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July 18, 2006

VIA E-FILING

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

RE: STB Finance Docket No. 34890
*Pyco Industries, Inc.— Feeder Line Application—Lines Of South Plains
Switching, Ltd. Co.*

IMMEDIATE HANDLING REQUESTED

Dear Secretary Williams:

I am enclosing herewith an original and eleven copies of a Motion by Keokuk Junction Railway Co. ("KJRY") for extension until August 14, 2006, of the deadline for filing competing applications in the above-captioned matter. If granted this extension, KJRY intends to file a competing application to acquire the entire South Plains Switching, Ltd. Co. ("South Plains") line, not just the line PYCO Industries proposes to acquire. As such, KJRY believes that its proposal would provide for better service to all shippers currently served by South Plains than could be achieved with PYCO's limited application.

Please acknowledge the receipt and filing of the enclosed motion by time stamping the eleventh copy and returning it to the courier for delivery to me. If there are any questions about this matter, please contact me directly, either by telephone: (202) 663-7823 or by e-mail: wmullins@bakerandmiller.com.

Respectfully submitted,



William A. Mullins
Attorney for Keokuk Junction Railway Co.

cc: All Parties of Record

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB DOCKET NO. 34890

**PYCO INDUSTRIES, INC.— FEEDER LINE APPLICATION—
LINES OF SOUTH PLAINS SWITCHING, LTD. CO.**

**MOTION FOR EXTENSION OF TIME
TO FILE COMPETING APPLICATION**

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Attorneys for Keokuk Junction Railway Co.

DATED: July 18, 2006

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SURFACE TRANSPORTATION BOARD**

STB DOCKET NO. 34890

**PYCO INDUSTRIES, INC.— FEEDER LINE APPLICATION—
LINES OF SOUTH PLAINS SWITCHING, LTD. CO.**

**MOTION FOR EXTENSION OF TIME
TO FILE COMPETING APPLICATION**

Keokuk Junction Railway Co. (“KJRY”) hereby moves the Surface Transportation Board (“STB” or “Board”) to extend the deadline for filing competing applications in this proceeding until August 14, 2006. If this Motion is granted, KJRY plans to file an application to acquire all of the lines of South Plains Switching, Ltd. Co. (“South Plains”) in order to provide service not only to PYCO Industries, Inc. (“PYCO”), but also to all other shippers who have access to South Plains’ lines. Because KJRY’s proposal would provide superior and more sustainable service to all of the customers of South Plains, KJRY respectfully submits that the requested extension of the abbreviated schedule forced upon the Board by PYCO in this proceeding would serve the public interest. Furthermore, because there are outstanding discovery issues and issues regarding the timing and scope of certain filings, granting an extension will allow the parties to undertake full discovery, provide all of the parties with a full opportunity to respond, and grant the Board additional time to resolve these outstanding issues. In short, an extension is consistent with the Board’s rules and regulations, provides for time to resolve outstanding issues, would not harm any individual party, and is consistent with the public interest.

Discussion

The Board should grant this Motion to allow KJRY adequate time to prepare and file a competing feeder line application that offers service adequate to meet the public interest for all of the shippers currently served via the South Plains' lines. KJRY's proposed application would better serve the public than would PYCO's limited plan which cherry-picks the major source of the traffic on the line while leaving other shippers with only the service of a weakened South Plains.

KJRY is well suited to operate as a rail carrier. KJRY is an experienced short line operator. The company operates approximately 147 miles of rail line in Iowa and Illinois. As the Board is aware, KJRY was the successful feeder line applicant in Finance Docket No. 34335, *Keokuk Junction Railway Co.--Feeder Railroad Development Application--Line Of Toledo, Peoria & Western Railway Corporation Between La Harpe And Hollis, IL* ("KJRY-Feeder Line") served February 7, 2005, appeal pending. KJRY has been operating the rail line acquired from TP&W in *KJRY-Feeder Line* for nearly 18 months. The company has a good safety record and a good record of service to its customers. Thus, KJRY is an experienced and capable rail carrier.

PYCO is not a rail carrier and has no experience owning or operating a railroad; rather, PYCO is a shipper, an orientation that is reflected in its instant application. PYCO is a shipper that got into a service dispute with South Plains. When obtaining an alternative service order from the Board, PYCO contracted with a short line railroad to provide service. PYCO's operating plan contemplates that it will contract with that short line or "In the event WTL elects to pursue other business opportunities, PYCO Industries will contract with another qualified short line carrier." Application in STB Finance Docket No. 34833 at 21. KJRY submits that

such a proposal raises substantial issues under the feeder line statute as to the applicant's ability to operate the line for the required time and to do so safely and consistent with the statute. The Board simply does not know who the operating railroad is and whether or not that railroad operations will be consistent with the feeder line statute. As an operating railroad with a strong safety record, KJRY's proposed application does not suffer from those deficiencies.

In fact, PYCO's proposal in reality is not a proposal to operate a rail common carrier service; rather, it is a proposal to operate an expanded plant switching service. Effectively, PYCO's application proposes taking the small portion of South Plains' property which has the largest portion of traffic on South Plains' system to conduct an expanded plant switching service. After cherry-picking this traffic and the line, PYCO's plan would then be to leave South Plains to serve the remainder of its system with substantially reduced revenues and with significantly more complicated operations as you would now have three carriers (PYCO's unnamed carrier, South Plains, and BNSF)¹ operating in the area. While it is possible that the Board may deny PYCO's application on grounds that it would substantially harm South Plains and the other shippers it serves, KJRY submits that an application by an experienced rail operator to serve all of South Plains' system would better serve the public than would PYCO's self-focused application.² KJRY intends to file such an application, if allowed adequate time by the Board to prepare one.

¹ KJRY's application to acquire all of the lines and operate as a single carrier thus resolves the concerns raised by BNSF in its July 10, 2006 filing in F.D. 33753 (Sub-No. 1).

² Just as the Eighth Circuit looked askance at the Board's initial approval in the Caddo Antoine case of the current operator's effort to retain a couple of miles of line to retain exclusive access to the primary shipper on the line, *see Caddo Antoine and Little Missouri Railroad Company v. United States of America*, 95 F.3d 740 (8th Cir. 1996), so the Board should be skeptical of PYCO's proposal to grab the majority of the traffic on the line while allowing the remaining shippers to twist in the wind.

The shipping public should not be punished by being deprived of KJRY's application. The truncated schedule issued by the Board in this matter - allowing only 4 days between *Federal Register* publication of PYCO's application and the deadline for filing competing applications - is entirely a function of the insufficiency and delays involved in PYCO's feeder line applications. From the time that the Board issued the initial alternative service order, PYCO knew the ultimate expiration date of that service order. Yet, PYCO waited until May 5 to file its first, insufficient feeder line application, and until June 14 to file its second/amended application. All the while, the prospective expiration of the alternative service order was drawing closer.

As a result of PYCO's delays, the Board issued a severely truncated schedule in this proceeding, allowing virtually no time for the preparation of a competing application. The Board's regulations provide that competing feeder line applications normally will be due 30 days following publication of notice of acceptance of the application in the *Federal Register*. 49 CFR §§1151.2(b)(1) and (c)(1) ("The Board, through the Director of the Office of Proceedings, will accept a complete application . . . by publishing a notice in the Federal Register. . . . Unless otherwise scheduled in the notice, competing applications by other parties seeking to acquire all or any portion of the line sought in the initial application are due within 30 days after the initial application is accepted.")³ In this case, that would be Monday, August 14 (the 30th day - August 13 - being a weekend). Instead, the Board set July 18, just 4 days after notice of PYCO's

³ See also *Feeder Railroad Development Program*, 367 I.C.C. 261, 267 (1983) (stating that the schedule allowing 30 days for filing a competing application "takes into account the views of the majority of the parties that a fixed schedule allowing for competing applications is advantageous") and *Revision Of Feeder Railroad Development Rules*, 1991 ICC LEXIS 177 (1991) at *10 (reaffirming the decision to allow competing applications and establishing the current procedure that competing applications are due 30 days after the initial application is accepted by Federal Register notice).

accepted application appeared in the *Federal Register*, as the deadline for filing a competing application.

Such a short deadline effectively makes filing a competing feeder line application impossible and is contrary to the Board's regulations and its feeder line precedents. As the Board is aware, the evidentiary requirements for feeder line applications are substantial. Even an experienced rail carrier such as KJRY cannot put together all the necessary pieces of such an application in 4 days. Unless the Board grants the extension requested herein, it will be impossible for KJRY to present an application and doing so would be inconsistent with the Board's precedents and regulations.

KJRY has sufficient financial resources to acquire the South Plains properties and to operate them providing service to all shippers on the lines. KJRY is a subsidiary of Pioneer Railcorp ("Pioneer"). Pioneer is a shortline holding company, currently controlling fifteen railroads. Altogether, Pioneer's subsidiaries operate over 500 miles of line in eight states. Pioneer's gross revenues in the first five months of 2006 were approximately \$9.5 million, with net income of approximately \$2.3 million.

PYCO's application cites \$5.0 million as its estimate of the cost of acquiring and rehabilitating South Plains' entire line for operation. "The total cash needed for purchase, rehabilitation and (indefinite) operation of the entire SAW system is thus approximately \$5,000,000." Application in STB Finance Docket No. 34890 at 9. KJRY has access to financing, and has previously acquired a line under the feeder line statute. See Verified Statement of J. Michael Carr, President, CEO and Chief Financial Officer of Pioneer. Accordingly, if allowed sufficient time to prepare a feeder line application, KJRY would have

sufficient resources to carry out the application and to institute service to the shippers on South Plains' line.

CONCLUSION

KJRY is an experienced rail operator with sufficient resources to acquire and operate South Plains' entire system in order to provide improved service to all shippers on that system, not just to PYCO and its two neighbors. If granted sufficient time, as requested in this Motion and as consistent with the Board's regulations, KJRY will prepare and file a competing feeder line application within the 30 day period provided by the regulations.

The current deadlines for filing a competing feeder line application in this proceeding make it impossible for such an application to be filed and are contrary to Board precedent and the regulations. Unless the Board extends those deadlines, it will disserve the purposes of the feeder line statute - preservation of viable rail service - by disallowing a viable alternative to PYCO's self-focused cherry-picking of most of the line's traffic. KJRY respectfully suggests that by following its regulations and allowing KJRY to submit its competing application by August 14, the Board would best serve the public's interest in preserving viable rail service.

Respectfully submitted,



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Attorneys for Keokuk Junction Railway Co.

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VERIFIED STATEMENT OF J. MICHAEL CARR

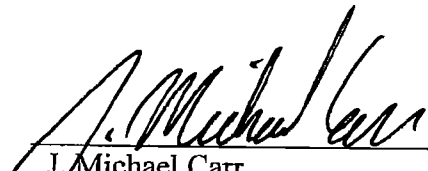
My name is J. Michael Carr. I am President, CEO and Chief Financial Officer of Pioneer Railcorp (“Pioneer”). Pioneer is the parent company of Keokuk Junction Railway Co., which is filing the motion for extension of time to which this statement is appended.

This statement has two purposes. First, I hereby confirm that it is KJRY’s intent to file a competing feeder line application in the above-captioned proceeding if granted the extension requested in the foregoing motion. Second, as Chief Financial Officer of Pioneer, I hereby confirm that Pioneer has available, and will make available to KJRY for purposes of acquiring the lines of South Plains Switching, Ltd. Co., a line of credit in excess of the estimated \$5.0 million cost of acquiring, rehabilitating and operating those lines.

VERIFICATION

I, J. Michael Carr, verify under penalty of perjury that I have read the foregoing verified statement and that the same is true and correct as stated. Further, I certify that I am qualified and authorized to file the foregoing statement.

Dated July 18, 2006


J. Michael Carr
President, CEO and Chief Financial
Officer, Pioneer Railcorp

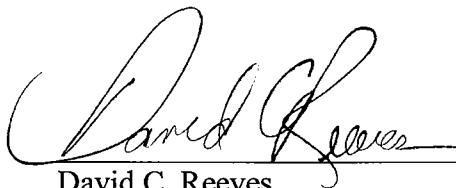
CERTIFICATE OF SERVICE

I hereby certify that on July 18, 2006, I have caused the foregoing Motion Of Keokuk Junction Railway Co. to be served by facsimile transmission on all parties of record at the following addresses:

Charles H. Montange, Esquire
426 NW 162nd Street
Seattle, WA 98177
Fax: (206) 546-3739;

Thomas F. McFarland, Esquire
208 South LaSalle St., Suite 1890
Chicago, IL 60604
Fax: (312) 201-9695

followed by a copy sent by first class mail, postage prepaid.

A handwritten signature in cursive script, reading "David C. Reeves", is written over a horizontal line.

David C. Reeves
Attorney for Keokuk Junction Railway Co.