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**Federal Railroad
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FRA 1

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January 22, 2004

209927

The Honorable Vernon A. Williams
Secretary, Surface Transportation
Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Canadian National R. Co., and Grand Trunk
Corp. - - Control - - Duluth, Missabe, and Iron
Range Ry. Co., Bessemer & Lake Erie RR. Co. &
Connneaut Dock Co.
Finance Docket No. 34424

Dear Secretary Williams:

As provided for in the agencies' joint rules,¹ the Federal Railroad Administration ("FRA") has reviewed the Canadian National Railway Company's ("CN") Safety Integration Plan ("SIP" or "plan") submitted on December 15, 2003 in the minor transaction proceeding seeking the Board's approval of the acquisition of the Duluth, Missabe and Iron Railway Company ("DMIR") and the Bessemer and Lake Erie Railroad ("B&LE"). We hereby submit our findings and conclusions on the plan pursuant to 49 C.F.R. § 244.17(d). The plan is generally satisfactory, but needs to be amended to comply with the following conditions prior to FRA's approval:

¹ 49 C.F.R. Parts 244 & 1106.

- 1.) CN must furnish the results from its accident trend analyses that have been performed for the DMIR and B&LE, and specify what concrete actions it intends to implement to correct any adverse trends;
- 2.) CN must provide vigorous and constant supervision during the 15 weeks of on-the-job training for engineers provided for in the plan, and explain in detail how this will be accomplished;
- 3.) CN must provide for hours of service training for the signal and train control employees on the acquired railroads;
- 4.) CN will submit the qualification requirements for the staff of its contractor(s) who will be performing bridge inspections;
- 5.) CN must provide an updated, detailed forces/personnel plan for the repair facilities of the merged companies;
- 6.) If timetables and signals aspects/indications are merged following consummation of the proposed acquisitions, there must not be more than one indication applicable for each signal;
- 7.) CN will amend its plan to provide for required action items and a timetable for migrating DMIR's and B&LE's hazardous materials operations into CN's operations;
- 8.) CN will integrate the acquired railroads into a compliant 49 C.F.R. Part 219 Alcohol and Drug ("A&D") program (including reporting requirements), and adhere to a pre-approved A&D program for any U.S. dispatching operations originating in Canada;

9.) CN must describe in detail its security plan training applicable to the DMIR and B&LE;

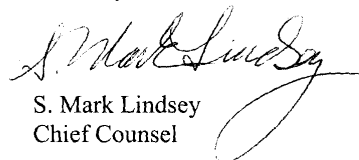
10.) CN must address how it will resolve any incompatibility issues with respect to the equipment information systems of the DMIR and B&LE;

12.) CN must address the manner and means by which it will inspect DMIR and BLE track, including whether it will employ its T-2000 track evaluation car as well as identifying the location(s) where its track inspection records will be retained; and,

13.) CN must explain in detail its intention to extend its Service Reliability Strategy System ("SRSS") to the DMIR and BLE and provide a timetable for implementing the SRSS on the acquired railroads.

Pursuant to 49 C.F.R. § 244.17(c), we anticipated having ongoing discussions with CN regarding these conditions to final approval of its proposed SIP, and expect CN to amend its plan to conform to these requirements by February 17, 2004. FRA will timely advise the Board once it has approved CN's SIP.

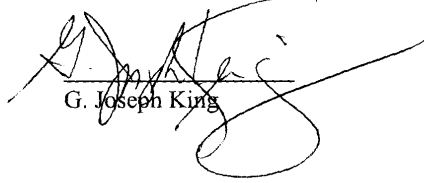
Sincerely,


S. Mark Lindsey
Chief Counsel

cc: Paul A. Cunningham, Esquire
Applicants' Counsel

Certificate of Service

I hereby certify that I have this 22nd day of January, 2004, served a copy of the foregoing
FRA No. 1 by first class postage, prepaid, on all parties of record in Finance Docket No. 34424.


G. Joseph King