

BALL JANIK LLP

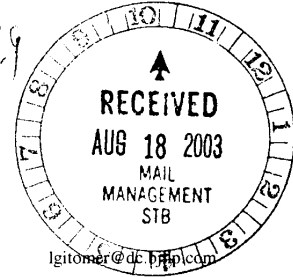
A T T O R N E Y S

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August 15, 2003

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Washington, DC 20423

208719

RE: Finance Docket No. 34397, *Keokuk Junction Railway Company—Alternative Rail Service—Line of Toledo, Peoria and Western Railway Corporation*

Dear Secretary Williams:

Enclosed for filing are the original and ten copies of the errata to the Response of the Toledo, Peoria and Western Railway Corporation, and three diskettes with the file Response.doc. We apologize for the oversight that left a number of blank spaces in the original filing.

Please time and date stamp the extra copy of this letter and the Response and return it with our messenger. If you have any questions, please contact me.

Respectfully submitted,

Louis E. Gitomer

Enclosures

Office of Proceedings

AUG 18 2003

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Public Record

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34397

KEOKUK JUNCTION RAILWAY COMPANY
—ALTERNATIVE RAIL SERVICE—
LINE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION



RESPONSE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION

ERRATA

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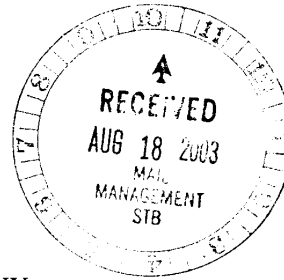
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Attorneys for TOLEDO, PEORIA &
WESTERN RAILWAY
CORPORATION

Dated: August 15, 2003

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34397



KEOKUK JUNCTION RAILWAY COMPANY
—ALTERNATIVE RAIL SERVICE—
LINE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION

RESPONSE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION

The Toledo, Peoria & Western Railway Corporation ("TP&W"), pursuant to 49 C.F.R. § 1146.1(d)(2), responds to the Petition to Provide Alternative Rail Service (the "Petition") filed by Keokuk Junction Railway Company ("KJRY"). TP&W strongly urges the Surface Transportation Board (the "Board") to deny the Petition for the very simple reason that the shippers refuse to use TP&W's offered service, not that TP&W refuses to provide service.

As is seen throughout the Petition, no one claims that TP&W has refused to provide service, but that the rates were unreasonable. Petition 10-14. TP&W contends that rate disputes should be resolved through the appropriate complaint mechanism, not emergency service where the railroad is ready and able to provide service at a reasonable rate.

BACKGROUND

TP&W will recount the background of the instant proceeding without the hyperbole and revisionist history contained in the Petition.

TP&W understands that KJRY seeks authority to conduct operations over 56 miles of TP&W's property between LaHarpe, IL, milepost 194.5, and Canton, IL, milepost 138.5 (the "Canton Line"). The Canton Line is part of 71.5-mile line between LaHarpe, IL, milepost 194.5,

and Peoria, milepost 123.0 (the “Peoria Line”), that TP&W sold to the SF&L Railway, Inc. (“SF&L”) (the “*SF&L Transaction*”). *SF&L Railway, Inc.-Acquisition and Operation Exemption-Toledo, Peoria and Western Railway Corporation between La Harpe and Peoria, IL*, Finance Docket No. 33995 (STB served February 7, 2001). East of the Peoria Line is a 4.5-mile line between Peoria, milepost 123.0, and Hollis, milepost 118.5 (the “Hollis Line”). The Hollis Line includes the “Mapleton Spur.”

The Petition refers to a point “Mapleton,” which TP&W considers to be Hollis, as the eastern point of the *SF&L Transaction*. KJRY is wrong. The easternmost point involved in the *SF&L Transaction* was Peoria at milepost 123.0, not Hollis at milepost 118.5, 4.5 miles further east. Contrary to the many misstatements in the Petition, TP&W did not negotiate to sell the Hollis Line to SF&L or KJRY, did not agree to sell the Hollis Line to SF&L, did not sell the Hollis Line to SF&L, and did not, has not, and will not (based on current traffic) propose to abandon the Hollis Line. Moreover, the Hollis Line and Mapleton Spur are 15.5 miles east of the Canton Line, which is the target of KJRY’s imperialism in this proceeding.¹

Prior to offering to sell the Peoria Line, TP&W engaged in negotiations with The Burlington Northern and Santa Fe Railway Company (“BNSF”) as to the re-routing of overhead intermodal traffic on the Peoria Line. TP&W agreed to move its interchange of this traffic with BNSF over 70 miles to the east to Galesburg, IL, from Ft. Madison, IA. TP&W realized that re-routing the intermodal train would seriously affect its ability to serve its customers west of milepost 123.0. While one intermodal train operated in each direction each day, TP&W was able

¹ The Hollis Line and Mapleton Spur, along with the Peoria Line are targets of KJRY’s adversarial expansionist policies in *Keokuk Junction Railway Company-Feeder Railroad Development Application-Line of Toledo, Peoria and Western Railway Corporation between La Harpe and Hollis, IL*, Finance Docket No. 34335.

to pick up and drop off local traffic on the Peoria Line, using its revenue from the overhead intermodal train to subsidize the local operations. TP&W realized that without the overhead traffic to subsidize the cost and operations necessary to serve local traffic, that it faced the prospect of substantially increasing rates to the local shippers to cover the cost of operations, the cost of maintaining the Peoria Line, and to provide a return on investment. Faced with this dilemma, TP&W explored selling or abandoning the Peoria Line. TP&W decided that it would generate revenue needed at that time faster and preserve the opportunity for shippers to retain rail service by seeking to sell the Peoria Line.

TP&W began negotiations to sell the track and materials on the Peoria Line to KJRY and SF&L. TP&W would retain the real estate. SF&L made a better offer to TP&W to acquire the Peoria Line than KJRY, and therefore, TP&W agreed to sell the Peoria Line to SF&L.

After TP&W agreed to sell the Peoria Line to SF&L on December 20, 2000, TP&W and SF&L continued negotiating the details of the transaction. As a result, TP&W continued to operate over the Peoria Line and serve all of the shippers on that line until December 20, 2001, at which time SF&L completed the acquisition and took over operation of the Peoria Line. Once SF&L assumed operations over the Peoria Line, TP&W was no longer involved, until after the Board ordered SF&L to reconvey the Peoria Line to TP&W. *SF&L Railway, Inc.-Acquisition and Operation Exemption-Toledo, Peoria and Western Railway Corporation between La Harpe and Peoria, IL*, Finance Docket No. 33995 (STB served October 17, 2002) (the “*Revocation Decision*”). SF&L embargoed the Peoria Line on October 17, 2002. Once the *Revocation Decision* was served, TP&W began negotiating with SF&L for the return of the Line. The negotiations were difficult for both TP&W and SF&L and they did not settle their differences until after the Board served a decision establishing the regulatory price for TP&W to pay and

SF&L to accept on the return of the Peoria Line from SF&L to TP&W. *SF&L Railway, Inc.- Acquisition and Operation Exemption-Toledo, Peoria and Western Railway Corporation between La Harpe and Peoria, IL*, Finance Docket No. 33995 (STB served February 6, 2003). SF&L reconveyed the Peoria Line to TP&W on February 10, 2003.

Exhibits A and B of the Petition purport to be discussions or negotiations with TP&W. The letter from Mr. Brenkman was dated October, 21, 2002. The email from Ms. Busch was dated November 18, 2002. At the time both of these requests were made to TP&W, the Peoria Line had not been returned to TP&W. TP&W was not aware of the cost it would incur in reacquiring the Peoria Line, and was not in a position to negotiate while litigation and uncertainties continued.

Once TP&W acquired the Peoria Line on February 10, 2003, it sent inspectors out to the Peoria Line to determine the type and cost of repairs that were required to put the Peoria Line back in operating condition. The Peoria Line required repairs costing TP&W \$ 12,500, which were completed in February 2003. Once TP&W reacquired the Peoria Line from SF&L the embargo expired. After the Peoria Line was repaired, TP&W was ready and able to serve the shippers on the Peoria Line at economically remunerative terms, and remains so today.

Curiously, on February 17, 2003, KJRY requested rate quotes from TP&W for six movements. Exhibit B. Of the six, four rates quotes were sought using the Peoria Line in overhead service, and only two were sought to serve local shippers. As can also be seen from Exhibit B, the actual party in interest for the local rates is Roquette America, Inc. ("Roquette"), not the local grain elevators as KJRY makes it appear in the Petition. KJRY's Director of Marketing, Catherine Busch admits that "Roquette America pays the freight out of Sciota.... The Blandinsville elevator is owned by Roquette, so additionally; Roquette will be paying freight out

of Blandinsville.” Hence, it is not the small Blandinsville and Sciota elevators that are seeking service at below market rates, but Roquette. Further, Roquette is not just a grain processing company, but a subsidiary of a giant French company, Roquette Freres, a company with over two billion Euros in annual sales.

TP&W quoted rates to KJRY that were sufficient to cover TP&W’s cost of operations, maintenance costs on the Peoria Line, and a reasonable return. But, as the Board can readily see in KJRY’s Petition, the shippers believed the rates to be unreasonable. United Paving & Construction claims “those rates ... were clearly unreasonable....” Petition at 26. Roquette claims that “rates have not been competitive.” Petition at 31. La Harpe Elevator wants the Board to consider “restoring rail service with reasonable tariff....” Petition at 33. Not surprisingly, Blandinsville Elevator used the exact same language in its August 8, 2003 letter. Petition at 35.

In addition to reasonable rates being the actual issue instead of rail service, an additional route to create more competitive overhead service is apparently the major concern of Roquette. Of the six rate quotes sought by KJRY from TP&W, two were to provide Roquette with an alternate overhead route. In Exhibit B is a print out of KJRY’s web page. KJRY serves Keokuk and Roquette. KJRY interchanges with the BNSF in Keokuk, IA, and with the Union Pacific Railroad Company (“UP”) at Ft. Madison, IA. Via KJRY, Roquette has access to BNSF and UP, and the vast rail destinations they serve.

For Roquette, KJRY sought rates between Keokuk and (1) Decatur, IL (a point not served by TP&W), and (2) various points on Norfolk Southern Railway Company (“NS”). Decatur is served by NS and the Canadian National Railway Company (“CN”).

Although Roquette may want TP&W to interchange with NS at Peoria, both UP and BNSF can interchange with NS at Peoria, as well as many other points, and both can also interchange traffic with CN. Hence, service over TP&W's Canton Line is not necessary for Roquette to be able to ship to Decatur. Indeed, service to Canton over TP&W by KJRY will not further Roquette's goal of creating a third overhead route to Decatur because KJRY would only be able to interchange with BNSF at either Bushnell or Canton, in addition to Keokuk.

As far as reaching various points on the NS, both BNSF and UP interchange with NS at many locations. Allowing KJRY to operate over TP&W to Canton would only add two additional interchange points with BNSF for KJRY. The emergency service rules "are not intended to address demands for more competitive service." *Expedited Relief for Service Inadequacies*, 3 S.T.B. 968, 970 (1998).

Keokuk and KJRY may have another motive in seeking to reach Canton and interchange with BNSF there instead of at Keokuk. KJRY may believe that it can increase its division of revenue by moving the interchange point with BNSF east of Keokuk. TP&W questions the use of the emergency service provisions as a vehicle for a railroad to increase the division of its revenue on specific shipments.

Another party that KJRY sought rates for from TP&W is Exel Transportation. The Board should note that Exel has not participated in this proceeding. However, KJRY sought rates for Exel for a move from Keokuk eastward to Sommer, IL, and then to three points on the west coast, Portland, OR, Tacoma, WA, and San Bernadino, CA. TP&W notes that not only does it appear to be an inefficient routing, but that KJRY can interchange with BNSF in Keokuk and UP in Ft. Madison, and that both railroads serve San Bernadino, Portland, and Tacoma. Again, granting KJRY access to Canton, would only add two additional interchange points with BNSF.

The LaHarpe Elevator is located in Keokuk and is currently served by KJRY so that access to Canton by KJRY would not benefit LaHarpe Elevator. In addition, the rates cited by LaHarpe Elevator are not its rates.

As Colusa Elevator Company admits, its elevator in Burnside, IL is served today by KJRY. Colusa Elevator Company is not on the Canton Line and would not benefit from temporary service over the Canton Line by KJRY.

United Paving & Construction formerly unloaded cars at Rawalts, IL, not in Canton. The importance of this difference is that Rawalts is located at milepost 136.8, about 1.7 miles east of Canton. KJRY will not be able to serve United Paving & Construction under the service order it has requested.

Elkem Carbon-Keokuk is served by the KJRY in Keokuk today. It requests service over the Canton Line for its customers, but declines to identify those customers.

It is TP&W's view that the only local shippers on the Canton Line that could be served by KJRY are the Farmers Elevator Company of Sciota ("Sciota") and the Blandinsville Elevator ("Blandinsville"). Sciota is located at milepost 183.5 and Blandinsville at milepost 189.3. TP&W wonders why KJRY needs access over 45 miles of TP&W's Canton Line when there are no shippers east of Sciota at milepost 183.5. Obviously, KJRY is interested in something other than serving the shippers on the Canton Line. TP&W urges the Board not to facilitate KJRY's unrevealed scheme under the guise of an emergency service order.

To recap the relevant facts, TP&W reacquired the Peoria Line on February 10, 2003. At that time, TP&W repaired the Peoria Line, ensured that the embargo was no longer effective, quoted rates upon request and waited for shippers to request service. No shipper on the Canton Line has ordered cars, and no shipper requested service. Hence, TP&W provided all of the

service it was requested to provide, none. TP&W remains ready and able to provide service over the Canton Line on reasonable economic terms. TP&W contends that based on the nature of the Peoria Line, the rates it has quoted are reasonable.

Moreover, the Petition is based on bombast and invective, not facts. KJRY has failed to meet the requirements of 49 C.F.R. § 1146. KJRY has not discussed the situation with TP&W, a condition precedent to the Board authorizing emergency service as required by 49 C.F.R. § 1146.1(b). KJRY has not shown that there has been a substantial, measurable deterioration or other demonstrated inadequacy in rail service provided by TP&W as required by 49 C.F.R. § 1146.1(a). In addition, TP&W has been disadvantaged by KJRY's tactics in this proceeding of not directly discussing the problem, as provided for in 49 C.F.R. § 1146.1(d)(2).²

TP&W contends that the Board must be careful to follow its rules, 49 C.F.R. Part 1146 – Expedited Relief Under 49 U.S.C. 11123 for Service Emergencies (the “Rules”), and require the petitioning party to comply with the Rules and meet the burden of proof established in the Rules. In adopting the Rules, the Board stressed “the need for an adequately developed record regarding the factual predicate for such action.”³ KJRY has developed no record of service problems, and the Petition should be denied.

ARGUMENT

The Board should deny the Petition because: (1) KJRY has not discussed service problems and the reasons therefore with TP&W, and (2) KJRY has not demonstrated that over an

² TP&W did not have the added time to respond to KJRY that the Board stated parties would have because of “additional notification of the controversy, because they are required to discuss service problems prior to the filing of the petition.” *Expedited Relief for Service Inadequacies*, 3 S.T.B. 968, 972 (1998).

³ *Expedited Relief for Service Inadequacies*, 3 S.T.B. 968, 981 (1998).

identified period of time there has been a substantial, measurable deterioration or other demonstrated inadequacy in rail service by TP&W.

KJRY did not discuss service problems and the reasons therefore with TP&W.

Nowhere in the Petition does it state that KJRY discussed service over the Line with TP&W. Instead, KJRY relies on pleadings filed during litigation involving KJRY and TP&W and letters from shippers to the Board.

KJRY did not hold a discussion with TP&W. As defined by Webster's New Collegiate Dictionary, a discussion is "consideration of a question in open and usually formal debate." KJRY presents documents submitted in legal proceedings as its discussion.

TP&W believes that the reason KJRY did not engage in a discussion with TP&W about service over the Canton Line is that the only issue discussed would have been the rates TP&W has quoted. TP&W has repaired the Canton Line so that it can be operated as an FRA Class I railroad. TP&W has the locomotives, equipment, and employees available to provide service. The only element missing is a request for service from a shipper. Since reacquiring the Peoria Line from SF&L, TP&W has not received a request to provide service over the Canton Line. TP&W does not equate a request for a rate as the same as a request for service, nor should the Board.

The Board considered the discussion between the incumbent railroad and the prospective petitioner so critical that it made the discussion a condition precedent to the filing of a petition. "Advance discussions between the parties are indispensable. They may help solve or ameliorate the service problems; narrow the issues in dispute; or, at a minimum, enable a more complete and informative record to be developed upon which we can assess the situation and the proposal for relief." *Expedited Relief for Service Inadequacies*, 3 S.T.B. 968, 977 (1998).

Since there was no “discussion” between KJRY and TP&W, KJRY naturally violated the requirements of section 1146.1(b)(1)(B) when it failed to provide “a summary of petitioner’s 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.”

KJRY never talked to TP&W about service over the Canton Line. Pending litigation is not a valid reason for not complying with the rules. The use of statements of made during litigation is also not “discussions with the incumbent carrier.” The Board must ask why KJRY didn’t pick up the telephone and call TP&W. KJRY certainly knows TP&W’s address and phone number from all of the litigation that KJRY has initiated over the past several years. Nowhere in the Petition is that simple question answered. Failing to answer that simple question means that KJRY has not complied with one of the most important requirements of section 1146. Moreover, the answer would have been that TP&W is ready and able to operate, but the shippers just don’t want to pay the rates that TP&W has proposed.

By just assuming that TP&W would not serve traffic on the Line KJRY has acted in bad faith. The Board should give great weight to KJRY’s bad faith and deny the Petition.

Failure to discuss service problems with the incumbent carrier should be sufficient for the Board to deny the Petition for failure to comply with section 1146. There were no service problems on the Line, only those fabricated by KJRY. The problem is the unwillingness of the shippers on the Canton Line to pay a reasonable rate. Discussions between the parties would have shown KJRY that there were no service problems and hence no basis for the Petition. But, apparently, KJRY is more interested in invading TP&W’s territory than in complying with the Board’s rules.

There is no service problem on the Line. TP&W has not provided rail service over the Canton Line since it was reacquired on February 10, 2003 because no shipper has requested service. Were a shipper to request service, TP&W is ready and able to serve that shipper. But no shipper wants to request service because they do not want to pay TP&W the rate necessary to cover the costs of service.

As an example, Farmers Elevator Company of Sciota ("Sciota Grain") is located at about milepost 183.53, about 60.5 miles west of Peoria (milepost 123.0). Traveling 60 miles at 10 miles per hour would require a crew of two people about six hours to reach Sciota. Assuming, very liberally, that there were two cars to deliver and two cars to pick up, it would take the crew between one and two hours to serve Sciota Grain. Taking the train another 11 miles to interchange with KJRY at La Harpe would take another hour. So after eight hours, TP&W has a locomotive 71.5 miles from where it originated, and requiring at least a seven hour trip to return. Because the crew has operated the train for eight hours already, it can only operate for another four hours before the crew violates the FRA hours of service requirements. At the end of the crews' 12-hour day, the train is left between 30 and 40 miles west of its origination point. Some, but not all, of the costs involved are as follows. The cost of operating one locomotive for one day is \$188.00. The cost for the two crew members for a twelve hour day is \$752. Car hire for two cars on TP&W's line could be \$86.40. Fuel costs are \$480 per day. The round trip taxi to pick-up the crew is \$125. Hence these minimal operating costs total \$1,631.40. Even these costs do not allow TP&W to complete the round trip, but are sufficient to demonstrate the high cost of operations.

In addition to the operating costs, TP&W must pay to maintain the Peoria Line and must earn a return on its investment in the Peoria Line. Average maintenance costs for a Class III

railroad, which TP&W is, are about \$5,000 per mile per year, or \$357,500 for the Peoria Line. TP&W values the Line at about \$8,000,000. The Board has determined the 2002 cost of capital to be 9.8%. *Railroad Cost of Capital—2002*, STB Ex Parte No. 558 (Sub-No. 6) (STB served June 19, 2003). Hence the return TP&W expects to earn on the Peoria Line equals \$784,000. The total maintenance of way and cost of capital that TP&W is expected to recover from the Peoria Line is \$1,141,500. Such costs must be recovered from the traffic on the Line. If there are 1,200 carloads per year⁴, the pro rata share of maintenance of way and cost of capital would be about \$950 per car. In addition, there are the operating costs of about \$270 per car⁵, for total revenue per car load that TP&W expects to be \$1,220.

The rates quoted by TP&W to the shippers on the Peoria Line are substantially below this level. In addition, no shipper has offered to enter a take or pay contract with TP&W to spread the financial risk that TP&W would incur in operating the Peoria Line, or even the Canton Line.

The problem on the Canton Line is not a failure of service, but a failure of shippers to request service at the reasonable rates offered by TP&W.

There has been no cessation of service. The facts demand that KJRY's Petition be denied. There is no failure of service. TP&W continues to hold itself out to provide service over the Canton Line. No shipper has requested service. Since there has been no request for service, there can be no failure of service.

There has been no substantial, measurable deterioration or other demonstrated inadequacy of service by TP&W. Certainly the Rules are not meant to be used when the incumbent railroad continues to hold itself out to provide service, but no shipper requests such service.

⁴ This is based on the most generous estimate of local traffic on the Peoria Line by KJRY.

⁵ Based on 1,200 cars per year, service four days per week with an average of six cars per train.

Compensation. If, despite KJRY's complete failure to meet the requirements under the Rules, the Board determines that KJRY should provide emergency service over the Canton Line, TP&W contends that it is entitled to compensation.

The Board has said that the parties should try to agree on compensation, and that the Board will only set compensation if the parties cannot agree. *Expedited Relief for Service Inadequacies*, 3 S.T.B. 968, 980 (1998). TP&W believes that it will be difficult to agree on compensation with a party that was not even willing to discuss service as required by the Board before filing the Petition.

Relying on precedent, TP&W requires indemnification for any and all liability arising from KJRY's operation, including indemnification for any claims made by unions and employees against TP&W. Moreover, TP&W believes that the Frisco Compensation formula, adjusted for inflation is appropriate. TP&W seeks compensation per route-mile per year of \$1,250, adjusted for inflation since 1980, and 9.8% (the Cost of Capital) of net revenues. See *St. Louis-S. F. Ry. Co.—Compensation—Chicago, R. I. & P.*, 363 I.C.C. 248, 250 (1980).

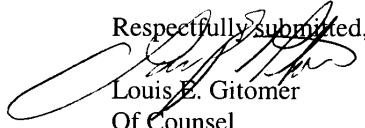
CONCLUSION

TP&W requests the Board to deny the Petition. There is no need for alternative rail service because TP&W continues to be ready and able to operate over the Canton Line. It is the shippers who have refused to request service from TP&W. Moreover, KJRY failed to comply with the condition precedent in the Rules requiring it to discuss service issues with TP&W before it filed the Petition.

For the reasons noted in this response, TP&W requests the Board to deny KJRY's Petition.

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Respectfully submitted,



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CORPORATION

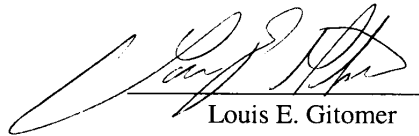
Dated: August 15, 2003

CERTIFICATE OF SERVICE

I hereby certify that on this date a copy of the foregoing document was served by hand on

Office of the Administrator
Federal Railroad Administration
1120 Vermont Avenue, N.W.
Mail Stop #5, 7th Floor
Washington, DC 20590, by hand delivery

William A. Mullins, Esq.
Baker & Miller PLLC
915 15th Street, N.W., Suite 1000
Washington, D.C. 20005-2318



Louis E. Gitomer

Dated: August 15, 2003

EXHIBIT A

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

From: Klass, Mike (INOH)
Sent: Monday, February 24, 2003 2:07 PM
To: 'Catherine Busch'
Subject: RE: Rate Requests

Cathy:

TP&W wants to deal directly with its customers and needs the information requested to do so. Our obligation is to quote rates to customers only. If there are customers, please provide the information so that we can contact them directly.

Mike

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

From: Catherine Busch [mailto:cbusch@pioneer-railcorp.com]
Sent: Monday, February 24, 2003 1:01 PM
To: Klass, Mike (INOH)
Subject: Re: Rate Requests

Mike:

I am not trying to be difficult here - but why is the contact name, phone #, etc. needed for KJRY customers before TPW is able to provide me with their factors.

I have provided more than enough information on these joint-line rate requests than needed to enable quoting a

rate -origin/destn/shipper/commodity/equipment/routing, as well as party paying freight. The only rates I need are joint-line requests for traffic originating on our line, moving prepaid. As such, the originating carrier (KJRY) requests factors from the joint carriers in the route, presents the thru-rate to the customer paying freight, and makes publication if rate is accepted; Or joint-line requests for traffic destined on our line, moving collect - as such, destination carrier (KJRY) requests factors from the joint carriers in the route, presents the thru-rate to customer paying freight, and makes publication if rate is accepted. This practice is standard and customary in the railroad industry.

I have already received responses from both NS & UP for the requests I made to them for the aforementioned traffic which would involve them. Both were received the day after requested. And I did not give, nor was I asked for the KJRY customer contact information that TPW is requesting, prior to either of them being able to supply me with their factors.

As such, could you please get back to me with TPWs factors so I may forward the thru-rates to the customers for review?

Thank you,

Cathy Busch

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

From: "Klass, Mike (INOH)" <mklass01@railtex.com>
To: "Catherine Busch" <cbusch@pioneer-railcorp.com>
Sent: Monday, February 24, 2003 7:20 AM
Subject: RE: Rate Requests

> Cathy:

>

> I still need a contact name and phone number or E-mail address for
> these customers.

>

> Thanks.

>

> Mike

>

>

> -----Original Message-----

> From: Catherine Busch [mailto:cbusch@pioneer-railcorp.com]
> Sent: Friday, February 21, 2003 1:30 PM
> To: Klass, Mike (INOH)
> Subject: Re: Rate Requests

>

>

> Mike: The Shipper names I have listed are the companies requesting
> the rates as well as who is paying the freight. Please note that in my
> previous

> e-mail, I erroneously omitted a few of the shippers, but have added
> them below, LISTING THEM IN ALL CAPITAL LETTERS..

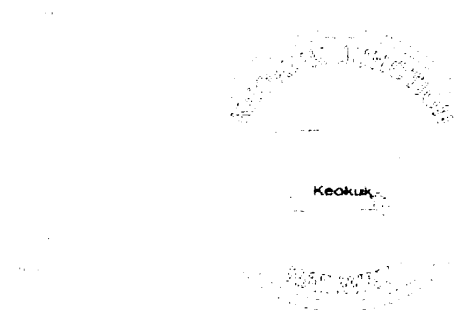
>

> The only shipper listed that is not paying the freight, is Sciota -
 Farmers
 > Elevator. Roquette America pays the freight out of Sciota going into
 > the Roquette facility at Keokuk.. The Blandinsville elevator is owned
 > by Roquette, so additionally, Roquette will be paying the freight out
 > of Blandinsville.
 >
 > If you have any more questions, please let me know.
 >
 > Thanks.
 >
 > ----- Original Message -----
 > From: "Klass, Mike (INOH)" <mklass01@railtex.com>
 > To: "Catherine Busch (E-mail)" <cbusch@pioneer-railcorp.com>
 > Sent: Friday, February 21, 2003 9:51 AM
 > Subject: Rate Requests
 >
 >
 >> Cathy:
 >>
 >> In order for us to proceed with a rate proposal rates on the traffic
 > listed
 >> below, TPW needs the following information: the name of the party
 > requesting
 >> the rate, the name of the party that will be paying the freight, and
 >> the name of a person with phone number or E-mail address for that
 >> party.
 Once
 > we
 >> have this information, we can respond quickly.
 >>
 >> Also, I have received a request from Incobrasa for a Rule 11 rate
 >> from LaHarpe to Gilman to cover the soybean move you listed below
 >> from the
 > Colusa
 >> Elevator. We will quote that rate directly to Incobrasa on a Rule 11
 > basis.
 >>
 >> Mike
 >>
 >>
 >> ----- Original Message -----
 >> From: "Catherine Busch" <cbusch@pioneer-railcorp.com>
 >> To: <tom.owen@railamerica.com>
 >> Cc: <tony_kaz@tpw.com>
 >> Sent: Wednesday, February 19, 2003 4:37 PM
 >> Subject: Re: TPW West End
 >>
 >>
 >>> Tom:
 >>>

>>> Per my previous e-mail below, wherein requesting rates on various
 >>> commodities to various interchanges - I have specifically had the
 >> following
 >>> requests since Monday, some of which were on my previous list. As
 such
 >>> could you please provide rates for the following, specifics as
 >>> noted.
 > As
 >> I
 >>> have had no response as to whether you are still my contact, I am
 >>> additionally copying Tony Kaz.
 >>>
 >>> Shipper: Exel Transportation
 >>> Origin: Keokuk, IA
 >>> Destination(s): Portland, OR; Tacoma, WA; San Bernadino, CA;
 > Corsicana,
 >>> TX
 >>> Commodity: Railway Wheels
 >>> Equipment: RR 50' box cars
 >>> Route: KJRY-LaHarpe-TPW-Sommer-UP
 >>>
 >>> Shipper: Roquette America
 >>> Origin: Keokuk, IA
 >>> Destination: Decatur, IL
 >>> Commodity: Corn Gern
 >>> Equipment: RR covered hoppers
 >>> Route: KJRY - LaHarpe, IL- TPW-Farmdale/Peoria -NS
 >>> Please provide rates via interchange with NS over both
 >>> Farmdale
 > and
 >>> Peoria, IL
 >>>
 > SHIPPER: ROQUETTE AMERICA
 >>> Origin: Keokuk, IA
 >>> Destination: Various Points on NS
 >>> Commodity: corn syrup
 >>> Equipment: Private tanks/zero mileage
 >>> Route: KJRY-LaHarpe-TPW-Farmdale/Peoria-NS
 >>> Please provide rates via interchane with NS over both
 >>> Farmdale
 > and
 >>> Peoria, IL
 >>>
 > SHIPPER: FARMERS ELEVATOR - SCIOTA
 >>> Origin: Sciota, IL
 >>> Destination: Keokuk, IL
 >>> Commodity: Corn
 >>> Equipment: RR covered hoppers - ALAB marked
 >>> Route: TPW - LaHarpe - KJRY
 >>> Roquette America will be paying freight so cars will move
 > collect

>>>
> SHIPPER; ROQUETTE AMERICA/Blandinsville Elevator
>>> Origin: Blandinsville, IL
>>> Destination: Keokuk, IA
>>> Commodity: Corn
>>> Equipmenta: RR covered hoppers - ALAB marked
>>> Route: TPW - LaHarpe - KJRY
>>> Roquette America will be paying freight so cars will move
> collect
>>>
>>> Shipper: Colusa Elevator
>>> Origin: Burnside, IL
>>> Destination: Gilman, IL
>>> Commodity: Soybeans
>>> Equipment: RR covered hoppers, ALAB marked
>>> Route: KJRY-LaHarpe-TPW
>>>
>>
>

EXHIBIT B



Keokuk Junction Railway Co.



In General

On March 12, 1996, Pioneer Railcorp purchased the common stock of KNRECO, Inc. (d/b/a Keokuk Junction Railway) and began operations on the line as the Pioneer Railcorp wholly-owned subsidiary Keokuk Junction Railway Co. (KJRY) on March 13, 1996. The 66-mile line operates between Keokuk, Iowa, and Fort Madison, IA and interchanges with the Burlington Northern Santa Fe Railroad Company (BNSF), the Union Pacific Railroad Company (UP) and the Toledo Peoria & Western Railroad (TP&W). The Keokuk Junction serves over twenty customers, including the Roquette America, Inc. corn syrup and sweetener plant.

[Click For Full Profile](#)

Profile of Railroad Services

- **Customer Service Center:** Voice (800) 914-7851; Fax (800) 554-7329
- **Total Miles of Track Operated:** 66
- **Location of Offices:** 100 Mississippi Drive, Keokuk, Iowa, 56232
- **Stations Served:**
 - La Harpe, IL
 - La Crosse
 - Burnside

- Ferris
- McCall
- Elvaston
- Tabers
- Hamilton
- Keokuk
- **Rail Type:** Interline Carrier
- **Connecting Railroads:**
 - Burlington Northern Santa Fe Railroad (Keokuk, IA)
 - Union Pacific Railroad (Fort Madison, IA)
 - Toledo, Peoria & Western Railway (LaHarpe, IL)
- **Days per Week of Operations:** Seven Days Per Week
- **Hours of Operation:** 24 Hours Per Day
- **Stand by Switch Engine Service Available:** Yes (As Needed)
- **Load Capacity of Track:** 263,000 lbs. - Total Weight On Rail
- **Yard and Storage Capacity:** 1,000 Rail Cars
- **Overhead Clearance:** Contact Customer Service Center for clearance on oversized loads
- **Team Track Facilities:** Yes, All Stations
- **Empty Car Supply:** YES - PREX, ALAB, BNSF, CN, UP, CSXT, NS

*****CAR REPAIR SERVICES AVAILABLE*****

Map of Operations

Photos of the KJRY

(Click on the thumbnail for a larger view)

