

HARKINS CUNNINGHAM LLP

Attorneys at Law

James M. Guinivan
202.973.7608
jguinivan@harkinscunningham.com

Suite 600
801 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2615
Telephone 202.973.7600
Facsimile 202.973.7610

209429

November 13, 2003



BY HAND

Ms. Phillis Johnson-Ball
Environmental Project Manager
Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W., Suite 500
Washington, DC 20423-0001

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**Re: Canadian National Railway *et al.* – Control – Duluth, Missabe and Iron
Range Railway *et al.* (STB Finance Docket No. 34424)**

Dear Ms. Johnson-Ball:

Enclosed, as we discussed by telephone this morning, are an original and ten copies of the corrected version of the Environmental Appendix regarding the environmental effects of the proposed acquisition by Canadian National Railway Company ("CN") of Duluth, Missabe and Iron Range Railway Company, Bessemer and Lake Erie Railroad Company, and The Pittsburgh & Conneaut Dock Company. This version reflects the corrections set forth in the notice that was sent on November 10, 2003, to all previous recipients of the Environmental Appendix, and that was sent on November 12, 2003, to Victoria J Rutson, Chief of the Section of Environmental Analysis.

Also enclosed is a diskette containing a PDF version of the entire corrected Environmental Appendix, which may be posted on the Board's website in place of the PDF file that was delivered to SEA on November 5, 2003.

Very truly yours,

James M. Guinivan
James M. Guinivan

Enclosures

PHILADELPHIA
2800 One Commerce Square
2005 Market Street
Philadelphia, PA 19103-7042
215.851.6700

NEW YORK
One Penn Plaza
25th Floor
New York, NY 10119-2532
212.329.1750

HARKINS CUNNINGHAM LLP

Attorneys at Law

Paul A. Cunningham
202.973.7601
pac@harkinscunningham.com

Suite 600
801 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-2615
Telephone 202.973.7600
Facsimile 202.973.7610



November 5, 2003

Re: STB Finance Docket No. 34424, Railroad Control Application, Canadian National Railway Company and Grand Trunk Corporation – Control – Duluth, Missabe and Iron Range Railway Company, Bessemer and Lake Erie Railroad Company, and The Pittsburgh & Conneaut Dock Company

Dear Reader:

As explained in more detail below, Canadian National Railway Company (“CN”) is providing you with an Environmental Appendix for public review and comment.

CN has filed an application with the Surface Transportation Board (the “Board”) seeking approval under 49 U.S.C. §§ 11321-11325 to acquire control of three rail carriers – Duluth, Missabe and Iron Range Railway Company, Bessemer and Lake Erie Railroad Company, and The Pittsburgh & Conneaut Dock Company – that it has agreed to purchase from Great Lakes Transportation, LLC (“GLT”). In that application and in the enclosed Environmental Appendix, CN sets forth its position that its proposed transaction would result in only minimal changes in railroad operations. No related rail line construction or abandonment projects have been proposed. In CN’s view, the potential operational changes anticipated as a result of the proposed transaction do not require further environmental review under the National Environmental Policy Act (“NEPA”)¹ and the Board’s environmental rules.²

Prior to filing its application, CN met with the Board’s environmental staff, the Section of Environmental Analysis (“SEA”), and explained that CN believes that the proposed transaction would not have significant environmental impacts or require further environmental review and therefore the Board should exercise its authority under 49 C.F.R. § 1105.6(d) to determine that this transaction is one for which preparation of an Environmental Assessment

¹ 42 U.S.C. §§ 4321 *et seq.*

² 49 C.F.R. § 1105.6(c)(2)(i).

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PHILADELPHIA
2800 One Commerce Square
2005 Market Street
Philadelphia, PA 19103-7042
215.851.6700

NEW YORK
One Penn Plaza
25th Floor
New York, NY 10119-2532
212.329.1750

HARKINS CUNNINGHAM

Attorneys at Law

November 5, 2003

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("EA") or an Environmental Impact Statement ("EIS") is not required. To afford the public an opportunity to review and comment on CN's conclusion, CN has prepared the enclosed Environmental Appendix providing further information to support that conclusion. SEA has reviewed Applicants' Environmental Appendix.

CN will submit a Safety Integration Plan ("SIP") to the Board and the Federal Railroad Administration ("FRA"), in accordance with STB and FRA rules, by December 15, 2003. As required by those rules, the SIP will address corporate culture, employee training, operating practices, motive power and equipment, track safety standards and bridge structures, hazardous materials, dispatching operations, highway-rail grade crossing systems, personnel staffing, capital investment, and information systems on the CN and GLT systems, and will explain how the proposed transaction would have no adverse effects on safety related to any of those subjects. CN will distribute the SIP at that time to appropriate government agencies and other interested parties, and place notices in major newspapers delivered to potentially affected communities, to announce the availability of the SIP and that the Board is providing a 30-day period for interested parties to submit comments on that document to SEA.

At this time, SEA is inviting written comments on all aspects of the Environmental Appendix, including whether there is any reason to expect that the proposed transaction could result in potentially significant environmental impacts warranting the preparation of further environmental documentation. Based on SEA's consideration of all timely written comments on the Environmental Appendix and on the SIP, and its own independent review of all available information, SEA will recommend to the Board whether there is a need for further environmental review in this case. The Board will then determine whether an EA or EIS should be prepared. If the Board determines that either an EA or an EIS should be prepared, CN will retain an independent third-party consultant, as provided in the Board's rules, to prepare such documentation, under SEA's exclusive direction and control.

If you wish to submit written comments on the Environmental Appendix, please provide SEA with a signed original and 10 copies. (At this time, the Board is unable to accept oral comments or electronic and faxed copies of comments.) Comments must be postmarked by December 5, 2003, and should be sent to SEA at the following address:

Case Control Unit
STB Finance Docket No. 34424
Surface Transportation Board
1925 K Street N.W.
Washington, DC 20423-0001

Please write the following in the lower left-hand corner of the envelope:

HARKINS CUNNINGHAM

Attorneys at Law

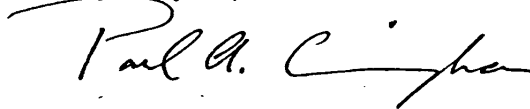
November 5, 2003

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Attention: Phillis Johnson-Ball
Environmental Project Manager
Environmental Filing

Please be as specific as possible in your comments. If you have questions or require additional information about the Board's environmental review process, please call Phillis Johnson-Ball of the Board's Section of Environmental Analysis at (202) 565-1530. If you have questions about CN's proposal or the information contained in this Environmental Appendix, or if you wish a copy of the Application, please contact me directly. Thank you for your interest.

Very truly yours,

A handwritten signature in cursive script, reading "Paul A. Cunningham".

Paul A. Cunningham
Counsel for Canadian National Railway Company

Enclosure

STB Finance Docket No. 34424

CANADIAN NATIONAL RAILWAY COMPANY
AND GRAND TRUNK CORPORATION
– CONTROL –
DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY,
BESSEMER AND LAKE ERIE RAILROAD COMPANY,
AND THE PITTSBURGH & CONNEAUT DOCK COMPANY

ENVIRONMENTAL APPENDIX

Sean Finn
CANADIAN NATIONAL RAILWAY
COMPANY
P.O. Box 8100
Montréal, PQ H3B 2M9
(514) 399-5430

Theodore K. Kalick
CANADIAN NATIONAL RAILWAY
COMPANY
Suite 500 North Building
601 Pennsylvania Avenue, N.W.
Washington, D.C. 20004
(202) 347-7840

Paul A. Cunningham
Richard B. Herzog
Gerald P. Norton
James M. Guinivan
HARKINS CUNNINGHAM
801 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004-2664
(202) 973-7600

*Counsel for Canadian National Railway Company
and Grand Trunk Corporation*

November 5, 2003

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CANADIAN NATIONAL RAILWAY COMPANY
AND GRAND TRUNK CORPORATION
– CONTROL –
DULUTH, MISSABE AND IRON RANGE RAILWAY COMPANY,
BESSEMER AND LAKE ERIE RAILROAD COMPANY,
AND THE PITTSBURGH & CONNEAUT DOCK COMPANY

ENVIRONMENTAL APPENDIX

I. Introduction

On November 5, 2003, Canadian National Railway Company and Grand Trunk Corporation (together, “CN”) which operate a rail system of 17,539 route miles in 15 states and eight Canadian provinces, filed an application with the Surface Transportation Board (“STB” or the “Board”), seeking the Board’s approval, pursuant to 49 U.S.C. §§ 11321-11325, of CN’s acquisition of Duluth, Missabe and Iron Range Railway Company (“DMIR”), Bessemer and Lake Erie Railroad Company (“B&LE”), and The Pittsburgh & Conneaut Dock Company (“P&C Dock”).¹ DMIR, B&LE, and P&C Dock together own and operate a rail system of approximately 362 route miles in Minnesota, Wisconsin, Ohio, and Pennsylvania.

CN believes that its proposed acquisition of the GLT Railroads would have no significant environmental impacts. The proposed transaction could result in limited operational changes that could have environmental effects, but any such changes would be limited to a 64-mile rail corridor that passes through a relatively sparsely populated portion of northeastern Minnesota, between Shelton Junction (near Virginia) and Nopeming Junction (near Superior), in which DMIR and CN own parallel rail lines, and on which CN plans to coordinate operations after acquiring control of DMIR.

CN has discussed its proposed transaction with the Board’s Section of Environmental Analysis (“SEA”) and explained its position (discussed in more detail below) that preparation by the Board of an Environmental Impact Statement (“EIS”) or

¹ DMIR, B&LE, and P&C Dock are indirect wholly-owned subsidiaries of Great Lakes Transportation LLC (“GLT”), which is an affiliate of The Blackstone Group, a private investment group. DMIR, B&LE, and P&C Dock are referred to together as the “GLT Railroads.” Exhibit A to this Environmental Appendix is a map showing the locations of CN and of the GLT Railroads.

Environmental Assessment ("EA") is not required to discharge the Board's obligations under the National Environmental Policy Act of 1969 ("NEPA").²

Pursuant to CN's discussions with SEA, CN has prepared this Environmental Appendix, describing reasonably foreseeable impacts of the proposed transaction. CN is making this Environmental Appendix available to the public and to various federal, state, and local agencies to provide an opportunity for comments to SEA on the proposed transaction and, in particular, on CN's conclusion that the proposed transaction would have no significant environmental impacts.

Parties wishing to submit comments should follow the directions set forth below under "Public Participation." Comments should be submitted directly to SEA by **December 5, 2003**. Commenters are welcome to submit comments on all aspects of the Environmental Appendix and on whether the proposed transaction has the potential to cause significant environmental impacts that would warrant the preparation of further environmental documentation (i.e., an EA or EIS).

As discussed in more detail below, SEA will provide an additional 30-day period for comments on CN's Safety Integration Plan ("SIP"), when that document is submitted to the Board on December 15, 2003. Based on SEA's consideration of all timely comments on the Environmental Appendix and the SIP and its own independent review of all available information, SEA will recommend to the Board whether there is a need for formal environmental review in this case. If the Board determines that such a formal environmental review is required, CN will retain an independent third-party consultant to work under the supervision of SEA, as provided in the Board's rules, to prepare an EA or EIS.

II. Description of the Proposed Transaction

CN is the only railroad in North America to cross the continent from east to west and from north to south, serving major ports on three coasts. CN's lines span Canada and mid-America from the Atlantic and Pacific oceans to the Gulf of Mexico, serving the ports of Vancouver and Prince Rupert, British Columbia; Montreal, Quebec; Halifax, Nova Scotia; New Orleans, Louisiana; and Mobile, Alabama, and the key cities of Toronto, Ontario; Buffalo, New York; Chicago, Illinois; Detroit, Michigan; Duluth, Minnesota/Superior, Wisconsin; Green Bay, Wisconsin; Minneapolis/St. Paul, Minnesota; Memphis, Tennessee; St. Louis, Missouri; and Jackson, Mississippi, with connections to all points in North America. CN's lines between Virginia, Minnesota, and South Itasca, Wisconsin are generally parallel to DMIR's lines between those points. For the southernmost 17 miles of the Virginia-South Itasca corridor, CN and DMIR operate over the same track, which is owned by DMIR and over which DMIR has granted CN trackage rights.

² 42 U.S.C. §§ 4321-4347.

The GLT Railroads were developed to satisfy the transportation needs of the steel-making facilities that were the predecessors of United States Steel Corporation, of which they were wholly owned subsidiaries until 1988. DMIR is a Class II railroad that owns and operates 212 miles of rail line in northeastern Minnesota and northern Wisconsin. Its operations are focused primarily on the transportation of taconite pellets (a form of processed iron ore) from taconite plants in the Mesabi Range to DMIR's dock at Two Harbors, and on transportation of limestone from the dock at Duluth to Mesabi Range taconite plants. (DMIR also handles a small amount of local freight to the mines and other industries located on its lines.) B&LE is a Class II railroad primarily transporting bulk materials, such as iron ore and limestone between Lake Erie and steel mills near Pittsburgh, and coal to Lake Erie for further transportation by water to electric power plants. (B&LE's other principal commodities are steel products and scrap.) P&C Dock, located at Conneaut, Ohio, transloads bulk materials to and from vessels operating on the Great Lakes.

CN's subsidiary, Grand Trunk Corporation, and GLT have executed a Stock Purchase Agreement, providing for acquisition of the GLT Railroads by CN.³ CN does not plan any construction or abandonment of rail lines as a result of the proposed transaction. It does not project any traffic diversions to the CN system as a result of the proposed transaction, and it is not planning any changes in operations, other than coordinated use of the roughly parallel lines that traverse the 64 mile corridor between Shelton Junction and Nopeming Junction.

III. Reasonably Foreseeable Changes in Operations

CN today operates an average of approximately 13 trains per day (6.5 in each direction) over its line between Shelton Junction and Nopeming Junction, while DMIR operates between 1 and 14 trains per day over various portions of its parallel line. Upon consummation of the proposed transaction, CN would be able to coordinate operations on the two lines so that, for example, the DMIR line could primarily handle southbound trains, while the CN line could primarily handle northbound trains. Exhibit B to this Environmental Appendix is a map showing the area served by the parallel CN and DMIR lines.

Upon consummation of the proposed transaction, CN's Duluth, Winnipeg and Pacific Railway Company ("DWP") subsidiary (which owns and operates the CN line) and DMIR would exchange trackage rights over each other's parallel lines. (Trackage rights are the rights of one railroad to operate over track owned by a second railroad, usually pursuant to an agreement between the two railroads.) For purposes of this Environmental Appendix, CN has assumed that it would exercise these trackage rights to re-route approximately 6.5 southbound trains from the CN line to the DMIR line, and

³ The sale also would include Great Lakes Fleet, Inc. ("GLF"), a GLT subsidiary that is not a rail carrier. The acquisition of GLF by CN is not subject to the Board's regulatory jurisdiction and is therefore not a subject of the application filed by CN.

approximately 1.1 northbound trains from the DMIR line to the CN line. CN views those traffic shifts as a reasonably foreseeable scenario for the outset of CN's coordinated operation of the tracks and as representing the maximum traffic change likely to occur.

IV. Purpose and Need

CN has three primary purposes in pursuing the proposed transaction. The first is to secure for CN ownership of the 17-mile DMIR segment between Nopeming Junction and South Itasca over which CN now has trackage rights and over which all CN traffic between Chicago and western Canada must flow. The second is to obtain access to and ownership of the 64-mile DMIR line between Shelton Junction and Nopeming Junction, which has newer ties and newer and heavier rail than CN's existing line between those points. Ownership of that track, combined with CN's existing track, would enhance CN's operational flexibility by permitting CN to use the two parallel lines much like a double-track railroad. Thus, for example, CN would be able to institute "directional running" on the two lines,⁴ using the DMIR line primarily for southbound traffic and the existing CN line primarily for northbound traffic. Operating in this manner would allow CN to provide faster, more reliable service over its Winnipeg-Chicago corridor, and to avoid capital expenses that it was otherwise planning to incur for centralized traffic control ("CTC")⁵ and for extensions of sidings on its existing line between Shelton Junction and Nopeming Junction. Finally, because GLT provides an important supply line for the North American steel industry, CN expects that the acquisition of the GLT Railroads would allow it to develop closer and more extensive relationships with companies in and serving that industry.

Further, CN would note that, after consummation of the proposed transaction, customers of the GLT Railroads would be served, no longer by railroads that are part of a stand-alone financial investment, but by a major transportation company with a proven track record of customer service and a rail network extending to three coasts in North America. CN states that it, unlike a purely financial investor, specializes in providing rail transportation and plans to remain in that business for the long run. CN views the GLT Railroads as a strategic investment and emphasizes that it would have the interest and resources to make the long-term investments in plant, equipment, and systems that would be necessary to maintain the long-term stability and viability of the GLT Railroads if they are incorporated into the CN system.

⁴ Directional running is the practice of operating two rail lines that run between two common points so that traffic moving in one direction primarily uses one of the two lines, while traffic moving in the opposite direction primarily uses the other line.

⁵ CTC is a system of railroad operation by means of which the movement of trains over routes and through blocks on a designated section of track or tracks is directed by signals controlled from a designated central point.

V. The STB Regulatory Review Process

The Board is an independent federal agency with jurisdiction over certain surface transportation matters, including railroad control transactions, acquisitions, and mergers. CN has filed an application with the Board under 49 U.S.C. §§ 11321-11325 seeking approval of its proposed acquisition of the GLT Railroads. Because the proposed transaction does not involve merger or control of two or more Class I railroads, the Board is required by statute to approve the proposed transaction unless it finds CN's acquisition of the GLT Railroads is likely to result in a substantial diminution in competition, creation of a monopoly, or restraint of trade in freight surface transportation in any region of the United States, and that the anticompetitive effects of the proposed transaction outweigh the public interest in meeting significant transportation needs.⁶

CN believes that the proposed transaction would clearly have no anticompetitive effects and would have positive public benefits, as described above. Accordingly, CN has requested that the proposed transaction be classified as a "minor" one under the Board's rules.⁷ If the Board classifies the proposed transaction as "minor" under its rules, it will be required by statute to issue a final decision within 180 days of the application.⁸ CN has requested that the Board establish a procedural schedule for its review of the proposed transaction that would provide for issuance of a final decision by March 30, 2004, or 146 days after the filing of the application.

VI. NEPA and Its Implementing Regulations

NEPA generally requires federal agencies to consider, "to the fullest extent possible," environmental consequences "in every recommendation or report on proposals for legislation and other major federal actions significantly affecting the quality of the human environment."⁹ Regulations governing implementation of NEPA have been issued by the Council on Environmental Quality ("CEQ") and by the Board.¹⁰ SEA is responsible for conducting the environmental review on behalf of the Board, evaluating potential environmental impacts, and recommending environmental mitigation conditions to the Board.¹¹

⁶ 49 U.S.C. § 11324(d).

⁷ 49 C.F.R. § 1180.2(b), (c).

⁸ 49 U.S.C. § 11325(d).

⁹ 42 U.S.C. § 4332(2)(C). Issuance of a license by a federal agency, such as the approval CN is seeking for its acquisition of the GLT Railroads, constitutes a "major Federal action" for purposes of NEPA.

¹⁰ 40 C.F.R. Parts 1500-1508; 49 C.F.R. Part 1105.

¹¹ In imposing environmental mitigation conditions, the Board has consistently focused on the potential environmental impacts that would result directly from

Under CEQ and STB regulations, actions are separated into three classes that prescribe the level of documentation required in the NEPA process. Actions that may significantly affect the environment generally require the agency to prepare a full EIS.¹² Actions that may or may not have a significant environmental impact ordinarily require the agency to prepare a more limited EA.¹³ (An EA is a document containing environmental analysis sufficient for the STB to determine whether it should prepare an EIS or may make a finding that the transaction will have no significant environmental impact.)

Finally, actions that ordinarily have insignificant environmental effects may normally be categorically excluded from NEPA review.¹⁴ Included in this category are trackage rights, as well as control transactions that would not result in operational changes that exceed certain thresholds – generally an increase in rail traffic of at least eight trains a day or 100% in traffic volume (measured in gross ton miles annually).¹⁵ Even where the Board's thresholds are met, the Board may reclassify a particular transaction or modify the requirement that an EA or an EIS be prepared, if the railroad applicant demonstrates that the proposed transaction has no potential for significant environmental effects.¹⁶

The following table sets out the Board's thresholds:

transaction-related changes in activity levels on existing rail lines and at rail facilities. The Board typically does not require mitigation for pre-existing environmental conditions, such as the effects of current railroad operations.

¹² 40 C.F.R. § 1501.4(a)(1); 49 C.F.R. §§ 1105.4(f), 1105.6(a).

¹³ 40 C.F.R. § 1501.4(c); 49 C.F.R. §§ 1105.4(d), 1105.6(b).

¹⁴ 40 C.F.R. §§ 1500.4(p), 1501.4(a)(2), 1508.4; 49 C.F.R. § 1105.6(c), (d).

¹⁵ If transaction-related changes in rail operations are projected to exceed the thresholds for review, then SEA, on behalf of the STB, would ordinarily prepare either an EA or an EIS, addressing the effects of the transaction on such issues as: freight rail operations safety, hazardous materials transport safety, passenger rail safety, emergency vehicle response, highway at-grade crossing delay, traffic and roadway systems, energy, air quality, noise, cultural resources, land use, natural resources, environmental justice, and how the transaction may contribute to cumulative effects.

¹⁶ 49 C.F.R. § 1105.6(d).

Table 1
THE BOARD'S THRESHOLDS FOR ENVIRONMENTAL ANALYSIS

System Component	Noise	Air Quality Attainment ^a and Maintenance Areas	Air Quality Nonattainment ^b Areas
Rail Line Segments	Increase of 8 trains per day, or 100% increase in annual gross ton-miles		Increase of 3 trains per day, or 50% increase in annual gross ton-miles
Rail Yards	100% increase in carload activity per day		20% increase in carload activity per day
Intermodal Facilities	Increase of 50 trucks per day, or 10% increase in average daily traffic volumes on any affected road segment		

^a Air quality attainment areas are those where ambient air pollution levels meet National Ambient Air Quality Standards established to protect human health.

^b Air quality nonattainment areas are those where ambient air pollution levels fail to meet National Ambient Air Quality Standards established to protect human health.

Source: 49 C.F.R. § 1105.7(e)

VII. Applicability to this Case

CN expects to make only minimal operational changes in implementing its proposed transaction, which it believes would have only insignificant effects on the environment.

B&LE and P&C Dock, located in Ohio and Pennsylvania, do not connect with any CN rail line or with DMIR. Because CN does not intend any operational changes on those railroads, it believes the proposed transaction would have no environmental impacts in the area served by B&LE and P&C Dock.

At present, DMIR and CN each operate a single-track rail line between Shelton Junction and Nopeming Junction.¹⁷ With the acquisition of DMIR, CN would own both these lines, allowing it to coordinate operations and enhance its operational flexibility. To do so, CN intends to cause DWP and DMIR to exchange trackage rights over the parallel lines. Such an exchange would give CN the ability to institute "directional running" over the parallel tracks, so that CN's loaded southbound trains, which now move over the CN line, would instead use the DMIR line, while northbound trains would continue to use CN's existing line.

¹⁷ CN's line is owned and operated by its subsidiary, DWP. The DWP track between Shelton Junction and Nopeming Junction is 60.0 miles long, and the parallel DMIR track is 63.7 miles long. These lines are no further than 12 miles apart at any point. A map showing these lines is provided in Exhibit B to this Environmental Appendix.

CN estimates that if directional running were implemented, traffic on the DMIR track would increase an average of 6.5 trains per day, while traffic on the CN track would decrease by the same amount.¹⁸ (CN believes that this is the maximum traffic change likely to occur from shifts of traffic resulting from the proposed transaction.)

Until May 15, 2003, one of DMIR's principal customers was Eveleth Mines, LLC, doing business as EVTAC Mining ("EVTAC"). Before that date, DMIR transported raw iron ore from EVTAC's Thunderbird mine (near Virginia, Minnesota) to its pellet processing plant at Fairlane, Minnesota, taconite pellets from that pellet plant to DMIR's ore dock at Duluth, and limestone and other general freight to the Thunderbird mine and the Fairlane plant. Since then, however, DMIR has transported no freight to or from either the Thunderbird mine or the Fairlane pellet plant. Consequently, the traffic base against which any increases would be measured has dropped significantly. CN notes that there have recently been reports that discussions are underway among the relevant parties concerning reopening of EVTAC.

If increases in tonnage were compared against traffic volumes before the recent closing of the EVTAC mine and pellet plant served by DMIR, then these traffic shifts would not exceed any of the Board's thresholds for environmental analysis, except on the 6.0-mile segment running through the rural territory between Adolph and Nopeming Junction.¹⁹ CN maintains that it is appropriate to measure the tonnage increase against volumes that include EVTAC traffic, because those volumes did not fall until less than six months ago, and may rise back to their historically typical level if the EVTAC facilities are reopened. If, however, the tonnage increase is measured against volumes that exclude EVTAC traffic, the Board's presumptive tonnage threshold would be exceeded on a total of 61.5 miles of the DMIR track.²⁰

CN maintains that, whether potential traffic shifts are measured against a base that includes or excludes EVTAC traffic, the facts in this case show that the environmental consequences of the proposed transaction would be insignificant and thus would not warrant environmental review beyond that entailed in the preparation and review of this Environmental Appendix.

¹⁸ If directional running were implemented, it would also be possible to re-route approximately 1.1 trains per day, now operating northbound over the DMIR line and carrying limestone and other freight, to the parallel CN line.

¹⁹ Tonnage on that segment would increase by more than 100%, which would exceed the Board's presumptive tonnage threshold that ordinarily would trigger preparation of an EA or an EIS. See 49 C.F.R. § 1105.7(e)(5)(i)(A) and Table 1, above.

²⁰ Exhibit C of this Environmental Appendix sets forth in greater detail CN's estimates of traffic changes resulting from operational coordinations on the CN and DMIR lines, including percentage increases in tonnage measured both against a base that includes EVTAC traffic and against one that excludes it.

CN offers the following in support of this contention:

- (1) The proposed transaction should have no impact on land use, biological resources, or natural resources, because there would be no construction or abandonments of rail lines, and no construction or operational changes in connection with rail yards or intermodal facilities.
- (2) CN has no plans to dispose of or alter any properties that are 50 years old or older.
- (3) CN expects only modest increases in traffic on any rail lines. CN plans no changes in operations on B&LE or P&C Dock. The only operational change contemplated by CN that could have environmental consequences, albeit insignificant ones, is the coordination of operations on parallel CN and DMIR lines between Shelton Junction and Nopeming Junction.
- (4) Any such coordination of operations could result in traffic increases in the form of shifts of existing traffic on the parallel CN and DMIR lines between Shelton Junction and Nopeming Junction, and not from any new traffic or diversions of traffic from motor carriers or any other railroad.
- (5) The only rail line on which CN estimates a net increase of rail traffic is the 64-mile DMIR line that runs through the relatively lightly populated portion of Minnesota between Shelton Junction and Nopeming Junction. The traffic on that line, which varies at different points on the line, is shown in Appendix C. The maximum increase on that line that CN estimates would be no more than 6.5 trains per day, which is below the applicable threshold for analysis of rail line segments in air quality attainment areas (8 trains per day).
- (6) The estimated increases in rail traffic would be below the applicable tonnage threshold (100% increase in gross tonnage) on nearly the entire length of that line, if the increase were measured against traffic moving on the affected lines before EVTAC closed its mine and pellet plant on May 15, 2003. Even if the EVTAC traffic were included in the pre-acquisition base traffic, then the only segment on which transaction-related traffic shifts would exceed the 100% threshold would be the 6-mile segment between Adolph and Nopeming Junction.²¹
- (7) CN believes that the potential environmental impacts from increased traffic on the entire DMIR line between Shelton Junction and Nopeming Junction would be minimal, and that therefore there is no need to prepare an EA or an EIS in this case. In particular:

²¹ See Exhibit C.

- There should be no increase in energy consumption, because total rail traffic would not increase. Directional running should reduce the number of meets²² between oncoming trains on the parallel CN and DMIR tracks, and thus should reduce consumption of fuel by trains stopping and idling in sidings awaiting meets, and accelerating to leave those sidings afterwards.
- Air quality should be unchanged or better as a result of the proposed transaction. Because total rail traffic would be unchanged, there would be no increase in locomotive emissions in the affected rail corridor. Directional running, by reducing the number of meets of oncoming trains on the parallel CN and DMIR tracks, should reduce emissions by locomotives stopping and idling in sidings and accelerating out of sidings. Acquisition of the GLT Railroads by CN, a Class I railroad, would make locomotives operating on DMIR, B&LE, and P&C Dock subject to more demanding locomotive emission rules issued by the U.S. Environmental Protection Agency.
- The DMIR line between Shelton Junction and Nopeming Junction runs primarily through a lightly populated, rural area where CN believes noise impacts would not be significant.
- Roadway at-grade crossings should remain safe after a shift of up to 6.5 trains per day from the CN line to the DMIR line. There are only 37 such crossings on the affected DMIR line, all of which have adequate crossing protection, and most of which have very low volumes of vehicular traffic.²³
- Traffic increases as a result of operational coordinations on the parallel CN and DMIR lines should have little impact on rail safety. CN has regularly been among the safest North American railways, as measured by the Federal Railroad Administration.
- While up to 6.5 southbound trains (carrying primarily forest products, petroleum and chemical products, fertilizers, and intermodal freight) may be shifted from the CN line between Shelton Junction and Nopeming Junction, the quantities of hazardous materials carried in those trains would be relatively modest. Moreover, CN is experienced in handling

²² A “meet” occurs when two trains approach each other from opposite directions on the same track, requiring that one be held in a siding until the other can pass.

²³ Exhibit D to this Environmental Appendix is a table identifying the 37 grade crossings by name of roadway and railroad milepost, and indicating the average daily vehicular traffic (“ADT”) for each. As can be seen from that table, the ADT at each of the 37 crossings is less than 5,000, and at most of them it is less than 100.

hazardous materials, and has taken extensive measures to ensure the safe handling of such freight, including participation in the chemical industry's Responsible Care® program and the Association of American Railroads' transport security program. The extension of CN's practices to the DMIR line would help ensure that transfer of trains to that line would have minimal effects on hazardous materials safety.

- A shift of traffic to the DMIR track between Shelton Junction and Nopeming Junction should have little effect on transportation systems. Rail traffic should move more smoothly because of the reduction in the number of train meets as a result of directional running on the parallel CN and DMIR lines. Because that shift would reduce traffic on the CN line, on which there are two rail-to-rail at-grade crossings, it should reduce potential train delay on that line.
 - Because none of the impacts of the proposed transaction would be significant, there would be no high and adverse effects on populations of any income, race or ethnicity that would need to be addressed in accordance with Executive Order 12898, "Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations."
- (8) Environmental impacts should be insignificant even on the 6.0-mile segment between Adolph and Nopeming Junction (the only segment on which any of the Board's thresholds for analysis would be exceeded if traffic changes were measured against a base that includes EVTAC traffic). For the reasons stated above regarding the entire line between Shelton Junction and Nopeming Junction, there would there be no potential impacts on land use, biological resources, or natural resources, and minimal impact on air quality, energy consumption, and transportation systems. In addition, localized impacts on noise would be slight, because only 66 structures of any kind (including a smaller number of noise-sensitive receptors, such as residences) lie within 1,000 feet of the right-of-way. Moreover, localized impacts on highway safety and grade crossing delay would be slight, because the segment crosses only six public roadways, carrying traffic ranging between 41 and 385 vehicles per day, on average, so that the addition of up to 6.5 trains per day to that segment should have relatively little impact.

VIII. CN's Evaluation of Potential for Environmental Impacts

CN does not expect the proposed transaction to result in any diversions of traffic from other railroads or modes of transportation, or in any traffic increases on any rail line, other than on the 64-mile DMIR line between Shelton Junction and Nopeming Junction. CN estimates that up to 6.5 trains per day, now operating southbound on CN's parallel line, could be shifted to the DMIR line as a result of directional running on the parallel

CN and DMIR tracks. As explained above, CN believes that this small increase in rail traffic would have only insignificant impacts on the environment, and that it would therefore be appropriate for the Board to exercise its authority under 49 C.F.R. § 1105.6(d) to determine that the proposed transaction is one for which preparation of an EA or EIS is not be required under NEPA and the Board's environmental rules.

In CN's view, this conclusion is underscored by the fact that all of the operational changes resulting from the proposed transaction would come about through the exercise of trackage rights exchanged by DWP (the CN subsidiary that owns the CN line between Shelton Junction and Nopeming Junction) and DMIR. Outside of the context of a control proceeding, the Board's environmental rules ordinarily permit trackage rights to be authorized without any need for preparation of either an EA or an EIS.²⁴ The categorical exclusion for trackage rights reflects the Board's judgment that operational changes resulting from such transactions, especially where, as here, there would be relatively little additional traffic, are not of the kind that individually or cumulatively have enough potential for significant environmental impacts to warrant formal environmental review.²⁵

CN also believes that the proposed transaction is exempt under the Board's rules from historic review under the National Historic Preservation Act of 1966.²⁶ Not only would all operational changes related to the proposed transaction come about through the exercise of trackage rights, which will not substantially change the level of maintenance of railroad property,²⁷ but CN is acquiring the DMIR, B&LE, and P&C Dock rail lines for the purpose of continued rail operations, and further Board approval would be required to abandon any service.²⁸ Moreover, CN has no plans to dispose of or alter any properties that are 50 years old or older.²⁹

²⁴ See 49 C.F.R. § 1105.6(c)(4).

²⁵ Under CEQ rules, a "categorical exclusion" is "a category of actions which do not individually or cumulatively have a significant effect on the human environment and which have been found to have no such effect in procedures adopted by a Federal agency in implementation of [CEQ's] regulations . . . and for which, therefore, neither an [EA] nor an [EIS] is required." As discussed above, the Board's rules list several classes of transactions that are categorically excluded from formal environmental review. See 49 C.F.R. § 1105.6(c).

²⁶ 16 U.S.C. § 470-470a-2.

²⁷ See 49 C.F.R. § 1105.8(b)(3).

²⁸ 49 C.F.R. § 1105.8(b)(1).

²⁹ *Id.* While, based on current traffic levels and U.S. shop capacity, CN does not foresee the need to continue operating DMIR's car and locomotive shops at Proctor, Minnesota, which are over 50 years old, it intends to continue using those facilities for other railroad purposes.

IX. Safety Integration Plan

CN will submit a Safety Integration Plan ("SIP") to the Board and the Federal Railroad Administration ("FRA"), in accordance with STB and FRA rules,³⁰ by December 15, 2003. As required by those rules, this document will address corporate culture, employee training, operating practices, motive power and equipment, track safety standards and bridge structures, hazardous materials, dispatching operations, highway-rail grade crossing systems, personnel staffing, capital investment, and information systems on the CN and GLT systems, and will explain the effects of the proposed transaction on safety related to any of those subjects.

CN will distribute the SIP at that time to appropriate government agencies and other interested parties, and place notices in major newspapers delivered to potentially affected communities, to announce the availability of the SIP and that the Board is providing a 30-day period for interested parties to submit comments on that document to SEA.

CN will coordinate with FRA to resolve any comments FRA may have on the SIP until the document is approved by FRA. If the SIP is approved by FRA and the proposed transaction is approved by the STB, CN will coordinate with FRA in implementing the approved SIP. The FRA's and the Board's rules establish an ongoing safety integration monitoring process that would apply after approval of the proposed transaction. The process would continue until FRA advises the Board in writing that the integration of operations of the GLT Railroads with those of CN has been safely completed.

X. Public Participation

To facilitate public review and comment on all aspects of this Environmental Appendix, CN is mailing copies of this Environmental Appendix to appropriate government agencies and other interested parties, and placing notices in major newspapers delivered to potentially affected communities, to announce the availability of the Environmental Appendix and that the Board is providing a 30-day period for interested parties to submit comments by December 5, 2003, to SEA.

The purpose of distribution of this Environmental Appendix to the public is to encourage public and agency involvement and consultation to provide SEA with input on any potentially significant environmental impacts related to the proposed transaction so that the Board can assess public concerns and issues in determining whether further environmental analysis is necessary. As discussed above, SEA will provide an additional 30-day period for comments on CN's Safety Integration Plan upon submission of that document to the Board on December 15, 2003.

SEA encourages the public to participate in the environmental review of the proposed transaction by commenting on the Environmental Appendix during the 30-day comment period, which ends on **December 5, 2003**. SEA invites written comments on all aspects

³⁰ 49 C.F.R. §§ 244.17(a) and 1106.4(a).

of the Environmental Appendix and whether there is any reason that the proposed transaction could result in potentially significant environmental impacts warranting preparation of further environmental documentation. Comments may be submitted to the address below.

Parties wishing to submit written comments should provide SEA with a signed original and 10 copies. (At this time, the Board is unable to accept oral comments or electronic or faxed copies of documents.) Comments must be postmarked by **December 5, 2003**, and should be sent to SEA at the following address:

Case Control Branch
STB Finance Docket No. 34424
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Please write in the lower left hand of the envelope:

Attention: Phillis Johnson-Ball
Environmental Project Manager
Environmental Filing

Comments should be as specific as possible. Persons with questions or who require additional information about the Board's environmental review process may call Phillis Johnson-Ball of the Board's Section of Environmental Analysis at 202-565-1530. Persons with questions about CN's proposal or the information contained in this Environmental Appendix should contact the following counsel for CN:

Paul A. Cunningham
Harkins Cunningham LLP
801 Pennsylvania Avenue, N.W., Suite 600
Washington, D.C. 20004-2664
(202) 973-7600

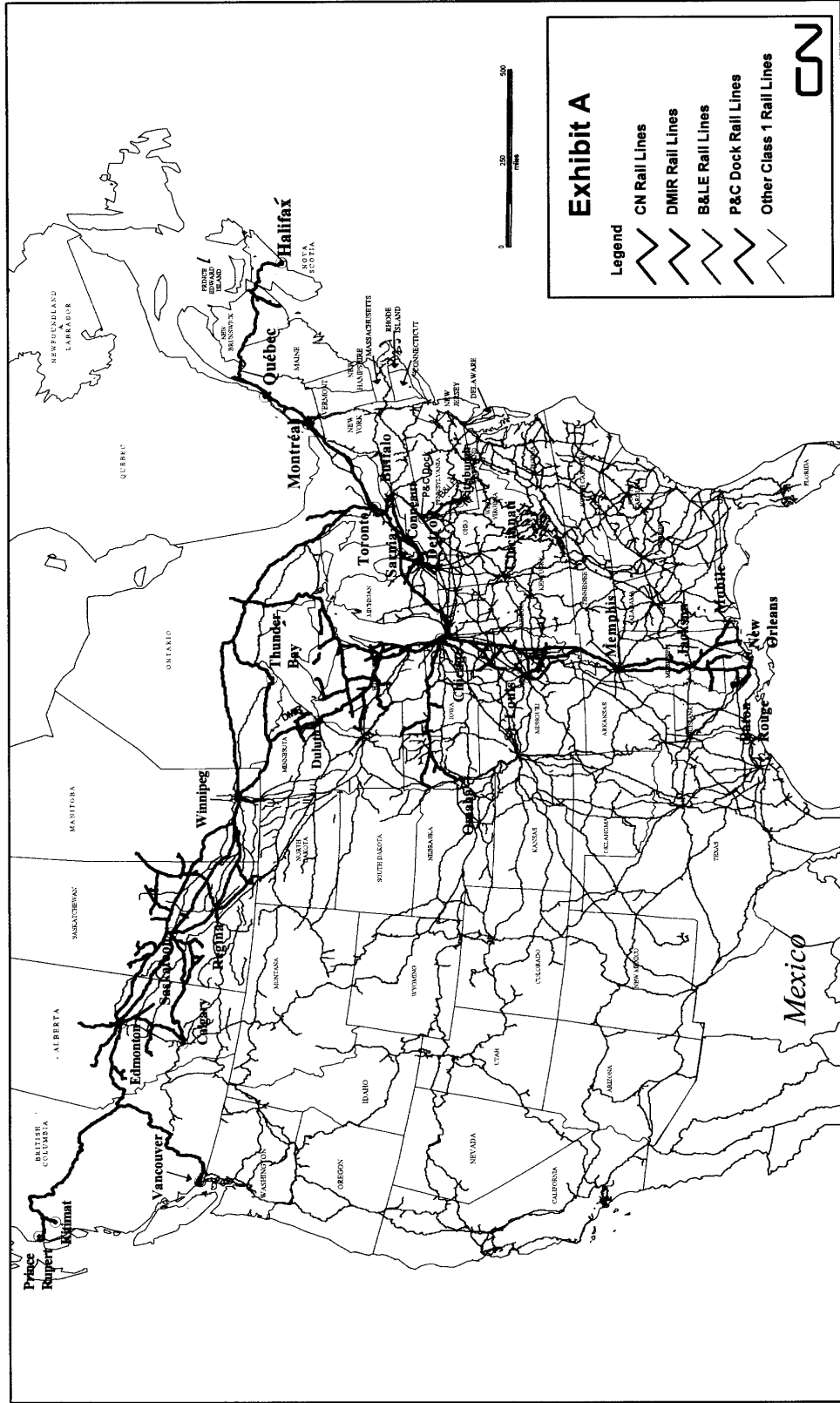


Exhibit C
Potential Changes in
Tonnage and Train Counts
on Affected Rail Line Segments

Exhibit C
Potential Changes in Tonnage and Train Counts
on Affected Rail Line Segments

DMIR Line

GROSS TONNAGE PER YEAR (millions)

Segment	PRE-MERGER		POST-MERGER						Overall	
	DMIR		Plus CN trains		Less DMIR Trains		DMIR TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB	SB	NB	SB	NB	SB
Shelton Junction-Wolf (2.9 mi.)	1.8	5.0	0.0	22.1	0.0	0.0	1.8	27.1	0.0	22.1
Wolf-Iron Jct. (2.2 mi.)	10.9	31.7	0.0	22.1	0.0	0.0	10.9	53.8	0.0	22.1
Iron Jct.-Fairlane (4.4 mi.)	5.0	9.5	0.0	22.1	-1.2	0.0	3.8	31.6	-1.2	22.1
Fairlane-Adolph (48.2 mi.)	5.0	9.5	0.0	22.1	-1.2	0.0	3.8	31.6	-1.2	22.1
Adolph-Nopeming Jct. (6.0 mi.)	1.1	4.0	0.0	22.1	-1.1	0.0	0.0	26.1	-1.1	22.1
									-98%	548%

Segment	PRE-MERGER		POST-MERGER						Overall	
	DMIR		Plus CN trains		Less DMIR Trains		DMIR TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB	SB	NB	SB	NB	SB
Shelton Junction-Wolf (2.9 mi.)	7.6	26.3	0.0	22.1	0.0	0.0	7.6	48.4	0.0	22.1
Wolf-Iron Jct. (2.2 mi.)	16.7	53.0	0.0	22.1	0.0	0.0	16.7	75.1	0.0	22.1
Iron Jct.-Fairlane (4.4 mi.)	10.8	30.8	0.0	22.1	-1.2	0.0	9.6	52.9	-1.2	22.1
Fairlane-Adolph (48.2 mi.)	6.3	15.1	0.0	22.1	-1.2	0.0	5.1	37.2	-1.2	22.1
Adolph-Nopeming Jct. (6.0 mi.)	1.5	5.4	0.0	22.1	-1.2	0.0	0.2	27.5	-1.2	22.1
									-86%	411%

TRAIN COUNT PER DAY

Segment	PRE-MERGER		POST-MERGER						Overall	
	DMIR		Plus CN trains		Less DMIR Trains		DMIR TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB	SB	NB	SB	NB	SB
Shelton Junction-Wolf (2.9 mi.)	1.3	1.3	0.0	6.5	0.0	0.0	1.3	7.8	0.0	6.5
Wolf-Iron Jct. (2.2 mi.)	7.0	7.0	0.0	6.5	0.0	0.0	7.0	13.5	0.0	6.5
Iron Jct.-Fairlane (4.4 mi.)	2.6	2.6	0.0	6.5	0.0	0.0	2.6	9.1	0.0	6.5
Fairlane-Adolph (48.2 mi.)	2.6	2.6	0.0	6.5	0.0	0.0	2.6	9.1	0.0	6.5
Adolph-Nopeming Jct. (6.0 mi.)	0.5	0.5	0.0	6.5	0.0	0.0	0.5	7.0	0.0	6.5

Segment	PRE-MERGER		POST-MERGER						Overall	
	DMIR		Plus CN trains		Less DMIR Trains		DMIR TOTAL		Increase/(Decrease)	
	NB	SB	NB	SB	NB - DMIR	SB - DMIR	NB	SB	NB	SB
Shelton Junction-Wolf (2.9 mi.)	7.3	7.3	0.0	6.5	0.0	0.0	7.3	13.8	0.0	6.5
Wolf-Iron Jct. (2.2 mi.)	13.0	13.0	0.0	6.5	0.0	0.0	13.0	19.5	0.0	6.5
Iron Jct.-Fairlane (4.4 mi.)	8.6	8.6	0.0	6.5	-1.1	0.0	7.5	15.1	-1.1	8.5
Fairlane-Adolph (48.2 mi.)	3.8	3.8	0.0	6.5	-1.1	0.0	2.7	10.3	-1.1	6.5
Adolph-Nopeming Jct. (6.0 mi.)	0.8	0.8	0.0	6.5	-0.8	0.0	0.0	7.3	-0.8	6.5

Exhibit C
Potential Change in Tonnage and Train Counts
on Affected Rail Line Segments

DWP Line

GROSS TONNAGE PER YEAR (millions)

SWA CTRATION INCREASE FROM BASE	PRE-MERGER		POST-MERGER								Overall			
	DWP		Less CN Trains		Plus DMIR Trains		DWP TOTAL		Increase/(Decrease)			% Increase/(Decrease)		
	NB	SB	NB	SB	NB	SB	NB	SB	NB	SB		NB	SB	
Segment														
Shelton Junction - Nopemung Jct (60.0 mi.)	9.2	22.1	0.0	-22.1	1.2	0.0	10.4	0.0	1.2	-22.1	14%	-100%	-67%	

SWA CTRATION INCREASE FROM BASE	PRE-MERGER		POST-MERGER								Overall			
	DWP		Less CN Trains		Plus DMIR Trains		DWP TOTAL		Increase/(Decrease)			% Increase/(Decrease)		
	NB	SB	NB	SB	NB	SB	NB	SB	NB	SB		NB	SB	
Segment														
Shelton Junction - Nopemung Jct (60.0 mi.)	9.2	22.1	0.0	-22.1	1.2	0.0	10.4	0.0	1.2	-22.1	14%	-100%	-67%	

TRAIN COUNT PER DAY

EVA Trains Excluded from Base	PRE-MERGER		POST-MERGER						Increase/(Decrease)	
	DWP		Less CN Trains		Plus DMIR Trains		DWP TOTAL			
	NB	SB	NB	SB	NB	SB	NB	SB		
Segment										
Shelton Junction - Nopemung Jct (60.0 mi.)	6.5	6.5	0.0	-6.5	1.1	0.0	7.6	0.0	1.1	-6.5

EVA Trains Included in Base	PRE-MERGER		POST-MERGER						Increase/(Decrease)	
	DWP		Less CN Trains		Plus DMIR Trains		DWP TOTAL			
	NB	SB	NB	SB	NB	SB	NB	SB		
Segment										
Shelton Junction - Nopemung Jct (60.0 mi.)	6.5	6.5	0.0	-6.5	0.8	0.0	7.3	0.0	0.8	-6.5

Exhibit D

Average Daily Traffic At Road Crossings Along DMIR Line Between Shelton Junction and Nopeming Junction			
DMIR Rail Segment	Roadway	DMIR Subdivision and Milepost	Average Daily Traffic ^a
Shelton Junction-Wolf	CSAH 7 (KANE RD VOSS RD)	VIRGINIA 0.77	930
Wolf-Iron Junction	CSAH 127	MISSABE 63.5	330
Iron Jct.-Fairlane	CSAH 127	MISSABE 63.21	680
Iron Jct.-Fairlane	CO 310 (KEENAN RD)	MISSABE 61.24	175
Iron Jct.-Fairlane	CSAH 16 (TOWNLINE RD)	MISSABE 60.19	475
Iron Jct.-Fairlane	TWP	MISSABE 59.2	55
Fairlane-Adolph	CO 311 (PERMOY RD)	MISSABE 58.7	60
Fairlane-Adolph	CO 312 (NORWAY RD)	MISSABE 57.17	195
Fairlane-Adolph	CSAH 27	MISSABE 55.7	330
Fairlane-Adolph	CO 28 (SAX RD)	MISSABE 49.12	120
Fairlane-Adolph	CO 52 (ARROLA RD)	MISSABE 46.14	110
Fairlane-Adolph	CO 160	MISSABE 45.14	55
Fairlane-Adolph	CSAH 29	MISSABE 44.68	50
Fairlane-Adolph	CO 980 (MCKAY RD)	MISSABE 44.14	5
Adolph-Nopeming Jct.	CO 696 (ST. LOUIS RIVER RD)	SPIRIT LAKE 1.07	4800
Fairlane-Adolph	CR 740 (SWENSON RD)	MISSABE 40.32	5
Fairlane-Adolph	CSAH 133	MISSABE 39.32	740
Fairlane-Adolph	CO 142 (TREMBLAY RD)	MISSABE 35.27	5
Fairlane-Adolph	CSAH 47	MISSABE 32.41	430
Fairlane-Adolph	CO 8	MISSABE 28.79	125
Fairlane-Adolph	CO 867	MISSABE 26.57	5
Fairlane-Adolph	CO 694 (CENTER LINE RD)	MISSABE 26.06	45
Fairlane-Adolph	CO 874 (GRAND LAKE RD)	MISSABE 22.47	285
Fairlane-Adolph	CO 875 (VIBERT RD)	MISSABE 21.11	5
Fairlane-Adolph	CO 873 (SEVILLE RD)	MISSABE 20.28	85
Fairlane-Adolph	CO 864 (MAPLE GROVE RD)	MISSABE 16.57	260
Fairlane-Adolph	CO 880 (LEISTE RD)	MISSABE 16.26	5

Fairlane-Adolph	CSAH 98 (CANOSIA RD)	MISSABE 15.21	810
Fairlane-Adolph	CR 223 (MUNGER-SHAW RD)	MISSABE 14.23	340
Fairlane-Adolph	TWP (JEFFERY RD)	MISSABE 13.69	30
Fairlane-Adolph	CSAH 13 (MIDWAY RD)	MISSABE 10.79	4800
Adolph-Nopeming Jct.	T-146 (RATIKA RD)	SPIRIT LAKE 5.13	41
Adolph-Nopeming Jct.	CR 899	SPIRIT LAKE 4.94	80
Adolph-Nopeming Jct.	TWP 5487 (TREE FARM RD)	SPIRIT LAKE 3.77	55
Adolph-Nopeming Jct.	CSAH 45	SPIRIT LAKE 3.24	385
Adolph-Nopeming Jct.	TWP 123	SPIRIT LAKE 2.46	55
Adolph-Nopeming Jct.	CO 894 (STARK RD)	SPIRIT LAKE 2.22	230

^a Source: U.S. Department of Transportation