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TROUTMAN SANDERS LLP

ATTORNEYS AT LAW
A LIMITED LIABILITY PARTNERSHIP

401 NINTH STREET, NW
SUITE 1000
WASHINGTON, DC 20004-2134
WWW.TROUTMANSANDERS.COM

William A. Mullins
william.mullins@troutmansanders.com

Direct Dial: 202-274-2953
Fax: 202-654-5621

January 21, 2003

VIA HAND DELIVERY

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20004-2134

ENTERED
Office of Proceedings

JAN 21 2003

Part of
Public Record



RE: Finance Docket No. 34310
*Keokuk Junction Railway Company--Alternative Rail Service--
Line of SF&L Railway, Inc.*

Dear Secretary Williams:

Enclosed herewith is an original and 10 copies of the Petition for Alternative Rail Service of the Keokuk Junction Railway Company ("KJRY"), filed pursuant to 49 C.F.R. part 1146.1. A copy of this filing is also included on the enclosed diskette.

Although the Board has proposed adopting a filing fee for petitions for alternative rail service under 49 CFR part 1146.1, currently no such fee has been instituted. Accordingly, KJRY includes no fee with this petition.

Please date stamp one copy of the filing and return the stamped copy to the messenger. If you have any questions about this matter, please contact me at your convenience.

Sincerely,

William A. Mullins

Enclosure

cc: All parties of record in STB Finance Docket No. 33995, STB Finance Docket No. 33996 and STB Docket No. AB-448 (Sub-No.2X) and the Federal Railroad Administration

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 34310



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KEOKUK JUNCTION RAILWAY COMPANY
--ALTERNATIVE RAIL SERVICE--
LINE OF SF&L RAILWAY, INC.

PETITION TO PROVIDE ALTERNATIVE RAIL SERVICE

William A. Mullins
Elizabeth A. Martin
TROUTMAN SANDERS LLP
401 Ninth Street, NW
Suite 1000
Washington, DC 20004
Tel: (202) 274-2950
Fax: (202) 654-5621

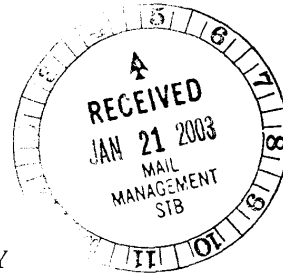
Attorneys for the Keokuk Junction Railway
Company

January 21, 2003

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34310

**KEOKUK JUNCTION RAILWAY COMPANY
--ALTERNATIVE RAIL SERVICE--
LINE OF SF&L RAILWAY, INC.**



PETITION TO PROVIDE ALTERNATIVE RAIL SERVICE

I. INTRODUCTION

Pursuant to 49 U.S.C. § 11123 and 49 CFR part 1146, the Keokuk Junction Railway Co. ("KJRY") hereby petitions the Board for an order to provide alternative rail service on a 71.5-mile line currently owned by the SF&L Railway, Inc. ("SF&L"). KJRY, on behalf of the shippers and communities along SF&L's line between Milepost 194.5 at LaHarpe, Illinois and milepost 123.0 at Peoria, Illinois (the "LaHarpe Line"), respectfully requests that the Board issue an appropriate order authorizing KJRY to provide localized immediate service relief so as to provide alternative rail service to the shippers and communities who are currently not receiving any such rail service.

Since SF&L acquired the LaHarpe Line on February 7, 2001, and especially since SF&L embargoed the line on October 18, 2002, local shippers and communities have suffered substantially from the adverse impacts of inadequate rail service, despite repeated complaints to SF&L and the Board. Moreover, because Toledo, Peoria & Western Corporation ("TP&W") has indicated its willingness to abandon the line and has rejected KJRY's efforts to purchase the line, the situation is unlikely to improve even as SF&L's reconveyance of the line to TP&W seems

imminent. Accordingly, the Board should grant KJRY's petition for alternative rail service on behalf of shippers and communities located along the LaHarpe Line to provide them localized immediate service.

II. BACKGROUND

In January 2000, KJRY, through its affiliate Pioneer Rail Corp ("Pioneer"), offered to purchase the LaHarpe Line from TP&W, through its affiliate RailAmerica, Inc. ("RailAmerica"). While Pioneer and RailAmerica were negotiating the terms of the anticipated transaction, RailAmerica began negotiating to sell the LaHarpe Line to SF&L, an A&K-affiliated company that has bought and then liquidated rail properties in the past. The SF&L-A&K transaction was complete within eight days, on December 29, 2000, when A&K paid for the property and received a security note from SF&L.

SF&L formally acquired the operating easement over, and the rail, ties and certain improvements on the LaHarpe Line on February 7, 2001,¹ although TP&W continued to operate the LaHarpe Line for SF&L through December 12, 2001. In addition, under the terms of the agreement, TP&W remained the owner of the last mile of track by which it had reached KJRY's adjoining line. This meant that through traffic moving between KJRY's line and TP&W's line at Peoria, IL, now needed to go through an unnecessary and expensive interchange with TP&W for that 1-mile stretch, then be interchanged with SF&L, and then finally interchanged back to TP&W for delivery to Peoria and beyond.

Due to this inefficient interchange system, significant rate increases for shippers to use the LaHarpe Line after SF&L acquired it, and the fact that SF&L promptly cut back service, it is

¹ SF&L Railway, Inc.--Acquisition and Operation Exemption--Toledo, Peoria and Western Railway Corporation, Finance Docket No. 33995 (STB served Feb. 7, 2001); See also Kern W. Schumacher and Morris H. Kulmer--Continuance in Control Exemption--SF&L Railway, Inc., Finance Docket No. 33996 (STB served Feb. 7, 2001).

no surprise that shippers could no longer use the LaHarpe Line for either overhead or local rail service. As a result and in order to provide service to the shippers and communities along the line, KJRY filed a petition to revoke both SF&L's acquisition and continuance-in-control exemptions. The United Transportation Union-Illinois Legislative Board ("UTU-IL"), both on its own and jointly with McDonough County and the City of Macomb, also filed similar petitions.

While the Board was considering these various petitions to revoke SF&L's acquisition and continuance-in-control exemptions of the LaHarpe Line, SF&L filed a petition for exemption to abandon the LaHarpe Line ("SF&L Abandonment").² Shippers and communities located along the LaHarpe Line promptly expressed concern over the proposed abandonment to SF&L, and through filings before the Board. Accordingly, KJRY then began planning to file an Offer of Financial Assistance ("OFA") to acquire the LaHarpe Line.

Before KJRY completed its OFA preparations, however, in a decision served October 17, 2002, the Board revoked the acquisition and continuance-in-control exemptions, ordered SF&L to reconvey its interest in the LaHarpe Line to TP&W, and stated that it would soon issue a decision dismissing as moot SF&L's petition for exemption in the abandonment proceeding.³ The very next day SF&L placed a permanent embargo on the entire LaHarpe Line.

Then, in anticipation of the reconveyance, TP&W, on October 30, 2002, filed a motion to substitute itself for SF&L in SF&L Abandonment, but SF&L never reconveyed the LaHarpe line

² SF&L Railway Inc.--Abandonment Exemption--in Hancock, McDonough, Fulton and Peoria Counties, IL, STB Docket No. AB-448 (Sub-No. 2X) (filed Sept. 3, 2002).

³ SF&L Railway, Inc.--Acquisition and Operation Exemption--Toledo, Peoria and Western Railway Corporation, Finance Docket No. 33995 (STB served Oct. 17, 2002); See also Kern W. Schumacher and Morris H. Kulmer--Continuance in Control Exemption--SF&L Railway, Inc., Finance Docket No. 33996 (STB served Oct. 17, 2002) (collectively "SF&L-LaHarpe decision").

back to TP&W. Instead, SF&L filed a petition to reopen the SF&L-LaHarpe decision,⁴ and thus, on December 20, 2002, the Board deferred action on TP&W's motion to substitute itself in the abandonment proceeding until January 21, 2003.⁵ In that same decision, the Board also noted that the time for filing an OFA is tolled until further notice. Meanwhile, SF&L has also filed a petition for judicial review of the SF&L-LaHarpe decision in the Tenth Circuit.⁶

In a January 10, 2003 letter from President Morris H. Kulmer, SF&L finally expressed its willingness to enter into discussions regarding KJRY's access to trackage rights over the LaHarpe Line. Nevertheless, the two companies have yet to begin formal negotiations and have not even made any concrete plans to do so. In the meantime, SF&L will likely reconvey the line back to TP&W, either after the Board rules on its Petition to Reopen the SF&L-LaHarpe Decision,⁷ or through its own initiative, as President Kulmer's letter also indicated that SF&L is "finalizing the documents to affect a transfer" of the LaHarpe Line to TP&W. Thus, even if SF&L and KJRY were able to quickly reach some type of trackage rights agreement, corresponding relief to local shippers and communities would be extremely short-lived, as SF&L has made clear that "[a]ny agreement executed by SF&L and KJRY would be subject to

⁴ See "SF&L's Petition to Reopen Administrative Action for Reconsideration and/or Clarification of Decision to Hold in Abeyance Order to Reconvey of SF&L Railway, Inc., Kern W. Schumacher and Morris H. Kulmer" ("Petition to Reopen") filed Dec. 13, 2002.

⁵ SF&L Railway, Inc.--Acquisition and Operation Exemption--Toledo, Peoria and Western Railway Corporation, Finance Docket No. 33995 (STB served Dec. 20, 2002); See also Kern W. Schumacher and Morris H. Kulmer--Continuance in Control Exemption--SF&L Railway, Inc., Finance Docket No. 33996 (STB served Dec. 20, 2002); SF&L Railway Inc.--Abandonment Exemption--in Hancock, McDonough, Fulton and Peoria Counties, IL, STB Docket No. AB-448 (Sub-No. 2X) (STB served Dec. 20, 2002) (collectively, "STB Decision to Defer Further Proceedings").

⁶ SF&L Railway, Inc., et al. v. Surface Transportation Board, et al., 10th Cir. Docket No. 02-9591 (filed Dec. 16, 2002).

⁷ See "STB Decision to Defer Further Proceedings."

termination, upon the transfer of the railroad line to TP&W.” Furthermore, TP&W not only has indicated its willingness to abandon the line through its October 30, 2002 motion to substitute itself in SF&L Abandonment, but, moreover, it too has resisted KJRY’s efforts to use or buy the line. For example, Guy L. Brenkman, Pioneer’s President and CEO, wrote a letter offering to purchase the line from TP&W on October 21, 2002 for a specific sum (hereinafter “Brenkman’s Letter”), but has yet to receive a written response. Similarly, RailAmerica responded negatively to a November 18, 2002 email from Catherine Busch, KJRY’s Vice President of Marketing, asking TP&W to negotiate with KJRY a contract service agreement, whereby KJRY could service the Blandinsville and Sciota elevators only (hereinafter “Busch email”).

Consequently, SF&L’s offer to negotiate trackage rights with KJRY is too little, too late to provide much needed relief to local shippers and communities. Likewise, TP&W has not indicated that it will resume service on the line and has rebuffed KJRY’s offers to provide such service over the line. Accordingly, unless the Board grants this petition for alternative rail service, shippers and local communities will continue to suffer the progressive effects of no rail service, even if TP&W reacquires the line.

III. DISCUSSION

According to 49 U.S.C. § 11123, in order “to promote commerce and service to the public,” the Board may issue an order directing a rail carrier to provide alternative rail service when another rail carrier providing transportation subject to the jurisdiction of the Board...“cannot transport the traffic offered to it in a manner that properly serves the public.” This statutory provision allows the Board to require an unwilling railroad to permit physical access over its lines to the trains and crews of another railroad for successive 30-day periods, not to exceed 270 days altogether.

To implement this statute, the Board has established procedures whereby rail carriers can relieve shippers receiving poor service by obtaining an order to provide "localized immediate service relief."⁸ See Expedited Relief for Service Inadequacies, STB Ex Parte No. 628 (STB served Dec. 21, 1998); see also Denver Rock Island Railroad--Alternative Rail Service--Lines of Kansas Southwestern Railway, L.L.C., Finance Docket No. 33762 (STB served June 16, 1999)("DRI"). Specifically, under the regulations as applied by this Board in DRI, a railroad petitioning for such relief must (1) show substantial, measurable service deterioration or service inadequacy; (2) summarize discussions with the incumbent carrier and show why the incumbent is unlikely to restore adequate rail service within a reasonable period of time; (3) explain how the alternative carrier can meet current transportation needs, and show that this service can be provided safely without hurting service to existing customers of the alternative carrier and without unreasonably interfering with the incumbent's service; and (4) be served, by hand or overnight delivery, on the incumbent and the Federal Railroad Administration. Accord, American Plant Food Corporation--Alternative Rail Service--Line of Texas Northeastern Railroad, Finance Docket No. 33795 (STB served Dec. 7, 1999).

As will be shown below, KJRY meets each of these requirements, regardless of whether SF&L or TP&W owns the line when the Board considers its petition. Accordingly, the Board

⁸ Neither 49 U.S.C. § 11123 nor 49 CFR part 1146 places any limit on who can file a petition for prescription of alternative service. In fact, 49 CFR explicitly provides for cases in which the petitioner is a railroad. ("Affected shippers or railroads may seek the relief described...") Accordingly, at least two railroads have filed petitions pursuant to the regulation. See "DRI" (granting DRI authority to provide alternative rail service under part 1146); Brandywine Valley Railroad Company--Modified Rail Certificate, Finance Docket No. 33722 (STB served April 16, 1999) (noting that "Brandywine filed a petition for prescription of alternative rail service under 49 CFR part 1146 over a line of track owned by the Wilmington and Northern Railroad Company...but that petition will be addressed in a separate Board decision").

should grant KJRY's petition for alternative rail service to provide immediate localized service relief to the shippers and communities located along the LaHarpe Line.

A. SF&L Has Caused Substantial, Measurable Service Deterioration And Service Inadequacy Over The LaHarpe Line.

According to the first requirement in 49 CFR part 1146.1, a rail carrier seeking to provide alternative rail service under 49 U.S.C. § 11123 must demonstrate that "over an identified period of time, there has been a substantial, measurable deterioration or other demonstrated inadequacy in rail service provided by the incumbent carrier." Since the time when SF&L formally acquired it in February 2001 through today, there has been such a marked deterioration of rail service along the LaHarpe line to the point that none is currently provided at all.

Prior to February 2001 when SF&L acquired it, TP&W operated daily trains, usually six days per week, one in each direction on the LaHarpe Line. See "Verified Statement of Catherine Busch, Director of Marketing, KJRY", in Docket No. AB-448 (Sub-No. 2X), KJRY's Supplement to Reply (filed October 15, 2002) ("Busch V.S."). Subsequently, however, SF&L curtailed service to only one train twice weekly in each direction and then to an "as needed" basis. See id. Of course, as of today, no service is provided at all as the line is embargoed.

As the Board itself found, it is clear that SF&L employed several techniques that virtually assured shippers would not be able to afford service. For instance, SF&L, together with TP&W, structured the transaction so that TP&W remained the owner of the last mile of track by which TP&W had reached KJRY's adjoining line, so that through traffic moving between the KJRY line and the LaHarpe Line needed to go through an extremely expensive additional interchange. See SF&L-LaHarpe Decision. In addition, it proposed block rates for commodities that were incapable of shipment in blocks and imposed a 36% rate increase for moving certain cars, whereas KJRY had not raised its rates in three years. See Busch V.S. Thus, SF&L was able to

achieve its goal of providing inadequate and eventually no service at all along the LaHarpe Line. Consequently, local shippers and communities suffered the substantial adverse impacts of these actions. Their situation was only exacerbated when SF&L altogether terminated service along the LaHarpe Line on October 18, 2002.

Moreover, as the Board found in the SF&L-LaHarpe Decision, SF&L never even planned on providing adequate service along the LaHarpe Line, but rather “from the start evidently intended to raise rates and degrade service with the ultimate intent to abandon and salvage the Line.” Specifically, the Board noted that SF&L is an A&K-affiliated railroad controlled by Messrs. Schumacher and Kulmer, individuals who have a long history of using A&K-affiliated railroads to acquire rail lines for the purpose of abandoning and salvaging them. The Board further recognized that SF&L’s plans to provide inferior and eventually no rail service along the LaHarpe Line could be evinced from the disjointed and incomplete structure of the sale; the buyers’ obvious lack of interest in the operational aspects of the line; the confusion as to whether certain essential components of the line were even bought; and, the delay in consummation and the confusion over whether the buyer or the seller had the responsibility to quote rates; and, finally the understanding that TP&W and RailAmerica would support SF&L’s future abandonment of the line and the unstructured financing of the line. See SF&L-LaHarpe Decision.

Despite SF&L’s and TP&W’s attempts to drive away business, however, there is a strong public need for rail service over the LaHarpe Line, even as ownership and abandonment issues are resolved before the Board and Tenth Circuit. Local shippers and communities have suffered substantially from the adverse impacts of SF&L’s inferior service long enough, and are in desperate need of localized immediate service relief. The Mayor of Macomb, Thomas C.

Carpenter, and other representatives from that City, as well as the County of McDonough, have filed various pleadings before the Board specifically outlining the dire situation in their community since SF&L acquired the line.⁹ In addition, numerous local shippers have also expressed their dissatisfaction with SF&L, especially since it placed an embargo over the line, as well as their need for restoration of service along the line. For example, in a January 14, 2003 letter, Robert D. Pschirrer, President of United Paving & Construction, wrote that "viable rail service is vital to the health of [the company, which] has no other rail service and there are no other feasible alternative routes." The letter further expressed that, the permanent "loss of rail service on this line will do long-term economic damage to United Paving and Construction, as well as to other rail served customers and communities whose business depend upon this line."¹⁰ Accordingly, there is no question that SF&L has caused substantial service inadequacies over the LaHarpe Line, and that the first element of the 49 CFR part 1146.1 test has been met. Moreover, as discussed in detail below, TP&W is unlikely to improve these service inadequacies in the vent that it soon reacquires the line. Therefore, as required by 49 U.S.C. § 11123, it is clear that

⁹ See, e.g., "Verified Statement of Thomas C. Carpenter" ("Carpenter V.S.") in Docket No. AB-448 (Sub-No. 2X), KJRY's "Supplement to Reply" (filed Oct. 15, 2002); McDonough County's, City of Macomb's and UTU-IL's "Reply to Motion to Substitute" (filed Nov. 7, 2002), in Docket No. AB-448 (Sub-No. 2X).

¹⁰ See Exhibit A, Letter from "United Paving Letter." See also other letters to the Board: January 14, 2003 Letter from William W. Edwards, Manager of the Farmers Elevator Company to the Board ("Farmers Elevator Company Letter"); January 13, 2003 Letter from Wanda J. Carlson, Rail Manager of Roquette America, Inc. ("Roquette Letter"); January 13, 2003 Letter from Terry Rouse, Manager-Corn Procurement of the Blandinsville Elevator ("Blandinsville Elevator Letter"); January 13, 2003 Letter from Mike Falk, Manager of LaHarpe Elevator ("LaHarpe Elevator Letter"); January 16, 2003 Letter from Daniel C. Buckert, Traffic Coordinator of Elkem Carbon ("Elkem Carbon Letter"); January 16, 2003 Letter from Dale E. Griffiths, Vice-President of Colusa Elevator Company ("Colusa Elevator Letter")(All of these letters are attached as Exhibit A).

neither SF&L, nor TP&W, can “transport the traffic offered to it in a manner that properly serves the public.”

B. KJRY And Various Shippers Have Discussed The Service Inadequacy With SF&L, But Neither SF&L Nor TP&W Are Likely To Restore Adequate Rail Service Within A Reasonable Period Of Time.

Under the second requirement in 49 CFR 1146.1, a railroad petitioning to provide alternative rail service must provide evidence of “discussions with the incumbent carrier of the service problems and the reasons why the incumbent carrier is unlikely to restore adequate rail service consistent with current transportation needs within a reasonable period of time.” Despite repeated complaints by KJRY, as well as particular shippers and communities located along the LaHarpe Line, SF&L first cut back on and then altogether terminated service along the LaHarpe Line. In addition, even though SF&L has finally agreed to negotiate with KJRY regarding the possible sale of trackage rights over the line, any agreement is unlikely to be reached within a period of time that would meet shipper’s “current transportation needs,” especially since reconveyance to TP&W seems imminent and KJRY has been unsuccessful in its attempts to convince TP&W to allow KJRY to use or purchase the LaHarpe Line

Since at least the time when KJRY and the UTU-IL, both on its own and jointly with McDonough County and the City of Macomb, filed petitions to revoke SF&L’s acquisition and continuance in control exemptions shortly after SF&L acquired the LaHarpe Line in February, 2001, SF&L has been aware that local shippers and communities have not been satisfied with its provision of rail service and eventual lack thereof. SF&L has done nothing to alleviate those concerns.

Moreover, shippers and communities have continued to assert their displeasure with SF&L’s various antics in repeated filings before the Board. As representatives from the City of

Macomb and McDonough County most recently declared in their January 2, 2003, "Reply to SF&L's Petition to Reopen" the Board's SF&L-LaHarpe decision, SF&L's embargo of the line is "an outrage--continuing outrage--against the public." Similarly, in a verified statement issued in December 2001 and reissued in two subsequent pleadings, the Mayor of Macomb expressed his concern that the downgrading, and especially the most recent elimination of rail service along the line has not only adversely affected "existing users of rail service, but also acts as a deterrent to the acquisition of new shippers and industry to the area." Carpenter V.S. Likewise, numerous shippers located along the line have notified SF&L and the Board about SF&L's inadequate provision of service, especially since it embargoed the line in October. Specifically, the Farmers Elevator Company expressed the sentiments of many shippers along the LaHarpe Line, when it recently wrote to the Board, "In order for our company to remain in business, we do not only want rail service--we need it." Farmers Elevator's Company Letter. Likewise, in its letter to the Board, Elkem Carbon complained that "We have customers who need us to ship via this line. As proven in the past each time a segment of track is lost, industry is the one who suffers the most due to lack of service." Elkem Carbon Letter.

Furthermore, there is no reason to believe that SF&L will ever restore adequate rail service consistent with current transportation needs within a reasonable period of time. To the contrary, SF&L has consistently indicated its plan to degrade, abandon and ultimately salvage the LaHarpe Line, as the Board indicated in the SF&L-LaHarpe Decision. As discussed above, SF&L, with the support of TP&W, employed several specific techniques that virtually assured it would not be able to meet the needs of local shippers and communities. Thus, SF&L worked towards its goal of abandoning and eventually salvaging the LaHarpe Line and SF&L has no

incentive to restore service, especially now that the Board has issued its SF&L-LaHarpe Decision, to which SF&L responded by placing an embargo on the line.

Even SF&L's January 10, 2003 letter finally accepting KJRY's offer to negotiate a trackage rights agreement over the LaHarpe Line does not evince any genuine intent on its part to restore rail service to local shippers and communities. In fact, it is a meaningless gesture, as SF&L, itself, indicated therein that any agreement would not survive the line's imminent reconveyance to TP&W. Likewise, TP&W, also aware of substantial service inadequacies over the line from Brenkman's letter and Busch's email, as well as the various proceedings to which it has been a party, has no plans to "restore rail service consistent with current transportation needs with a reasonable period of time," pursuant to 49 CFR part 1146. To the contrary, it filed a motion to substitute itself in SF&L Abandonment, and has also resisted KJRY's attempts to purchase or use the line. Nevertheless, local communities and shippers need service along the LaHarpe Line, and have thus expressed their desire for KJRY to file this petition to provide them alternative service relief. Accordingly, the Board should grant this petition.

C. KJRY Can Meet Current Transportation Needs Safely In A Manner That Does Not Interfere With SF&L's Or TP&W's Service Or Operations.

According to the third requirement in 49 CFR part 1146.1, a railroad petitioning for alternative rail service must supply an explanation for why it does not have "an agreement from the alternative carrier...and an explanation of how the alternative service would be provided safely without degrading service to the existing customers of the alternative carrier and without unreasonably interfering with the incumbent's overall ability to provide service." While SF&L has finally agreed to negotiate with KJRY over KJRY's purchase of trackage rights from SF&L, the parties have not yet begun formal negotiations and are unlikely to reach an immediate agreement. Moreover, SF&L will probably reconvey the line back to TP&W in the near future,

either on its own initiative or through Board order, and TP&W has rejected KJRY's request to operate over the line. Yet, KJRY could safely and efficiently provide much needed rail service over the line, and should thus be granted this petition to provide alternative rail service.

In its January 10, 2003 letter, SF&L indicated its willingness to negotiate some type of trackage rights agreement with KJRY, although the parties have not yet entered into formal discussions. However, even if the parties were to quickly reach an agreement, the letter bears little significance for shippers along the line since SF&L indicated therein that it is "in the process of finalizing the documents to affect such a transfer" of the LaHarpe line to TP&W and that "any agreement executed by SF&L and KJRY would be subject to termination, upon the transfer of the railroad line to TP&W." In addition, the Board is expected to rule on SF&L's Petition to Reopen the SF&L-LaHarpe Decision by January 21, 2003, further placing in doubt SF&L's continued claims of ownership over the LaHarpe Line. See "STB Decision to Defer Further Proceedings."

Shippers and communities located along the LaHarpe Line are probably in no better position if and when TP&W reacquires the line. Indeed, TP&W motioned to substitute itself in SF&L Abandonment and has resisted attempts to negotiate any type of deal whereby KJRY could buy or use the line to serve shippers. For example, President and Chief Executive Officer of Pioneer, Guy Brenkman, wrote a letter to RailAmerica on October 21, 2002 (a version of the letter, redacting sensitive price information, is attached as Exhibit B) expressing Pioneer's interest in purchasing the LaHarpe Line and offered more than what SF&L had paid TP&W. Mr. Brenkman made this offer "so that west central Illinois grain farmers again have rail service for the immediate future." RailAmerica never even responded to this letter. Moreover, Pioneer's Cathy Busch asked RailAmerica's Mike Klass, via a November 18, 2002 email,

“would TP&W consider giving KJRY any authority/permission (contract service agreement) to service the Blandinsville and Sciota elevators ONLY...KJRY would be agreeable to compensating TPW on a per car basis for each loaded car shipped.” (The e-mail exchange is attached as Exhibit C). RailAmerica curtly responded that “KJRY providing exclusive service over TP&W property is precluded by the collective bargaining agreements that TP&W has with its employees.” Thus, in the highly likely event that TP&W soon reacquires the LaHarpe Line, there is little reason to believe that KJRY can reach an agreement with TP&W, allowing KJRY to serve local shippers and communities.

Yet, there is a strong public need for rail service over the LaHarpe Line, as evidenced by the tremendous public response in opposition to SF&L’s abandonment proceedings, as well as current support for this petition for alternative rail service. In fact, in the past week, seven shippers have written letters to the Board expressing their desire to have KJRY operate on the line.¹¹ For example, United Paving & Construction wrote that it “wants and needs this rail service to continue. We will use this rail service if it is available, and hopefully, with your intervention, this service will once again be possible in the near future.” United Paving Letter. Similarly, Elkem Carbon wrote that “We need this line in order to be able to provide the service our customers want. If the KJRY Railroad is granted operational wrights (sic) over this line we will use the line.” Elkem Carbon Letter. Thus, KJRY has responded to these shippers’ desire to have it operate the LaHarpe Line by filing this petition.

Even as early as September, 2002, before the embargo was in place, the Farmers Elevator Company filed a letter with the Board expressing its desire “to continue to receive railroad service, and, if someone else were willing to try to operate the LaHarpe-to-Peoria railroad line,

¹¹ See United Paving Letter; Farmers Elevator Company Letter; Roquette Letter; Blandinsville Elevator Letter; LaHarpe Elevator Letter; Elkem Carbon Letter; Colusa Elevator Letter.

as for example, KJRY, [it] would hope the Board would act promptly and favorably on its application.” And, since October 18, 2002 when SF&L placed an embargo on the line, the Farmer’s Elevator Company and other shippers along the LaHarpe Line have been in dire economic straits, not being able to meet their customers’ needs as a result of no rail service.

In addition, the communities located along the LaHarpe Line have also suffered the adverse economic consequences of SF&L’s embargo, such as loss of new and existing industry to the area. See, e.g., Carpenter V.S. Accordingly, they have expressed their desire for restoration of rail service as soon as possible through various filings by the City of Macomb and McDonough County. Now, more than ever, these shippers and communities are in need of the localized immediate service relief that KJRY could provide over the LaHarpe Line.

Moreover, KJRY is ready, willing and able to operate the LaHarpe Line in an efficient, safe and profitable manner, despite SF&L’s failure to do so. Pursuant to its plans to make an OFA for the LaHarpe Line before the Board tolled such action in December, KJRY has looked into the matter and strongly believes that it can operate the line successfully and safely. Specifically, it intends to implement the same management techniques, dedicated marketing efforts and shipper oriented service that it employs on the adjoining line it currently operates.

In addition, KJRY believes that it can operate the LaHarpe Line safely. Although both SF&L and TP&W have refused to allow KJRY to inspect the line pursuant to KJRY’s OFA plans, if granted this petition, KJRY will immediately inspect the line in conformance with Federal Railroad Administration (“FRA”) guidelines. KJRY is familiar with safety regulations, and knows the importance of and the means by which to comply with them. Therefore, it will take all necessary steps to ensure that the LaHarpe Line is operated in a safe manner, including

working with the Federal Rail Administration to make any necessary improvements along the line.

Finally, because SF&L has placed an embargo on the LaHarpe Line and has no plans to restore service, KJRY's service and operations will not conflict with SF&L's. Moreover, KJRY's provision of service would not conflict with TP&W's operations either, should it reacquire the line, as TP&W is not operating, nor has any plans to do so. See Denver Rock Island Railroad--Alternative Rail Service--Lines of Kansas Southwestern Railway, L.L.C., Finance Docket No. 33762 (STB served June 16, 1999)(noting that "because KSW is not operating, DRI's operations will not conflict with KSW's...[nor] interfere with the other operations of KSW"). Accordingly, KJRY will be able to meet the current and future transportation needs of local shippers and communities. Therefore, the Board should grant this petition for KJRY to provide localized immediate service relief on the behalf of various shippers and communities located along the LaHarpe Line.

D. Copies Of This Petition Have Been Served On
The Appropriate Parties In The Prescribed Manner.

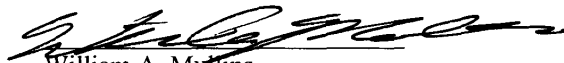
According to the fourth requirement in 49 CFR 1146.1, a party seeking alternative rail service must provide the Board with "a certification of service of the petition, by hand or overnight delivery, on the incumbent carrier...and the Federal Railroad Administration." KJRY has certified that it has served SF&L, TP&W and the Federal Railroad Administration with copies of this petition.

IV. CONCLUSION

As demonstrated by this petition, KJRY has met each of the Board's requirements pursuant to 49 U.S.C. § 11123 and 49 CFR part 1146.1. Thus, the Board should grant KJRY's request, on the behalf of shippers and communities along the LaHarpe Line, to provide

alternative rail service, regardless of whether SF&L or TP&W owns the line at that time. These shippers and communities have suffered long and substantially enough and are, therefore, entitled to localized immediate service relief, even as the Board and Tenth Circuit decide ownership and abandonment issues related to the LaHarpe Line.

Respectfully submitted,



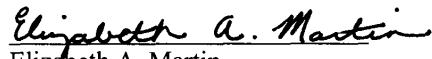
William A. Mullins
Elizabeth A. Martin
TROUTMAN SANDERS LLP
401 Ninth Street, NW
Suite 1000
Washington, DC 20004
Tel: (202) 274-2950
Fax: (202) 654-5621

Attorneys for the Keokuk Junction Railway
Company

January 21, 2003

CERTIFICATE OF SERVICE

This is to certify that on January 21 2003, I caused the foregoing Keokuk Junction Railway Company's Petition to Provide Alternative Rail Service to be served upon SF&L Railway, Inc. and its attorneys and the Federal Railroad Administration by hand or overnight delivery, pursuant to the Board's regulations at 49 CFR part 1146.1. In addition, I served copies on each party of record in the related proceedings, STB Finance Docket No. 33995, STB Finance Docket No. 33996 and STB Docket No. AB-448 (Sub-No.2X), by first-class mail or a more expeditious method:



Elizabeth A. Martin

Attorney for Keokuk Junction Railway Co.

EXHIBIT A

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34310

**KEOKUK JUNCTION RAILWAY COMPANY
--ALTERNATIVE RAIL SERVICE--
LINE OF SF&L RAILWAY, INC.**

PETITION TO PROVIDE ALTERNATIVE RAIL SERVICE

January 21, 2003



ELKEM CARBON - KEOKUK

385 Carbons Lane
P. O. Box 6003
Keokuk, IA 52832-6003
Telephone: (319) 524-6510
FAX: (319) 524-6513

Electrode Paste • Ramming Mixes • Calcined Coal • Carbon Raiser

Date: January 16, 2003

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW, Suite 715
Washington, DC 20423-0001

Dear Sir:

This letter is being directed to you in support of the KJRY Railroad obtaining operating rights over the SFL Railway from La Harpe, IL. To Peoria, IL. As there have been no train operated on this segment of track since the embargo was issued on October 18, 2002. As a result we have not received any rail service over this segment or track since that date. We have customers who need us to ship via this line. As proven in the past each time a segment of track is lost industry is the one who suffers the most due to lack of service. We need this line in order to be able to provide the service our customers want. If the KJRY Railroad is granted operational rights over this line we will use the line.

Very Truly Yours
Elkem Carbon Keokuk

Daniel C. Buckert
Traffic Coordinator

ISO-9002 CERTIFIED

Quality is
Our
PRIORITY



Colusa Elevator Co.
P.O. Box 26
Colusa, Illinois 62329

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW, Suite 715
Washington, DC 20423-0001

Dear Sir,

Colusa Elevator Co is a multi-location independent grain company located in west-central Illinois. One of our facilities is located on the Keokuk Junction Railway in Burnside, Illinois. We have been attempting to get rates to rail soybeans to the Illinois river. So far, we have been unable to even get a quote. Thus we have been trucking over 150,000 bushels soybeans at what we assume is a higher cost than putting the soybeans on railcars. I know that the trucking rate is higher than the quote last time we wanted to rail soybeans. It seems to me that being unable to get rail rates is a totally unacceptable situation. Whatever can be done to correct this situation would be greatly appreciated.

Respectfully,

Colusa Elevator Co.

A handwritten signature in black ink, appearing to read "Dale E. Griffiths". The signature is written in a cursive, flowing style.

Dale E Griffiths
Vice-President

LAHARPE ELEVATOR
POBOX 559
LAHARPE, ILLINOIS 61450

January 13, 2003

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Suite 715
Washington, DC 20423-0001

SUBJECT: AAR Embargo Notice-SF&L Railway

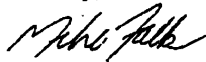
Dear Secretary Williams:

On October 18, 2002, LaHarpe Elevator was notified of the above mentioned AAR Embargo notice of the SF & L Railway of the line between LaHarpe and Peoria, Illinois, Embargo # 1-2002.

Since that date, LaHarpe Elevator has not received any rail service over this line. Prior to SF&L's acquisition of this line, LaHarpe Elevator moved outbound corn and soybeans over this line to Peoria Illinois, and Gilman Illinois. If rail service was available, LaHarpe Elevator would be able to use this line for these shipments.

LaHarpe Elevator needs this line open in order to access these markets for competitive grain prices. If available, we would again have a competitive setting in LaHarpe, Illinois for all outbound grain shipments moving to these markets.

Sincerely,



Mike Falk
Manager - LaHarpe Elevator



FARMERS ELEVATOR COMPANY - OF SCIOTA, IL.

1-14-03

The Honorable Vernon A. Williams Secretary
S. T. B.
1925 K STREET NW, SUITE 715
Washington, DC 20423-0001

REF: Rail Service Sciota, IL.

MR. Secretary,

OUR grain elevator is located on the SFL/TPW
Rail line in West Central Illinois.

WE have had NO Rail service since the
SFLC Embargoed the line 10-18-02.

In order for our company to remain in
business, we do NOT only want Rail service - we
need it. Moving our grain by Rail is very
important.

All grain movement today is by truck. IF
given an opportunity to ship by Rail again, we
can safely say we will use the service.

Thank you,
William W. Edwards
Mgr.



January 13, 2003

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Suite 715
Washington, DC 20423-0001

SUBJECT: AAR Embargo Notice-SF&L Railway

Dear Secretary Williams:

On October 18, 2002, Roquette America, Inc. was notified of the above mentioned AAR Embargo notice of the SF & L Railway of the line between LaHarpe and Peoria, Illinois, Embargo # 1-2002.

Since that date, Roquette America, Inc. has not received any rail service over this line. Prior to SF&L's acquisition of this line, RAI moved outbound freight over this line to connect with Class I railroads in Peoria, Illinois. We also received grain from several elevators located on this line. If rail service was available, RAI would be able to use this line for these shipments.

Roquette America, Inc. needs this line open in order to access the Class I railroads over Peoria for competitive service. If available, we would again have a competitive setting in Keokuk, Iowa for all outbound shipments moving east.

Sincerely,

Wanda J. Carlson

Wanda J. Carlson
Manager, Rail

GURNEE PLANT
1550 NORTHWESTERN AVENUE GURNEE, IL 60031-2392
TEL (847) 249-5950 FAX (847) 578-1027

CORPORATE HEADQUARTERS
1417 EXCHANGE STREET, P.O. BOX 6647, KEOKUK, IA 52632-6647
TEL/FAX (319) 524-5757

KEOKUK PLANT
1003 S. FIFTH STREET, P.O. BOX 6647, KEOKUK, IA 52632-6647
TEL/FAX (319) 524-5757

BLANDINSVILLE ELEVATOR
PO BOX 293
BLANDINSVILLE, ILLINOIS 61450

January 13, 2003

The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, NW, Suite 715
Washington, DC 20423-0001

SUBJECT: AAR Embargo Notice-SF&L Railway

Dear Secretary Williams:

On October 18, 2002, Blandinsville Elevator was notified of the above mentioned AAR Embargo notice of the SF & L Railway of the line between LaHarpe and Peoria, Illinois, Embargo # 1-2002.

Since that date, Blandinsville Elevator has not received any rail service over this line. Prior to SF&L's acquisition of this line, Blandinsville Elevator moved outbound corn and soybeans over this line to Keokuk Iowa, Peoria Illinois, and Gilman Illinois. If rail service was available, Blandinsville Elevator would be able to use this line for these shipments.

Blandinsville Elevator needs this line open in order to access these markets for competitive grain prices. If available, we would again have a competitive setting in Blandinsville, Illinois for all outbound grain shipments moving to these markets.

Sincerely,



Terry Rouse
Manager - Corn Procurement



29265 N ILLINOIS 78
CANTON, ILLINOIS 61520
(309) 647-1295

January 14, 2003

The Honorable Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street, NW, Suite 715
Washington, DC 20423-0001

RE: STL Railway embargo, filed October 18, 2002.

Dear Mr. Williams,

Please be advised that United Paving & Construction, Inc. is once again writing to you with concerns about the TP&W rail line between LaHarpe and Peoria Illinois.

Due to a SF&L Railway embargo, United Paving & Construction, Inc. is unable to get rail service at this time. Viable rail service is vital to the health of United Paving & Construction, Inc. Canton Illinois has no other rail service, and there are no feasible alternative routes. The loss of rail service on this line will do long-term economic damage to United Paving & Construction, as well as to other rail served customers and communities whose business depend upon this line.

United Paving & Construction, Inc. wants and needs this rail service to continue. We will use this rail service if it is available, and hopefully, with your intervention, this service will once again be possible in the near future.

If you have any questions, please do not hesitate to contact me.

Respectfully yours,

Robert D. Pschirrer
President

/med

EXHIBIT B

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34310

**KEOKUK JUNCTION RAILWAY COMPANY
--ALTERNATIVE RAIL SERVICE--
LINE OF SF&L RAILWAY, INC.**

PETITION TO PROVIDE ALTERNATIVE RAIL SERVICE

January 21, 2003

PIONEER RAILCORP

A RAILROAD HOLDING COMPANY

1318 SOUTH JOHANSON ROAD
PEORIA, ILLINOIS 61607

TELEPHONE: (309) 697-1400
FAX: (309) 697-5388

GUY L. BRENKMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER

October 21, 2002

RailAmerica, Inc.
Gary Marino
5300 Broken Sound Blvd, NW
Boca Raton, FL 33487

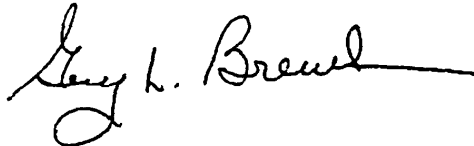
Dear Mr. Marino,

Pioneer remains interested in purchasing the 71.5 mile TP&W line from LaHarpe, Illinois, MP 194.5 to Mapleton, Illinois, MP 123.0 that you are now the owner of once more. We are willing to pay -----REDACTED-----

-----REDACTED----- if you were interested in selling the remaining track between MP 123 and the end of your ownership at Sommer with or without the track and business in the Mapleton Industrial Park, we would also be interested.

We would also ask that we be given a short-term lease or operating rights to serve the grain elevators west of Bushnell, Illinois for the grain harvest that is already upon us here in central Illinois. I am sure TP&W has neither the time or equipment to serve these elevators that are many miles west of your operations and it would be a goodwill gesture on behalf of RailAmerica, especially in light of the recent STB decision, if you would grant this request so that west central Illinois grain farmers again have rail service for the immediate future.

Sincerely yours,



Guy L. Brenkman

EXHIBIT C

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

FINANCE DOCKET NO. 34310

**KEOKUK JUNCTION RAILWAY COMPANY
--ALTERNATIVE RAIL SERVICE--
LINE OF SF&L RAILWAY, INC.**

PETITION TO PROVIDE ALTERNATIVE RAIL SERVICE

January 21, 2003

Catherine Busch

From: "Laakso, Gary (Boca)" <Gary.Laakso@RailAmerica.com>
To: <cbusch@pioneer-railcorp.com>
Cc: "Klass, Mike (INOH)" <mklass01@railtex.com>
Sent: Tuesday, November 19, 2002 1:21 PM
Subject: RE: TPW LaHarpe to SFL Junction

Mike asked that I respond to the inquiry about TP&W allowing KJRY to provide service to the Blandinsville and Sciota elevators once the property has been reconveyed by SF&L to TP&W. KJRY providing exclusive service over TP&W property is precluded by the collective bargaining agreements that TP&W has with its employees.

-----Original Message-----

From: Catherine Busch [mailto:cbusch@pioneer-railcorp.com]
Sent: Monday, November 18, 2002 1:40 PM
To: Klass, Mike (INOH)
Subject: Re: TPW LaHarpe to SFL Junction

Mike:

As per our discussion last week and your comments regarding the elevators (Sciota/Blandinsville) on the west end of the TPW. I have spent some time thinking about how we may feasibly and on a timely basis service these facilities.

As TP&W is presently not running any trains on the line from Mapleton to LaHarpe, would TP&W consider giving KJRY any authority/permission (contract service agreement) to service the Blandinsville and Sciota elevators, ONLY.

These elevators, previously rail shippers, are both now trucking to Roquette. I (KJRY) would be agreeable to compensating TPW on a per car basis for each loaded car shipped. I am not yet aware of a \$ amount I would be able to offer, and figured I would first just approach you with the thought to see if there was even a need or possibility to further discuss.

Once again, I am just throwing out ideas. At your convenience, I would appreciate you getting back to me with your thoughts.

Sincerely,

Cathy Busch

01/15/2003