



Iowa Department of Transportation

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November 14, 2002

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

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MANAGEMENT
STB

Re: STB Finance Docket No. 34178
Dakota, Minnesota & Eastern Railroad Corporation and
Cedar American Holdings, Inc.
Control Application – Iowa, Chicago & Eastern Railroad Corporation

Dear Secretary Williams:

Enclosed for filing are the original and ten (10) copies of the Iowa Department of Transportation's statement relative to the above Docket. Copies have been sent to those on the attached certification list. Also enclosed is an electronic version on a 3.5 inch disk in Microsoft Word format.

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Sincerely,

Mark F. Wandro
Director

MFW:et

Enclosures

cc: John Hey, Modal Division

BEFORE THE
SURFACE TRANSPORTATION BOARD



Finance Docket No. 34178

Dakota, Minnesota & Eastern Railroad Corporation and Cedar America Holdings, Inc.
Control of
Iowa Chicago & Eastern Railroad Corporation

Comments

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Public Record

Prepared by:
John Hey
Modal Division
Iowa Department of Transportation

Dated: November 10, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34178

Comments and Support Statement

Dakota, Minnesota & Eastern Railroad Corporation and Cedar America Holdings, Inc.
Control of
Iowa Chicago & Eastern Railroad Corporation

Introduction;

On June 7, 2002, Iowa, Chicago and Eastern Railroad Corporation (IC&E), an indirect subsidiary of the Dakota, Minnesota & Eastern Railroad Corporation (DME) through Cedar-America Holdings Corporation, filed a notice of exemption for acquisition of the assets of I & M Rail Link (IMRL). The Board allowed the transaction and subsequently, as outlined in those proceedings (STB Finance Docket # 34177), the DME has now filed for control of the IC&E. In the previous proceedings, the Iowa Department of Transportation was neither for nor against the acquisition of the IMRL assets by the IC&E. Our concerns centered on the appropriateness of the process and the ability of shippers and communities to become involved.

Our comments in this proceeding, is to express our full support for this control application and the provision of terminal trackage rights for the removal of anti-competitive barriers to efficient service.

Support of Control Application

The Iowa Department of Transportation fully supports the control of the IC&E railroad by the DME. The combining of these railroad operations will ensure the continued service to Iowa shippers along these lines as well as providing an additional connection to the Pacific Northwest grain markets.

The former I & M RailLink (IMRL) lines, now owned by IC&E, have had a financially difficult history. Ever since the demise of the Milwaukee Railroad over 20 years ago, there have been four different owners of these lines. Achieving financial stability has been a struggle and numerous reasons exist for this financial instability. High debt levels, stiff competition, and a stagnant revenue base have all contributed over the past twenty years to this problem. With these financial difficulties comes an inability to adequately maintain and improve the rail infrastructure, a cause for concern for the state of Iowa and the Iowa Department of Transportation. Central to our mission is assisting in the preservation and improvement of rail service in Iowa.

With the recent acquisition of these lines by IC&E and the proposed control of IC&E by the DME certain management, operational and financial efficiencies are possible. This in turn, could provide a window of opportunity for improving and preserving service on these lines. As such, the Iowa Department of Transportation sees the control by the DME of the IC&E as a positive combination and best hope for continued rail service and improvement for Iowa shippers along these lines.

Finally, the combination of these two railroads provides another outlet for Iowa grain to the Pacific Northwest market, an outlet that provides a more direct and efficient connection than previously available to Iowa shippers on these lines. While the combining of these two railroads will provide a greater opportunity for South Dakota and Minnesota shippers by providing more outlets for their grain, overall this will provide a greater revenue base for the entire system and hence provide the basis for preserving rail service for all shippers.

Anti Competitive Barriers

A major concern we would express to the STB would be that *all anti-competitive barriers be removed whenever possible*. An opportunity arises in this proceeding. Limitations on traffic interchanges, like the one outlined in application at Owatonna, are patently anti-competitive and should be removed. We strongly support the application for terminal trackage rights over the UP line segment. The only reason for this barrier was to prevent the DME and their predecessors from interchanging with another railroad at this location and trying to keep traffic captive to the Union Pacific. However, approval of this control application will result in interchanges that would be between railroads of the same company with the same operational control. Continuing interchange limitations here would only foster inefficiencies and drive up costs for the DME/ICE and their customers while providing Union Pacific little or no benefit.

Certificate of Service

The comments of Iowa Department of Transportation STB Finance Docket #34178 has been served upon the following via first class mail as required.

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Enclosures