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October 18, 2002

VIA FEDERAL EXPRESS

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

ENTERED
Office of Proceedings

OCT 21 2002

Part of
Public Record



Re: **Docket No. AB-124 (Sub-No. 2)**
Waterloo Railway Company – Adverse Abandonment –
Lines of Bangor and Aroostook Railroad Company and
Van Buren Bridge Company in Aroostook County, Maine

Dear Secretary Williams:

Enclosed for filing in the above-captioned proceedings are an original and ten copies of the **Reply of Waterloo Railway Company to Petition for Waiver of Bangor & Aroostook Railroad Company**, dated October 18, 2002.

One extra copy of the Reply and this letter also are enclosed. I would request that you date-stamp those items to show receipt of this filing and return them to me in the provided envelope.

If you have any questions regarding this filing, please feel free to contact me. Thank you for your assistance on this matter.

Respectfully submitted,

Thomas J. Litwiler
Attorney for Waterloo Railway Company

TJL:tl

Enclosures

cc: Parties on Certificate of Service

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD



DOCKET NO. AB-124 (SUB-NO. 2)

WATERLOO RAILWAY COMPANY
-- ADVERSE ABANDONMENT --
LINES OF BANGOR AND AROOSTOOK RAILROAD COMPANY AND
VAN BUREN BRIDGE COMPANY IN AROOSTOOK COUNTY, MAINE

ENTERED
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**REPLY OF WATERLOO RAILWAY COMPANY
TO PETITION FOR WAIVER OF TRUSTEE OF
BANGOR & AROOSTOOK RAILROAD COMPANY**

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**ATTORNEYS FOR WATERLOO
RAILWAY COMPANY**

Dated: October 18, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-124 (SUB-NO. 2)

WATERLOO RAILWAY COMPANY
-- ADVERSE ABANDONMENT --
LINES OF BANGOR AND AROOSTOOK RAILROAD COMPANY AND
VAN BUREN BRIDGE COMPANY IN AROOSTOOK COUNTY, MAINE

**REPLY OF WATERLOO RAILWAY COMPANY
TO PETITION FOR WAIVER OF TRUSTEE
OF BANGOR & AROOSTOOK RAILROAD COMPANY**

Waterloo Railway Company ("Waterloo") hereby files this reply to the petition of Bangor and Aroostook Railroad Company, James E. Howard, Trustee ("Trustee")¹ requesting waiver of certain Board regulations for an adverse abandonment application that the Trustee intends to file against Waterloo. The Trustee seeks to terminate a permanent rail easement that Waterloo holds in a line of railroad extending from St. Leonard, New Brunswick, Canada to Madawaska, Maine.² From St. Leonard to Van Buren, Maine, that rail line is currently owned by VBBC, while from Van Buren to Madawaska the line is currently owned by BAR. The Waterloo easement was acquired in an arms-length transaction with BAR in March, 2001, and allows Waterloo to directly provide rail service to Fraser Papers Inc. at Madawaska. Waterloo Railway Company -- Acquisition Exemption -- Bangor and Aroostook Railroad Company and Van Buren Bridge Company, Finance Docket No. 34015 (STB served March 21, 2001).

¹ The Trustee indicates that, in filing the petition, he is acting in his capacity as the bankruptcy trustee for both Bangor and Aroostook Railroad Company ("BAR") and Van Buren Bridge Company ("VBBC"), a BAR subsidiary.

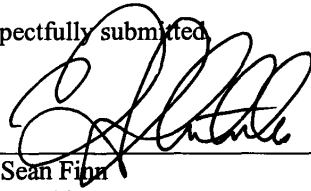
² The Board's jurisdiction here is limited to the portion of the St. Leonard-Madawaska route that is located in the United States.

In Canadian National Railway Company -- Adverse Discontinuance -- Lines of Bangor and Aroostook Railroad Company and Van Buren Bridge Company in Aroostook County, ME, Docket No. AB-279 (Sub-No. 3) (STB served September 25, 2002) ("CNR Waiver Decision"), the Board granted in part the Trustee's petition for waiver of certain Board regulations for an adverse discontinuance application that the Trustee intends to file against Canadian National Railway Company ("CNR"), a Waterloo affiliate, with respect to trackage rights that CNR holds on the St. Leonard-Madawaska line. The Board made clear that its decision applied only to -- and that separate waiver was required for -- any adverse application regarding Waterloo's easement. CNR Waiver Decision at 6. The Trustee's present petition was filed in response to the Board's decision.

Given that the Trustee seeks here only those categories of waiver granted by the Board in CNR Waiver Decision -- rather than the significantly broader range of waivers that the Trustee had sought in that proceeding -- Waterloo does not oppose the Trustee's petition. Waterloo notes, however, that while the revenue and cost data of 49 C.F.R. § 1152.22(d) may not be required because the profitability of potential Waterloo operations will not be at issue, similar information would be required if the Trustee intends to argue that retention of the Waterloo easement somehow jeopardizes the viability and continued common carrier operations of BAR. The Trustee, of course, continues to provide no indication of what actual arguments he will offer in support of adverse abandonment, in spite of even the Board's own clear uncertainty regarding the Trustee's theory. E.g., CNR Waiver Decision at 6 ("At this point, we cannot be certain that issues involving rural and community development will not arise.").

WHEREFORE, Waterloo respectfully requests that the Board accept this reply to the Trustee's petition for waiver.

Respectfully submitted,

By: 

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**ATTORNEYS FOR WATERLOO
RAILWAY COMPANY**

Dated: October 18, 2002

CERTIFICATE OF SERVICE

I hereby certify that on this 18th day of October, 2002, a copy of the foregoing
**Reply of Waterloo Railway Company to Petition for Waiver of Bangor & Aroostook
Railroad Company** was served by overnight delivery upon:

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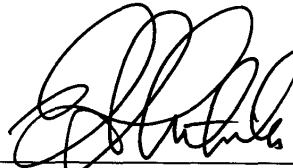
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