisions in our
17 agreement, our agency agreement, that binds both
18 parties to being both reasonable and competitive.

19 Q. Are you referring to provisions in this
20 June 22 letter?

21 A. The agreement that supports that.

22 Q. The agreement that we haven't seen yet?

23 A. Correct. I think those two important

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1 elements are there.

2 MR. MEYER: You'll see it shortly.

3 MR. MORENO: Doesn't do me any good
4 right now.

5 Do you have any objections to my asking him
6 regarding the terms of that agreement as it exists
7 right now?

8 MR. MEYER: You can go ahead and ask him
9 questions. I'll take them as they come.

10 BY MR. MORENO:

11 Q. Do you recall the language of this final
12 agreement that's being negotiated that would be
13 responsive to -- that would implement your response
14 that the rates would have to be reasonable?

15 A. Well, obviously, I don't -- I can't, you
16 know, do the verbatim, you know, recitation of the
17 language, but I think the important themes are that
18 in order to be -- to make sure this is pro
19 competitive and maintains or even enhances the
20 options available to shippers, both parties need to
21 be reasonable about the levels and the quality and
22 how diligent we go about our business. And there are
23 specific -- and the theme of being competitive is

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1 resident in that language, and I think appropriately
2 so.

3 Q. Is "reasonable" defined in the language of
4 the current draft of the final agreement?

5 A. I don't remember.

6 Q. In your view, how would you define
7 "reasonable" in the context of this final agreement?

8 MR. MEYER: I object to the --

9 BY MR. MORENO:

10 Q. Draft of the final agreement.

11 MR. MEYER: Well, I'm also going to
12 object on the basis that you're treading into really
13 asking for a legal conclusion about what language of
14 an agreement means and would be interpreted as by an
15 arbitrator or another adjudicator.

16 BY MR. MORENO:

17 Q. Do you have an understanding of the term
18 "reasonable" as it's being used in this agreement?

19 A. Yes.

20 Q. Would you share that understanding with us.

21 A. Again, the premise here is that we're trying
22 to do something that's pro competitive and
23 supportive. And, so, "reasonable" has to be in a

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1 sense -- our behavior has to be reasonable in that
2 context. Our behavior in terms of how we deal with
3 particular issues and problems that may come up with,
4 you know, negotiating a service rate package.
5 "reasonable" means that we can't torture -- I'll just
6 shoot with what we can't do -- we can't torture our
7 own revenue requirements in order to achieve our own
8 independent gains if it, in fact, is not good for the
9 shipper and not good for the other competitors in the
10 route.

11 Q. Under your agreement, does the shipper have
12 any recourse if it believes the rates are not
13 reasonable under this agreement, in the way
14 "reasonable" is defined in this agreement?

15 A. I would say the shipper always has lots of
16 options. You know, one of the options here is that
17 the Wisconsin Central and CN is not the only railroad
18 that moves between superior Wisconsin and Chicago.
19 Burlington Northern runs north and south, the Union
20 Pacific runs north and south.

21 If CN and DM&IR offer up something to one of
22 the shippers on a DM&IR, that's -- you know, it
23 doesn't make sense. There are plenty of other

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1 railroads out there eager to haul that product to
2 market.

3 Q. We've been talking in the context of the
4 DMIR's factor and its ability to quote the
5 through-rate. Does the shipper have any alternative
6 to the DM&IR to move its taconite?

7 MR. MEYER: What taconite?

8 MR. MORENO: From the Minntac Mine in
9 the case of U.S. Steel.

10 A. That business is under contract, I think,
11 until 1998 or 1999.

12 Q. You're referring to the rail business?

13 A. I'm talking about the rail and the water
14 movements. There are two separate agreements, to my
15 knowledge.

16 Q. In your answer I believe you said 1998 and
17 '99. Do you mean 2008?

18 A. 2008 and 2009. There are two separate
19 agreements with two separate termination dates.

20 So, to be clear, so U.S. Steel has options
21 with competing carriers on the through route. It's
22 also the case, again I go back to the macro economic
23 world we all live in, and that is, we need to make

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1 sure that U.S. Steel can get their pellets to market,
2 you know, with no disadvantage. They need to get
3 there economically and efficiently. And I work on
4 that every day. I meet with those people to try to
5 bring solutions to that end.

6 Q. You've described this agreement as pro
7 competitive. What do you mean when you use the term
8 "pro competitive"?

9 MR. MEYER: He just elaborated at some
10 length about what he means, but if you want to answer
11 it again...

12 BY MR. MORENO:

13 Q. Pro competitive to whom? From whose
14 perspective?

15 A. The shipper. The customer. The marketplace.

16 Q. Have any of your customers indicated they
17 believe this agreement is pro competitive?

18 A. I have spoken with the customers, and they
19 have -- you know, we've had some extensive
20 conversations, and I have not heard a single concern
21 expressed from any of those shippers until the
22 deposition came in from U.S. Steel. And, in fact, I
23 never heard a concern expressed by U.S. Steel until

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1 A. No.

2 Q. Turn to page 10 of that same document.

3 A. (Complying.)

4 Q. In the first paragraph, four lines down, the
5 sentence that begins, "The settlement terms preserve
6 the existing ability of customers to choose between
7 rail-water and all-rail routings depending on which
8 is more economical, as well as DM&IR's rights as
9 originating carrier."

10 I'm focusing on that last phrase. What is
11 being referenced there as DM&IR's rights as
12 originating carrier? What rights are being
13 referenced?

14 A. I don't know.

15 Q. If you'll turn back to page 8 of the same
16 document.

17 A. (Complying.)

18 Q. Focusing on the provisions of the settlement
19 related to the Escanaba dock, and in this first full
20 paragraph, reference that the settlement would
21 promote competition, because CN/WC will provide DM&IR
22 with a rate factor for taconite originating on DM&IR
23 and moving to the Escanaba dock.

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1 Does WC provide such a rate factor today?

2 A. To DM&IR?

3 Q. Yes.

4 A. I don't think so.

5 Q. Do you know why that is?

6 A. No.

7 Q. Have you asked them to provide a rate factor,
8 or has any shipper, to your knowledge, asked them?

9 A. Not since I've been here.

10 Q. Does taconite move -- originated on the DM&IR
11 move to the Escanaba docks?

12 A. Yes.

13 Q. And under what terms or what type of rate is
14 it moving?

15 A. I don't know the particulars. It's a
16 movement that's, you know, got far more history than
17 I have with the properties. I don't know.

18 Q. Do you have any reason to believe that WC
19 would not -- or that CN, the combined CN/WC, would
20 not provide a rate to the Escanaba dock absent this
21 settlement agreement?

22 A. I don't know.

23 I would also like to add that one of the

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1 things -- there are a couple points I'd like to make
2 here. One is this settlement, I think, is important
3 between us and CN, because what I've learned is that
4 there's not been a lot of constructive dialogue with
5 WC -- between WC and DM&IR in the past. And I don't
6 think that serves either one of us well, I don't
7 think it serves customers well, and that's one of the
8 reasons why I think enhanced company cooperation is a
9 good outcome here.

10 It's also the case that there are situations
11 where moving DM&IR-origin traffic to the Escanaba
12 docks is a solution that we ought to have in our
13 portfolio available to some of our customers. Now,
14 it doesn't fit in every instance, but my view is we
15 ought not be fighting it, we ought to be working with
16 shippers to the extent it solves some of their
17 considerations and some problems. It's got to. For
18 example, the waters don't freeze nearly as quickly,
19 and they've got a two-month longer shipping season.
20 That's a value in terms of keeping inventory down for
21 shippers, and that's something we ought to be
22 sensitive to.

23 So, I think this is a good example of

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1 something that's real positive that's come out of the
2 dialogue with CN/WC and is something, I think, that
3 will be able to be of real value to shippers.

4 Q. Could the rate factor to the Escanaba dock be
5 implemented without being imposed as a condition upon
6 this merger?

7 A. Well, could we knit together this without
8 STB?

9 Q. Right.

10 A. Yes. I think so.

11 MR. MORENO: I don't have any other
12 questions.

13 MR. MEYER: Let's take 30 seconds. I
14 may have one or two.

15 Do you have anything for AK?

16 MR. PFOHL: No.

17 (Recess.)

18 MR. MEYER: Back on the record.

19 First, I'd just like to state for the record
20 that we will designate this entire transcript as
21 highly confidential, subject to our ability to
22 examine the transcript and de-classify portions that
23 don't require such treatment. There was discussion

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1 CN counsel to designate the transcript as highly
2 confidential, and I'd like to take a moment to ask if
3 we could have similar consideration to completing a
4 prompt review of that transcript.

5 MR. CUNNINGHAM: Yes.

6 MR. WOOD: Thank you.

7 MR. MORENO: I have just one or two
8 follow-up questions.

9 EXAMINATION

10 BY MR. MORENO:

11 Q. Mr. Giles, you were asked by your counsel a
12 moment ago whether the agreement to quote a rate
13 factor to the Escanaba docks was part of a package
14 deal.

15 Just in follow-up to that, is there any
16 reason -- do you have any reason to believe that
17 CN/Wisconsin Central after this merger would not
18 provide a rate factor to the Escanaba docks?

19 A. Any reason that they wouldn't? I'm
20 struggling a little bit.

21 My initial answer is I don't know why they
22 wouldn't. But it is interesting to see that, as you
23 look at the history, there wasn't one in place for

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1 long periods of time. I don't know why that is. I
2 don't know if it's because CN didn't want it or DM&IR
3 didn't want it or whether it wasn't demanded by
4 shippers. So, I'm struggling.

5 Q. In your response, you said "whether CN didn't
6 want it." Did you mean to say Wisconsin Central?

7 A. Excuse me. Yes, Wisconsin Central.

8 So, I really don't know.

9 Q. With respect to the counsel's question
10 regarding whether there would ever be -- whether you
11 could conceive of any circumstance in which an
12 all-rail movement would be more profitable to GLT
13 than a rail-water move, besides hypothesizing as to
14 whether it's conceivable, do you have any specific
15 circumstances in mind?

16 A. I think that one of the specific conditions
17 that would have to occur would be that the economics
18 of all-rail to a subject designation would have to
19 improve. In other words, be reduced. The cost
20 structure would, I think, have to be altered pretty
21 significantly.

22 The second condition is that each carrier
23 would price their portion of the service to reflect

BEFORE THE
SURFACE TRANSPORTATION BOARD

CERTIFIED COPY

Finance Docket No. 34000

Canadian National Ry. Co. et al. - Control -
Wisconsin Central Transportation Corp. et al.

Washington, D.C.

Thursday, July 12, 2001

Deposition of G.P. "Rusty" Radloff, a
witness herein, called for examination by
counsel for U.S. Steel in the above-entitled
matter, pursuant to notice, the witness being
duly sworn by F. Renee Finkley, a Notary Public
in and for the District of Columbia, taken at
the offices of Harkins Cunningham, 801
Pennsylvania Ave., N.W., Washington, D.C., at
10:00 a.m., Thursday, July 12, 2001, and the
proceedings being taken down by Stenotype by
F. RENEE FINKLEY, RPR, CRR, and transcribed
under her direction.

1 THE WITNESS: Obviously we were
2 involved in discussing taconite movements with
3 the DM&IR and I wanted to see what provision
4 stated that we could not serve, just for my own
5 benefit, directly those mines.

6 BY MR. WOOD:

7 Q. Had you previously been given
8 information from someone else in CN that such
9 agreements existed?

10 A. I had heard, yes.

11 Q. You recall who you heard it from?

12 A. I believe it was from Jerry Boland's
13 group.

14 Q. How many such agreements are there?

15 A. There's two agreements to my
16 knowledge, one involving the WC, one involving
17 the DWP.

18 Q. Are there any other reasons why you
19 would make the statement that CN has no hope of
20 handling these moves?

21 A. Just from experience when you come up
22 against waterborne competition, it's extremely
23 difficult to compete on a per ton basis from a
24 rate perspective for a commodity which is bulk
25 and very heavy.

1 hope of handling this traffic?

2 A. Could you repeat the question please?

3 MR. WOOD: Would you read it back
4 please?

5 THE REPORTER: "Question: But is it
6 your testimony based on the assertions in the
7 letter that CN and WC have no hope of handling
8 this traffic?"

9 THE WITNESS: From the beginning of
10 Great Lakes' involvement in the transaction, we
11 have not been able to understand their
12 inordinate fear that we would divert this
13 taconite movement as well as other waterborne
14 taconite movements. We have stated all along
15 that we have no understanding of why there is
16 this inordinate fear of all rail diversion for
17 the taconite.

18 BY MR. WOOD:

19 Q. Were you saying that Great Lakes
20 should not have believed what it read in this
21 paragraph on page 170?

22 A. I did not say that.

23 Q. Why do you believe that Great Lakes'
24 fear, as you put it, is inordinate?

25 MR. CUNNINGHAM: Calls for a little

1 speculation per the witness but subject to that
2 you can answer.

3 MR. WOOD: It's his words.

4 THE WITNESS: Two reasons; one, the
5 all rail route existing today does not move the
6 taconite; two, DM&IR serves the origin mines and
7 controls to a great extent the rate structures
8 that are offered on an all rail route.

9 BY MR. WOOD:

10 Q. Are you saying that there's no traffic
11 of taconite traffic moving all rail between
12 Minntac and Pittsburgh within the last three
13 years, say?

14 A. To my knowledge I don't believe
15 anything has moved all rail to Pittsburgh. I'm
16 not certain of that but I don't believe so, and
17 if it has, it's due to a response I made
18 previous if there was some sort of climatic
19 problem, some sort of dock problem, a broken
20 vessel out of the Great Lakes fleet, et cetera,
21 and it would be merely an emergency avenue of
22 supply chain for Pittsburgh plant. And that is
23 exactly what we reference on page 170 here, an
24 alternate supply route.

25 Q. Do you know, Mr. Radloff, if either

1 A. I'm sorry. Okay. I've got it. I'm
2 sorry to interrupt.

3 Q. Does that sentence -- does that
4 statement mean that CN never had any realistic
5 expectation of being able to participate in all
6 rail movements of taconite?

7 MR. CUNNINGHAM: Objection as to form.

8 THE WITNESS: As stated previously we
9 have absolutely no understanding as to why GLT
10 considered this a major threat to their
11 existence. We have -- we are not in a position
12 in our opinion to compete with waterborne
13 taconite transportation from the standpoint of
14 straight up rate to rate structures. We do not
15 foresee handling that taconite, therefore it
16 would be impossible for us to sustain economic
17 loss when we see no future movement to the
18 benefit of the CN on the taconite in question.

19 BY MR. WOOD:

20 Q. So that the statement contained in
21 Mr. Foote and Mr. Schauer's verified statement
22 was incorrect?

23 MR. CUNNINGHAM: Objection as to form.

24 THE WITNESS: Again, I believe this
25 has been covered once. No, the statement is

ATTACHMENT C



American Steamship Company

July 24, 2001

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Dkt. No. 34000 -- CN/WC Control

Dear Mr. Secretary:

On behalf of American Steamship Company, I am writing to urge the Board to approve the proposed Canadian National-Wisconsin Central control transaction subject to the condition that CN will comply with the settlement agreement between Great Lakes Transportation and CN, filed with the Board on July 18, 2001.

American Steamship Company is a U.S.-flag owner and operator of Great Lakes dry bulk vessels engaged in the movement of raw materials and commodities upon the Great Lakes. We currently operate eleven vessels, specifically designed and constructed for these trades.

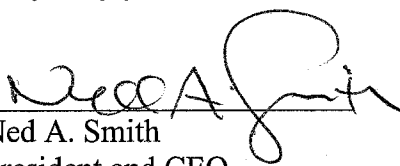
American Steamship Company was initially concerned about the impact of the proposed transaction on the viability of Great Lakes shipping, in view of the suggestion that Applicants would seek to divert taconite traffic from efficient rail-water routes. However, we have now had an opportunity to consider the settlement entered into by the Applicants and Great Lakes Transportation. On the assumption that the settlement terms will be imposed as a condition of approval, we support the proposed transaction. The settlement appears to provide increased flexibility and convenience for shippers, offering new transportation alternatives, and it ensures that shippers will be in a position to choose the most efficient transportation alternative for their needs. The settlement addresses our earlier concern about potential inefficient diversions of taconite traffic from the lakes and the resulting impact on the economic health of the lake shipping community.

With imposition of the settlement agreement, the proposed transaction should be in the public interest. As described in the Application, the transaction would result in greater operating efficiencies and increased access to markets for Wisconsin Central shippers. The Board should approve the transaction subject to the Applicants' continued compliance with the settlement agreement.

A Subsidiary of GATX Corporation

I, Ned A. Smith, declare 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 the 24th day of July, 2001.

Very truly yours,


Ned A. Smith
President and CEO

July 23, 2001

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

Re: Finance Dkt. No. 34000 – CN/WC Control

Dear Mr. Secretary:

On behalf of Bay Shipbuilding Co., I am writing to urge the Board to approve the proposed Canadian National-Wisconsin Central control transaction subject to the condition that CN will comply with the settlement agreement between Great Lakes Transportation and CN, filed with the Board on July 18, 2001.

Bay Shipbuilding Co. provides shipbuilding and ship repair services to Great Lakes Transportation and other shippers of bulk commodities on the Great Lakes. We did not and do not support the possibility that the CN/WC merger could, create a business condition unfavorable to the majority of our core customers.

Bay Shipbuilding Co. was initially concerned about the impact of the proposed transaction on the viability of Great Lakes shipping, in view of the suggestion that Applicants would seek to divert taconite traffic from efficient rail-water routes. However, we have now had an opportunity to consider the settlement entered into by the Applicants and Great Lakes Transportation. On the assumption that the settlement terms will be imposed as a condition of approval, we support the proposed transaction. The settlement appears to provide increased flexibility and convenience for shippers, offering new transportation alternatives, and it ensures that shippers will be in a position to choose the most efficient transportation alternative for their needs. The settlement addresses our earlier concern about potential inefficient diversions of taconite traffic from the lakes and the resulting impact on the economic health of the lake shipping community.

With imposition of the settlement agreement, the proposed transaction should be in the public interest. As described in the Application, the transaction would result in greater operating efficiencies and increased access to markets for Wisconsin Central shippers. The Board should approve the transaction subject to the Applicant's continued compliance with the settlement agreement.

I, Patrick J. O'Hern, declare 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 July 23, 2001.

Sincerely,



Patrick J. O'Hern
Vice President & General Manager
PJO:na

605 North Third Avenue
P.O. Box 830

Sturgeon Bay, WI
54235-0830

Phone: 920-743-5524
Fax: 920-743-2371



1200 Port Terminal Drive • P.O. Box 16877
Duluth, Minnesota 55816-0877 U.S.A.
218-727-8525 • Fax 218-727-6888
E-Mail: admin@duluthport.com • www.duluthport.com

July 23, 2001

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, DC 20423-0001

RE: Finance Dkt. No. 34000 – CN/WC Control

Dear Mr. Secretary:

On behalf of the Duluth Seaway Port Authority, I am writing to urge the Board to approve the proposed Canadian National-Wisconsin Central control transaction subject to the condition that CN will comply with the settlement agreement between Great Lakes Transportation and CN, filed with the Board on July 18, 2001.

The Duluth Seaway Port Authority is a body politic and corporate created by the State of Minnesota in 1955. Our mandate is, among other things, to protect and promote waterborne commerce through the Port District based in Duluth, Minnesota.

As described in our original "Intent to Participate" letter, the Applicants' indication that they would seek to divert iron ore (taconite) traffic from efficient waterborne routes to an all-rail movement caused us to be concerned about the impact of the proposed transaction on the viability of Great Lakes shipping. We have now, however, had an opportunity to consider the settlement entered into by the Applicants and Great Lakes Transportation.

On the assumption that the settlement terms will be imposed as a condition of approval, we support the proposed transaction. The settlement appears to provide increased flexibility and convenience for shippers, offering new transportation alternatives. It also ensures that shippers will be in a position to choose the most efficient transportation alternative for their needs. The settlement addresses our earlier concern about potential inefficient diversions of traffic from the lakes and the resulting impact on the economic health of the lake shipping community.

Page 2

With imposition of the settlement agreement, the proposed transaction should be in the public interest. As described in the Application, the transaction would result in greater operating efficiencies and increased access to markets for Wisconsin Central shippers. The Board should approve the transaction subject to the Applicants' continued compliance with the settlement agreement.

Sincerely,



Davis Helberg
Executive Director

DH/bmc

I, Davis Helberg, declare 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 July 23, 2001



Davis Helberg, Executive Director

July 23, 2001

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Dkt. No. 34000 -- CN/WC Control

Dear Mr. Secretary:

On behalf of The Great Lakes Towing Company, I am writing to urge the Board to approve the proposed Canadian National-Wisconsin Central control transaction subject to the condition that CN will comply with the settlement agreement between Great Lakes Transportation and CN, filed with the Board on July 18, 2001.

By way of background, The Great Lakes Towing Company has been in business on the Great Lakes since 1899. We provide full service marine transportation services, including ship assist towing, icebreaking, barging, salvage and construction, among others. Our principal customers are the Great Lakes carriers American Steamship Company, Interlake Steamship Company, Oglebay Norton Marine Services, and USS Great Lakes Fleet, now known as Great Lakes Transportation LLC. Over time, Great Lakes shipping, an efficient and environmentally friendly mode of transportation, has survived economic disruptions beyond its control. For example, recent water level reductions have seriously reduced shipping productivity. Loosening of trade restrictions has also provided the opportunity for imported bulk products to penetrate the US market. These are commodities whose production is often subsidized by the governments of producing companies. Many of these imports have replaced commodities that once moved on the Great Lakes. Despite these challenges, shipping ore and other bulk commodities over the Lakes remains an extremely efficient and environmentally friendly mode of transportation.

The Great Lakes Towing Company was initially concerned about the impact of the proposed transaction on the viability of Great Lakes shipping, in view of the suggestion that Applicants would seek to divert taconite traffic from efficient rail-water routes. However, we have now had an opportunity to consider the settlement entered into by the Applicants and Great Lakes Transportation. On the assumption that the settlement terms will be imposed as a condition of approval, we support the proposed transaction. The settlement appears to provide increased flexibility and convenience for shippers, offering new transportation alternatives, and it ensures that shippers will be in a position to choose the most efficient transportation alternative for their needs. The settlement addresses our earlier concern about potential inefficient diversions of taconite traffic from the lakes and the resulting impact on the economic health of the Great Lakes shipping community.

The Honorable Vernon A. Williams
July 23, 2001
Page 2

With imposition of the settlement agreement, the proposed transaction should be in the public interest. As described in the Application, the transaction would result in greater operating efficiencies and increased access to markets for Wisconsin Central shippers. The Board should approve the transaction subject to the Applicants' continued compliance with the settlement agreement.

I, Frederick B. Goldsmith, declare 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 this 23rd day of July, 2001.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'F. Goldsmith', with a large, sweeping flourish extending from the bottom right.

Frederick B. Goldsmith
Vice President & General Counsel*

*Not admitted in Ohio



**Mon River Towing,
Inc.**

200 Speers Street
Belle Vernon, Pennsylvania 15012

Telephone 724-483-8051
Fax 724-483-2858

July 24, 2001

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Dkt. No. 34000 -- CN/WC Control

Dear Mr. Secretary:

I am president of Mon River Towing, Inc. I am writing to express support for the above transaction, subject to the STB's imposition of the condition that Canadian National comply with the settlement agreement reached by Applicants and Great Lakes Transportation LLC, filed with the Board on July 18, 2001. This company operates barges in interstate commerce and supports multimodal movements.

The economic health of the Great Lakes region depends on a strong transportation network. The transaction promises to improve the range of transportation options available to shippers in the region in various ways, as noted in the application. The settlement helps to ensure that taconite shippers will be able to choose the most economic transportation alternative and that lake transportation will continue to thrive so long as it is the most efficient alternative. The settlement provides for a more cooperative relationship between DM&IR and CN/WC that will improve the all-rail option for those shippers interested in using that option. At the same time, it addresses the concern that the CN/WC transaction could result in an inefficient diversion of taconite from the Great Lakes, threatening the viability of the valuable water transportation option. Various operational changes provided for by the settlement should help to ensure more efficient rail operations in the Duluth area.

Overall, the transaction, conditioned by the settlement agreement, appears to be a positive development for the overall transportation network in the Great Lakes region. I urge the Board to approve the transaction subject to the condition that Applicants comply with the settlement agreement.

I, James L. Guttman, declare 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 July 24, 2001.

Sincerely,

James L. Guttman
President

A member of
The Guttman Group

The Honorable Vernon A Williams
Secretary
Surface Transportation Board
1925 K Street N W
Washington DC 20423-0001

July 23, 2001

Re: Finance Dkt. No. 34000—CN/WC Control

Dear Mr. Secretary:

I am the President with The Monroeville Area Chamber of Commerce. I am writing to express support for the above transaction, subject to the STB's imposition of the condition that Canadian National comply with the settlement agreement reached by Applicants and Great Lakes Transportation LL, filed with the Board on July 18, 2001. The Monroeville Area Chamber of Commerce is an economic development association. The Southwest region of Pennsylvania relies heavily on a strong and diverse transportation network. This transaction is a more forward in improving options available to shippers.

The economic health of the Great Lakes region depends on a strong transportation network. The transaction promises to improve the range of transportation options available to ensure those taconite shippers in the region in various ways, as noted in the application. The settlement helps to ensure that taconite shippers will be able to choose the most economic transportation alternative and that lake transportation will continue to thrive so long as it is the most efficient alternative. The settlement provides for a more cooperative relationship between DM&IR and CN/WC that will improve the all-rail option for those shippers interested in using that option. At the same time it addresses the concern that the CN/WC transaction could result in an inefficient diversion of taconite from the Great Lakes, threatening the viability of the valuable water transportation option. Various operational changes provided for by the settlement should help to ensure more efficient rail operations in the Duluth area.

Overall, the transaction, conditioned by the settlement agreement, appears to be a positive development for the overall transportation network in the Great Lakes region. I urge the Board to approve the transaction subject to the condition that Applicants comply with the settlement agreement.

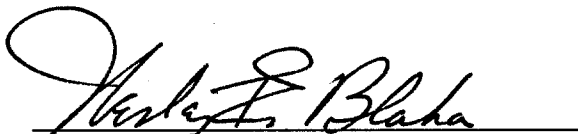
Cordially,



Wesley E Blaha
President

incl
WEB:blk

I, Wesley E Blaha, declare 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 July 23, 2001.

A handwritten signature in cursive script, reading "Wesley E. Blaha", is written over a horizontal line.

Wesley E Blaha

President Monroeville Area Chamber of Commerce

OGLEBAY NORTON
MARINE SERVICES COMPANY
1301 EAST NINTH STREET - SUITE 3737
CLEVELAND, OHIO 44114-1800

July 23, 2001

STUART H. THEIS
PRESIDENT

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Dkt. No. 34000 – CN/WC Control

Dear Mr. Secretary:

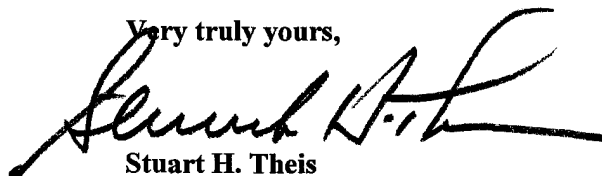
On behalf of Oglebay Norton Marine Services Company ("ONMS"), I am writing to urge the Board to approve the proposed Canadian National-Wisconsin Central control transaction subject to the condition that CN will comply with the settlement agreement between Great Lakes Transportation and CN, filed with the Board on July 18, 2001.

ONMS is the owner and operator of 12 self-unloading bulk carrier vessels which operate on the Great Lakes carrying iron ore, coal and stone.

ONMS was initially concerned about the impact of the proposed transaction on the viability of Great Lakes shipping, in view of the suggestion that Applicants would seek to divert taconite traffic from efficient rail-water routes. However, we have now had an opportunity to consider the settlement entered into by the Applicants and Great Lakes Transportation. On the assumption that the settlement terms will be imposed as a condition of approval, we support the proposed transaction. The settlement appears to provide increased flexibility and convenience for shippers, offering new transportation alternatives, and it ensures that shippers will be in a position to choose the most efficient transportation alternative for their needs. The settlement addresses our earlier concern about potential inefficient diversions of taconite traffic from the lakes and the resulting impact on the economic health of the lake shipping community.

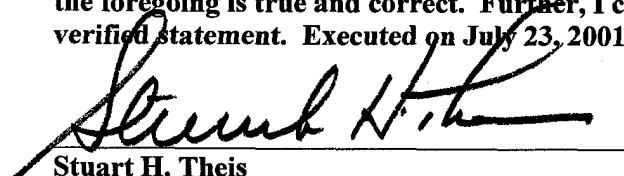
With imposition of the settlement agreement, the proposed transaction should be in the public interest. As described in the Application, the transaction would result in greater operating efficiencies and increased access to markets for Wisconsin Central shippers. The Board should approve the transaction subject to the Applicants' continued compliance with the settlement agreement.

Very truly yours,



Stuart H. Theis

I, Stuart H. Theis, declare 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 July 23, 2001.



Stuart H. Theis

James A. Rohweder,
Mayor

John M. Foschi,
Administrator

City of Proctor

You Have A Place in Proctor

COUNCILORS
Jake P. Benson
Richard A. Kieren
Philip G. Larson
Thomas L. Lavato

200 Second Street • Proctor, Minnesota 55810-1697 • (218) 624-3641 • Fax (218) 624-9459

July 23, 2001

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

Re: Finance Dkt. No 34000 - CN/WC Control

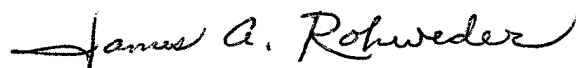
Dear Mr Secretary:

I am Mayor of the City of Proctor. I am writing to express support for the above transaction, subject to the STB's imposition of the condition that Canadian National comply with the settlement agreement reached by Applicants and Great Lakes Transportation LLC, filed with the Board on July 18, 2001. The DM&IR Railway Company is the largest employer in the City of Proctor and operates a large ore sorting yard within the city limits.

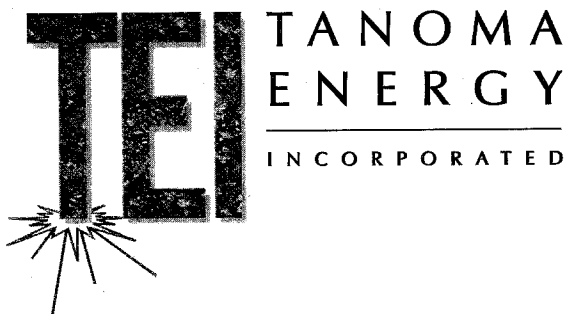
The economic health of the Great Lakes region depends on a strong transportation network. The transaction promises to improve the range of transportation options available to shippers in the region in various ways, as noted in the application. The settlement helps to ensure that taconite shippers will be able to choose the most economic transportation alternative and that lake transportation will continue to thrive so long as it is the most efficient alternative. The settlement provides for a more cooperative relationship between DM&IR and CN/WC that will improve the all-rail option for those shippers interested in using that option. At the same time, it addresses the concern that the CN/WC transaction could result in an inefficient diversion of taconite from the Great Lakes, threatening the viability of the valuable water transportation option. Various operational changes provided for by the settlement should help to ensure more efficient rail operations in the Duluth area.

Overall, the transaction, conditioned by the settlement agreement, appears to be a positive development for the overall transportation network in the Great Lakes region. I urge the Board to approve the transaction subject to the condition that Applicants comply with the settlement agreement.

I, James A Rohweder, declare 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 July 23, 2001.



James A Rohweder
City of Proctor Mayor



One Energy Place, Suite 1000
Latrobe, PA 15650
Direct: 724-532-4343
Tel: 724-537-5731
Fax: 724-537-2382

Scott Kroh, President

July 24, 2001

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Dkt. No. 34000 -- CN/WC Control

Dear Mr. Secretary:

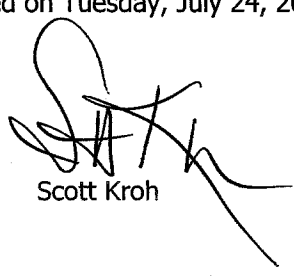
On behalf of Tanoma Energy, Inc. I am writing to urge the Surface Transportation Board to approve the proposed Canadian National-Wisconsin Central control transaction subject to CN's compliance with the settlement agreement between Great Lakes Transportation and CN.

Tanoma Energy is a member of the Connecticut based AMCI group. The company is diversified, but its focus and emphasis is on domestic steam and industrial coal marketing and sales. Coal is shipped and sold by Tanoma to over 30 major utility power plants, 15 industrial facilities and several independent power producers, in over 15 states and to Canada. The company utilizes Great Lakes shipping via the ports of Conneaut and Ashtabula to ship over one million tons of coal annually.

The proposed control transaction will improve the transportation options for shippers in the Great Lakes area in a number of ways that are outlined in the Application. The CN-GLT settlement will help to preserve competition and in fact will enhance alternatives for shippers. Under the settlement, DM&IR will gain more efficient access to the dock facilities at Escanaba, WI, giving Minnesota taconite shippers a new lake transportation alternative. DM&IR will also gain the ability to arrange all-rail transportation that includes CN/WC in the route, providing an efficient way for the railroads to work together where an all-rail routing makes economic sense. However, taconite will continue to move by water where that is the most economic alternative. This addresses concerns we have had about the potential impact of the transaction on the viability of lake transportation due to the threat of diversion of taconite movements to less efficient routes. We believe that, under the settlement, taconite traffic will not be forced off the Lakes unless the marketplace indicates a real preference for all-rail movement.

As conditioned by the CN-GLT settlement agreement, the proposed transaction would be in the public interest. We urge the Board to approve the transaction subject to the condition that Applicants comply with the settlement agreement.

I, Scott Kroh, President of Tanoma Energy, Inc., declare 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 Tuesday, July 24, 2001.


Scott Kroh

SK:rw

**TRANSCOR CORPORATION**

4955 Steubenville Pike • Pittsburgh, PA 15205
Telephone: 412-787-6355 • Fax: 412-787-3086

July 24, 2001

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Re: Finance Dkt. No. 34000 – CN/WC Control

Dear Mr. Secretary:

On behalf of Transcor Corporation, I am writing to urge the Board to approve the proposed Canadian National-Wisconsin Central control transaction subject to the condition that CN will comply with the settlement agreement between Great Lakes Transportation and CN, filed with the Board on July 18, 2001.

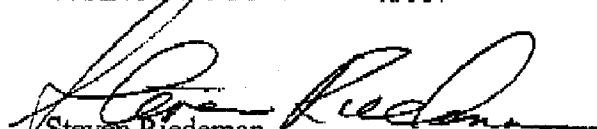
Transcor Corporation was initially concerned about the impact of the proposed transaction on the viability of Great Lakes shipping, in view of the suggestion that Applicants would seek to divert taconite traffic from efficient rail-water routes. However, we have now had an opportunity to consider the settlement entered into by the Applicants and Great Lakes Transportation. On the assumption that the settlement terms will be imposed as a condition of approval, we support the proposed transaction. The settlement appears to provide increased flexibility and convenience for shippers, offering new transportation alternatives, and it ensures that shippers will be in a position to choose the most efficient transportation alternative for their needs. The settlement addresses our earlier concern about potential inefficient diversions of taconite traffic from the lakes and the resulting impact on the economic health of the lake shipping community.

With imposition of the settlement agreement, the proposed transaction should be in the public interest. As described in the Application, the transaction would result in greater operating efficiencies and increased access to markets for Wisconsin Central shippers. The Board should approve the transaction subject to the Applicants' continued compliance with the settlement agreement.

I, Steven Riedeman, declare 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 July 24, 2001.

Best Regards,

TRANSCOR CORPORATION


Steven Riedeman