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April 21, 2004

LOUIS E. GITOMER
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Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, D. C. 20423

RE: Docket No. AB-55 (Sub-No. 643X), *CSX Transportation, Inc.—Abandonment
Exemption—in LaPorte, Porter, and Starke Counties, IN*

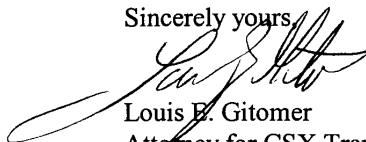
Dear Secretary Williams:

Enclosed are the original and 10 copies of the Public Response of CSX Transportation, Inc. to April 19, 2004 Decision of Surface Transportation Board. The original and 10 copies of two documents are being filed under seal as highly confidential. Also enclosed are three 3.5-inch IBM-compatible floppy diskettes with the files Response and Whitehead VS.

Please time and date stamp the additional copies of this letter and the Response and return them with our messenger. Thank you for your assistance.

If you have any questions, call or email me.

Sincerely yours,



Louis E. Gitomer
Attorney for CSX Transportation, Inc.

Enclosures

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Office of Proceedings

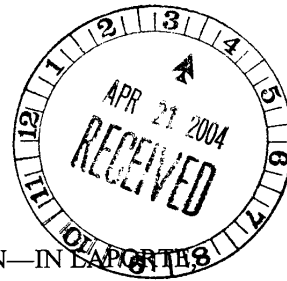
APR 21 2004

Part of
Public Record



BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)



CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LAFAYETTE
PORTER AND STARKE COUNTIES, IN

RESPONSE OF CSX TRANSPORTATION, INC. TO APRIL 19, 2004 DECISION OF
SURFACE TRANSPORTATION BOARD

PUBLIC VERSION

ENTERED
Office of Proceedings

APR 21 2004

Part of
Public Record

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(202) 638-3307

Attorneys for: CSX TRANSPORTATION, INC.

Dated: April 21, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)

CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LAPORTE,
PORTER AND STARKE COUNTIES, IN

RESPONSE OF CSX TRANSPORTATION, INC. TO APRIL 19, 2004 DECISION OF
SURFACE TRANSPORTATION BOARD

CSX Transportation, Inc. (“CSXT”) provides the additional information requested by the Surface Transportation Board (the “Board”) in the decision served in this proceeding on April 19, 2004.¹ The Board has requested:

detailed, verifiable and reliable evidence based on valid, reliable, independent sources which sets the wholesale (salvage) unit values for the various weights and classes of rail and other track materials that comprise the subject line, including scrap value for those portions of the line that would be disposed of as scrap. The evidence must include the working papers supporting the sources of the unit values and any calculations or modifications used to determine the proposed unit values along with a detailed explanation of the rationale for the calculation or modification. Both parties must address whether the wholesale salvage values they propose include removal and transportation costs of the salvaged materials, the distance of transportation if applicable, and any other costs related to sale of the salvaged materials.

CSX Transportation, Inc.—Abandonment Exemption—in LaPorte, Porter and Starke Counties, IN, STB Docket No. AB-55 (Sub-No. 643X) (STB served April 19, 2004), at 2 (the “Decision”).

Attached is the Verified Statement of Mr. Leonard P. Whitehead, Jr. (“Whitehead VS”), Senior Manager Investment Recovery, Materials and Purchasing for CSXT. Mr. Whitehead has

¹ CSXT also adopts and incorporates the facts and arguments made in its April 5, 2004 Response to Request to Set Terms, and its April 13, 2004 Response to Motion to Strike.

over 25 years of experience in selling the track, ties, and other track materials (the "Track Components") of abandoned rail lines. In the ordinary course of his employment, Mr. Whitehead obtains quotations from a number of entities that in the ordinary course of their business buy and sell Track Components on abandoned railroad lines. Mr. Whitehead also directly sells scrap steel on behalf of CSXT.

Mr. Whitehead distinguished between reusable material and scrap material. Reusable materials are, for example, rails that can be removed from a line and reused by CSXT in another location or another railroad. Track that CSXT can reuse is particularly valuable because CSXT does not have to acquire track from other sources. Scrap materials are, for example, rails that are not in condition to be reused in a railroad line and need to be melted down and reused for other purposes.

Reusable Material. In valuing reusable material for CSXT, in January 2004, Mr. Whitehead by telephone solicited prices for Track Components from a number of second hand railroad material dealers. Mr. Whitehead recorded the quotes he received (work papers in Whitehead VS, Exhibit 1) and then averaged them. Mr. Whitehead's work paper for the average prices for reusable material is Exhibit 3 to Mr. Pemberton's Verified Statement filed on April 5, 2004.

Mr. Whitehead's contacted several second hand rail dealers to obtain his valuation information. The information is detailed, as can be seen in Whitehead VS and Exhibit 1 attached to Whitehead VS. The work papers provided by Mr. Whitehead are all dated January 2004, so they are reliable and verifiable, and have not been prepared for this litigation, but for CSXT's general use in recovering its investment in abandoned assets. Mr. Whitehead has sworn to the authenticity of the information. Mr. Whitehead's sources are all independent of CSXT.

Mr. Whitehead's calculation of unit prices was a simple average of the prices he received. For example, for 112 pound continuous welded rail, relay, class 3, Mr. Whitehead received quotes of \$270 per ton from Progress Rail, \$274 per ton from Unitrac, and \$256 per ton from L.B. Foster, which when averaged equal \$268 per ton. Pemberton VS uses \$268 per ton to value this 112 pound rail. Pemberton VS Exhibit 2.

The prices do not include the cost of transportation. But, as Mr. Whitehead explains, CSXT sells reusable material FOB CSXT's lines, which reach Chicago, the most important market for reusable and scrap steel, hence the distance to market is not relevant. The costs also do not include removal costs, but removal costs are accounted for in Pemberton VS Exhibit 2.

CSXT used Mr. Whitehead's calculations of 2004 values to determine the value of reusable material. The evidence in Whitehead VS confirms and verifies the valuation presented by CSXT to the Board on April 5, 2004.

Scrap Material. Mr. Whitehead has sold scrap steel on a daily basis for over 25 years. CSXT sells scrap steel directly, without the use of middlemen. The Petition for Exemption that CSXT filed with the Board on November 3, 2003 valued scrap steel based on 2002 prices of \$85 per ton. The market for scrap steel has changed dramatically since 2002. The world demand, especially from China has outstripped the supply and driven prices to \$305 per ton as recently as April 20, 2004 (See Confidential Sale Order in Whitehead VS, Exhibit 2). Mr. Whitehead calculated the wholesale price of scrap steel at \$235 per ton based on his experience, CSXT's recent sales and the American Metal Market ("AMM") Scrap Iron & Steel Prices. All of the underlying information and work papers supporting \$235 per ton is presented in Whitehead VS.

Again, Mr. Whitehead's valuation of scrap steel is not related to this proceeding, but to CSXT's usual and ordinary course of business in selling scrap steel. As stated before, the

components of Mr. Whitehead's \$235 per ton valuation are CSXT's experience, the independent valuation by AMM, and Mr. Whitehead's more than 25 years of experience. Indeed, the AMM price list contains Mr. Whitehead's note to decrease the scrap price of "#1 Heavy Melt Pittsburgh" of \$263-\$265 per ton by "\$30.00 which was my estimate where the rail market is." See Whitehead VS, Exhibit 2.

Mr. Whitehead's scrap valuation is detailed, verifiable by the documents presented, and reliable. The independent sources are AMM and CSXT Sale Orders for other scrap steel. These are wholesale prices for scrap steel. The prices do not include the cost of transportation. But, as Mr. Whitehead explains, CSXT sells scrap material FOB CSXT's lines, which reach Chicago, the most important market for scrap steel, hence the distance to market is not relevant. The costs also do not include removal costs, but removal costs are accounted for in Pemberton VS Exhibit 2.

Summary. Unlike the Town of North Judson, CSXT regularly buys and sells reusable and scrap Track Components. In the ordinary course of his job, Mr. Whitehead determined the reusable and scrap values of the Track Components. Mr. Whitehead determined the value of reusable material in January 2004, while he determines the value of scrap material on a daily basis. Mr. Whitehead is clearly an expert in valuing reusable and scrap steel.

The per ton values of reusable steel were obtained from second hand dealers who buy and sell reusable Track Components on a daily basis in a highly competitive market. Those values, by weight and class of rail are presented in Mr. Whitehead's work papers.

The per ton value of scrap steel is determined by a truly free international market. The demand for scrap steel has outpaced the supply and the price of scrap steel has risen from \$85 per ton in 2002 to over \$305 per ton in 2004. Mr. Whitehead has very conservatively estimated

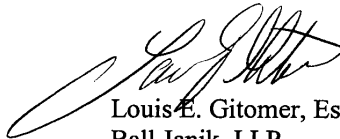
that CSXT should receive \$235 per ton for scrap steel, even though he has recently sold such steel for \$305 per ton.

CONCLUSION

Through the testimony of Mr. Whitehead, CSXT has met all of the requirements of the *Decision*. Mr. Whitehead has submitted detailed, verifiable and reliable evidence of the value of the Track Components, based on his job and not on the instant litigation. CSXT respectfully requests the Board to adopt the unit valuations for the Track Components that CSXT submitted in the Pemberton VS on April 5, 2004, as fully justified by Mr. Whitehead.

Respectfully submitted,

Jonathan C. Gold, Esq.
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Jacksonville, FL 32202
(904) 366-4228



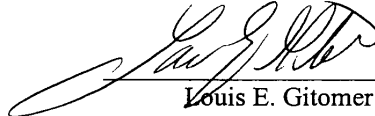
Louis E. Gitomer, Esq.
Ball Janik, LLP
1455 F Street, NW, Suite 225
Washington, DC 20005
(202) 638-3307

Attorneys for: CSX TRANSPORTATION, INC.

Dated: April 21, 2004

CERTIFICATE OF SERVICE

I hereby certify that I have caused the Response of CSX Transportation, Inc. to April 19, 2004 Decision of Surface Transportation Board to be served upon counsel for the Town of North Judson by express mail.



Louis E. Gitomer
April 21, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (SUB-NO. 643X)

CSX TRANSPORTATION, INC.—ABANDONMENT EXEMPTION—IN LAPORTE,
PORTER AND STARKE COUNTIES, IN

VERIFIED STATEMENT OF LEONARD P. WHITEHEAD, JR.

My name is Leonard P. Whitehead, Jr. I am Senior Manager Investment Recovery, Materials and Purchasing for CSX Transportation, Inc. ("CSXT"). On a daily basis, I sell excess assets of CSXT including the assets recovered from abandoned railroad lines. I have been involved with recovery of the investment in assets for over 25 years with CSXT and Conrail.

The purpose of this statement is to respond to the request for information made by the Surface Transportation Board (the "Board") in a decision served on April 19, 2004. I will explain the process I went through on behalf of CSXT to obtain the 2004 Fair Market Value presented to the Board on April 5, 2004 as Exhibit 3-Prices by Mr. Pemberton ("Pemberton VS"). All of my work papers are in the exhibits to this statement. I followed different processes to value reusable material and to value scrap material.

Reusable materials are, for example, rails that can be removed from a line and reused by CSXT in another location or another railroad. Track that CSXT can reuse is particularly valuable because CSXT does not have to acquire track from other sources. Scrap materials are, for example, rails that are not in condition to be reused in a railroad line and need to be melted down and reused for other purposes.

Valuation of Reusable Material. In January 2004, I contacted a number of second hand railroad material dealers by telephone and asked them for a quote on the different grades and

weights of reusable track components. I took notes of the quotes I received over the phone from Progress Rail, L. B. Foster, and Unitrac Rail Products. My hand written notes with these quotes are in Exhibit 1.

The quotes are per ton broken down into rail, turnouts, plates and joint bars. The rail is broken down into continuous welded rail and jointed rail, then relay quality of class 1, class 2, class 3, or class 4, and finally by weight of rail. The turnouts are broken down as number 8, 10, 12, or 16, and weight of rail. The plates and joint bars are broken down by size.

As can be seen from a review of my notes, not every dealer made a quote on every item. I took the quotes I received and averaged them in order to provide Mr. Pemberton with a reasonable value, which he used. Pemberton VS, Exhibit 3, page 28. The quotes I received were retail quotes, the price CSXT would have to pay to acquire reusable material. I used these quotes as the price that CSXT would sell the reusable material for in the open market. This would be CSXT's gross return, as shown in Exhibit 2-Net Salvage Value to Pemberton VS. Mr. Pemberton calculated CSXT's net liquidation value by deducting the cost of removal and transportation.

Valuation of Scrap Material. I sell scrap steel every day for CSXT. We do not use a middle man or any type of broker. CSXT sells the scrap directly. The price per ton I calculated and gave to Mr. Pemberton to use is the wholesale price for scrap FOB CSXT lines.

The value of scrap steel increased substantially in the last couple of years because of strong demand, especially on the international market from China. The supply of scrap steel has been substantially diminished by the recent demand. In 2002 CSXT valued scrap steel at \$85 per ton. Because of the extremely strong demand, I have recently sold scrap steel for \$305 per ton FOB CSXT lines.

I valued the scrap materials in Exhibit 3-Prices, Pemberton VS based on CSXT's daily sales of scrap material that I make and the American Metal Market quotes for No. 1 Pittsburgh Heavy Melt. I have attached the American Metal Market Iron & Steel Prices quotes from March 15, 2004 (the "AMM Prices") and some recent bills of sale for scrap steel as Exhibit 2. As can be seen from the AMM Prices, on March 15, 2004, the US delivered mill price for No. 1 Heavy Melt Pittsburgh Steel was between \$263 and \$265. Based on CSXT's sales and my estimate of the scrap market based on my over 25 years of experience and daily sales of scrap steel, I reduced the No. 1 Heavy Melt Pittsburgh Steel to \$235 per gross ton wholesale, a reduction of between \$28-\$30 per ton. The other markets close to North Judson have prices as follows: Chicago \$254-\$255 per ton, Cleveland \$247 per ton, Detroit \$231 per ton, and Youngstown \$245-\$247 per ton. Based on these prices and my experience, I am confident that \$235 per ton for scrap steel is quite reasonable and attainable.

I determined the prices for reusable material based on quotes I received from the dealers noted above and the value for scrap materials based on CSXT's recent sales and the American Metal Markets publication. My work papers for all of these calculations are in Exhibits 1 and 2.

CONCLUSION

As a seller of reusable rail and other track materials, CSXT would sell the material for the same price as the dealers I surveyed. CSXT sells scrap steel itself at prevailing market rates. The prevailing market rates today for scrap steel FOB CSXT lines is \$235 per gross ton.

VERIFICATION

I, Leonard P. Whitehead, Jr., verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed April 20 2004.

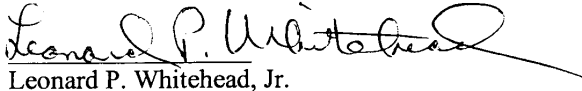

Leonard P. Whitehead, Jr.

EXHIBIT 1 – DEALER QUOTES

JMN

2004

CWK
CLASS1

NET TON

RAIL

PROGRESS

UNITRAC

FOSTER

140	340	360	360
136	445	425	430
133	445	430	430
132	475	460	465
131	416	380	400
130	350	355	360
127	350	355	360
122	525	520	530
119	475	455	450
115	505	500	520
105/107	460	457	440
112.00	400	400	395
100.00	350	355	360

CLASS-2

140	280	255	290
136	330	320	340
133	330	323	310
132	330	337	320
131	317	310	300
130	268	270	275
127	288	270	275
122	288	280	295
119	380	315	295
115	380	400	410
112	345	345	350
105/107	305	310	295
100	280	275	270

CWR
CLASS 3
RAIL

JAN 2004

	PROGRESS	UNSTRAC	FOSTER
140	210	210	195
136	240	280	250
133	450	435	450
132	240	265	260
131	210	240	220
130	210	215	200
127	210	215	200
122	240	215	220
119	250	270	260
115	355	320	300
112	270	274	260
105/107	235	220	256
100	205	200	192

CLASS 4

140	150	165	170
136	190	200	200
133	220	190	170
132	185	185	200
131	160	193	190
130	160	170	160
127	160	175	155
122	155	170	150
119	185	195	200
115	250	225	210
112	220	195	180
105/107	175	190	175
100	155	173	155

JAN 2009

JTD CLASS1 RAIL	NET TON PROGRESS	UNITRAC	FOSTER
140	265	300	270
136	340	367	370
133	340	340	365
132	370	350	345
131	316	305	300
130	300	310	240
127	300	310	240
122	275	270	250
119	380	370	370
115	440	400	455
112	365	400	370
105/107	350	285	300
100	285	230	340
CLASS2			
140	190	180	260
136	250	290	270
133	250	290	265
132	270	272	265
131	260	250	225
130	180	200	262
127	180	200	262
122	175	198	215
119	275	280	290
115	315	365	350
112	305	300	265
105/107	250	295	255
100	190	180	260

JAN 2004

JTD CLASS RATE	NET TON PROGRESS	UNITRAC	FOSTER
140	145	170	185
136	190	245	200
133	190	230	200
132	210	215	200
131	175	205	185
130	145	195	160
127	145	195	160
122	125	172	150
119	190	245	200
115	205	295	260
112	210	240	200
105/107	160	165	212
100	160	170	160

CLASS 4			
140	100	132	125
136	155	145	190
133	110	210	125
132	140	197	155
131	150	170	125
130	100	147	140
127	100	147	140
122	105	135	130
119	145	185	180
115	185	205	205
112	165	180	185
105/107	140	160	135
100	145	125	115

JAN 2004

TURNOUT #8	PROGRESS	UNITRAC	POSTER
100	—	8,000	11,000
105	9200	10,000	13,000.
107	9200	10,000	13,000
112	9200	10,000.	13,000
115	9200	10,000	13,000
119	9200	10,000	13,000
122	—	8,900	9,000
127	—	8000	11,000
130	—	8000	11,000
131	9200	10,000	13,000
132	9200	10,000	13,000.
133	11,000	8,000	11,000
136	9200	10,000	13,000
140	8150.	10,000	13,000
#10	—	9,500	13,500
105	9700	11,000	13,500
107	9700	11,000	13,500
112	9700	10,000	13,500
115	9,700	11,000	13,500
119	9,700	11,000	13,500
122	—	9,200	12,500
127	—	8,500	13,500
130	—	9,500	13,500
131	9600	11,000	15,000
132	9600	10,000	15,000
133	8900	11,000	13,500
136	9600	10,000	15,000
140	8500	10,000	15,000

TURNOUT

JAN 2004

# 12	PROGRESS	UNITRAC	FOSTER
100	—	11,400	14,000
105	9250	13000	15,000
107	9250	13000	15,000
112	9250	13000	15,000
115	9250	13000	15,000
119	9250	13000	15,000
122	—	10,500	13,500
127	—	11,400	14,000
130	—	11,400	14,000
131	10,100	13,000	16,000
132	10,100	13,000	16,000
133	11,700	11,000	14,000
136	10,100	13,000	16,000
140	9000	13,000	16,000
#16			
100	—	11,800	14,000
105	9500	13000	16,000
107	9500	13000	16,000
112	9,500	13000	16,000
115	9,500	13000	16,000
119	9,500	13000	16,000
122	—	10,200	14,000
127	—	11,900	14,000
130	—	11,900	14,000
131	10,800	13,000	16,000
132	10,800	13,000	16,000
133	11,800	11,500	14,000
136	10,800	13,000	16,000
140	10,000	13,000	16,000

PLATES	PROGRESS	UNITRAC	FOSTER
10"D.S.	SCRAP	1.00	0.75
12"	1.50	2.00	2.10
13"	4.50	4.60	3.65
14"	5.20	4.75	4.90

JT.BAR	25.00		
24" PAIR	25.00	18.00	20.00
36" PAIR	35.00	30.00	25.00

EXHIBIT 2 – SCRAP QUOTES AND BILLS OF SALE

4-20-04; 4:03PM;CSX

;904 3664377

1/ 15

PAGE 1

CSX TRANSPORTATION INC.
PURCHASING AND MATERIALS
P.O. BOX 45054
JACKSONVILLE, FL 32232-5054
(904) 359-1542

SALES ORDER	DATE
ZE4010	04/20/04

S A L E O R D E R

SCRAP AND SURPLUS EQUIPMENT/MATERIAL

PURCHASER
=====

DESTINATION
=====

PAGE 1

CSX TRANSPORTATION INC.
PURCHASING AND MATERIALS
P.O. BOX 45054
JACKSONVILLE, FL 32232-5054
(904) 359-1542

SALES ORDER	DATE
ZE5108	02/25/04

S A L E O R D E R

SCRAP AND SURPLUS EQUIPMENT/MATERIAL

PURCHASER

=====

DESTINATION

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Monday, March 15, 2004

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SCRAP PRICE BASED ON #1 HEAVY MELT PITTSBURGH
- \$30.00 WHICH WAS MY ESTIMATE WHERE THE RAIZ
MARKET IS.