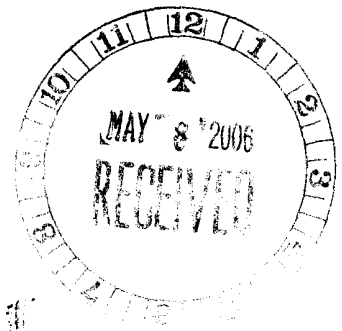


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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 34865

**ARKANSAS MIDLAND RAILROAD COMPANY, INC.
- PETITION FOR DECLARATORY ORDER -
CADD O VALLEY RAILROAD COMPANY, INC.**



ENTERED
Office of Proceedings

MAY 8 2006

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Public Record

**REPLY OF THE INTERNATIONAL PAPER COMPANY TO MOTIONS TO
DISMISS THE PETITION FOR DECLARATORY ORDER**

Pursuant to 49 C.F.R. § 1104.13(a), the International Paper Company ("IP") is submitting its reply to the various Motions to Dismiss the Petition for Declaratory Order that was originally filed by the Arkansas Midland Railroad Company, Inc. ("AKMD"). As IP is the major shipper on the rail line known as the "Norman Branch" that is the subject of this proceeding, it has a direct and vital interest in the outcome of this controversy. And, for the reasons stated below, IP believes that this issue, which appears to be a case of first impression, is sufficiently important that the Board should address the issues on the merits and not grant the Motions to Dismiss that have been filed by the Caddo Antoine and Little Missouri Railroad Company ("CALM") and the Bean Lumber Companies.

The long history of the acquisition of the Norman Branch by the CALM is set forth in the papers of the AKMD, CALM and numerous STB decisions, and there is no

need to repeat those issues here. From IP's perspective, what is relevant is the fact that it is by far the largest shipper on the line, is located only two miles from the place where the Norman Branch junctions with the Union Pacific Railroad, has received consistently substandard service from the incumbent carrier, and has essentially been cross subsidizing service that has been provided by the CALM to the shippers on the northern end of the line. As the STB will recall, when it determined to require AKMD to sell the line to the shippers on the northern end of the Norman Branch, those shippers had committed to make the investment necessary to improve rail service for all shippers on the line and specifically to continue providing service to IP.

The circumstances here indicate that sale of the entire Norman Branch to the Shippers will likely result in improved rail service for the Shippers on the line. The Shippers have made the financial commitment to purchase the line and operate it for the required three years. They are also committed to performing the rehabilitation which all parties agree is necessary

The shippers indicate that they are committed to continuing service to IP. While IP has not actively participated in this proceeding, there is nothing in the record to indicate that service to it would be materially affected if the Shippers acquired the line and assumed responsibility to provide operations to IP.

See F.D. No. 32479, Caddo Antoine and Little Missouri Railroad Company – Feeder Line Acquisition – Arkansas Midland Railroad Company Line Between Gurdon and Birds Mill, AR (decision served August 12, 1999; not published).

Regrettably, the assurances from the Shippers who acquired the line, and then conveyed ownership to CALM, have not proven to be accurate with respect to the quality

of service provided to IP.¹ Prior to the forced sale, AKMD provided excellent service to IP, which included both the actual transportation services necessary to switch cars in and out of the Gurdon Mill, but also to provide IP with badly needed railcars which are generally in short supply – namely, boxcars, centerbeam flatcars and woodchip hopper cars. The CALM, on the other hand, has refused to provide cars to IP since its acquisition of the Norman Branch; instead, it is content with providing what cars Union Pacific might agree to make available.

As Union Pacific's car supply has been insufficient and unpredictable for IP's needs at Gurdon, IP has been compelled to secure a pool of centerbeams as well as divert substantial quantities of traffic from rail to truck. IP has even worked through a truck-rail transload center (which is owned, ironically, by the AKMD) who is able to secure UP system cars in order to get outbound shipments moved by rail at times when it could not obtain equipment from CALM. This is not an isolated issue that affects only IP, as even CertainTeed Corporation (formerly GS Roofing) has taken advantage of the transload services IP put together once the Federal Railroad Administration closed the northern end of the line due to unsafe bridge conditions.

Conversely, although the Bean Lumber Companies, which were awarded ownership of the Norman Branch, were able to secure an adequate supply of centerbeams, they apparently did so only for their own private interests as shippers rather

¹ While IP is not directly affected by the quality of the line north of its facility, it is common knowledge that the CALM has not maintained that property to anything even approaching FRA Class I standards.

than as owners of CALM and did not provide cars for other shippers generally. Certainly, that was the case with respect to IP.

IP believes that AKMD has raised a significant legal issue that the STB needs to resolve on the merits, rather than summarily in the context of the Motions to Dismiss, especially in view of the long-standing – and possibly future – service implications that are directly related to the financial viability of the carrier that is charged with providing service to shippers on the line. At this point, IP has had a brief meeting with the putative transferee, Pioneer Railcorp, and is still not confident that the transfer of control of the Norman Branch will result in the restoration of service levels that existed when AKMD operated the line. These are issues that the Board should consider when determining the merits of the Petition for Declaratory Order in this proceeding.

Respectfully Submitted,

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Dated: May 8, 2006

CERTIFICATE OF SERVICE

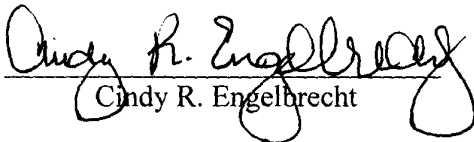
I hereby certify that I have this 8th day of May, 2006, served a copy of the foregoing Reply of the International Paper Company to Motions to Dismiss the Petition for Declaratory Order on the following persons listed below via first-class mail, postage pre-paid:

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