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June 28, 2004

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

RE: Finance Docket No. 34335, *Keokuk Junction Railway Company.—Feeder
Railroad Development Application—Line of Toledo, Peoria and Western Railway
Corporation between La Harpe and Hollis, IL*

Dear Secretary Williams:

Enclosed for filing are the original and ten copies of the Toledo, Peoria and Western
Railway Corporation Response to Petition dated June 8, 2004 and three diskettes.

Please time and date stamp the extra copies of this letter and the Response and return
them with our messenger. Thank you for your assistance. If you have any questions, please
contact me.

Respectfully submitted,

Louis E. Gitomer
Attorney for: Toledo, Peoria and Western
Railway Corporation

Enclosures

ENTERED
Office of Proceedings

JUN 28 2004

Part of
Public Record

211447

ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34335



KEOKUK JUNCTION RAILWAY COMPANY—FEEDER RAILROAD DEVELOPMENT
APPLICATION—LINE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION
BETWEEN LA HARPE AND HOLLIS, IL

TOLEDO, PEORIA AND WESTERN RAILWAY CORPORATION
RESPONSE TO PETITION OF KEOKUK JUNCTION RAILWAY CO. TO SUPPLEMENT
THE RECORD

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Attorneys for: TOLEDO, PEORIA AND
WESTERN RAILWAY CORPORATION

Dated: June 28, 2004

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34335

KEOKUK JUNCTION RAILWAY COMPANY—FEEDER RAILROAD DEVELOPMENT
APPLICATION—LINE OF TOLEDO, PEORIA & WESTERN RAILWAY CORPORATION
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TOLEDO, PEORIA AND WESTERN RAILWAY CORPORATION
RESPONSE TO PETITION OF KEOKUK JUNCTION RAILWAY CO. TO SUPPLEMENT
THE RECORD

Toledo, Peoria and Western Railway Corporation (“TP&W”) responds to the Petition to Supplement the Record filed on June 8, 2004 by the Keokuk Junction Railway Company (“KJRY”). TP&W agrees with KJRY’s contradictory Petition that the Surface Transportation Board (the “Board”) should deny KJRY’s request to supplement the record.

KJRY now agrees with TP&W that the value of steel has become highly volatile and has increased in value since KJRY submitted its rebuttal on November 7, 2004. KJRY claims that steel values have fallen since TP&W sought to reopen the record on March 17, 2004 to demonstrate the dramatic increase in the value of steel.

KJRY is not content with submitting evidence of the change in the value of steel, but argues that the Board should not only reject its new evidence, but reargues that the Board should reject the evidence filed by TP&W on March 17. If KJRY wants to argue that the Board should not accept KJRY's own evidence in the same pleading where KJRY is seeking to submit evidence, TP&W believes that the Board should grant KJRY's request and reject KJRY's evidence. However, the Board should not countenance KJRY filing a second response to TP&W's March 17, 2004 Petition, and TP&W requests the Board to strike all references to and arguments concerning TP&W's March 17 Petition as untimely (49 C.F.R. § 1104.6) and redundant (49 C.F.R. § 1104.8). Unlike TP&W's March 17th Petition, which contains a verified statement from Mr. Garvin, KJRY's June 8 petition consists of argument and the attachment of three pages from publications.

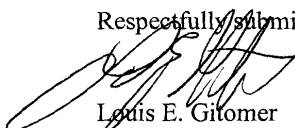
As KJRY point out in its June 8 petition, the price of scrap steel is highly volatile. The Price of steel has begun to rise again, as is evidenced by Exhibit 1, the June 24, 2004 AMM Scrap Iron & Steel Prices relied upon by KJRY. In fact, re-roll rail prices have risen since TP&W's March 17 filing. Attached as Exhibit 2, is an article from the June 11, 2004 New York Times explaining that Chinese demand for scrap steel will nearly double by the end of 2005, maintaining upward pressure on scrap steel prices.

TP&W realizes that KJRY and TP&W could continue to burden the Board with extensive documentation of the value of scrap steel every time there is a significant variation in market value. TP&W respectfully suggests that the Board establish a procedure for the parties to address the valuation of the line after the Board concludes that the public convenience and necessity require the sale of the line from TP&W to KJRY, as the Interstate Commerce Commission required in the rules it initially adopted. *Feeder Line Development Program*, 364 I.C.C. 93, 114 (section 1128.7(b)) (1981). However, TP&W remains confident that the Board will conclude that KJRY has failed to carry its burden of proof as to any, much less all, of the elements of the public convenience and necessity and deny the feeder line application, thereby negating the necessity to value the line.

TP&W respectfully requests the Board to deny the petition filed June 8 by KJRY and strike the untimely or redundant material. In the alternative TP&W requests the Board to adopt a separate schedule to determine the net liquidation value of the line¹ only if the Board concludes that the public convenience and necessity require the sale of the line from TP&W to KJRY.

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Respectfully submitted,



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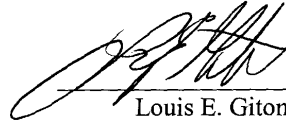
Attorneys for: TOLEDO, PEORIA AND
WESTERN RAILWAY CORPORATION

Dated: June 28, 2004

¹ It appears that KJRY has dropped its request to acquire the portion of the line known as the Mapleton Spur.

CERTIFICATE OF SERVICE

I hereby certify that I have caused the foregoing document to be served by hand or overnight delivery on all parties of record in STB Finance Docket No. 34335.

A handwritten signature in black ink, appearing to read "L. Gitomer", is written over a horizontal line.

Louis E. Gitomer
June 28, 2004

EXHIBIT 1

AMM Scrap Iron & Steel Prices Thursday, June 24, 2004

CONSUMER BUYING PRICES

Estimated domestic consumer buying prices in US\$/gross ton; delivered mill price.

	Birmingham	Carolinas	Chicago	Cleveland	Detroit	Houston area	N.Y.	Philly	P-burgh	Seattle/Portland	St. Louis	Youngstown	Hamilton, Ontario	Montreal†
NO. 1 HEAVY MELT	142	107-109	180	150	155	101-103	146-148	150-152	163-165	80-82	120	160-162	140	145
No. 2 heavy melt	133	98-100	172	140	140	81-83	136-138	140-142	155-157	77-78	110	150-152	140	113
No. 1 bundles	223-225		250	245	228	204	NA	230	250	NA	190	NA	245-247	NA
No. 2 bundles	115	80(a)	160		NA	115	NA	110	120(a)	63-65	NA	150(a)	NA	167
No. 1 busheling	202	170-171	250	240	233	209	220	225	250-252	NA	190	240	249-251	167
No. 1 factory bundles	190	165	195	195	180	167	177-179	183-185	195	97-99	135	195	170	184
Shredded auto scrap	100	69	147	82(a)	46(a)	130	128	110(a)	55-56	72-74		95	102	
MACHINE SHOP TURNINGS	NA		147	90(a)	56(a)	NA	138	120(a)		72-74		105		
Shoveling turnings	NA		141	80(a)					NA	71-72				
Cast iron borings	NA		134	NA					40-41					
Mixed borings, turnings														
CUT STRUCTURAL/PLATE, 2" MAX.	NA	144	250			175-178	NA	250	NA	NA	NA		NA	167
Cut structural/plate, 3" max.	190	134	NA			166-168	NA	200(a)	200	NA	140			
Cut structural/plate, 5" max.	152	122	198	160	165	157-159	156-158	160-162	183-185	95-97	130	175	168	148
Foundry steel, 2" max.	175		180	175(a)	150	145	200	160(a)				165		
CUPOLA CAST	170	146	240	180	190	153	200	178-180	180	NA				167
Clean auto cast	200	193	250	200	180			260	205					
Unstripped motor blocks	185	160	185	140	160	120	NA	130	155					
Heavy breakable cast	150		165	100	140			110	120					
Drop broken machinery cast		190	240	205	170			245	200	124-125			185	185
NO. 1 RR HEAVY MELT	165	128	198	160		161-163		180	185	111-112	145	175		
Rail crops, 2" max.	108(a)	200(a)	255	250				250	280					
Random rails	165		130					150	175	105-107				
Steel car wheels	205	208	240					240	275					
Other track material (OTM)	210	205	195	230				250	250	140-142				
CLEAN USED DENSIFIED CANS			185	175	175			NA	175					

(a) Appraisal price

NA—Not available

† Canadian currency, in net tons

STAINLESS STEEL SCRAP

	Boston	Buffalo	Chicago	Cleveland	Detroit	Houston	LA	N.Y.	P-burgh	S.F.	Montreal†
DEALERS' BUYING PRICES (\$/lb.)											
18-8 bundles, solids, clips	32-33	32-33	33-34	33-34	33-34	33-34	33-34	33-34	33-34	32-33	39-41
18-8 turnings	28-29	28-29	29-30	29-30	29-30	29-30	29-30	29-30	29-30	28-29	35-37
18-8 new clips		33-34	34-35	34-35	34-35		34-35	34-35	34-35	38-39	41-43
430 new clips	5.5-6.0		5.5-6.0	5.5-6.0	5.5-6.0			5.5-6.0	5.5-6.0		
BROKER/PROCESSOR BUYING PRICES (\$/gross ton)											
18-8 bundles, solids, clips			1,250-1,275	1,250-1,275	1,250-1,275	1,250-1,275		1,250-1,275	1,250-1,275		
18-8 turnings			1,150-1,175	1,150-1,175	1,150-1,175	1,150-1,175		1,150-1,175	1,150-1,175		
430 bundles, solids			260-270		310-320	310-320			260-270		
430 turnings			210-220						210-220		
409 bundles, solids			240-250		295-300	295-300			240-250		
409 turnings									190-200		

† Canadian currency

Correction

No. 1 busheling under Consumer Buying Prices for the Detroit market should have been \$233 a ton, effective June 4.

EXPORT YARD BUYING PRICES

Estimated prices an export dealer, broker or processor will pay for items delivered to his yard, in US\$/gross ton.

	Boston	LA	N.Y.	Philly	S.F.
No. 1 heavy melt	125-127	60-62	130-132	130-132	60-62
No. 2 heavy melt	115-117	50-52	120-122	120-122	50-52
No. 2 bundles	90(a)	NA	100	100	50-52
No. 1 busheling	180		200		
Shredded auto scrap	160				
Machine shop turnings	NA	55	68-70		45-47
Mixed cast	130		135	140	
Unstripped motor blocks	110	103-105	110	110	103-105
Auto bodies	85	93-95	84-86	90	93-95
Cut structural/plate 5" max.	135-137		140-142	140-142	
STAINLESS STEEL SCRAP PRICES (\$/ton)					
18-8 bundles, solids, clips		1,225-1,250	1,225-1,250	1,225-1,250	1,225-1,250
18-8 turnings		1,125-1,150	1,125-1,150	1,125-1,150	1,125-1,150
430 bundles, solids	150	145	145	145	

(a) Appraisal price

BROKER BUYING PRICES

Estimated prices in US\$/gross ton, f.o.b. car*

	Atlanta	Boston	Buffalo	Cincinnati	Detroit
NO. 1 HEAVY MELT	115	125	120	125	140
No. 2 heavy melt	107	115	110	117	
No. 1 bundles	190	190	185	188	195
No. 2 bundles	80	90	90	85	120
No. 1 busheling	185	185	185	186	210
Shredded auto scrap	150	160	170	160	170
MACHINE SHOP TURNINGS		NA	85	80	100
Shoveling turnings		NA	95	95	100
Cast iron borings		NA	85	80	110
Mixed borings, turnings			150	140	160
CUPOLA CAST	125		130	140	150
Cut structural/plate, 5" max.			150	160	160
Cut structural/plate, 2" max.				220	185
Clean auto cast					125
Unstripped motor blocks		135	135		105
Heavy breakable cast		NA	110		175
Drop broken machinery cast		NA	180		
Rail crops, 2" max.			180		
Random rails			150		

* F.o.b. (free on board at the shipping point) from dealer to broker where freight rate is absorbed by broker; freight rate based on single-car shipments.

STAINLESS CONSUMER BUYING PRICES

(\$/gross ton)
Pittsburgh

18-8 bundles, solids, clips	1,200-1,215
18-8 turnings	1,100-1,115
430 bundles, solids	370-380
430 turnings	320-330
409 bundles, solids	320-330
409 turnings	240-250

ADDITIONAL GRADES

Birmingham

Electric furnace, 3" max.	165
Cut structural/plate, 4" max.	190
Stove plate	180

Chicago

No. 1 industrial heavy melt	198
Rail crops, 18" max.	255
Rolling rails	230
Steel axles	220
Heavy forge bar crops	213
Stove plate	247
Punching & plate, 12" max.	225

Scrap Price Changes Today

Ferrous scrap price changes were made for these cities:
Detroit

Disclaimer

Prices and other information contained in this publication have been obtained by American Metal Market ("AMM") from sources believed to be reliable. Pricing information is collated through regular contact with producers, traders and purchasers, and represents an approximate evaluation of current levels based upon dealings (if any) that may have been disclosed to AMM prior to publication. Actual transaction prices will reflect quantities, grades and qualities, credit terms and many other parameters. The prices are in no sense comparable to the quoted prices of commodities in which a formal futures market exists. Efforts are made to ensure that pricing information is representative, but because of the possibility of human or mechanical error by our sources, AMM or others, AMM does not guarantee the accuracy or completeness of any published information. AMM is not responsible for errors or omissions, or for the results obtained by the use of such information, and disclaims any liability to any person for any loss or damage caused by such errors or omissions, including those arising from the negligence of AMM, its employees or representatives.

EXHIBIT 2

June 11, 2004

Asian Scavengers Feed China's Hunger for Steel

By JAMES BROOKE

SONGINO, Mongolia - At an abandoned Soviet Army base here, scavengers dig deep into the earth. Tossing aside concrete casings, they carry away precious loot: cast-iron water pipes.

Above ground, brawny men, wearing T-shirts and wielding sledgehammers, smash open abandoned barracks. From crumbling concrete walls, they pry out the rusted steel reinforcement bars.

In Vladivostok, Russia, a port 1,250 miles east of here, dock workers have discovered in scrap metal shipments such sundries as a live artillery shell and what is said to be surplus rails from the Trans-Siberian Railroad.

In North Korea, idle factories are being quietly stripped of metal that is then sold across the Yalu River as scrap to China.

With its relentless industrial rise, China, once known as the Middle Kingdom, has become a massive magnet inexorably drawing scrap metal from across Asia.

"I recently drove to the Gobi and saw 100 trucks stuck in the mud, just one after the other," Enkhbaatar Ochirbal, a mining consultant in Ulan Bator, said of trucks loaded with scrap metal that were caught by an unexpected rainstorm in the Gobi Desert. "Earlier, in March, every second truck going to the border checkpoint seemed be carrying scrap metal."

Steel is the lifeblood of China's booming industrial economy, from bridges to ships to cars. Plans by General Motors and Volkswagen to double their output of Chinese cars by 2007 only mean ever greater demand for steel.

To meet this demand, China's steel production is to nearly double during the rest of this decade.

But China's iron ore production is forecast to remain basically flat. To close this yawning gap, China is signing long-term multibillion-dollar supply contracts with Australian and Brazilian mining companies.

In March, BHP Billiton, the world's largest mining company, signed a \$9 billion deal to supply 12 million tons of ore to four Chinese steel mills for 25 years.

But it is far cheaper to melt existing metal than to process ore. Consequently, China's scrap imports have almost doubled since 2000. Even with Beijing's efforts to cool economic growth, imports of scrap steel may double again by the end of 2005.

A result is one of the biggest recycling programs the world has ever seen. Market forces are cleaning up Asian landscapes that have been long littered with Soviet-era junk.

"Every year, when I would go see my grandmother, I would use as a landmark this big abandoned Russian bus," said Jargal Byambasuren, a tour guide in this nation, a former Soviet satellite on China's northern border. "Then the last time I was there, it had disappeared."

The invisible hand of high scrap prices is tidying Mongolia's sere and treeless landscape, a tableau now picked clean of metal trash. On a recent six-hour drive across the steppe, only two wrecked cars could be seen. One had been converted into a feed dispenser for livestock. The other car had been in an accident only a few hours earlier.

"When I was a boy, the only thing to collect around here was cashmere and fuel," Sukhbaatar Sandagdorj, a 48-year-old road maintenance worker, said in his snug ger, a traditional circular dwelling kept warm by burning dried sheep dung.

Stacked on one side of his portable house were piles of rusted iron: discs from a farm harrow, long leaf springs from a truck and wheels from a tractor.

"People wander around and pick it up," he said of nomadic herders who had weighed their metal troves and then left them in his safekeeping for an itinerant scrap dealer. "When the Russians pulled out, they left a lot of junk. But, it would be good if instead of exporting the iron to China, Mongolians could recycle it."

Similar laments over Chinese scrap imports echo from this handmade felt ger to the sleek boardrooms of steel companies in Seoul, Sydney, Osaka and Pittsburgh.

American scrap steel exports to China have tripled since 2002, hitting 3.5 million tons, or \$1 billion in 2003. With China now the largest importer of American scrap, Chinese demand caused international spot prices to hit \$340 in spring 2004, almost triple the levels of one year earlier.

In May, smelters in Australia, Japan, Russia, South Korea and the United States appealed to their governments to restrict scrap metal exports. In the Russian Far East, scrap export volumes are running at double the 2003 levels. In a possible prelude to restrictions, government agents in Russia and South Korea have started to monitor scrap exports closely.

The only serious move has come in Mongolia, where protests were made by the Darhan Metallurgy Plant, the nation's only steel mill, a Russian-built venture limping along partly because of a lack of scrap metal. Situated 135 miles north of Ulan Bator by rail, Darhan is a company town with Mongolia's second-largest urban population, 100,000.

With parliamentary elections set for June 27, the government in late May increased the export tax 2.5 times, to the equivalent of 7 cents a pound. By early June, exports had slowed.

"Most people have stopped taking scrap to China because of the export tax," said the director of an Ulan Bator yard, who was overseeing the unloading of a truck near the freight rail yards. His scrap, he said, would instead go by rail north to Darhan.

But many in Mongolia believe that the lull in scrap exports to China will end after the elections, and the trade will pick up again.

As in the United States, Japan and South Korea, many scrap metal dealers here say they should have the freedom to sell to the customer who pays the highest prices, currently China. With rudimentary roads

linking a nation twice the size of Texas, many Mongolians say that transportation costs rule out shipping scrap to Darhan.

"If you transport scrap iron from my district to Darhan, it will be 'gold iron,' " Oyun Sanjaasurengin, an opposition member of Parliament, said of the prohibitively high cost of trucking scrap from her area, on the Chinese border, to Darhan, a two-day drive.

Indeed, across the region, the mining for industrial scrap metal continues unabated. In the Russian Far East, submarines, fishing boats, tanks, broken train wheels are all disappearing into open maws of bulk carriers destined for China.

The Pacific port of Vladivostok, once disfigured with half-sunken derelict boats, has been cleaned up, restoring the harbor's reputation as the San Francisco of the Russian Far East. Moving deeper and deeper into Siberia in search of junk metal, the INI Steel Company of South Korea opened a purchasing office in 2003 in Yakutsk, 300 miles south of the Arctic Circle.

With much of the easy pickings gleaned, there are fears in Northeast Asia, that the scrap metal frenzy will go beyond recycling and into theft.

In Mongolia, fences have disappeared from cemeteries, spigots have been torn from public fountains, and manhole covers have vanished, adding another hazard to walking at night in Ulan Bator.

Ganbold Chuluun, a public relations adviser to a foreign mining company here, said: "It is irritating when you wake up and discover you can't use the telephone. Someone has stolen the wire in the night."