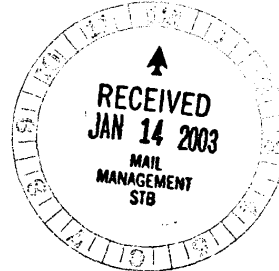




STATE OF SOUTH DAKOTA
WILLIAM J. JANKLOW, GOVERNOR

December 12, 2002

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JAN 14 2003
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Mr. Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, N.W., Room 700
Washington, DC 20006

RE: STB Finance Docket No. 34178
Dakota, Minnesota and Eastern Railroad Corporation and
Cedar American Holding, Inc.-
Control Application/Trackage Rights - Iowa, Chicago & Eastern
Railroad Corporation

Dear Secretary Williams:

Thank you for the opportunity to provide comments on behalf of the South Dakota Office of the Governor and the South Dakota Department of Transportation on STB Finance Docket No. 34178, which is the Dakota, Minnesota, and Eastern (DM&E) Railroad's application for control and trackage rights for the Iowa, Chicago and Eastern (IC&E) Railroad. These comments have been mailed to those on the attached certification list of interested parties, and ten (10) copies of this document are enclosed as required by the Surface Transportation Board (STB).

While this application contains other requests, the granting of Terminal Trackage Rights to the DM&E Railroad is of paramount interest to South Dakota. The fact DM&E has acquired the IM Rail Link means the railroad would effectively be interchanging with itself at Owatonna, Minnesota, absent some outdated, anti-competitive exclusion, fashioned by one railroad to strangle competition. It is absurd this portion of the request should even have to be considered by the STB.

In this day of age, with all the mergers, buyouts and other corporate agreements, continuing a restriction to prohibit a railroad from interchanging with itself is unrealistic, unfair to both the railroad and shippers, and immoral.

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Mr. Vernon A. Williams, Secretary
December 12, 2002
Page 2

The common ownership of both railroads makes the approval of the Terminal Track Rights over a very short segment of Union Pacific Railroad track to provide a connection between the two railroads so logical that any other decision is ludicrous.

The State of South Dakota strongly and unequivocally supports the approval of these Terminal Track Rights, absent all anti-competitive barriers. We request these Terminal Trackage Rights be granted immediately, but certainly within the STB's time frame of January 27, 2003, for a decision on this Docket. A lengthy, protracted negotiation during these times of extended drought and economic instability in the upper Midwest would be especially damaging to shippers by denying them the tremendous benefits resulting from the joining of these two railroad systems.

Additionally, through these comments, the South Dakota Office of the Governor and the Department of Transportation are expressing full support for the entire application for control of the IC&E Railroad by the DM&E Railroad. The combining of these two railroads is a landmark development for railroads that will provide South Dakota and Minnesota shippers with greater marketing opportunities via direct connections with Kansas City and Chicago markets.

As noted above, the South Dakota Office of the Governor and the Department of Transportation fully support the provision of Terminal Trackage Rights and Overhead Trackage Rights as provided in this application. This particular portion of the application is of substantial interest to South Dakota's producers and shippers, since this link will open up new markets previously difficult to access from South Dakota.

The consolidation of the DM&E and IC&E is basically an end-to-end joining of two railroad systems, which will provide economic benefits to shippers located on both railroads. Commodities originating on the DM&E will gain single system access to primary destinations in Chicago and Kansas City. Shippers will also have single system access to grain receivers and processors in Iowa, Illinois, and Missouri.

Shippers will also gain single system interchange via Chicago and Kansas City for grain moving further east or to the Gulf Coast. They will realize faster, more reliable, lower cost service, access to a greater number of rail gateways, and improved car supply. The resulting reduction in shipping costs will enhance shippers' ability to reach competitive markets, thereby increasing profitability for grain producers in South Dakota and Minnesota.

Finally, the South Dakota Office of the Governor and the Department of Transportation support DM&E's notice of exemption to obtain overhead trackage rights on IC&E's line between Owatonna and Mason City, Iowa, and

Mr. Vernon A. Williams, Secretary
December 12, 2002
Page 2

on a segment of Iowa Northern Railway Company's track between Plymouth Junction and Nora Springs, Iowa. The establishment of these overhead trackage rights will further serve to implement the seamless single system routings with fewer interchanges for traffic moving on the system. The larger and more diversified traffic base and greater financial benefits of the combined system will provide a more stable and reliable base for shippers on the end-to-end system.

As you know, South Dakota has a vested interest in the railroad business as the owner of over 700 miles of active track in South Dakota, Iowa, and North Dakota. Our focus has always been that the interests in assuring the economic welfare of our citizens, communities, and shippers are protected in the development and maintenance of an efficient rail and multi-modal transportation system. A decision in favor of the Control Application and appurtenant trackage rights is one of these important interests and is central to our mission of preservation and improvement of our rail system.

South Dakota's rail system has made huge strides since that day in 1978 when the Milwaukee Railroad withdrew all of its track in the State from active service. The public/private partnership in rail development projects and rehabilitation has resulted in the restoration of efficient operations and the return to profitability for many lines in the State. Our rail system is transforming into an efficient and modern network where direct service and economies of scale are opening up new markets for South Dakota products and merchandise. The approval of the Control Application will serve to further that end.

Thank you for your review and consideration. The State of South Dakota anxiously awaits a positive decision by the STB. That decision will serve to benefit the economies of South Dakota, Minnesota, and Iowa and assist in the successful operation of the DM&E Railroad and provide new markets and better prices to agricultural producers and railroad shippers.

Please contact the South Dakota Office of Railroads at 605-773-5037 with any questions or comments.

Sincerely,


William J. Janklow
WJJ:hdn

Certificate of Service

The comments have been served upon the following via first class mail on December 12, 2001.

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