

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.



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OCT 27 2006

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Public Record

DR. DANIEL R. FIEHRER, APPLICANT

V.

BNSF RAILWAY, RESPONDENT

FILED

OCT 27 2006

SURFACE
TRANSPORTATION BOARD

Preliminary Application and Verified Petition to
Acquire BNSF's De Facto Abandoned Railroad
Between Great Falls and Helena, Montana

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SURFACE
TRANSPORTATION BOARD

DATED: OCTOBER 19, 2006

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ACRONYMS AND ABBREVIATIONS

AV	Asset Value
ATSF	Atchison, Topeka and Santa Fe Railway
BNSF	Burlington Northern & Santa Fe Railway
BAP	Butte, Anaconda and Pacific Railway
CP	Canadian pacific Railway
CFR	Code of Federal Regulations
CMR	Central of Montana Railway
Cong.	Congress
CR	ConRail - Consolidated Rail Corporation
CL	Carload
CMV	Constitutional Minimum Value
CV	Constitutional Value
CEO	Chief Executive Officer
De Facto	In Fact
EA	Environmental Assessment
EIS	Environmental Impact Statement
e.g.	Example
ET Al	And all
FRED	F Rear End Device (Warning light on end of train)
FMV	Fair Market Value
FD	Finance docket
FOB	Freight on Board
FRA	Federal Railway Administration
GCV	Going Concern Value
GVW	Gross Vehicle Weight
Gal	Gallon
GN	Great Northern Railway
HP	Horse Power
HR	House of Representatives
ICC	Interstate commerce commission
i.e.	That is
ISO	International Standard Order
KCS	Kansas City Southern Railway
Lbs	Pound
LLC	Limited Liability Corporation
MV	Market Value
MT	Montana
MPG	Miles per gallon
MRL	Montana Rail Link Railroad
MWR	Montana Western Railroad
NEPA	National Environmental Protection Act
NIAT	Net Income After Taxes
NIBIT	Net Income Before Income Taxes
NSV	Net Salvage Value
NAFTA	North American Free Trade Agreement

ACRONYMS AND ABBREVIATIONS (Continued)

NP	Northern Pacific Railway
NLV	Net Liquidated Value
OFA	Offer of Financial Assistance
PCB's	Polychlorinated Biphenyls
PCN	Public convenience and Necessity
PPS	Pages
RRIP	Railroad Rehabilitation and Improvement Program
RR	Railroad
RY	Railway
SV	Scrap Value
SPF	Spruce, Pine and Fir Lumber
STB	Surface Transportation Board
SEA	STB's Section on Environmental Analysis
UMLER	AAR Computerized Equipment Register
UP	Union Pacific Railway
USDA	US Department of Agriculture -Natural Resources Conservation Services
UN	Utah Northern Railway
USC	United States Code
VA	Veteran's Administration
Yd	Yard

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UNITED STATES SURFACE TRANSPORTATION BOARD

WASHINGTON DISTRICT OF COLUMBIA

DR. DANIEL R. FIEHRER,	)	VERIFIED STATEMENT IN
	)	PRELIMINARY
APPLICANT	)	APPLICATION TO ACQUIRE
	)	
V.	)	BNSF RAILROAD BETWEEN
	)	HELENA AND GREAT FALLS,
BURLINGTON NORTHERN SANTA FE	)	MONTANA
	)	FEDERAL STATUTE 49USC 10907
RAILWAY - RESPONDENT	)	PART 1151 FEEDER DEVELOPMENT

INTRODUCTION

COMES NOW Dr. Daniel R. Fiehrer, Citizen of Montana state and applicant in the above entitled matter to record his Verified Statement in Support of his Preliminary Application to acquire Burlington Northern Santa Fe Railway's 100 mile railroad (see current BNSF System Diagram Map) from Milepost 118.2 at or near Great Falls, Montana to Milepost 210.2 at or near Helena, Montana through Cascade County and Lewis and Clark County Montana pursuant to Federal Statute 49 USC 10907 Part 1151, which provides **"A Financially Responsible Person" may apply to the United States Surface Transportation Board (Hereinafter STB) to require a railroad to sell that person an under-served rail**

line in order to facilitate provision of adequate service over the line. The U.S. Surface Transportation Board may grant such an application if shown the sale is for public convenience and necessity, which focuses on whether the railroad is providing adequate service. A finding by the STB is sought to resolve measurable deterioration and abandonment of rail service over the line and determine that since the rail line has not been operated for six years; and is still on BNSF's System Map; and BNSF has not filed for abandonment nor has anyone else filed an application to acquire this line; that the STB find it in the public's interest, convenience and necessity to order the line sold to applicant so service can be restored. Applicant is not a Class I or Class II railroad or an entity affiliated with a Class I or Class II railroad, nor does applicant have an exemption from provisions of Title 49 of the U.S. Code and if approved by STB for acquiring the Great Falls to Helena, Montana line no further exemption will be elected.

VERIFICATION

I, Dr. Daniel R. Fiehrer, the undersigned hereby verify, under penalty of perjury and the Laws of the United States of America that the following statement is true and correct, to the best of my current information, knowledge and belief, so help me God, pursuant to 49 USC 109007, Part 1151.

OFFER TO PURCHASE LINE

On July 7, 2006 Applicant sent a registered letter to BNSF's CEO, Mr. Matthew Rose, notifying him of intent to file an application to acquire the line under 49 USC 10907, offering to purchase the line at "Going Concern" value asking Mr. Rose to set a price. (See Appendix - includes letter and "Certificate of Service") Mr. Rose responded to the applicant's offer the line was not for sale. (See Mr. Rose's reply in Appendix)

At a Montana Governor's Rail Competition Committee Meeting held at the Shelby, Montana Elk's Lodge on August 14, 2006 a representative of BNSF, Ms. Barbara Ranf, advised the Committee that BNSF had not filed for abandonment because it was going to hold onto the line and not restore service in case more business developed at some time in the future. A Montana State Senator, Mr. Ken Hansen voiced dissatisfaction with that position, as it was a self-fulfilling prophecy, which would cause the line to deteriorate to the "point of no return" to where abandonment would be granted because the cost of repair would be prohibitive. Allegedly MRL offered BNSF to operate the line under sale or lease which was rejected.

A "Rails-to-Trails" Group also is reported to have offered to buy part of the line from BNSF to establish a biking/hiking trail which was rejected. (See Appendix)

POSITION OF PARTIES

BNSF has rejected any attempt to purchase the line by railroads, "Rails to Trails" and Applicant based on BNSF's wish to retain the line and not formally file for abandonment because of BNSF's belief some unknown amount of traffic may develop in the future at some unknown time they could handle, yet BNSF still shows the line on their System Diagram Map, have not filed for abandonment while the track is still in place, except for a 50 foot washout near Ulm, Montana, which BNSF claims will cost \$3.2 million to repair which is prohibitive and refuse to provide any service.

No abandonment has been filed by BNSF and the line continues to be shown on BNSF's System Diagram Map. There have been no other offers or applications to STB to acquire the complete line.

Applicant contends if line can be acquired and operated as a shortline it can be done cheaper than BNSF due to lower overhead and labor costs; and, it will improve BNSF's financial position by removing it from BNSF's Balance Sheet which continues to incur property taxes which must be cross-subsidized by other BNSF productive and profitable business. Applicant contends restoration of service will give Montana captive shippers and receivers more direct competitive access to other railways such as MRL, UP, CP and cause a growing amount of international traffic moving between Western Canada and Mexico to move over this more direct corridor to relieve pressure off the other three more circuitous corridors approaching capacity. This would reduce the market dominant chokehold BNSF has with its 94% share of the rail market into and out of Montana and diminish any temptation to act in an anti-competitive monopolistic manner and put a downward pressure on rates on existing business while incenting more new business and creating the opportunity for the shortline contracted with to furnish rail equipment better to satisfy a "managed shortage" of cars to existing rail patrons which otherwise puts an upward pressure on rail rates and allows BNSF to "auction off" cars (*in short supply like centerbeam lumber cars*) to the highest bidder. This may be a violation of BNSF's Common Carrier obligation, possibly RICO Laws and various provisions of the Interstate Commerce Act as amended in not meeting its Common Carrier obligation to provide shippers equipment, service and rates over its lines.

PETITION, REQUESTS, REMEDIES AND DECISIONS SOUGHT

1. Seeks a finding that there is a need for rail shippers and receivers located on and off the line to use the line; and it is in the public interest to transfer ownership of the line, reopen it and restore service with a shortline.
2. Seeks a finding that absence of service constitutes "inadequate" service.
3. BNSF is unwilling to provide rail service at competitive rate levels.
4. Seeks a decision granting Applicant's application to restore service to shippers and receivers on and off the line who would use the line.
5. Seeks a finding that if the line is transferred to applicant who restores service that granting of "trackage" or "running rights" to carriers such as UP, CP, MRL and

- BNSF provides a means of serving shippers and receivers on the line as well as "overhead" or "bridge" traffic.
6. All letters of support by interested parties filed in the original preliminary and completed application or letter supplements in support of the application be accepted into the record.
 7. Seeks to resolve arbitrary and measurable discontinuance or elimination of service which may have violated various provisions of the ICC Act as amended in not meeting its "common carrier" obligation to provide service, equipment and rates
 8. Seeks an order by the Board for Applicant to acquire the line at Constitutional Value (CV) and arrange to restore service with adequate transportation to meet demand as needed for three years before the line deteriorates "beyond the point of no return" wherein it becomes uneconomical or prohibitive to do so and provides BNSF with justification to formally apply for abandonment.
 9. Seeks an order enjoining BNSF from transferring ownership and not removing any track structures, switches, or signals, bridges and tunnels that would increase the costs of repair or prevent the line from being transferred to the Applicant during the proceeding which would in any way evade the Board's (STB) authority and jurisdiction authorizing transfer of BNSF's property.
 10. Seeks acceptance of the preliminary application as filed conditioned upon provision of interrogatives by BNSF needed to complete the application and demonstration of Applicant's financial responsibility by submitting additional financial information under cover of a protective order preserving confidentiality and compensation commitment after Board (STB) determines Going Concern Value (GCV) as Constitutional Value (CV)
 11. Seeks exclusion from Environmental Assessment (EA) due to absence of 8 trains per day or 100% increase in traffic under 40 CFR 1500 4(p) 1501 4 (a) (b) 1508.4 and 49 CFR 1105.6 (c)
 12. Seeks the Board to use as its "baseline" measurement Historic levels of traffic for the last 6 years which is non-existent above which the Board has consistently interpreted its threshold as regarding current traffic which as a "Baseline".
 13. Seeks to have the Board deny any request by BNSF to deny Applicant's application
 14. Seeks Board (STB) to require BNSF as part of proceeding to show Public Interest is served by continued closure of the line.

15. In event Board approves Applicant's Application to order and require BNSF not to embargo this line, provide service and be enjoined from unreasonably high rates or poor service to and from its interchange.
16. Seeks a single decision allowing or denying this preliminary application as filed initially or amended to become a complete application in 90 days following provision and answer of interrogatories by BNSF required to complete the application.
17. Seeks a finding that if approval is granted it will not affect the conservation of energy or human environment.

MOTION

In its motion Applicant seeks Board orders:

1. To have BNSF Furnish:
 - a. Current estimates of Net Liquidation Value (NLV), Going Concern Value (GCV), and Depreciated Book Value of the line including cost of demolition and removal of trestles, bridges, implosion of tunnels and establish cost of its environmental impact statement on removal of line.
 - b. Lists of former shippers and receivers who used the line.
 - c. Complaints filed with BNSF, the STB or State Public Service commissions in the last six years regarding abandonment of the line.
 - d. Names and ages of BNSF employees, titles, payroll scales job descriptions and duties, who operated over the line prior to *de facto* abandonment of line.
 - e. List of volumes of commodities by car type by shipper, receiver by origin and destination in descending order of revenue costs and margin for five years preceding abandonment.
 - f. Current track profile and detailed map of line.
 - g. Most Recent Time Tables for line
 - h. Maintenance costs of line from 1996 to present outlining itemized nature and amount of costs including property taxes assessed and paid for 2005.
 - i. Comparison of lowest grain rates (*including confidential contracts, rate quotes and allowances off of published rates*) from Montana to Galveston, Texas and Portland, Oregon compared to rates from Kansas City, Missouri and Denver, Colorado to Galveston and Portland.

- j. Property taxes assessed and paid on the line from Great Falls to Helena, Montana for the year 2005.
 - k. Current depreciated Book Value of Line
 - l. Current Return on Assets of Line (ROA)
-
- 2. Enjoin BNSF from selling or transferring any part of the line, remaining track or switches, rail, ties or roadbed, which would increase cost of repairing the line or discourage sale of line during these proceedings.
 - 3. Enjoin BNSF from raising rates, denigrating service, reducing car supply or terminating any agreements or licenses aimed at any shipper, railroad or motor carrier filing a statement in support of this feeder line application.
 - 4. BNSF furnish internal correspondence leading up to their decision and reasons to *de facto* abandon this line and all internal and external correspondence regarding this line in the last six years since their *de facto* abandonment
 - 5. Authorizing Applicant's submission of new evidence in support of its preliminary application and petition after BNSF answers interrogatives above as that information in support of the application cannot be obtained without BNSF'' cooperation
 - 6. If Application is granted, Applicant to acquire and operate the line BNSF will be enjoined to not embargo the line or "economically close" it with unreasonably high rates, poor service or provision of cars other than BNSF.
 - 7. Applicant's personal financial information be submitted under a protective order protecting confidentiality.

**NOTE: Applicant contends discovery is necessary to prepare and submit a "complete" application with information exclusively within the owning railroad (BNSF).*

INTEGRITY OF LINE DURING THE PROCEEDING

To prevent diminution in value of rail property sought to be acquired in the Feeder Line Application, Applicant seeks STB to enjoin BNSF until the Feeder Line Proceeding is completed until closing of the sale with BNSF (*or Board's receipt of notice from Applicant he decided not to go through with the sale*) to refrain from selling any portion of this line, or pull up switches or other material or track which would otherwise impair or increase the cost of restoration of rail service or operation over this line until a decision is reached by the Board in these proceedings; or, leasing, operating, or

contracting with other shortline carriers or third parties; or, from threatening or terminating any agreement, licenses, or leases aimed at any interested party, shipper or government entity at the local, county or state level that files a statement in support of this feeder line application prior to conclusion of this STB Feeder Line Proceeding. The Board has voided similar transfers of railroad property or interests in leases and agreements to shield railway property from STB authority (see 49 USC 10904). If and when the Board grants approval for acquiring and operating this line, Applicant seeks to have the Board include in their order for BNSF to not embargo this line following transfer of ownership; or, to "economically close" the line by imposing confiscatory or unreasonably high "combination rates" or "divisions" on a ton-mile basis to or from the interchange which would prohibit use by prospective shippers or receivers from using the line as an overhead or "bridge" carrier. BNSF should be directed to provide service to and from this line after transfer of ownership consistent with the service provided over this line by the Applicant; and, or Applicant's lessees or operating shortline.

See: Railroad Ventures, Inc. - Abandonment exception between Youngstown, OH and Darlington, PA in Mahoning and Columbia Counties, Ohio and Beaver county, PA. STB docket AB-556 Sub D 2X et al Serial 2000) Affd Sub

BACKGROUND AND HISTORY OF THE MONTANA CENTRAL RAILWAY FROM GREAT FALLS TO HELENA, MONTANA

James J. Hill was born in Guelph in upper Canada on September 16, 1838 and educated in the Quaker Rockwood Academy, which he left at age 15 following the death of his father. By 1861, Hill was an analytical shipping clerk and general agent for a steamboat company in St. Paul, Minnesota. He routed a third of Westbound freight over railroads to St. Cloud for transloading to oxcart to Red River flatboats bound for Ft. Garry. The same year, Paris Gibson, an associate of W.W. Eastman, built and operated the first flour mill at St. Anthony Falls, Minnesota on the Mississippi (now Minneapolis) where Hill and Gibson became friends. Several years later Hill and three associates (Donald Smith, Norman Kittson and George Stephan) purchased bankrupt St. Paul and Pacific Railway and in 1879 reorganized it into the St. Paul, Minneapolis and Manitoba Railroad.

Gibson, bankrupted by the Panic of 1873, moved to Montana in 1879. He settled in Fort Benton and became a large sheep rancher, importing purebred sheep and became a wool buyer. Gibson (*founder of Great Falls, Montana and later a U.S. Senator*) acquired land in 1882 at the confluence of the Sun and Missouri River and platted the town of Great Falls in 1883. He interested Hill in joining him in this large land holding. Montana's population was down after the placer mining rush of the 1860's, but increased in the late 1870's to 40,000. Cattle and sheep ranching were established and the agricultural potential was enormous. It was believed wheat would transform Montana, though mining was the main business. Central Montana mining enterprises impressed Hill. Gold, silver, lead and copper deposits were exploited with the promise for future expansion. British funded Drum Lummon Mine was producing gold and silver at Marysville. Silver deposits were opened near Helena and there were other mining opportunities near Rimini. Railroads were new in Montana, but their expansion was imminent. Gibson deluged Hill with information about Montana and his vision stirred by opportunities he saw at the confluence of the Sun and Missouri. With possibilities of water-power and nearby coal resources, Great Falls could become a commercial and smelting center.

Gibson and Hill formed the Great Falls Water, Power and Townsite Company and bought land near the Great Falls of the Missouri (*a tourist attraction*). Gibson's vision was to ship beer vs. barley, flour vs. wheat, meat vs. livestock and lumber vs. logs. The city would need rail connections with Helena and Eastern markets.

There were few routes to Montana. Hill moved quickly to occupy the best route from Minot, ND to Fort Benton, Montana. Hill said, "*When we built into Montana it took faith! From the eastern boundary of the state to Fort Benton was unceded Indian land; no white man had a right to put two logs on top of the other. If he remained too long in passing through, he was told to move on. When the cattle drives crossed the Missouri river the first years of the railroad to come to the trains, the Indians required \$50/head to allow them to walk across the land, a distance of about three miles, and, they had to pay for the water they drank while crossing the river.*"

Gibson urged Hill to visit the area; "*a view of this country might change your future policies.*" In 1879 Hill commented, "*Montana is at present quite remote from our line,*"

but added, "it may not always be so." However, by 1881 Hill admitted he *"had some notion of going West."*

In June of 1884 Gibson invited Hill to visit Helena and Great Falls to hunt and fish along the Missouri River (and to *evaluate building a railroad from Great Falls to Helena and Butte*). Hill's four-day trip visited every business along the Missouri River between Fort Benton (where he met with William G and Charles E. Conrad) and gold mines at Butte. Montana was still a frontier, but on the verge of sustained development. Charles Broadwater, another friend of Gibson, was president of the Montana National Bank in Helena. Broadwater was into mining and a dozen other interests, which included provisioning Army Posts, wagon freighting (*The Diamond R. Freight Company*) and a large Hotel in Helena bearing his name. Gibson was sheep ranching in Fort Benton, the last stop for steamboats up the Missouri. Gibson's son Theodore, D.C. Shepard and Charles Broadwater met Hill to discuss a railroad to connect NP at Helena and UP at Butte, which would extend to mines owned by Hill and Broadwater at Helena and mines at Marysville and Rimini from what become Great Falls.

The three met Hill at Helena and drove to Great Falls in a Concord coach drawn by four horses, which were changed every 12 miles for the 125 mile ten hour journey. Hill saw forests and the fertile plains of the Sun River Valley. They lunched at the Bird Trail Divide (*highest point on the trail*) where Hill studied the terrain and commented, *"He would extend the Manitoba Railroad to Great Falls and by one of the passes through the mountains on to the Pacific Coast."* Theodore Gibson recounted in 1926 *"Hill reminded him of an Indian with his long silent study of the situation"* after arriving at the Sun River.

The party toured Sand Coulee's coal fields where Hill commented, *"there was enough for the town of Great Falls and the railroad's engines as well."* Later that day they drove to Gibson's town site for a trout picnic supper where Hill said, *"Montana is a revelation to me."* Of particular interest was the possibility for livestock and agriculture along the Sun and Missouri River valleys and waterpower potential. It was then he decided to launch the western construction of his railroad, which gave birth to the Montana Central between Great Falls, Helena and the gold mines of Butte. He envisioned Great Falls as a site for water-powered mills at the falls of the Missouri River. In 1885 Hill joined friends in the East to acquire stock in the Red Mountain Consolidated Mining Company at Rimini, Great Falls Water Power and Townsite Company (organized

by Paris Gibson) and, ultimately, the Montana Central Railway designed to connect Great Falls with Helena and Butte.

The Northern Pacific Railway and the Canadian Pacific Railway had lines to the West Coast and neither were profitable. Hill wanted to protect his reputation as a railroader. He needed "private" capital for westward building from Devil's Lake. He couldn't obtain Federal Grants like the Northern Pacific and planned secretly while proclaiming implementation was years away.

The Manitoba reached Devil's Lake, N.D. on July 4, 1883. Early in 1886 the Manitoba started west from Devil's Lake, Dakota Territory. While engineers were still selecting a final location of the route, D.C. Shepard & Company (the contractor from St. Paul) started grading by scattering 2,000 men in groups of 25-20 along the survey route under sub-contractors. Most graders were Scandinavian farmers, who settled 25 miles west of Devil's Lake in anticipation of the railroad's arrival, seeking an opportunity to earn cash. Irish track layers followed the graders completing 121 miles to the second crossing of the Mouse River on October 4. Surfacing was with dirt, while ballasting could wait. At the end of the track was the town of Minot (named in honor of Manitoba's 27 year-old former Second Vice President, banker Henry W. Minot.) Minot became a staging area and stockpiling center for the next year's construction. Hill wanted to push on to Great Falls from Minot the next year. He declared, "The Manitoba must build more than 700 miles in eight months during the next year to insure our position of advantage." This would double the Manitoba's 366 mile construction and "more track than has ever been laid in 10 months elsewhere." To achieve this "Herculean" project would require extraordinary management and purchase of vast quantities of materials before prices rose and support obtained in Washington, D.C. to obtain right-of-way through military and Indian Reservations (*Berthold and Blackfoot*). The Blackfoot Reservation covered so much of the North Dakota and Montana Territories that, unless the Indians accepted smaller reservations, much of the land on the projected railroad would be closed to settlement.

In February 1887 the Manitoba was granted the right to cross the Indian Reservations in Dakota and Montana Territory if it paid for the land used. Construction to Helena began April 2, 1887 the following spring with a 1,610 foot bridge west of Minot. (*GN later boasted it was not a Land Grant Railway built with Government subsidy!*) Rail was ordered from Germany and

England, while U.S. steel was ordered from several mills to obtain favorable terms and to avoid dependence on one source. Wood products for lumber and pilings for bridges and three million ties was scarce due to low water in streams to raft logs.

Construction to Great Falls broke a record for rail construction. The 643 miles to Helena was completed in 204 days. On August 11, 1887 44,100 feet of track was laid and on October 15 the line reached 545 miles from Minot to Great Falls and Helena on November 19 for connection with the NP to Oregon. (see Map in Appendix) The next year the line was completed to Butte to connect with UP to California. Resources to build the railroad from Minot to Great Falls by Shepard and Winston of St. Paul included 9,000 men and 7,000 horses and required 590,000 bushels of oats. Preparing the roadbed from Minot to Great Falls, nearly one million cubic yards of earth and 22,500 cubic yards of loose and solid rock was moved. To help in this engineering feat, Hill relied on Major A.B. Rogers, a great railway engineer (who found a pass through the Canadian Selkirk Mountains named after him) and D.C. Shepard, the contractor who knew John Egan, a CP official with a knack of driving men.

Earth-moving subcontractors in May 1887 graded 100 miles per month until the last 200 miles, when crews did seven miles per day. From the second crossing of the Mouse River, the route traversed the Berthold Indian Reservation to Williston and the Missouri River Valley. Leaving Fort Buford, it crossed the Poplar River, dipped into the Milk River Valley which it crossed three times before reaching Fort Assinibone (*Southwest of Havre*). It then turned Southwest, crossed the Marias River, passed near Fort Benton and proceeded to Great Falls where track-layers arrived on October 16, 1887. The next day they started laying track south to Helena, covering 97 miles of the Montana Central by November 19 when work stopped for the winter.

For its 97 miles, the Montana Central achieved advantages over any other Rocky Mountain line ever constructed with comparable grades and curvature. The line was comprised of 3,000 ties per mile and 75 lb. rail. Pressure to build the 700 miles in record time came from farmers who settled and planted crops in anticipation of the railroad coming to transport their crops to an Eastern market. (See Manitoba map Montana & North Dakota in Appendix)

Union Pacific pushed a narrow gauge line (*the Utah and Northern Railroad Company*) to Butte in 1881 and on to Garrison

in 1882, which reduced dependence upon Missouri River steamboats and wagon freighters. Citizens of Helena wanted two railroads; one east/west and one north/south and invited Canadian Pacific to build a branch to their city. At Fort Benton businesses promoted a local road hoping CP would build south to it. Sir Alexander Gault, a coal producer in Lethbridge, Alberta Canada, wanted to haul coal to Montana smelters. Hill worked quickly to extend the Manitoba into Montana. In 1882 Union Pacific paid Northern Pacific half a million dollars "to stay out of Butte." In 1882 Northern Pacific track layers came west to Trident, near the headwaters of the Missouri River. Here the line turned north following the Missouri River to Helena (a *substantial trade center*) over the Continental Divide at Mullan Pass and by-passed the rugged climb over Homestake Pass. Six years later, NP built the line over Homestake Pass to Butte reaching the highest elevation of 6,345 feet on NP, which required a climb of 2,331 feet from Trident. Grades of 2.2% and curves of 12 degrees were necessary together with a 400-foot tunnel at the summit. This line took one year to complete.

Marcus Daly, founder of Anaconda Company, came to Butte in 1875 to inspect the Alice Silver Mine. Daly bought the claim and sold it in 1881 to purchase the Anaconda Mine, which had been producing, less silver and more copper. Butte became the largest copper producer in the U.S. with an incredible 78 million pounds mined in 1887. Hindering profits of mining ore rich Butte were smelting and transportation. Ore produced in Butte was complex - only the latest technology could refine it. William Clark shipped copper from Butte to Colorado for smelting. Silver ore was shipped by wagon and transloaded to steamboat at Fort Benton, then transloaded to rail to a smelter in New Jersey until in 1879 when a copper smelter was built in Anaconda near Butte.

Hill empowered friends, Broadwater, Gibson and Shepard to build the railroad from Butte to Great Falls with the help of A.B. Rogers and John Egan via the only practical route along the Missouri River which they preempted as a "local project" with funds supplied by Hill.

In January of 1886 Col. Charles Broadwater chartered and incorporated Montana Central and became its first president and builder. Broadwater consulted with Hill, but was no "rubber stamp." Its first survey, costing \$8,000, began midwinter of 1886. Rails would run north from Helena to what soon would become Great Falls with branches to the Red Mountain Mine at Rimini owned by Hill and Broadwater near Helena and to mines at

Marysville. Despite rumors connecting Montana Central with the Manitoba, Hill and his Board studied their options. Hill was committed to diversifying the railroad's traffic and preemptively acting to forestall competitors like NP, while maintaining NP's and UP's goodwill (even though they were hostile toward the Manitoba and Montana Central). UP's CEO suggested Hill stay out of Montana and concentrate on building branch lines in Dakota Territory as it had in Minnesota. Manitoba directors responded by urging acquisition of Montana Central (which the stockholders approved). Montana Central engineers surveyed the proposed route northwest from Helena even before the company was organized. Graders were not far behind. Working through the winter of 1885-86 to thwart other aspirants, Chief Engineer E.J. Dodge preemptively located the only route through Prickley Pear Creek Canyon and over the narrow route between sheer cliffs and the Missouri River.

Grading began at once and was completed by the end of 1886. When NP threatened to charge high rates for hauling rails and construction materials to Helena, Hill delayed track laying for a year until the Manitoba could be extended to Great Falls so steel could come on the Manitoba instead of NP.

In 1887 Montana Central issued \$5 million in stocks and in May of 1887 issued \$10 million in bonds. Hill furnished cash to equip and construct the line in return for stocks and bonds of the company.

On November 21, 1887, three years after Hill's tour from Helena to Great Falls a crowd jammed Ming's Opera House in Helena to welcome Hill to celebrate arrival of Montana Central connecting Helena with Great Falls, Minneapolis and St. Paul. Helena became capitol of Montana and was a two railroad town with the East/West NP and North/South Montana Central (later the Great Northern). The last spike was driven on November 19, three days before arrival of the first train.

Hill gave credit for conceiving the railroad to Col. Charles Broadwater at Ming's Opera House and commented, "It is now about three years since I first saw your beautiful mountains and your city. Colonel Broadwater, your enterprising citizen, was at that time particularly anxious that I should come out here to see what a field there was for railroad development. When I came here he did not give me any peace until he had rushed me over the mountains four times - I think in three days! He insisted that every stone was a mine and he told his story so well that I am half inclined to believe him right."

Coal was essential to Montana mining. Before 1888 it came over Union Pacific from Rock springs, Wyoming and was transloaded to narrow gauge cars at Ogden, Utah for movement north to Butte on the Utah Northern Railroad built in 1886. The connection was poor and expensive. In 1886 a coal shortage forced every mine in Butte to close.

Discovery of coal in Sand Coulee, southeast of Great Falls was a Godsend. In 1886 Union Pacific co-operated with NP to construct and operate a branch line west from Butte to the NP at Garrison. This railroad called the Montana Union failed in 1892 because of car and power shortages, and, high rates. This prompted Marcus Daly of Anaconda to build a railroad from his copper mines at Butte to the smelter at Anaconda. The railroad was named Butte, Anaconda and Pacific RR (BAP) which later became the Montana Western RR, owned by John Greene, a former Anaconda employee. (*His heirs recently sold it to BNSF*).

Smelted copper concentrate needed further refining. In 1893 the Great Boston and Montana Consolidated Company's Copper and Refining Works (*later bought by Anaconda*) was built in Great Falls. Copper ingots from Anaconda were shipped there for further refining with hydroelectric power and coal from Sand Coulee.

To control the water supply at Black Eagle on the north side of the falls of the Missouri River, the Great Falls Water, Power and Townsite Company built a crude dam from timber filled with rock. A primitive water wheel was built with an endless rope to drive machinery at the smelter. A small hydroelectric plant supplied electricity to the town of Great Falls. After coal was discovered in Sand Coulee, huge dams were built to drive turbines and generators at Volta and the Great Falls of the Missouri. They lit up most of Montana, after which Great Falls became known as "the Electric City."

The first Montana Central train arrived in Butte on July 12, 1888. The 73 miles of track was laid from Helena to Butte in 65 days. Montana Central had 18 locomotives, 8 passenger cars and 710 freight cars.

Montana Central became a major copper hauling railroad connecting the Great Northern Railway in Northern Montana to the Northern Pacific and Union Pacific in Southern Montana and hauled coal from Sand Coulee south. Later cattle and agricultural products became important to Montana as ranches, farms and towns grew along the line.

On June 30, 1890 Montana Central Railway became an operating subsidiary of Hill's Manitoba (later named the Great Northern Railway). **James J. Hill understood the symbiotic relationship of the railroad and the customers it served.** Montana Central was merged into Great Northern on July 1, 1907 and Montana Central was "dis-incorporated" on December 20, 1939. The Great Northern Railway was merged with the Northern Pacific Railway and CBQ on March 3, 1970 following a U.S. Supreme Court decision on February 2 to become Burlington Northern. Chief Justice Warren F. Burger, author of the decision, stated "the Transportation Act of 1940 clearly expressed the desire of Congress that the railroad industry proceed toward an integrated national transportation system through substantial corporate simplification so long as it was in the public's interest."

Burlington Northern merged with the ATSF (Santa Fe) in 1995 for \$4 billion to become the Burlington Northern Santa Fe.

Source: Archives in Great Falls Public Library
comprised of manuscripts, newspaper articles, photos,
pamphlets and excerpts from Railroad Magazines.

DESCRIPTION OF THE LINE

BNSF's north/south line in north central Montana is rural, dedicated to agriculture. The line begins at milepost (MP)118.2 at or near Great Falls, Montana and goes south to milepost (MP)210.2 at or near Helena, Mt - a distance of 92 miles (see enclosed time tables in appendix) which depict mileage from 72.02 to 169.74 or 97.72 miles when measured north from Butte, Montana through Helena to Great Falls. When measured south from Great Falls to Helena on Great Northern Time Tables (see appendix) shows 222-123 or 99 miles between Great Falls and Helena, Montana.

The line winds along the west bank of the Missouri River over western tributaries bridged by wooden trestles and steel bridges south from Great Falls the first station is Flood (2 miles), Ulm 15 miles), Riverdale (22 miles), Cascade (29 miles), Hardy(38 miles), Mid Canon (45 miles), Craig (52 miles), Holter Junction (57 miles), Wolf Creek (60 miles), Manila (64 miles), Sieben (68 miles), Mitchell (69 miles), Johns (76 miles), Silver City (82 miles), Gearing (85 miles), Iron (91 miles), NP crossing (95 miles), and finally Helena at (99 miles).

In 1929 passenger trains traveled the line between Great Falls and Helena in 3 hours averaging 33 miles-per-hour (MPH).

From Great Falls to Helena the line has less than a 1% "ruling Grade" the maximum being between Wolf Creek and Silver City (see *track profile in Appendix*). The highest point is between Great Falls and Helena after it descends a grade of 1.1% to Iron and proceeds up a .85% grade from Iron into Helena.

Between Great Falls to Helena it has many unprotected grade crossings with only "cross Bucks". There are sidings at Ulm, Cascade, Craig, and Wolf Creek formerly used for switching, "setting out" cars, storage, passing, and serving elevators (*now closed due to absence of rail service*).

The right-of-way parallels the Missouri River between Great Falls and Craig. Interstate Highway 15 parallels the river on the side of the river opposite the railroad from Ulm to Craig through the river gorge.

The right-of-way sold to the railway was 75 feet on either side of the track. The ever changing river has come closer to the track at some places and farther away at others. When the right-of-way was sold to Montana Central Railway by the U.S. Department of Interior (*for about \$.50 per acre*) it included the "Right "to take materials for its construction from adjacent lands. It was granted land for stations 3000 feet long and 300 feet wide not to exceed a station every 10 miles. The land was appraised and the amount paid to the Department of the Interior was designated for use by Indians from which the land came. A map was made during the sale and a "definite line" established over which the Montana Central could proceed with construction. The railroad built in 1887 by Montana Central was comprised of 3,000 ties per mile and 75 lb. rail.

The present railroad has 110-112 Lb. welded rail over most of its route. The roadbed is good except for a 50 foot section near the highway bridge over the Missouri River at Ulm, Mt. (see *enclosed Great Falls Tribune Photo in Appendix*). This washout is shallow and estimated to require 2 track panels, a "bobcat" front end loader, a truck load of "ballast" and 2 men a day to repair at a cost of several thousand dollars compared to BNSF's higher estimates of \$3 million. Surplus intermodal cars are stored on the line north of the washout between Ulm and Great Falls.

South of Great Falls north of Helena through Sieben the railroad parallels one of the largest ranches in Montana, (Sieben Ranch owned by U.S. Senator Max Baucus' family) as it and interstate Highway 15 enter the Little Prickley Pear Canyon and follow the creek through a rugged winding defile of cliffs as it exits tunnel number 5 visible from the I-5 highway bridge (see picture of 3 BN locomotives pulling southbound grain train exiting tunnel 5 and crossing bridge over Little Prickley Pear Creek.) (Also see Appendix for picture of Great Northern Railway's Top passenger train #1 The Empire Builder as it exits tunnel 4 near Sieben over a bridge over Little Prickley Pear Creek May 31, 1948 while detouring around a washout at Libby Montana.) (See Appendix for picture of Great Northern Railway's "Empire Builder" powered by 2 E-7 "covered wagons" pulling 12 passenger cars headed south through the tunnel at Dearborn along the Missouri River). (See appendix for pictures of line through Wolf Creek, along the west side of the Missouri River showing 3 cab units of FT 304 "covered wagon" locomotives (A,B,C units pulling a train of boxcars and tank cars southbound out of Cascade Montana along the Missouri River).

Wolf Creek Canyon describes the area; but, the railroad follows three rivers through the canyon north of Helena and later crosses the Dearborn River, where it empties into the Missouri river north of Dearborn, Montana and continues north, where it crosses Hardy Creek southwest of the town of Hardy. (See appendix for picture of Northbound ore train over Montana Central between cliffs on the west side and river on east side of track before entering tunnel between Sieben and Hardy.)

North and east of the highway along the railroad after it crosses Hardy creek, where it flows into the Missouri River, there is a "Rock of Gibraltar" type monolith called the "Mountain Palace." From there the railroad hooks right and left in a spectacular "s" curve around the monolith before continuing through the canyon where the railroad goes through tunnel number one on its journey through seven short tunnels and day-lighted cuts through outcroppings of cliffs adjacent to the river.

There are rugged cliffs containing the river and railroad between them on a narrow right-of-way. The Missouri River through these canyons is not like the "Big Muddy" associated with the Missouri as it flows to the Mississippi by St. Louis. The Missouri River between Great Falls and Craig is more like an oversized trout stream, home for Bald Eagles and Osprey dependent upon Rainbow, Cutthroat and big German Brown

Trout for existence and compete with fishermen in waders bouncing dry flies on its surface who wade the river from shore to shore in a hundred places. The river is as pristine clear and clean as it was when Lewis and Clark followed the route in 1805 through the "Gates of the Mountains" traversing the Belt Mountains, which run from Judith Gap a hundred miles to the east and extend north to Glacier Park with only few passes through them.

There are dams on the Missouri River (*Holter and Hauser*) where it winds through the "Gates of the Mountains" creating sizeable deep recreational reservoirs used by fishermen, boaters and waterskiers in addition to generation of hydroelectric power.

On April 14, 1908, Hauser Lake Dam broke and floodwaters covered the rails in the narrow canyon with 2 to 3 feet of water washing buildings and debris from Wolf Creek all the way to Cascade, Montana.

The present line (*after repair of the 50-foot washout at Ulm interdicting service is repaired*) could probably be operated at 35 miles-per-hour (MPH) but probably not handle carloads having higher gross weights of 286,000 pounds due to bridges. The line cannot handle "doublestack" intermodal cars due to height of tunnels that would require having the roof raised, the road bed lowered or a combination thereof or "day-lighting" to do so. Intermodal cars in trains with conventional "piggyback" cars loaded with over-the-road piggyback- certified Trailers On Flat Cars (TOFC) and Containers On Flat Cars (COFC) single stacked only "one high" could probably be handled safely in trains of less than 50 cars at speeds less than 35 miles-per-hour.

Source: *Montana room Great Falls Library Archives consisting of Timetables, Track Profiles, News Clippings, Photos, "History of Great Northern Railway" unpublished Doctoral Dissertation "Samuel T. Hauser and the Economic Development of Montana."*

RECITATION

The Feeder Railroad Development Program 49 USC 10907 and the Surface Transportation Board's implementation regulation 49 CFR part 1151 was enacted by Congress as a provision of the

Interstate Commerce Act to encourage "Financially Responsible" individuals to acquire and "preserve" feeder rail lines prior to substantial deterioration or abandonment. The program provides shipper's groups and communities with an alternative to inadequate rail service and abandonment; and gives them an opportunity to preserve feeder rail lines prior to their abandonment and possible downgrading. The statute authorizes The Surface Transportation Board (STB) to require a railroad to sell certain rail lines under specific circumstances to financially responsible individual applicants (see *Cheney R. Co. Feeder line acq.* 5 I.C.C. 2d 250, 251, 1989). The Board can set the "Constitutional Value" (CV) and selling price at either Net Liquidation Value (NLV), or, Going Concern Value (GCV) which ever is higher and consistent with the Board's mandate for encouragement of feeder line development.

The conference report accompanying the Stagger's Rail Act of 1980 states that section 10907 of 49 USC is to "provide, through acquisition, a viable alternative to poor service or abandonment." H.R. Rep. No. 1430, 96th Cong., 2d Sess. 125 (1980). The House report, in discussing a provision in the House version that would have required railroads to seek buyers for lines that were candidates for abandonment, explained that: "the Board may find that a rail carrier applying a rate increase ... is de facto abandoning the surcharged line and require the abandoning carrier to attempt to find a purchaser for the line". H.R. Rep. No. 1035 96th Cong., 2d Sess. 71 (1980) although that provision was modified - to remove any onus on the owning carrier to find a new operator - it is clear Congress envisioned an incumbent's rates and practices to be potentially relevant to a feeder line application. Thus, it is appropriate the Board consider evidence tendered in support of an application if the present abandoning "owner raised rates" to discourage shippers from tendering traffic or arbitrarily ceased to furnish cars, or, reduced or eliminated service to discourage shippers from tendering traffic to the railroad.

Under 49 USC 10907 the Board must accept feeder line applications and order forced sales if the statutory requirements are satisfied (see *KCS' feeder line application-ATSF Finance docket#31823* (I.C.C. served July 9, 1991) and also *feeder line acquisition of ConRail lines between Beeson and Connersville, Indiana Finance Docket #29601* (ICC Served Aug 6, 1981). Also see *Sandusky County Et. Al. - Feeder Line application-ConRail 6 ICC 2d 568, 570* (1990). Since the statute does not set a time limit for filing the initial feeder line

application there is no reason the Board should not allow supplements or additions to an application.

Prior to filing an application to the Board the applicant may file a petition to waive or clarify specific portions of 49 CFR 1151 (see 49 CFR 1151.2(j) wherein petitioner requests Board's clarification of the following subsection of 49 CFR 1151.3 (a).

Identification of applicant must include applicant's name and address; and, or, name and address of applicant's representative authorized to receive correspondence on behalf of applicant concerning the application and reveal any affiliation and description of applicant's relationship with any railroad.

Applicant must provide information sufficient to demonstrate he is a financially responsible individual or entity and must show he has made an offer to purchase the line in compliance with 49 CFR 1151.3(a)(9) and that if approval is granted and a forced sale ordered by the Board that the applicant will be required to be responsible for payment of the purchase price at Going Concern Value (GCV) if it is determined to be higher than Net Liquidated Value (NLV) in determining the Constitutional Value (CV) of the line for purposes of establishing a selling; and, or purchase price to be paid in consideration of transfer of ownership of the line consistent with the statute and ensuring adequate transportation will be provided over the line for 3 years after the acquisition which is presumably better than the service provided by the owner prior to the acquisition by the new owner. Applicant will also submit with application detailed operating, marketing, and strategic growth plans as well as a Pro Forma Financial statement (to the extent possible) to support the purchase.

Applicant seeks to acquire this line under the Public Convenience and Necessity(PCN) standard of 49 USC 10907 (b)(1)(A)(I). To find a line eligible under that standard the Board must find under 49 USC 10907 (c)(1) that:

- A. The rail carrier owning or operating such a line refuses or is unwilling within a reasonable period of time to make the necessary efforts to provide "adequate" service to shippers who would transport traffic over such a line. -- in this case the owning carrier has not made reasonable efforts to repair the washout in the line at Ulm, Montana to reestablish service of any kind to

shippers who would or could transport traffic over this line to competitive points not served by the owning railroad (BNSF) while at the same time maintaining their Market Dominant Share of 94% of all rail business in and out of Montana which has contributed significantly to BNSF's ability to increase rates, Demurrage, and surcharges by double digit percentages which otherwise wouldn't probably be possible if interline service over this line were restored providing more direct competitive access to better rates, service, and equipment.

B. Transportation over such a line is inadequate for the majority of shippers who would or could transport traffic over such a line;--in this case no service has been provided for any shipper over this line for 6 years--which by any definition must be deemed as "inadequate"

C. Sale of such line will not have a significantly adverse effect on the rail carrier owning or operating such line; in this case the sale of such line will have a favorable financial effect on BNSF's ownership of this line by:

- 1) Acquiring compensation for sale of the line from cash, promissory notes, Conditional sales agreements, Tax credits , securities or a combination thereof.
- 2) By eliminating "the carrying cost" of this unproductive asset such as Property taxes which are ongoing and must be "cross subsidized" by Other productive profitable assets which will improve overall Return On Assets (ROA).
- 3) By incremental new revenues and profits generated on potential new traffic volumes moving over the line to and from local BNSF points in connection with interline carriers beyond BNSF such as Union Pacific (UP), Montana Rail link (MRL), Canadian Pacific (CP) and their connections as well as local traffic which might be reactivated on the line like Grain Elevators at ULM, and Cascade, MT or new Intermodal Transload Distribution centers at Great Falls, Ulm; and, or, Helena creating new traffic that could probably be originated at lower costs and corresponding lower compensatory rates than a BNSF owned line due to lower "overhead" and

labor costs. Restoration of service at lower costs and rates should incent commencement of new volumes of traffic, especially "bridge" or "overhead" traffic between western Canada, the Southern U.S. and Mexico via a more direct route than existing more crowded circuitous slower more expensive routes via BNSF's current Long Haul Routes over Minneapolis/ST. Paul to Chicago, or via Shelby, Spokane to Portland south which is already over its capacity of 50 trains per day through its single track "chokepoint" from Browning, MT through Glacier Park while all the central corridor lines between Los Angeles and Chicago are at capacity and in a race with Union Pacific (UP) to be "double tracked" by 2008 at a cost of over a \$Billion all the way from Los Angeles/Long Beach to Chicago to capture the growing volume of import cargoes from China and Asia.

- 4) It will eliminate any future cost to BNSF incurred in liquidating the line, removal and demolishing bridges, implosion of tunnels, costs of environmental impact statements associated with tearing up the line as well as any exposure to polluting the Missouri River and its tributary rivers and streams and their watersheds crossed by the line or fires which may be started and spread to adjacent land accidentally during the line's removal and demolition which would more than likely exceed the scrap value of the steel and ties removed to produce a "negative" Net Liquidation Value (NLV) --or else BNSF would have already filed for abandonment and been required to tear up the line incurring a negative cash flow greater than the total cost of the property taxes required to keep the line on its Balance Sheet with the collateral anti-competitive benefit of denying BNSF's "captive" rail shippers/receivers more direct competitive access over this line to better rates, service, and equipment.
- 5) BNSF will generate revenues on incremental additional "received" and "Bridge" or overhead traffic that BNSF would not have to furnish cars to generate traffic as it would have to

provide on "local" and, or "forwarded" traffic originating on BNSF to protect its "Market Dominant" position of 94% of the total rail traffic originated or terminated in Montana. Also, BNSF will achieve a faster turnaround time on its own cars forwarded by more direct less circuitous interline routes which would increase the number of loads handled and additionally generate "car hire" while "off line" possibly increasing BNSF's Return On Investment(ROI) and reduce car shortages of BNSF cars with a demand in excess of BNSF's ability to supply it.

49 USC focuses on long term concerns and its legislative history supports use of this section where there is evidence an incumbent railroad engaged in conduct or charged high rates to drive traffic away from a line - especially where it reinforces the incumbent's "market dominant" ability to anti-competitively raise rates and furnish less equipment and service which financially exploits "captive" shippers without the countervailing pressure of competitive rates, service, and equipment.

De facto abandonment, closure and discontinuance of service over this BNSF line between Great Falls and Helena, Montana has enabled BNSF to deny BNSF shippers and receivers in Montana as well as "overhead" or "bridge" carriers outside of Montana the most direct competitive access via more direct routes to other competitive carriers such as Union Pacific(UP), Canadian Pacific(CP), and Montana Rail Link(MRL). This has probably contributed to BNSF becoming the "Market Dominant" railroad handling 94 % of all rail traffic into and out of Montana and increase rates by double digit percentages (e.g.: grain by +30%) in one year without having to worry about resulting diversion to competing rail carriers over more direct less circuitous routes. In addition, BNSF has been able to furnish fewer cars to shippers, like coal, grain and lumber shippers forcing even long haul shippers to purchase their own cars at reduced "car hire" payments for shipper-owned or leased cars or in some instances be required to bid on the "right" to use BNSF cars such as BNSF "centerbeam" lumber cars allegedly going to the highest bidder for as much as \$550 per car for which BNSF was willing to finance for 12% interest if the winning bidder was otherwise unable to finance with the alternative of the shipper going out of business or bidding up the cars financed by BNSF. Montana Governor Brian Schweitzer recently testified before the Surface Transportation Board regarding the inequity and unreasonable

BNSF rail freight rates and their effect on commerce and economic development the transcript of which should be available to the Board. A commissioned study by the Montana state legislature following BNSF's arbitrary 30% increase in grain rates reportedly concluded the 30% grain rate increase devalued Montana grain farmer's land by \$60 million.

Acquisition and restoration of service to BNSF's line between Great Falls and Helena, Montana will contribute to reducing BNSF's "market dominant" control over rail shipments into out of and north and south between Canada, the southern U.S. and Mexico while creating a downward pressure on Montana Rail rates while concurrently incenting new incremental volumes of forwarded, received and overhead or bridge traffic over this line as well as connecting interline rail carriers.

PUBLIC INTEREST

BNSF has not provided service on this line (see *current BNSF System Map*) for six years and de facto abandoned it because of a small 50 foot long washout (see *enclosed photo from Great Falls Tribune*). The washout can be repaired by installation of one or two prefabricated track panels similar to what railroads use on derailments estimated to require two men and a BobCat for an estimated few thousand dollars. BNSF has decided not to repair this washout allegedly because the cost is prohibitive. BNSF has not filed for abandonment or offered service via this line for six (6) years. BNSF continues to deny shippers and potential shippers use of this line and more direct competitive access to points and connections beyond its lines via this line not served by BNSF. BNSF handles 94% of all rail business into and out of Montana. Allegedly there have been unsuccessful past negotiations between BNSF and Montana Rail Link (MRL) to acquire this line and restore service. Allegedly BNSF's perceived reason for not allowing MRL to acquire; and, or, operate the Great Falls to Helena, Montana line by sale or lease was to limit more direct competitive access to non-BNSF served points beyond BNSF. Lower operating costs by a shortline railroad would present an opportunity of charging lower rates on the traffic than BNSF.

BNSF has apparently determined the direct cost of salvaging the line exceeds scrap value or they would have salvaged the line and filed for abandonment. It is estimated therefore the Net Liquidated Value (NLV) could be a "wash" or even negative if demolition of trestles, bridges, tunnel implosion and closure

and cost of obtaining an environmental impact study to determine the effect on tributaries to the Missouri River

Applicant's intent in acquiring this line is not to salvage it. There is public interest (see *Appendix for enclosed letters of support from various authorities in Montana*) expressing interest in the line being re-opened and service restored to generate commerce, rather than having the tracks torn up, bike trails established, or, the right-of-way revert to the parcels of land from which it was taken originally when the railroad was built. International "bridge" or "overhead" traffic between Canada and Mexico presents a potential profit opportunity for traffic between Canada and Mexico, which could exceed traffic originating and terminating on this line.

Applicant contends he is responsible financially to acquire this line from BNSF for a mutually agreed "Going Concern Value" and is seeking approval from STB to acquire this line, repair the washout and restore service for three (3) years by seeking out and contracting with a shortline or other railroad to operate this line under compensatory terms determined by negotiation with the shortline.

Amtrak does not operate over this line and there are no other applications regarding acquisition of this line. There are no pre-conditions with potential shippers regarding subsidy payments as a condition of service. No one will subsidize operation of this line. If the STB approves the application no future condition will be placed on shippers without STB approval and appropriate required permits will be sought and obtained in compliance with statutory requirements of the Montana Department of Transportation, the Montana Public Service commission and Laws, Rules and Regulations of the State of Montana. This line will be operated as a "Going Concern" wherein income from operations will exceed total costs and generate a positive return and cash flow in relation to capital investment and assets employed.

SERVICE TO SHIPPERS

Procedure requires adequate service to shippers who wish to transport commodities over the line. BNSF has not provided any service over this line for six (6) years, but continues to display it on their system diagram map and other railroad maps. The maps imply the line is in tact and available for shippers to use even though service is non-existent and inadequate for any shipper desiring to ship over the line. BNSF has not filed for

abandonment of the line, because they want to retain it if future traffic develops.

There are vacant grain elevators on the line at both Ulm and Cascade, Montana, which could be reactivated if service were restored.

Conveyance of ownership of the line to an individual who will operate it as a shortline will improve transportation for shippers who can ship over this line, which presently doesn't exist. Any service offered and, or, provided to shippers will be an improvement over that which hasn't been provided for six (6) years.

Since a shortline can originate, terminate, or handle "bridge" or "overhead" traffic at a lower cost than a Class I railroad due to lower labor and overhead costs, operation by a shortline offers the prospective possibility of providing lower rates due to lower costs than a Class I railroad like BNSF.

Re-opening this line and restoration of service could create a new service via new routes for new shippers and consignees as well as provide a new source of equipment from other railroads and equipment owners other than BNSF. If daily "turnaround service" were provided between Great falls and Helena, a passenger car could be added to the freight "consist" to provide a "Mixed Train Daily" for commuters between Great Falls and Helena, the state capitol. Due to increased gasoline costs (\$2-\$3/gallon) commuters could buy a monthly pass to ride a train departing Great Falls at 6:30 AM and return from Helena at 6:30 PM. There are citizens from Great Falls who attend and visit the VA Hospital at Fort Harrison, as well as soldiers and employees who must go there, many of which are unable to drive. Mixing of freight traffic with passenger traffic in rail consists has long been a principle used since the earliest history of the transcontinental railways. The Great Northern Railway and Northern Pacific Railway (forerunners and predecessors of BNSF) carried piggy back, TOFC/COFC on their passenger trains. The Atchison, Topeka and Santa Fe Railway, also a predecessor of BNSF carried Railway Express, Mail Cars and Baggage Cars with less than carload freight (LCL). (Refer to Lucius Beebe's book Mixed Train Daily) Railway Express Service is currently operated by Amtrak. Transporting passengers would generate incremental additions to freight revenues without the cost of additional train crews required to handle the freight.

The shortline's ownership or leasing of freight cars and locomotives, which are in short supply, and, which BNSF has trouble furnishing adequately, could generate incremental additional profitable revenues for BNSF and the shortline, as well as other Class I carriers, generate "car hire" by the shortline's cars while off line on other railroads. These cars could be grain cars, lumber flat cars, coil cars, and coal cars, etc. For example: The City of Great Falls has a 33% equity in a new venture to build a coal-fired power plant in Great Falls for which they have not received a commitment from BNSF to supply the coal cars for the move presumably due to the short haul nature of the move. BNSF requires long haul coal shippers to Minnesota, Wisconsin and Michigan to furnish their own unit train coal cars. A shortline could lease these coal cars and put them in this short haul service that would generate car hire to pay for the cars.

Restoration of service by a new owner other than BNSF presents an opportunity of attracting interline traffic to points beyond BNSF not served by BNSF, which could terminate or originate both interstate and intrastate traffic. It could also offer an alternative route and rates and more direct service to and from points for shippers not happy or satisfied with BNSF's existing service and, or, equipment and rates. Re-opening of this line and restoration of service could open a new International direct corridor between Western Canada and Mexico involving "overhead" or "Bridge" traffic that could relieve pressure off other rail corridors to Mexico. These existing corridors may be close to capacity and require capital investment to facilitate commerce associated with the U.S. Government's North America Free Trade Agreement (NAFTA) with Canada and Mexico.

There is no need for STB to prescribe joint rates and "divisions" in this feeder line proceeding. If application is granted by STB compensatory volume-graduated confidential commodity, contract local and proportional rate quotes, which can be used "locally" or "in combination" with other proportional rates to and from interchange(s) with connecting railroads and the resulting shortline will not participate in "joint through rates" requiring "divisions". The contract shortline operator will establish compensatory competitive local and proportional confidential volume-graduated contract commodity rates which will "divide as made" to and from connecting interchanges to be used in combination with other proportional rates provided by connecting carriers in the

routing to meet competitive needs of individual shippers to and from selected origins and destinations. Through negotiation with the selected contract shortline operator "reasonable" rates which are both competitive and compensatory will be established prior to operation for commodities hauled which will exceed cost of operation and make a positive contribution which exceeds overhead. Total revenues will be determined from volume shipped at various carrier's local and proportional rates established rather than "divisions" of through rates. BNSF's Great Falls to Helena, Montana line carried no gross ton-miles for the preceding six years.

VALUATION

Value of the line for transfer can be determined by bilateral negotiation with BNSF and may be comprised of a combination of cash, tax credits, "blue sky", a promissory note; and, or, other valuable considerations based on "Going concern" value for purposes of establishing a value of the line. This could present a savings to BNSF, value to prospective shippers and profit to the shortline/feeder that couldn't be achieved by continuation of its present "inactive" status. STB should determine whether BNSF has changed valuation methods from Net Liquidated Value (NLV) to "Going Concern." As a "Going Concern" this line has none since it has not been a going concern operation for six (6) years and its Net Liquidation Value (NLV) may also be negative if cost of salvaging the line including the cost of demolition of trestles, removal of bridges and dynamiting closure of tunnels and cost of Environmental Impact Statement outlining the effect of demolition and removal of the line will have on the tributaries crossed by the bridges and adjacent Missouri River ecosystem. (*i.e. direct cost plus allocated overhead - fully allocated cost*) of salvaging the line exceeds its local "scrap value" (*F.O.B. Great Falls or Helena*) which could be a "wash". Since there have been no buyers publicly expressing a desire to purchase the entire line or applying to STB to acquire the line, it is estimated that there is no Fair Market Value (FMV).

**Note: The market value of anything is generally believed to be what someone is willing to pay for it - and, there hasn't been anyone standing in line during the past six years to purchase this railroad from BNSF for either operation or scrapping.*

In December 2005 Applicant applied for and has since been granted a 501(c) 4 tax exempt status (*for a non-profit railroad association*) (see Appendix for August 9, 2006 IRS approval and September 25, 2006 Request for Tax Credits) which could enable an offer to BNSF to acquire the line "as is" by offering a combination of cash, promissory notes and tax credits (see Appendix for request to IRS to issue tax credits) along with other valuable consideration(s) based on a "Going Concern Value" (GCV), which is of little value since the line has not been operated in six (6) years, nor thought by BNSF to have enough "future value" to repair the 50 foot washout at Ulm, Montana for a few thousand dollars. (See BNSF's enclosed letter in Appendix to STB Chairman Buttrey expressing an interest in tax credits)

A Tax credit if approved by the IRS could have a greater net value to BNSF than if the line was purchased with venture capital for which BNSF would have to pay taxes based on their marginal tax rate. BNSF could "write the line off" using whatever method of generally accepted accounting methods would allow, even if the tax credits based on "Going Concern" were less than fully depreciated "book" or scrap value. BNSF shouldn't be allowed to arbitrarily change valuation method from "Going Concern" to Net Liquidated Value (NLV) or Fair Market Value (FMV) or vice versa because they have a buyer for the line. They shouldn't be able to have it both ways. BNSF would be better off eliminating this unproductive asset from its balance sheet and transferring it to a shortline operator that has the prospective opportunity of bringing incremental business and income to BNSF and the communities it serves along the line from new compensatory traffic that won't require BNSF investment in right-of-way, locomotives, or equipment for which they otherwise would have to pay property taxes or be exposed to environmental contamination or concerns in the Missouri River Valley or cost of Environmental Impact Statements if they were caused to tear up the tracks, close the tunnels and demolish the trestles or bridges over tributaries. BNSF's transfer of this line would improve its public relations image with Montanans and reduce public perception of an anti competitive strategy to deny Montana Shippers or receivers competitive access to other non BNSF served points.

Market Value (MV) of the line is negligible or BNSF would have sold it or would have had offers to purchase the line in the last 6 years it has been *de facto* abandoned. The "Market Value" of anything is what somebody is willing to pay - if nobody is willing to offer to pay anything to purchase an item -

it has no "market value!" It may have "intrinsic value to the owner but has no market value!

If BNSF contends during the 6 years the line has been *de facto* abandoned it had "offers" to purchase the line for an amount in excess of property taxes and other costs of keeping the unproductive line on the balance sheet "cross subsidized" by other productive and profitable assets a rational conclusion could be it is being retained and not sold to deny "competitive access" to shippers and receivers who would use the line to gain more direct access to a UP, MRL, and CP to maintain BNSF's "Market Dominant" (94%) share of all rail traffic into and out of Montana.

Although the Board is required to set the selling or transfer price at "Constitutional Value"; and, under 49 USC 10907 (b)(1) the Board can't set the sale price at less than "Fair Market Value"(FMV) which in this case where there were no bonafide offers from the "Market" to purchase the line at any price the selling, transfer, or purchase price will have to be set by a determination of the Board of the "greater" of either "Net Liquidated Value"(NLV) which could be less than "0" (or a "negative" liability), or, "Going Concern value"(GCV) - which in this case could be "0" because it has not been operated as a "GOING CONCERN" for 6 years and therefore has no value as a going concern. Perhaps the reason no one has offered to buy the line during the 6 years it has been idle is it appears to have no "Going Concern Value"(GCV) evidenced by no traffic originating or terminating on the line (See *Letter from Montana Rail Link in Appendix*); and, if the Net Liquidation Value (NLV) is perceived as "negative" and a significant "liability" in excess of its perceived Going Concern Value (GCV) perceived to be "0" due to an absence of present traffic on the line an obvious rational conclusion would be the "risk" of making an offer to purchase it would be too great thereby diminishing any "Market Value". A prospective purchaser who would buy the line at so-called "Market Value" - at any price - whether deemed "Fair" or "Unfair" (by any standard) who had as his intention or "hidden agenda" to not operate the line as a "Going Concern"; but, instead file for abandonment and "scrap" the line for the "salvage" value would quickly come to the same conclusion and realization that BNSF no doubt did - that the cost of tearing up the line is a huge net "Liability" if in addition to the "fully allocated" and "direct costs" of roadbed removal of ties and rail is added to the cost of removal and demolition of bridges; implosion of tunnels; and cost of an "Environmental Impact Statement"(EIS) regarding the effect on the pristine and delicate

ecosystem traversed by the line with the Missouri River on one side and its tributaries, watersheds, cliffs, and agricultural land on the other.

Thus, if the cost of removing the line is greater than the "scrap value" received and there is no "Net Liquidation Value" as such nor any "Going Concern Value" as such due to non operation for six years and no traffic originating or terminating on the line as evidenced by Montana Rail Link's letter (see Appendix) which together results in No Market Value (MV) enough to make an offer by any one to purchase the line from the owner(BNSF) which then, therefore, has no "Constitutional Value" as defined by the statute 49 USC 10907. The Real intrinsic value of the *de facto* abandoned line remaining intact "as is" to BNSF and perhaps is deemed its highest "Commercial Value" to BNSF as a 100 mile long "anti-competitive" "Trade Barrier" analogous to all "other walls" of history which became barriers to enjoyment and societal benefits of free uninhibited "Trade" and commerce in the public's interest for the "greatest good for the greatest number".

BOOK VALUE

The value carried on the Balance Sheet is depreciated "book value." Railroad fixed assets can be depreciated over 30 years.

If this BNSF line between Great Falls and Helena was built "brand new" in 1970 when its predecessor parent "the Great Northern Railway" was merged with the Northern Pacific and CB & Q Ry it would have been fully depreciated in the year 2000 and the "fully depreciated value" of the line would be its "scrap value" based upon the total weight of the steel, (rails, tie plates, spikes, switches, etc.) times the current market price of scrap steel. The railroad was built in 1886 and was probably fully depreciated prior to the merger of Great Northern into Burlington Northern in 1970. Undoubtedly the line had a value placed on it as a Balance Sheet Asset when merged into the Burlington Northern in 1970 for purposes of determining what the total fixed asset value was of the merged Burlington Northern. That value used in the 1970 BN merger should be relevant to establishing the "Book Value" of this line today. Undoubtedly there have been additions to the line since 1970, which could be depreciated to arrive at Current Depreciated Book Value.

If the line were to be formally abandoned and "scrapped" the only real value of the line would be the "Net Liquidation Value" or the scrap value less the total fully allocated cost of removing the line and returning the right-of-way to its original condition before the railway was built.

The fact that the "Book Value" or depreciated value carried on the books or balance sheet as an asset may be higher than the scrap value of the steel and, or, ties is irrelevant in that the higher numeric value like "Blue Skies" is not realistically "salvageable" or "fungible" on the "local scrap market."

The "fully allocated cost" of salvaging the line to sell it as scrap on the local market for scrap is relevant because if it exceeds the scrap value realized after removal, then the Net Liquidated Value (NLV) is less than "0" and "Negative", or, a liability created by the sum of total costs of removal of ties, rail, ballast, switches, signals, crossings, trestles, bridges, implosion of tunnels, as well as the cost of an Environmental Impact Statement (EIS) depicting the impact on the environment and ecosystem of the line's removal.

After 120 years of operation, it is possible residues from the trains hauled over it and volatile components of the creosote and PCB's in ties leeching into the roadbed and subsoil might have to undergo remediation by removal and replacement of the subsoil in the subgrade under the right-of-way determined by soil sampling at intervals along the line between Great falls and Helena. It is likely the Net Liquidation Value is negative even though the depreciated Book Value and "scrap value" is positive.

BNSF's publicly proclaimed reason for keeping the line in tact on their System Map for some "future" value is an admission BNSF sees no current or present commercial value to operate the line as a "Going Concern" or they would do so unless their real reason and underlying value for it is as a "trade barrier" to providing more direct competitive access to other carriers like UP, MRL or CP if the line were re-opened and service restored.

If BNSF doesn't see any current value, or know how or want to generate overhead, forwarded, received traffic over this line and can't identify the present value of future traffic over this line; then why should they care or object to someone else acquiring the line who will generate incremental additional traffic for BNSF? Why should they object to someone else operating it as a shortline at less cost than BNSF due to lower

overhead and labor costs, in addition to eliminating an unproductive and unprofitable asset from their Balance Sheet, which will eliminate cross subsidization by other productive and profitable assets that would improve their overall Return-On-Assets (ROA)?

If they sold the line for one dollar and that was less than the depreciated Book Value, BNSF could write off, as a tax loss, the asset like the \$71 million tax loss they wrote off recently for disposal of a 300 mile line they sold for \$76 million to the State of New Mexico. (See Appendix - 200 miles of the 300 mile line from Lamy, New Mexico to Trinidad, Colorado was sold for \$5 million which averaged \$25,000/mile) If the line were to be transferred by Eminent Domain to a state government subdivision such as a Port Authority, county, city, etc. BNSF would write off the depreciated Book Value as a tax loss, while still participating in any newly generated incremental additional traffic generated after the transfer.

The right-of-way itself would probably revert to adjacent land parcels of present day owners from which it was originally taken to build the railroad. Because of potential exposure to environmental remediation of the subgrade below the ballast on the roadbed, this right-of-way could become an extended liability rather than having any intrinsic market value. Much of it is a narrow pathway between the river's edge and cliffs. Parts of it may have some minor recreational value as a hiking or biking trail. There are paved highways on the other side of the river from the railroad between Interstate 15, which can and have been used as a hiking/biking trail. Paved and gravel roads parallel the line for 75 miles between Helena and Ulm. There are 17 miles of paved highway from Helena to Silver City, then 14 miles of gravel road through a canyon which crosses the huge Sieben Ranch to connect with a paved road 8 miles along Prickley Pear Creek to Wolf Creek. A 45 mile paved road from Wolf Creek follows the Missouri River passing through Cascade to Ulm, Montana. Many adjacent landowners and ranchers are opposed to the abandoned railway becoming a hiking or biking trail because of potential trespass, vandalism, fires, camping, animal, weed control and refuse. (See newspaper articles in *Great Falls Tribune* and *Helena Independent Record* in Appendix) There is a greater "public interest" served through commerce by keeping the railroad and operating it compared to the small minority of hikers and bikers physically able to use it if it were made into a bike trail. Making a biking/hiking trail would create a permanent rail trade barrier to competitive access to UP, MRL

and CP which would reinforce BNSF's monopolistic market dominant position of 94% of all rail traffic into and out of Montana.

The value of this line perceived by the Applicant and principal reason for applying to STB for approval to acquire and restore service on it is not for its "scrap value" (SV) or "going concern value" (GCV) or its "Asset Value" (AV); but, rather Applicant envisions the value of the line intact "as is" as a major International North/South direct "trade route" through the mountains and along the rivers between Canada, The U.S., and Mexico perhaps similar to the "Silk" trade route through the mountains between India and China was viewed in an earlier day by the "Tea" trade. To make this modern day trade route work, "barriers" to "free trade" must be eliminated by governments in the route and "horsepower" to move the goods on trains provided by private enterprise in the form of Locomotives by the Applicant and his contract haulers to move the freight on its journey over this section of the route through the mountains to its next hauler en route to its ultimate destination and use by the society it serves. This is a service BNSF certainly has resources to provide but for 6 years has been unwilling to provide for seemingly anti-competitive reasons not the least of which is to exploit its Monopolistic position at the expense of Montana grain farmers (*which has devalued their land*) and other Montana shippers and receivers forced to pay higher transportation costs and provide other types of equipment and service to get their semi-finished products of field, forest and mine to market.

ESTIMATED SCRAP VALUE

The 100 mile line has 3,000 ties per mile and 112 lb. Rail.

Rail Scrap

1 mile = 5,280 feet ÷ 3 ft/yd = 1,760 yards/mile
2 rails x 1,760 yards = 3,520 yards of rail/mile
3,520 yards of rail x 112 lbs/yard = 394,240 lbs rail/mile
394,240 lbs of rail ÷ 2,000 lbs/ton = 197.12 tons rail/mile

Tie Plates

1 tie plate weighs 15.6 lbs/tie plate
2 tie plates per tie (one for each of two rails)
2 tie plates/tie x 15.6 lbs/tie plate = 31.2 lbs/tie plate
31.2 lbs of plates/tie x 3000 ties = 93,600 lbs of tie plate per mile
93,600 lbs of tie plates/mile ÷ 2000 lb/ton = 46.8 tons/mile of tie plates

Spikes:

1 spike - .7 lbs/spike
4 spikes per tie plate x .7 lbs/spike = 2.8 lbs spike/tie plate
2.8 lbs of spikes/plate x 2 plates/tie = 5.6 lbs of spikes/tie
5.6 lbs of spikes/tie x 3000 ties/mile = 16,800 lbs of spikes/mile
16,800 lbs of spikes/mile ÷ 2000 lbs/ton = 8.4 tons of spikes/mile

Total Scrap Steel:

197.12 tons of rail/mile + 46.8 tons of tie plates per mile + 8.4 tons of spikes/mile = 252.32 tons of scrap steel
252.32 tons of steel/mile x \$110/ton for scrap steel = \$27,755.20/mile of scrap steel (F.O.B. Great Falls)

Ties:

40% #1 ties x 3000 ties/mile = 1200 salvageable ties/mile
1200 salvageable ties/mile x \$5.00/tie = \$6,000.00/mile for ties

Total Scrap or Salvage Value:

\$27,755/mile for steel + \$6,000/mile for ties = \$33,755/mile total
\$33,755/mile total salvage value x 100 miles = \$3,375,520 for rail, tie plates, spikes F.O.B. Great Falls, MT

NET LIQUIDATED VALUE = Scrap value less: Cost of removal of steel, ties, trestles, bridges and their abutments, ballast and tunnel implosion, plus cost of Environmental Impact Study (EIS) and any remediation indicated by EIS
e.g.: removal and replacement of any contaminated subsoil under ballast

FINANCIAL RESPONSIBILITY

Under 49 USC 10907 (b) (1) the Board (STB) is directed to require sale of a rail line to a "financially responsible" person if the Public Convenience and Necessity (PC & N) permits or requires the sale.

Applicant contends proposed sale is required under the (PC&N) criteria set forth at 49 USC 10907(c)(1)(A)-(E) and Applicant is a "financially responsible" person willing to pay not less than the line's constitutional minimum value (CMV) which is determined under 49 USC 10907 (b)(2) to be defined as the greater of a line's Net Liquidated value (NLV); or, Going Concern Value (GCV) which ever is greater; and, cover expenses associated with providing rail service over the line (including, but not limited to operating costs, rents and taxes) for a least the first three years of operation after acquisition of the line.

To cover cost of operation Applicant would rely on contracts with shortlines and other carriers who may route cars or operate over the line and commitments for commercial loans, revolving lines of credit and personal relationships (*including the availability of tax credits*) from Transportation Preservation Society of Montana (*see Appendix for Request to IRS for tax credits*) with a growing network of interested parties, including ranchers, lawyers, government officials, donors, financial institutions, private investors and "Non-profit" corporations capable of issuing "tax credits." Applicant would participate to the extent possible in the Federal Railroad Rehabilitation and Improvement Programs (RRIP) which has earmarked \$1 billion dollars for loans to shortlines and regional railway projects that could pay up to \$7,000/mile and that would apply and try to qualify for state and federal grant programs. Applicant contends since he is personally attempting to acquire this rail line, his personal assets are confidential as a determination of his financial responsibility by the Board, but if Going Concern Value (GCV) is determined to be the Constitutional Value (CV) by the proceedings, applicant will provide evidence of personal worth and financial commitments under a "protective order" to preserve confidentiality to acquire the line within 90 days from that qualified determination by the Board; or, withdraw the application.

Small Class III Railroads are entitled to a tax credit of up to \$3,500/mile on a system-wide basis to the extent they make qualified investments (*i.e.*: "*expenditures for maintenance,*

railroad road bed, track, bridges, and related track structures owned or leased as of January 1, 2005 by a Class II or class III Railroad.)

Applicant's net worth is \$4,850,000.00. (See Appendix for Verified Financial Statement by CPA)

BNSF UPDATE

Real Gross Domestic Product is forecasted to grow 3.3% in 2006 and 2.6% in 2007. More transportation capacity is required to meet this demand and more investment will be needed to meet future demands.

Freight demand is growing more rapidly than capacity to handle it. Freight transportation demand is expected to double by 2025 with Transpacific traffic tripling. Western coal shipments will grow from 450 million tons to 900 million tons. The railroad industry is estimated to be handling only 80% of traffic offered to it, while the trucking industry is short 100,000 drivers. Railroads are more fuel efficient than trucks and traditionally competitive with trucks on movements over 750 miles.

The rail industry has grown nearly 1 million units in volume, of which BNSF handled more than half. Class I ton-miles-per-mile-of-track has grown over 300%

BNSF operates 32,000 miles of track in 28 states. There are 2,000 fewer miles of railroad in Montana now than there was in 1975 before deregulation and 94% of it is controlled by BNSF. The other 6% of railroads: Montana Rail Link, which feeds into BNSF at each end and the Union Pacific to the south fed by BNSF from the North. BNSF retains control by operating Montana Rail Links and UP's connecting lines into and out of Montana.

In the first quarter of 2006 BNSF handled 5% more units and 9% more in the second quarter. In Montana BNSF handled 3,677 carloads of agricultural products in the first quarter of 2005, which grew to 5,646 carloads of agricultural products handled in the first quarter of 2006. BNSF achieved monthly unit volume records for May and June of over 200,000 units during 17 of the first 26 weeks. Kiplinger reported BNSF posted "all time" record earnings in the second quarter of 2005, reporting \$3.04 billion in revenues for the three month period, while the second quarter of 2005 was the 13th consecutive quarter showing an increase over the same quarter the year before and the 6th consecutive quarter showing double digit freight revenue growth.

Kiplinger's business forecast last November in an article entitled "the Freight Train Boogie" said, "Railroads such as Burlington Northern Santa Fe are in an enviable position they've not enjoyed for a century. They have all the business they can handle - and an ability to raise rates." Kiplinger went on to tout BNSF as a surefire investment for the Wall Street Crowd - "A potent mix" in the words of the financial analysts. "This railroad combines increased freight volume with higher rates for a potent mix."

Between 2002 and 2006 BNSF increased investment in capacity expansion to over \$600 million. BNSF invested over \$22 billion since 1996. Between 2002 and 2006 BNSF invested \$10 billion of which 33% was devoted to expanding its road locomotive fleet, increased 30% to 5,000 locomotives, main lines and terminals. BNSF's 2006 capital budget was increased for the second year in a row. In 2006 BNSF plans to spend \$2.6 billion in network improvements and locomotives (a 10% increase), the largest part of which will be programmed maintenance.

Expansion projects included 94 miles of double track in its coal corridor in a joint venture with UP in Wyoming where \$100 million is being spent, and expansion of yards and intermodal facilities in Memphis, Tennessee and Alliance, Texas. BNSF added 150 coal trains in the last decade. BNSF also doubled new hires from 1860 in 2002 to 4483 in 2006, of which nearly half are in transportation and 250 in salaried positions. BNSF employs 2,200 people in Montana with a payroll of \$106 million plus benefits.

BNSF capacity on the single track "high line" between Shelby, Glacier Park and Spokane is at capacity - estimated to be 50 trains per day, which is about the number BNSF is operating. The rail line through the Park does not lend itself to "double tracking" to increase capacity.

BNSF 2005 freight revenues were up 19% to \$12.6 billion with net income increasing from \$791 million in 2004 to \$1.5 billion in 2005.

BNSF's largest commodity group is "consumer" products comprising 41% of the total or \$5.2 billion followed by "industrial" products comprising 23% or \$2.9 billion, coal 19% or \$2.4 billion of the total and "agricultural" products accounting for 17% or \$2.1 billion. Out of Montana 69% of the shipments in tons is coal to power plants, 53% of which goes to

Minnesota and Wisconsin. Farm products account for 10% of the tonnage out of Montana, petroleum 8% and wood products 5%.

BNSF's principal traffic flows are between Chicago, Kansas City, Oklahoma, Amarillo, Texas and Albuquerque to Los Angeles. BNSF's second biggest flow of traffic is between Chicago and Seattle via Minneapolis, Havre, Montana via Spokane, Washington. Most coal flows from Montana to the Midwest and upper Midwest to Minnesota, Wisconsin and Michigan.

Between 2007 and 2011 BNSF forecasts intermodal traffic between California, Illinois and Tennessee will exceed 1 million "lifts" respectively while Texas, Kansas and Washington will exceed a half a million "lifts." To handle this increased business BNSF plans to finish "double tracking" between Los Angeles to Chicago by 2008 to compete with UP for traffic to and from the ports of Los Angeles and Long Beach, California. It is estimated 14 million containers presently handled from the West Coast will grow to 84 million containers by 2025.

BNSF's CEO, Matt Rose in a July 17, 2006 reply to STB's Chairman W. Douglas Buttrey's request for an update on plans to improve service said, *"I am confident that as long as our Return on Invested Capital continues to improve we will continue investing capital to expand our railroads' capacity, but this may not be enough to meet forecasted longer term demand for transportation."* (See copy of letter in Appendix) In the same letter to STB Chairman Buttrey, Rose expressed an interest in support of *"tax credits."* A tax incentive in the form of tax credits being proposed within the US Senate could incent private investors, shippers, transloaders, intermodal providers and railroads to invest in infrastructure.

BNSF ranks 171 on Fortune 500's list, its *"highest rank ever."* In 2005 BNSF generated record revenue for the third straight year and moved a record 10 million loads of freight. **Business Week Magazine's** list included BNSF as *"one of the top 50 performers"* last year on **Standard and Poor's 500 Stock Index**. BNSF's stock rose from \$20/share range in 2000 to a 52 week high of \$76.12/share. BNSF's fourth quarter profits rose 24% in 2005 and were \$430 million following five straight quarters of price increases which included a tax loss write off of \$71 million from selling a railroad to the State of New Mexico.

Source: Public information on BNSF, Reports, Magazine and Newspaper Articles, Presentations and Internet

EFFECT ON BNSF

Acquisition of this line from BNSF and restoration of service will have beneficial financial effects on BNSF.

Sale and conveyance of this line to a shortline operator will improve the financial effect on BNSF by eliminating the idle, unproductive asset not operated for six (6) years from BNSF's balance sheet, which otherwise requires an ongoing continuous expense to possess and own in the form of increasing property taxes. BNSF's Return on Assets (ROA) on this line is not only non-existent, but is "negative" or less than "0". There is NO Return on the Depreciated Book Value of these assets, which requires an out-flow of costs to keep on their Balance Sheet. These ongoing fixed overhead costs must be "cross subsidized" by other productive and profitable assets and traffic. Elimination of this line's assets from BNSF's balance sheet will improve BNSF's overall system-wide Return On Assets (ROA) by eliminating unproductive assets not generating a positive return or profit or contributing to overhead. Transfer of ownership of the line to a shortline will eliminate additional future expense of abandoning or scrapping the line.

Sale or conveyance of ownership of this line to a shortline will not have an adverse effect on "operational performance" of the rail carrier operating this line as BNSF has not operated the line for six (6) years. A shortline can originate, terminate, and "bridge" "overhead" traffic at a lower cost than a Class I due to lower labor and overhead costs. Continued ownership and leasing the line to a shortline operator by BNSF would not avoid BNSF's higher ownership costs that conveyance of ownership to a shortline would. If this would have been a viable option, BNSF would have probably leased it to a shortline for operation (*such as MRL*) during the past six (6) years it has not operated the line.

Transfer of ownership to a shortline will present an opportunity (*possibly at lower rates and costs*) to attract new business to BNSF in the form of terminations, "bridge", or "overhead" traffic, or originations BNSF could handle as an interline carrier without owning the assets of this line or operating it or providing service or equipment at a cost lower than BNSF it operated the line due to lower overhead and labor cost of the shortline.

If the application is granted, BNSF will be paid the value determined on "Going Concern" possibly using a combination of cash, tax credits, a promissory note and other valuable considerations. Applicant will contract with a selected shortline for providing service as required for a minimum of three (3) years.

If new traffic results from transfer of ownership from BNSF, BNSF will prosper better than if it owned the line, even if freight rates were the same because BNSF would not have the investment to generate the traffic. A shortline could operate the line at less cost than BNSF due to lower overhead and direct costs, such as labor, which would have to be allocated to the carloads of traffic handled. Labor costs would be less than BNSF's as well as administrative, management and clerical costs.

Shortlines originate and, or, terminate cars at a lower cost than Class I railroads. This is the reason Class I railroads have used; and, or, sold lines to shortlines and developed "feeder lines" such as BNSF has in Montana with lease of the Eureka line from Whitefish via Stryker to Watco. Class I railroads negotiate rates with shortlines for less than what it would cost the Class I if they owned and operated the line, which is the reason for selling or leasing a Class I branch line to a shortline.

Applicant agrees to give BNSF "first refusal" to repurchase the line at the price paid by the Applicant if it is subsequently put up for sale following granting of applicant approval to acquire it.

BNSF has the financial strength and means, if not the will, to reactivate and operate the line from Great Falls to Helena--and could do so easily as compared to continuation of its *de facto* abandonment - unless BNSF's underlying objective is to deny existing Montana rail shippers and receivers more direct competitive access to other rail carriers at Helena and Butte forcing shippers and receivers to route cars over more circuitous longer haul routes at higher rates.

If this line were acquired and operated by a shortline contract carrier it would have little or no detrimental effect on the financial strength or operation of financially strong and imposing market dominant Class I carrier like BNSF having an outstanding financial performance depicted in the foregoing update on BNSF. It will improve BNSF's overall Return-on-

Assets and the need to "cross subsidize" this inoperative unproductive line by other productive and profitable assets by (1) *Eliminating the Property taxes and other ownership costs of keeping it on the Balance sheet*, (2) *Increased Volume of new business* and (3) *obtain new traffic at a lower cost than BNSF could handle it or originate it due to shortline costs being lower than BNSF due to lower overhead and labor costs.*

OPERATING PLAN

Proposed acquisition of the BNSF *de facto* abandoned line from Great Falls to Helena, Montana would result in restoration of rail service to shippers and receivers located in Montana and shippers and receivers outside of Montana who would ship over the line through Montana "overhead" interline "bridge" shipments between Canada, the southern U.S. and Mexico. By ordering a forced sale to the Applicant and restoring rail service to this line, captive BNSF shippers and interline shippers will be able to access competing railroads. They have now been forced to move their goods by truck, which is typically and traditionally less fuel efficient and more costly than rail, especially now with fuel prices rising. Diversion from truck to rail would reduce congestion and deterioration of highways paid by taxes.

If approved by the Board or ordered to acquire the line from BNSF Applicant plans on contract leasing the line to a qualified shortline railroad to operate the line and offer to provide "running" or "trackage" rights for a rate of \$1.00 per car mile either loaded or empty over the line between Great Falls and Helena to UP, MRL, BNSF, CP or WATCO. The lessee would be responsible for picking up derailments, regular track and signal maintenance as well as bridges and crossings. Lessee would also be responsible for providing qualified; and, or licensed experienced and skilled operating personnel such as locomotive engineers, trainmen, signal maintainers, and maintenance-of-way personnel in addition to "rules examiners", "Pilots", rulebooks, switch keys, and timetables for employees. Lessee will also be responsible for sharing 50% of the cost of constructing new connecting tracks with new rail shippers locating on the line (*such as a new 20-acre distribution center at Ulm, MT*). Lessee would also be responsible for providing equipment to serve shippers on the line which are presently non existent; and, or, acquiring cars as a profitable venture for leasing or subleasing to shippers off the line who were not furnished an adequate car supply by BNSF to even ship via BNSF like centerbeam lumber cars (*e.g.: Gwynn Lumber forced to bid at*

auction for BNSF centerbeam cars), grain cars, coal cars (for coal fired power plant planned for Great Falls) in return for shipping over the line. These cars could be purchased or leased and then leased or subleased respectively to BNSF shippers who were short of cars by the shortline operator.

Service would initially be offered and operated on demand at a frequency and volume as needed by shippers and receivers required to handle and increase business over the line. Currently, there aren't any rate agreements, preconditions, conditional contracts with shippers or potential shippers or receivers that would be served but it is believed there are potential shippers interested in having service restored over the line who would ship over it if service was restored. Applicant also contends there is an opportunity to established a daily commuter passenger service in a "mixed Train Daily" between Great Falls and Helena for people who live in the cities along the way but work in either Helena or Great Falls, who commute in automobiles daily 5 days a week or have to go to the V.A. Hospital or work for the National Guard at Ft. Harrison.

To enhance safety the operating shortline would also be responsible for maintaining grade crossings, brush and controlling weeds along the right-of-way to maintain visibility and minimize fire hazards. Although the line is in largely a rural area there are relatively few grade crossings per mile of track and traffic delays at these crossings would be minimal due to the low volume and density of traffic.

The initial operating plan would be to schedule 5-30 car trains per week Monday through Friday operated by a 2 man crew using two leased SD12-1500hp diesel electric locomotives costing \$100/per day each. Although 30 cars could be pulled easily over the "ruling grades" of 1% on this line 2 locomotives would be used with one as a "backup" in case one failed in service. These locomotives will be equipped with two- way radios and FRED radio relay "rear end" braking equipment to provide radio-controlled "rear end" braking from the locomotive which would also be equipped with electronic "anti-slip devices" on the locomotive's wheels. Operating speeds would range from 10-35 mph.

Operating headquarters for the railroad line would be located at Cascade, Montana between Great Falls to the north and Helena to the South from which trains over the line would be dispatched using written "train orders" and "Track Warrants". Cascade would be the center for maintenance-of-way materials and equipment. Minor locomotive maintenance and car repair would

also be conducted at Cascade. Locomotives would be fueled at both ends of the line in Helena and Great Falls as they are turned around for the return trip using tank trucks provided by contract fuel distributors. Discounted "off road" dyed diesel fuel would be used which had less taxes to pay than diesel used over the road. Both men on the train crew would be licensed locomotive engineers.

The train would be scheduled to depart Great Falls at 6:30 a.m. arriving at Helena at or about 9:30 a.m. and returning from Helena at 6:30 p.m. arriving at Great Falls at or about 9:30 p.m.

Trains would be comprised of about 30 cars consisting of 70 and 100 ton 50 and 60 foot "Plate C" box cars, 100 ton covered hoppers, 100 ton flat cars and 100 ton aluminum "bathtub" bottom "open top" coal hoppers, and 50 foot 100 ton tank cars for propane; and, or, petrochemicals. Commodities handled will include Lumber and Forest Products, Steel, Grain, Coal, Propane and liquefied natural gas, woodpulp, barites, bentonite and possibly Volkswagon automobiles. "Single stack" International ISO containers (COFC) with "General Merchandise" would also be handled in addition to (TOFC) trailers on flat car of standard highway trailers certified and equipped to be handled on flat cars.

Long term, a "satellite" intermodal "lift on lift off" "Mini Hub," combined with a "big box" Transload Distribution facility is envisioned to be located on 20 acres of low cost Farmland adjacent to the railroad at Ulm near the turnoff of Interstate 15 just 15 miles south of Great Falls.

Monthly volume would initially be about 250 cars per month or about 3000 cars per year, which at a minimum of \$1.00 per car mile (*empty or loaded*) would generate a minimum of \$600,000 per year. Actual operating revenues would be much higher as interline movements could generate rates of \$300-500 per load for the 100 mile haul loaded in one direction and possible empty return of the loaded car of \$1.00 per car/mile unless return loaded or empty via an alternate route. Labor costs for "Enginemen/Trainmen" is estimated to be \$50,000 per man per year or \$100,000 for the two licensed enginemen. The Cost of a signal maintainer/maintenance of way Foreman is estimated to be \$40,000 annually, while track maintenance would be out-sourced to a qualified contractor on and "as needed" basis. The General Superintendent/General Manager -Dispatcher would be paid \$60,000 per year. An average of \$400 revenue per car would generate \$1.2

million in operating revenue annually. *Note: \$400/carload is truck competitive for 100 mile hauls as 3-4 truck loads can be handled in one carload. This would be the equivalent of \$1.00/truck mile. Trucks can only handle 20 tons (40,000 lbs.), while rail cars can handle 100 tons or five times the weight of trucks. If only one passenger car handling 60 passengers were to be added to the freight consist operating 5 days per week in both directions at a rate of \$40 per passenger would generate about \$5000 per round trip times 5 trips per week or \$ 25,000 times 52 weeks = \$1.3 million in gross operating revenue. When added to the estimated freight revenues of \$1.2 million, it would produce about \$2.5 million in gross operating revenue. If the \$200,000 in direct labor and Salaries is deducted from the \$ 2.5 million in gross operating revenue it leaves \$ 2.3 million for payment of line maintenance, fuel, gross profit, car hire, property taxes and other administration costs and travel expenses. Track maintenance would be administered by the contracting shortline lessee with some financial help from the Federal Government if needed using the Railroad Rehabilitation and Improvement Program (RRIP) as well as possible state grants. Long term, it would be the intent to upgrade the line to handle newer higher capacity cars having a 286,000 gross weight allowable on rail as well as raise or "daylight;" and, or, lower the track in the tunnels in order to handle "DoubleStack" intermodal cars with containers on flat cars (COFC). Also, where possible, curves would be straightened and made more gradual and grades flattened and weight of rail increased and welded rail installed where it doesn't exist on the line to upgrade the speeds and increase speeds allowable under FRA standards.

LABOR PROTECTION

Under 49 USC 10907 (e) "the Board shall require to the maximum extent practicable, use of employees who would normally have performed work in connection with a railroad line subject to sale under this section."

Acquisition and purchase of this line from BNSF will not displace any BNSF employees as a direct result of the proposed purchase as this line has not been operated in 6 years and, as such has not therefore used any BNSF employees to operate or maintain it. Therefore; there are no existing BNSF employees to be protected.

In the Motion it is requested BNSF furnish names, ages, job descriptions, etc. of employees qualified to operate and

maintain the line; and, if provided by BNSF's response to the interrogatories the contract lessee chosen to operate this line by the applicant (*if granted approval to acquire it by the Board*)-even if not required to do so will encourage the short line operator chosen to consider without prejudice applications of current BNSF employees who worked on the line and are worthy and well qualified who of their own volition submit applications to the short line operator voluntarily. The qualified contract operator chosen to operate the line will use its own employees having the necessary training ,experience, and federal licensing to operate over the line and maintain it up to FRA standards. Maintenance will be provided and out-sourced as needed but directed under supervision of the shortline's director of maintenance-of-way and signals. It is further requested the Board admonish BNSF that should a current BNSF employee voluntarily submit an application to the shortline operator and decides after the interview not to switch jobs from BNSF to the shortline that his career should not be prejudiced or harmed as a result of applying to the short line.

MARKETING PLAN

If applicant is allowed to acquire the line and restore service all previous shippers and receivers who shipped over the line prior to 2000 who are still in business and shipping goods will be contacted. Also, all of BNSF's present shippers and receivers in the state of Montana will be contacted if applicant is furnished names and addresses of BNSF shippers and receivers as requested in the Motion. These same shippers will be contacted for support to complete the application submitted to the Board. These shippers and receivers would be solicited to determine what combination of rates, service and equipment would be required to route what volume and commodities over the line in connection with BNSF and connecting carriers such as UP and MRL. Emphasis would be given to establishing "confidential commodity volume - graduated rate quotes which could be used as "proportional " rates "in Combination" with interline carriers and "divide as made" over respective junctions with those carriers instead of "joint through" rates and "divisions." This may be a little inconvenient to shippers to pay more than one freight bill, but the short line would be paid at the same time as the originating or terminating carrier and not have to wait for them to make "interline" settlements or withhold division payments. This can affect "cash flow" of a short line more severely than a Class I railroad with an abundance of Cash.

Initially, rates will be made in cars not exceeding 100 tons in load limit having a gross weight allowable on rail not to exceed 265,000 lbs. Certified for interline service and approved for interchange with the shortline, interchanging railroad and car owner subject to "car hire" and listed in the UMLER file and equipment register at an agreed rate of established "car hire" subject to mutually agreed "reclaim" agreements with the car owner and or interchanging railroad. Fuel surcharges will be assessed shippers and receivers independent of interline railroads on a percentage basis, which reflects actual percentage increases of fuel charged to only the shortline railroad operating the line during the previous 30 days. These fuel surcharges will be added to the freight bill sent by the short line to shippers and receivers for the freight services provided. **Note: Not all railroads involved in a route incur the same fuel cost increases due to the volume of fuel purchases. It doesn't make sense to have the carrier sending the freight bill and charging a fuel surcharge on a percentage basis to the shipper and then pro-rating the charges on a mileage basis to the carriers in the route.* The volume-graduated "proportional" carload commodity rates will be established on a "cost plus" competitive, compensatory level based on prevailing costs, as well as rail and truck competition based upon the car types used and number of carloads tendered at the time of shipment. Rates for "incentive loading" of cars not reaching their load limit would also be provided to incent heavier loading of cars where possible. "Confidential Contract" and Rate quotes will also include average detention costs and eliminate any need to charge demurrage.

Shippers located on interline carriers in Canada, U.S., and Mexico, including BNSF who could ship "overhead" or "bridge" traffic over this line will be contacted through their carriers such as Canadian Pacific (CP), Union Pacific (UP), Montana Rail Link (MRL), or FerroMex, or KCS De Mexico in Mexico.

Emphasis will be placed on contacting potential shippers and receivers and will "target" commodities such as Grain shippers in Montana, Lumber & Forest Products shippers in the western interior of British Columbia and Northern Alberta and steel shippers in Colorado, Utah and the Midwest, Barite and Bentonite Shippers in Wyoming, Gypsum Board shippers in Wyoming, and Volkswagon shippers in Mexico as well as Coal shippers in Montana and Wyoming. Shippers of petrochemicals in Alberta and Houston shipping "long haul" truck with "back hauls" will be contacted to determine if the trucking can be diverted to rail

by providing tank cars and long term volume contracts in view of rising fuel costs for trucking.

Establishment of Rail/Truck reloads and "Big Box" distribution centers will also be entertained at Great Falls to utilize the vacant 300,000 sq. ft. former Buttrey's Distribution Center located adjacent to the rail line where it connects with the BNSF yard at Great Falls (see *Appendix and letter re: its conditional use depending on acquisition and restoration of service over the line from Great Falls to Helena*) as well as a possible distribution center in Helena. Also, the possibility of establishing a new "single stack" combination intermodal "satellite hub" for handling TOFC and COFC and transload distribution center on 20 acres of farm land adjacent to the railroad near the I-15 turnoff at Ulm, Montana 15 miles south of Great Falls will be evaluated. According to Cascade County commissioner Joe Briggs, there is also the possibility of establishing a new malting plant at Ulm if service is restored. (see recent Great Falls Tribune article in *Appendix*.)

Commuter service between Great Falls and Helena using passenger car(s) added in Mixed "Consists" with freight to offer a "mixed train daily" 5 days a week would be evaluated longer term to determine if monthly "passes" at \$30-40 per trip would be marketable competitively with interested "carpooling" commuters living and working in Helena and Great Falls, who are making the 200 mile round trip despite rising fuel costs. Longer term there is the prospect of purchasing, and, or, leasing cars in short supply for subleasing to shippers on the BNSF who are short of cars, forced to truck, or "bid" at auction on cars owned by BNSF. These would be Coal cars, Centerbeam lumber cars, 100 ton grain hoppers, 100 ton open top "bathtub" bottom aluminum coal cars and steel coil cars.

Implementation of these marketing plans would be accomplished with assistance of transportation consultants in Canada, the U.S. and Mexico in addition to International Third party intermodal brokers and interline rail carriers who could route traffic over the line to improve turnaround and ROI on their cars while increasing market share by using this more direct rail corridor between Canada, The U.S. and Mexico. The marketing and sales department of the short line operator chosen would also be used in the marketing effort.

"Running and Trackage rights" will also be offered to BNSF, MRL, CP, UP, and WATCO for \$1.00 per-car-mile loaded or empty.

If acquisition and restoration of service is approved; and, or, ordered by STB consideration will be given to naming the railroad the Helena and Great Falls Northern Railway and a Sub Chapter S "Limited Liability" corporation will be considered. Also, if after operation of the line is proven to be financially successful, a public offering of stock will be considered.

STRATEGIC PLAN FOR GROWTH

Grand Strategy:

Profit by providing competitive rail alternative access over a more direct rail corridor to shippers and receivers between Canada, U.S. and Mexico.

Strategies:

- Acquire and preserve existing *de facto* abandoned BNSF rail line between Great Falls and Helena, Montana.
- Support passage of Rail Competition Act (S.Bill 919) and its companion bill in the House of Representatives.
- Organize and establish The Transportation Preservation Society of Montana (a 501 4c tax exempt "non profit" company) and obtain authorization for it to issue, donate and or transfer tax credits.
- Restore rail service on the Line between Great Falls by contract leasing the line to a short line operator who can operate the line cheaper than BNSF due to lower overhead and labor costs.
- Reestablish passenger (commuter) service 5 days per week in a "Mixed Train Daily" (*combination of Freight and Passenger service*) between Great Falls and Helena and selected stations in between like Ulm, Cascade, Hardy, Wolf Creek as needed.
- Establish "singlestack" Intermodal service and satellite Hub together with a "Big Box" Transload Distribution Facility at Ulm; and, or, Great Falls, and Helena.
- Increase "more direct" rail commerce between Canada, U.S., and Mexico.
- Divert BNSF originated forwarded and received interline traffic with Union Pacific (UP), Montana Rail Link (MRL), and Canadian Pacific to the reopened line where "short line miles" are less than BNSF circuitous routing.

- Provide adequate high quality rail cars to BNSF shippers (as needed) whose car supply by BNSF is consistently less than demand through Purchase ,Lease and subleasing for Montana BNSF shippers of Grain, Lumber, Coal and other semi-finished products of field, forest, and mine that can be routed over more "competitive" routes to more destinations using the more direct route of the line "in combination" with other rail carriers.
- Encourage and participate in establishing "in combination" with connecting interline rail carriers "competitive" "destination level" "group" commodity "combination" rates with "volume-graduated" discounts.
- Divert truck traffic to rail where possible to take advantage of rail fuel efficiency.
- Obtain support of Montana Governor's Rail Competition Committee for acquiring and restoring service over the line between Great Falls and Helena.

OBJECTIVES:

- Acquire the line at "Going Concern Value"
- Pay for line with Cash, by Promissory Note, Securities, Tax Credits or combination thereof as needed depending on value established by STB
- Obtain Financing as needed for purchase and operation of line from Banks, Donors, "Private Placement", Revolving line of Credit, Mortgage companies, and venture capitalists.
- Obtain support from interested parties, shippers, receivers, and authorities for application to STB to acquire and restore service over the line.
- Obtain traffic commitments from potential shippers, receivers, and carriers.
- Repair washout at Ulm, Montana.
- Reactivate Grain Elevators at Ulm and Cascade, Montana to ship via rail in multiple car shipments (possibly "mini unit trains").
- Facilitate Buttrey's Vacant 300,000 sq. ft. "big box" distribution center (adjacent to and served by the line in Great Falls) leased to a Transloader of General Merchandise.
- Establish "Commuter" passenger service in "Mixed Train Daily" 5 days per week between Great Falls and Helena, Montana.

- Obtain RRIP and state grants as needed for maintenance and upgrading of the railroad line.
- Preserve delicate ecosystem along Pristine Missouri River canyon from Cascade to Wolf Creek, Montana.
- Stimulate "economic development" in small communities and cities served by the line by injecting money spent for labor and materials in the local economies using the "multiplier effect" (i.e.; for every \$1.00 spent as much as \$7.00 more in goods or services might be created).

GOALS:

- Lease 2 SD 12 1500 Hp. Diesel Electric locomotives.
- Execute operating contract with shortline operator by June 1, 2007
- Establish contract rates, and confidential rate quotes by June 1, 2007
- Obtain "revolving line of credit "for "working capital" needed by June 1,2007
- Obtain Insurance needed for and by shortline operator by June 1,2007
- Purchase; and, or, lease rail cars as needed and available for subleasing
- Generate Gross Operating revenues of \$3.0 million by December 31, 2008
- Generate a return-on-invested-capital of 20%.
- Handle 3000 cars per year.
- Provide jobs for 5 people.

DISCUSSION (Strategic Growth Plan)

Applicant's plan for Strategic Growth is comprised of a combination of Marketing and Operating plans for soliciting traffic and providing new services and equipment as well as development, location and use of new rail-oriented facilities at strategic key points along the line.

1. Present BNSF shippers and receivers will be contacted to determine how much and what commodities could be routed over the line and what level of rates and frequency of service would be required to route Forwarded, Received, and "overhead" or "bridge" interline traffic over the line.
2. Canadian producers of Spruce, Pine, and Fir (SPF)

lumber in Alberta, and British Columbia will be contacted as well as Major lumber brokers like Forest City Trading and North Pacific Lumber to determine how much business and commodities could be routed over this line and what level of "combination proportional rates" would be required to route traffic over the line to Southern and Midwest U.S. destinations in connection with BNSF over the Sweet Grass interchange with Canadian Pacific (CP) en route to UP at Butte ,Montana.

3. Canadian Pacific Railway (CP) will be contacted to determine what contract rate level and service would be required to move "Run Through" unit trains of Potash over the line on a "Run Through" basis using CP power for routing to the UP at Butte for West Coast export to take the traffic pressure off CP's line between Calgary and the west coast which is at capacity until CP can complete necessary investments in increasing line capacity. BNSF's single line track through Glacier Park is also a "chokepoint" on BNSF's line to the coast and is already at capacity of 50 trains per day.
4. The Mexican Railway Ferromex will be contacted to determine what commodities and quantities of NAFTA traffic could be routed to and from Canada such as Volkswagon "Beetles".
5. BNSF receivers of interline traffic from Union Pacific (UP) and Montana Rail Link (MRL) will be contacted to determine if car types unloaded can be reloaded and "backhauled" via the line between Great Falls and Helena to interline connections and determine who and where they could be reloaded with what commodities and rates and service required.
6. Gypsum board manufacturers such as Georgia Pacific will be contacted to determine if they can route cars of gypsum wallboard to points in Alberta, Eastern British Columbia, Saskatchewan, and western Manitoba via this line.
7. Producers of barites and bentonite in Wyoming will be contacted regarding shipping oil field "drilling mud" over this line to the oil fields of Alberta "rail direct" via this route instead of reloaded to super heavy long

"B" train trucks with multiple trailers with 70,000 lb. loads which wear Montana and Alberta highways. If diverted to rail it could save the taxpayers as well as shippers money, at the same time conserving energy by diverting traffic from truck to more fuel-efficient railroad.

8. Petrochemical producers shipping between Alberta and Houston Texas will be contacted to determine whether they are interested in diverting long haul two-way shipments to rail via a route over this line due to increasing fuel costs for trucking vs. rail.
9. Owners of Grain Elevators at Ulm and Cascade, Montana will be contacted to determine if the elevators shut down from loading rail with discontinuance of service by BNSF could be reopened for rail shipment of "mini" Unit Trains if cars and competitive rates were available to Midwestern, West Coast and Gulf Ports via the UP or MRL.
10. Potential Lessees of the vacant 300,000 sq. ft. Buttrey's distribution center in Great Falls that can be served by the rail line will be contacted with regard to the possibility of setting up a Rail/Truck Transload Distribution center for general merchandise including groceries for inside storage and lumber and steel products on the outside storage acreage (*conditioned on the sale of the line by BNSF and restoration of service (see Appendix).*
11. BNSF customers in Montana will be contacted who are short of Grain, Coal, or Lumber cars to determine how much traffic they could route over the line if the line were to purchase or lease cars for subleasing to them for a period of 3 years.
12. The prospect of locating a new Intermodal "satellite Hub" combined with a Transload Distribution Facility on 20-40 Acres of farmland at Ulm, MT adjacent to the line near the turnoff on Interstate highway 15-just 15 miles south of Great Falls will also be evaluated.
13. Establishment of limited intermodal service (*COFC "single stack" service and TOFC service*) in mixed freight train service between Helena and Great Falls will also be evaluated. Intermodal cars could be interchanged to MRL for westbound connection to BNSF at

Sandpoint, Idaho for transport to BNSF hub centers at Portland, Seattle, and Los Angeles.

14. There is also a possibility of locating a rail/truck transload distribution facility at Helena that could be served by both the rail line and MRL which could be expanded to include intermodal "lift-on lift-off" capability for handling COFC and TOFC
15. Provision of passenger commuter service by adding one passenger car to the freight consist 5 days per week in a "mixed Train Daily" will be investigated to serve people commuting and working between Helena and Great Falls and provide people from the Great Falls area to get to Ft. Harrison to the V.A. Hospital some of which may be incapable of driving. Also, there are Army National guardsmen who work at Ft. Harrison who live north as far away as Great Falls and must commute there.

COMPETITION

De Facto abandonment and discontinuance of service over BNSF's Great Falls to Helena, Montana line since 2000 created an "appreciably inferior" service to BN's service before merger with Santa Fe. Pre merger service should be a standard governing Applicant's remedy and the traffic (or absence of it) over the line for the last six years the "baseline" for measurement relating to the value of the service offered by reopening the line to restore competitive access to Union Pacific and Montana Rail Link over the most direct short line mileage route. BN represented merger with Santa Fe in 1995 for \$4 billion would improve service and shippers would be given more competitive service than before merger. BNSF's rail shippers should not be forced to accept less competitive access, worse service and double digit increased rates (e.g.: grain rate increases of 30% and demurrage increases of 50%) or cars in short supply like centerbeam cars auctioned off to the highest bidder that they didn't have before BN merged with Santa Fe. Economic incentives available from or by competing carriers should not be denied because BNSF arbitrarily and anti-competitively closed a "service-competitive" shorter rail distance gateway to Union Pacific or Montana Rail Link available to Montana shippers and receivers which deny alternative long haul competitive rail alternatives to points served by BNSF; and, or to points not served by BNSF. BNSF apparently feels the revenue reduction of competitive prices by giving competitive

access will be less than the incremental new traffic should be at lower rates that would result.

BNSF increased rates and fuel surcharges on grain faster than industry-wide costs, which is perhaps indicative of BNSF exercising monopoly power. BNSF contends its fuel costs have increased 144% since 2001! This doesn't allow shippers with contracts to negotiate with BNSF using competitive bidding or splitting volume between rail competitors, which suggests STB should consider using its authority to open up, review and modify BNSF rail contracts in Montana established since merger with Santa Fe. BNSF has a 94% market dominant share over all rail shipments in and out of Montana. Montana rail shippers and receivers have no leverage over rates or volume commitments negotiated with BNSF because of BNSF's closure of the Great Falls to Helena line which denies shippers the shortest rail distance to access Union Pacific or Montana Rail Link. Applicant petitions the Board to restore rail competition in Montana by ordering BNSF to transfer ownership of its Great Falls to Helena line to the applicant to restore service and competitive access to Union Pacific and Montana Rail Link. Until this line is reopened and service restored rail shippers and receivers suffer from lack of competition promised in BNSF's merger; and, in which BNSF enjoys monopolistic benefits in Montana to shippers' and receivers' detriment in geographically competing with more distant producers elsewhere.

Montana wheat producers are essentially served by one railroad (BNSF). Producers in Shelby, Montana have paid about "double" the shipping rate per-ton-mile to Portland compared to western Canadian producers shipping over comparable distances to the West Coast as well as "double" compared to what producers pay from Denver or Kansas city to Galveston which are served by "competing" railroads. It is 728 miles from Shelby, Montana to Portland, Oregon and 961 rail miles from Denver to Galveston, Texas, and 861 rail miles from Kansas City, Missouri to Galveston, Texas.

SUPPORT OF INTERESTED PARTIES

Attached in the Appendix are written statements from interested parties expressing support for acquisition, reopening and restoration of service on this line. Although helpful, though not specifically required under 49 USC 10907, letters are difficult to obtain due to Applicant's inability to obtain a list of BNSF Montana rail shippers and receivers. BNSF's Montana shippers, receivers and shortlines may be reluctant to provide

written statements publicly expressing support out of concern for possible economic reprisals in rates, service and equipment.

A cross section of Montana State Authorities, Executives and Legislators are included in attached statements expressing interest in the rail line being re-opened and service restored in the public's interest in economic development and increased commerce derived from increased competitive access.

If Applicant is required to submit to STB letters of support from interested shippers, receivers, trade associations and government officials for acquisition and restoration of service on this line, it would appear fitting, proper and fair in the interest of truth, justice and the public's interest, that BNSF be similarly required to show through letters of support from shippers, receivers and government officials, that it is not in the public's interest to transfer ownership of this line, reopen it; and, or, restore service.

The STB can facilitate determination of additional shipper support in the public's best interest by requesting BNSF furnish a list of BNSF's Montana shippers and receivers so they can be contacted and surveyed to obtain an expression of whether they are: *(a) in favor of reopening; (b) not in favor or reopening the line, or; (c) wish to remain silent.*

Also, it would help if STB requested the State of Montana's Public Service commission, and, or, Montana Department of Transportation, respectively, to furnish all complaints or correspondence regarding closure of this line by BNSF's de facto abandonment. It is believed STB has the power under 49 USC Part 1114 to require this information from BNSF to get to the facts in the public's interest. This information could contribute measurably to applicant's petition to STB for approval to acquire this line.

E.

**ANNUAL PRO FORMA INCOME STATEMENT FOR
HELENA, GREAT FALLS AND NORTHERN RAILWAY COMPANY**

Estimated gross operating revenue

(3,000 Carloads @ \$400/carload) \$1,200,000

Less Expenses:

Estimated locomotive lease
(2-SD 12 1500 hp@ \$300/mo each) 7,200

Estimated Salaries and labor
2 Enginemen @ \$40,000/yr each \$80,000
1 General Manager/Dispatcher 60,000
1 maintenance of way/signal supervisor 40,000
1 administrator/accountant/controller 50,000

Total Employee Wages and Salaries 230,000
Employee Taxes @ 10% 23,000

Total Employee costs 253,000

Car Hire Expenses* 36,000
Repairs and maintenance 50,000
Auto Expense (two pickups) monthly payments/fuel/repair 20,000
Office Rental 6,500
Property Taxes @ \$500/mile x 100 miles 50,000
Fuel Expense
1000 gal/day x \$2.00/gal(off road) x 260 days 520,000

Total Expenses \$942,700

Estimated Net Income Before Income Taxes (NIBIT) 257,300
Estimated marginal tax rate of 40% 102,920

Estimated net income after taxes (NIAT) \$154,380

*Car Hire: Estimate exposure of 3 days of "foreign marked" cars on line, 1 day at origin interchange, 1 day at destination interchange, 1 day "in transit" between origin and destination interchange, less: 2 days of "free time" "per diem reclaim" agreement. Thus it is estimated one day of car hire would be incurred at \$.50/hour x 24 hours or \$12/day per car handled x 3,000 cars = \$36,000

HARM TO OTHERS

A decision to not allow applicant to acquire this line and restore service could continue to harm shippers, interested parties and perhaps the Public Interest from the standpoint of inhibiting commerce and economic development in north central Montana by being denied more direct competitive access to Montana Rail Link (MRL) at Helena, Union Pacific (Up) at Butte and Canadian Pacific (CP) at Sweet Grass all of which are competitive alternatives to shipping exclusively via BNSF 's long haul which may be more circuitous, take longer and cost more.

Denial of Applicant's acquisition of the line and restoration of service over the line could be harmful to Public Convenience and Necessity (PCN) and the Public's Interest as well as shippers and receivers who haven't been able to use this line in the 6 years it has been *de facto* abandoned by the BNSF when other competitive alternatives exist if the line were ordered sold by the Board and service restored --especially since other opportunities for competitive rail shipment by Montana's rail shippers just don't exist because of the Market Dominant chokehold BNSF has on 94% of all the rail business into, out of, and within the State of Montana.

Some of these captive shippers and receivers, which are at the mercy of BNSF and solely dependent upon BNSF for rail shipments and livelihood, may be afraid or to overtly support this application for fear of reprisals in the form of higher or no rates, less, worse, or no equipment, cancellation of rate contracts, track leases or, less frequent or no service like the shippers on this line experienced with its *de facto* abandonment which is especially true of shippers and receivers on branch lines like the Lewistown branch, The former Montana Western Ry(MWR), the Whitefish to Eureka line, the Ft. Benton line, and the Big Sandy to Havre line. **Note: There are 2000 fewer miles of railroad today in Montana than there was since Deregulation and the \$4 Billion mega merger between Burlington Northern (BN) and Santa Fe Railway(ATSF).*

There could be a perceived harm to others if the application to restore service is denied and BNSF formally files for abandonment and tears up the line and a bike trail is created. Tearing up the line by removal of tracks, trestles, bridges, ties, ballast could have an environmental impact on the adjacent river tributary trout streams and surrounding

ecosystems as well as the land of adjacent landowners concerned about fire, refuse, camping and weed control.

Clearly there will be less harm to others (*including BNSF*) if the line is acquired, operated as a shortline and service restored to increase commerce and serve the public interest in a "greater good for the greater number" than allowing it to be formally abandoned and a bike trail created to serve a physically adept minority of interests.

BNSF should be caused by the Board in this proceeding to show that the Public Interest, increased commerce and economic development is served by continued closure of this line. If the applicant's motion for BNSF to furnish applicant with a list of BNSF shippers and receivers (*estimated to number 500*) is granted by the board and the interrogatory provided by BNSF those shippers provided by BNSF will be surveyed by the applicant and their responses in support of this application consolidated to protect respondent's confidentiality but the individual responses could be available to the Board under a "Protective Order" by the board but not available to BNSF except in the consolidated results compiled for BNSF.

Fear that a shipper could suffer retaliation by its current rail service provider for criticizing current rail service or absence thereof should be sufficient to constitute a showing of "inadequate service" to the Board. Although no inference can be made by a shipper's silence compared to a public statement it gives pause to ponder why a shipper (*who would obviously benefit from restoration of service*) chooses to remain silent if rail shipment is essential to the viability of his business. One could conclude silence would protect his long term business relationship with his Rail service provider especially in the event the Board's decision didn't allow acquisition and restoration of service sought by the applicant and the shipper publicly supported the application, which was not approved by the Board. Current BNSF shippers and potential shippers and receivers in Montana may be fearful of publicly supporting this application out of a real concern BNSF might retaliate by degrading or denigrating their current "captive" service, equipment, and, or, rates.

ENVIRONMENTAL ISSUES

Acquisition of this line by applicant will not affect quality of the human environment or conservation of energy resources. Transfer of ownership of this rail line from BNSF to

the applicant for subsequent restoration of service by the applicant, his contractors, lessees, or invitees will not affect the environment and should be excluded from the need to provide an Environmental Assessment (EA) by STB's Section of Environmental Assessment (SEA) to comply with the National Environmental Protection Act (NEPA) under regulations of The President's Council on Environmental Quality and The Surface Transportation Board's own environmental rules and standards which involve rail line acquisitions that will not result in operating changes that exceed an increase in rail traffic of a minimum of over eight trains per day or a 100% increase in gross ton miles annually. Since there would be not more than one train per day and there has been no traffic over the line for 6 years 100% of 0 would still be "0". Therefore, the standard threshold of 8 trains per day or increase of 100% in gross ton miles annually will not be exceeded requiring preparation of environmental documentation under 40CFR 1500.4(p), 1501.4 (a) (2), 1508.4 and 49CFR 1105.6(c).

Allowing BNSF to formally abandon this line, tear up the track, remove ties, ballast, bridges, trestles and implode tunnels next to the pristine Missouri River and over its tributaries could affect local ecosystems and environment occupied by a variety of species including eagles, osprey, rainbow trout, cutthroat trout, German brown trout, bears, coyotes, deer, antelope and a host of other interdependent wildlife. It is possible in the 120 years this line has been in service there are carbon and other oxide and petrochemical residues, which have fallen out of locomotives and cars in trains as well as creosote containing PCB's (*Polychlorinated BiPhenyls*) that leached into the subsoil in the subgrade through the ballast (*which once disturbed by removal of the infrastructure could enter the adjacent water table with detrimental effects*). Also removal of bridges and creosote impregnated wooden trestles and explosive demolition of abutments and implosion of tunnels could not avoid some insertion of unnatural dust and chemicals in the surrounding ecosystem which would have to be guarded against in the track removal process.

Undoubtedly there would have to be or should be a soil sampling required at regular intervals along the line from Great Falls to Helena to determine what pollutants exist in the subgrade and subsoil under the ballast which might need remediation, removal and replacement if BNSF were allowed to abandon the line and tear up the track to restore the right of way to its original condition. It is apparent BNSF would be

required, as a possible condition of its formal abandonment of the line, to obtain and file a comprehensive Environmental Impact Statement (EIS) prior to tearing up the track.

It may be environmental issues are the reason BNSF chose to *de facto* abandon the line and protect its monopolistic trade barrier against competitive access, rather than file for a formal abandonment and incur the costly expense of track removal and a comprehensive Environmental Impact Statement that would identify costly remediation of the line, which would only add to its present costly liability of retaining it on BNSF's Balance Sheet and continuing to pay property taxes with no prospect of current productivity or profits that has to be cross-subsidized by other productive and profitable BNSF assets.

Reopening this line, not tearing up the track and restoration of service to shippers forced to truck by its closure, who could begin shipping by rail again, would contribute to "conservation of energy" by diverting to rail which is typically and traditionally more fuel efficient per-ton-mile than truck which is incurring higher fuel costs, which are expected to rise in the foreseeable future. Railroads are more fuel efficient in transporting large quantities of semi-finished products of the field, forest and mine such as Lumber, Paper, wood pulp, grain, and coal. Diversion back to rail from trucks could, in addition to improving fuel efficiency, reduce congestion and "wear and tear" on highways paid for by state and federal taxes.

CONCLUSIONS

BNSF's *de facto* abandoned rail line from Great Falls to Helena, Montana meets the requirements for a STB forced sale under 49 USC 10907 because:

- Service has been "inadequate" because it has been not existed for 6 years!
- The line remains on BNSF's system diagram Map!
- BNSF has not filed for abandonment with STB!
- There are no other applications to acquire the line!
- There is Public Interest in restoring the line for convenience, necessity to increase commerce, jobs and economic development
- Applicant to STB to acquire the line is "financially responsible"!

- Applicant is capable of paying the "Constitutional value" for the line!
- Applicant "offered" CEO of BNSF to purchase the line!
- BNSF has rejected applicant's "offer to purchase" the line!
- Net Liquidation Value(NLV) is less than "0" or Negative!
- Going Concern Value(GCV) is "0" due to no operation in 6 years!
- BNSF has refused for 6 years to repair the line and restore service!
- Sale of the line will not have an adverse effect on BNSF, but will improve it!
- Sale of the line will relieve BNSF of exposure to Environmental issues!
- Sale of the line will not have any adverse effect on BNSF operations as cars would be delivered and received from BNSF's Yard in Great Falls, which is the northern terminus of the line.
- Closure of the line has not affected BNSF operations!
- Sale of the line and restoration of service by a shortline will improve transportation alternatives, competitive access, capacity and costs for shippers and receivers who would use the line!
- Applicant would establish new services, equipment and rates!
- Applicant would provide "Running and Trackage Rights" to BNSF and Railroads such as UP, CP, MRL!
- Applicant would allow a reasonable interchange with BNSF to move their rolling stock, power and equipment between non-contiguous lines like at Helena, which they have been unable to do since *de facto* abandonment 6 years ago!
- There is no "Market Value" as no one has offered to buy the line or filed an application to do so in the last six years until now by Applicant.
- There is no need to provide "employee protection" for BNSF employees since the line has not been operated by BNSF employees for 6 years!
- STB will not be required to establish "joint rates" and "divisions" since the "contract operator" will be required by Applicant to establish compensatory "cost plus" "proportional" rates that can be used "locally" and in "combination" with interchanging rail carriers and "divide as made" at the interchanges on either end. These will be "confidential rate quotes" and "Contracts" for specific commodities, car types, and service that will be "volume-graduated" subject to cost-based fuel surcharges as percentage increases for "most recent purchases" added to

underlying freight charges billed directly to and collected directly by the contract operating short line. Applicable excess detention charges and or "Demurrage" and "car hire" for use of "Foreign marked" cars approved and authorized to move on the line in interchange service will be built into the applicable confidential rate quotes and contracts.

- Application will not need to be reviewed for Environmental Assessment(EA)by STB's Section on Environmental Analysis(SEA) for compliance with the National Environmental Protection Act(NEPA) because not more than 8 trains per day would be operated or result in a 100% increase in traffic since the traffic moved over the line in the last 6 years was "0" and 100% of "0" or 200% of "0" is still "0"; and acquisition, sale or operation will not effect the "human environment" and there are no "conservation of energy" issues to be decided.
- There is no need for employee protection of BNSF employees, since the line has not been operated in six years.
- BNSF cannot show it to be in Public Interest to keep the line closed!
- There could be harm to others by allowing BNSF to keep the line closed and filing for abandonment and tearing up the tracks.

SUMMARY

BNSF's 100-mile de facto abandoned rail line between Great Falls, Montana and Helena, Montana meets the qualification to be ordered sold for "Going Concern" value by STB to a financially responsible individual under U.S. Statute 49 USC 10907 Part 1151 (Feeder Line Development) for the public's convenience and necessity outlined above and the fact BNSF has not formally filed with STB for abandonment, not torn the tracks up and continues to display the line as being open on BNSF's System Diagram Map and various other published railway maps. Also, there has been no other application to STB for acquisition of this line for any reason; and, that the line has not been operated for a period of six (6) years using BNSF employees nor any tonnage shipped by any shippers over the line for the same period. STB is not required to negotiate or establish compensation for trackage rights, agreements or divisions of through rates as the contract shortline selected to be used for three (3) years by the applicant to operate the line will

establish compensatory volume-graduated commodity confidential contract rate quotes on a local and proportional basis, which will "divide as made" to and from interchanges with connecting carriers.

There are no pre-conditions with potential shippers regarding subsidy payments as a condition of service, nor is applicant an entity affiliated with a Class I or Class II railroad.

There is a public interest by Montana authorities in re-opening and restoration of service to this line with the prospect of developing new incremental traffic, which can be handled at less cost than BNSF in a manner that will have the prospect of increasing BNSF's overall system Return On Assets (ROA) and provide competitive access via a more direct route to points not served by BNSF via this line.

HOMELAND SECURITY

Since Montana rail shippers and receivers are 94% dependent on one railroad (BNSF) for rail shipments of fuel, food and forest products for housing, it would require only one strategically located bridge on BNSF's main line to be severely damaged or taken out completely by natural disaster or "other" causes to completely interdict BNSF's service in the Northern tier. Re-opening the north/south line between Great Falls and Helena and restoring rail service would provide an alternative back up similar to how this line was used to re-route the "Empire Builder" passenger train when there was a washout at Libby, Montana. (See Appendix)

There is a strategic Homeland Security issue and value in re-opening this line and not allowing it to be *de facto* abandoned for lesser anti-competitive commercial reasons for exploiting BNSF's captive shippers.

Applicant prays the STB will decide in applicant's favor and order the BNSF to transfer the line at "Going Concern Value" to applicant.

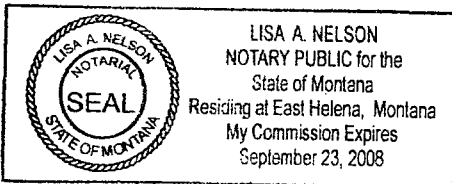
SIGNED *Daniel R. Fiehrer*
Dr. Daniel R. Fiehrer

DATE: 10/10/06

STATE OF MONTANA)
COUNTY OF LEWIS & CLARK)

I, the undersigned Notary Public in and for said County in said State, hereby certify that Dr. Daniel R. Fiehrer whose name is signed to the foregoing instrument, and, who is known to me, acknowledged before me on this day that, being informed of the contents of the instrument, he executed the same voluntarily on the day the same bears date.

Given under by hand and Notarial Seal this 10th day of October, 2006



Lisa A. Nelson
Notary Public Lewis & Clark County
My Commission Expires: Sept. 23, 2008

(Affix Notarial Seal)

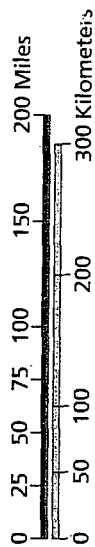
APPENDIX

1. BNSF System Map
2. Photograph of washout at Ulm, Montana, Great Falls Tribune
3. Letter of April 12, 2006 to Chairman Buttrey of STB and his reply of May 1, 2006.
4. Certificate of Service to BNSF
5. July 2006 Letter to Matthew Rose, BNSF CEO and Reply of August 7, 2006
6. Letter to Douglas Buttrey July 17, 2006 from Matthew Rose, CEO BNSF, which expresses interest in tax credits.
7. Maps of line to and between Helena and Great Falls, Montana (3 pps)
8. Track Profile between Helena and Great Falls, Montana
9. Time-Tables of previous rail service between Helena and Great Falls, Montana
10. Pictures of rail service between Helena and Great Falls (9 pps)
11. Letter from Union Pacific re: Decision to remain in Montana and Article in Montana Standard.
12. Articles from Great Falls Tribune re: Rails to Trails (3 pps)
13. Great Falls Tribune Article expressing Cascade County's interest in keeping rail line.
14. Article from Helena Independent Record, August 17, 2006 re: Rails to Trails (2 pps) and October 1, 2006.
15. Letter from Excel Logistics, August 20, 2006 re: Distribution Center in Great Falls, Montana
16. Data on Great Falls Distribution Center (3 pps)
17. Great Falls Tribune Article May 12, 2006 re: Governor's Support of Rail Competition
18. Great Falls Tribune Article May 10, 2006 re: Senator Burn's comments on Rail Competition
19. Letter from Canadian Transportation Consultant, Dr. Richard Lande, August 25, 2006
20. Letter of Support July 26, 2006 from Gwynn Lumber Company
21. Letter of August 18, 2006 from Montana Rail Link
22. Letter of July 25, 2006 from Montana State Senator Trudi Schmidt to STB
23. Letter of June 15, 2006 from Nancy Peterson, Director of Montana Department of Agriculture
24. Notarized Letter from Lopach & Carparelli, PC Certified Public Accountants establishing Dr. Fiehrer's Net Worth
25. August 9, 2006 Letter from IRS approving 501 .4c Tax Exemption
26. September 25, 2006 request to IRS to issue Tax Credits
27. AP article on New Mexico's purchase of BNSF rail line
28. Certificate of Service to BNSF of STB Application

SYSTEM MAP



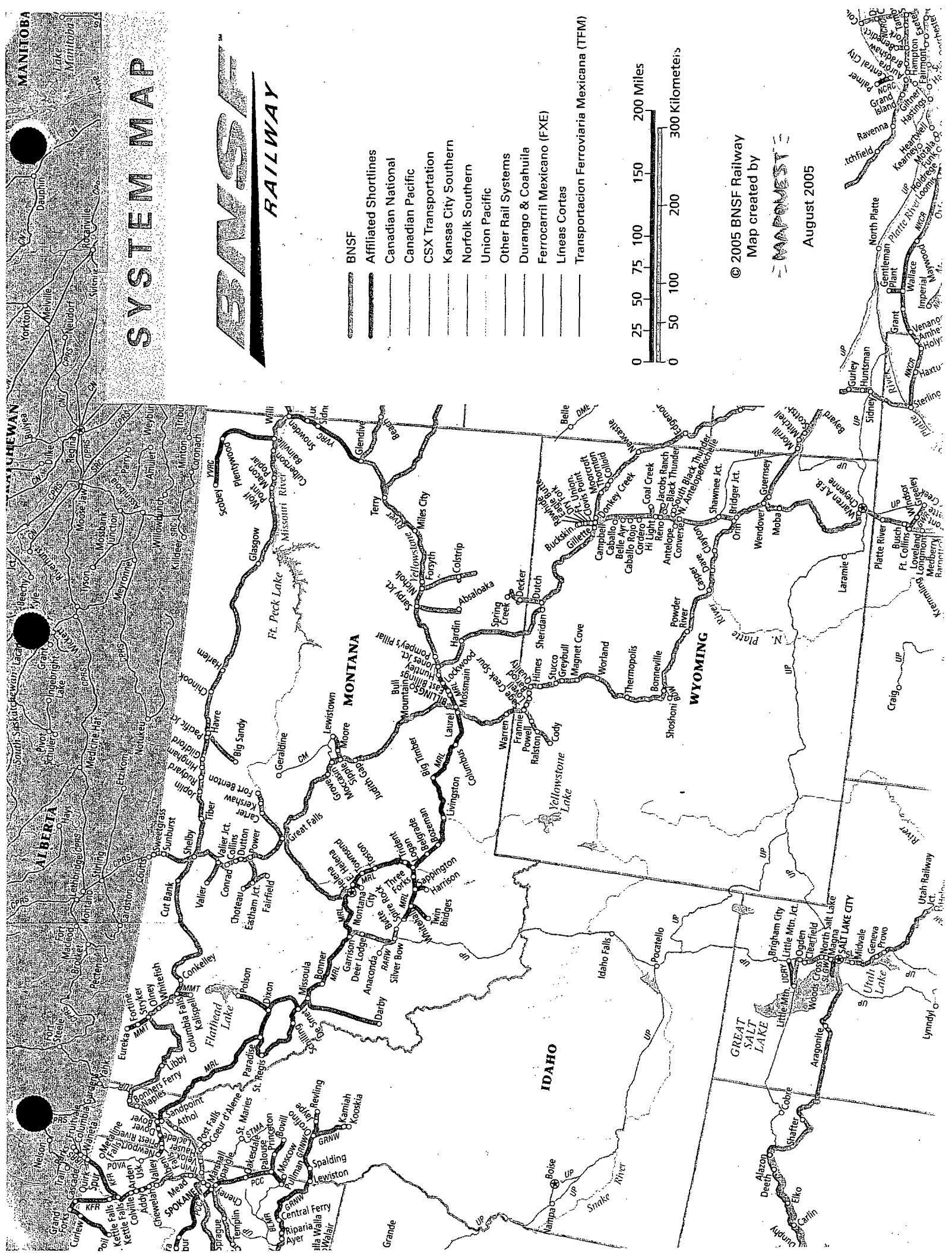
- BNSF
- Affiliated Shortlines
- Canadian National
- Canadian Pacific
- CSX Transportation
- Kansas City Southern
- Norfolk Southern
- Union Pacific
- Other Rail Systems
- Durango & Coahuila
- Ferrocarril Mexicano (FXE)
- Lineas Cortas
- Transportacion Ferroviaria Mexicana (TFM)

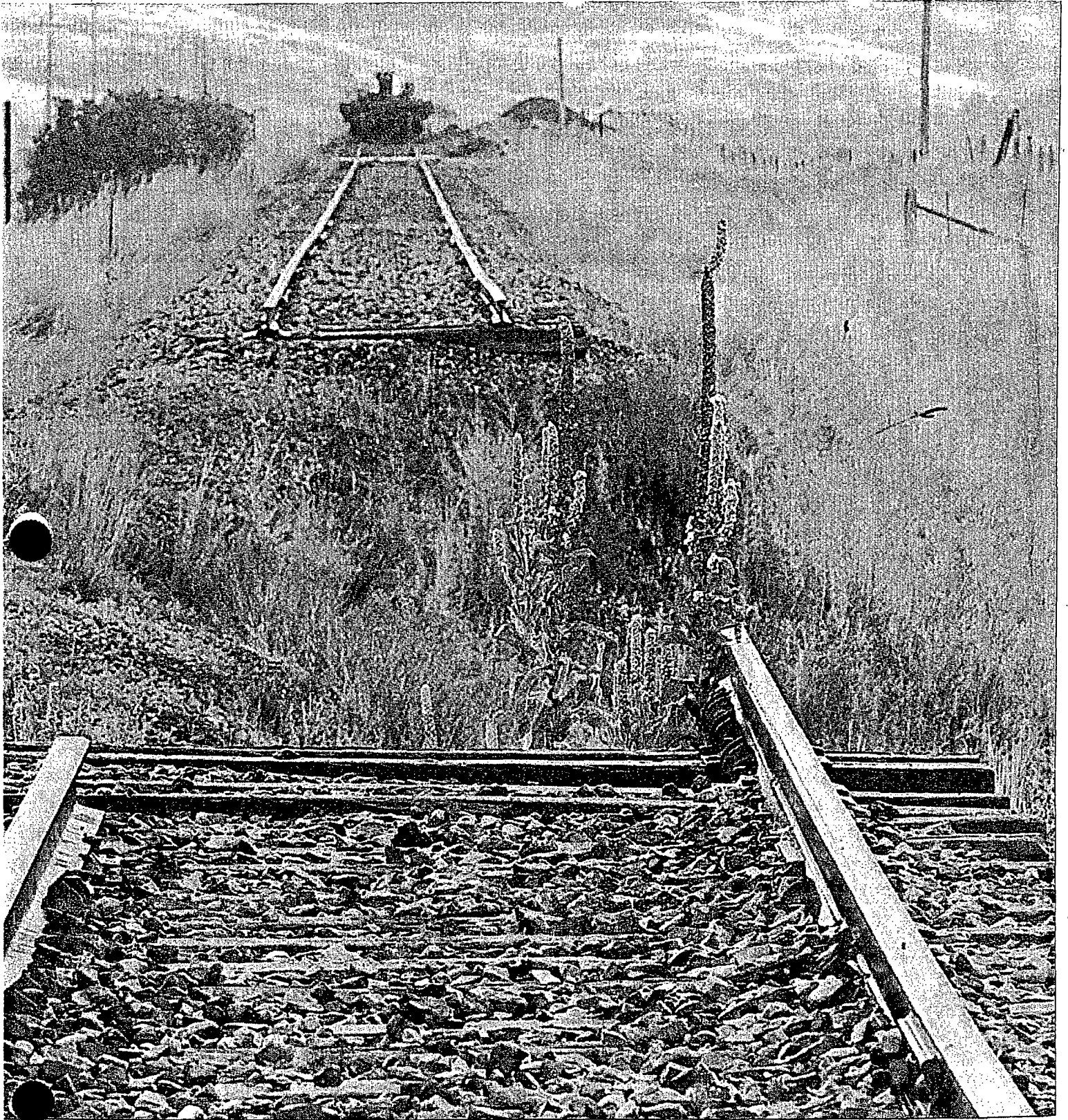


© 2005 BNSF Railway
Map created by



August 2005





TRIBUNE PHOTO BY STUART S. WHITE

of the rail line between Great Falls and Helena near Ulm.

TRANSPORTATION PRESERVATION SOCIETY of MONTANA
POBox 1004, Helena, MT 59624

Mr. W. Douglas Buttrey, Chairman
Surface Transportation Board
1925 K Street Northwest
Washington, D.C., 20423

April 12, 2006

SUBJECT: BNSF Line from Helena to Great Falls, Montana

Dear Chairman Buttrey,

BNSF has "de facto" abandoned the rail line from Great Falls to Helena, Montana, for five years. On one hand they allege the line is too valuable to sell, yet not valuable enough to repair. They represent the repair of a small washout near Ulm, Montana, (see enclosure from Great Falls Tribune) would cost \$2-3million. Repair of this line to put it back into service is realistically estimated to cost only \$2-3thousand, not \$2-3million!

Railway valuation methods have changed in the interim from "net liquidation value" to "going concern". This line has no "going concern" value and hasn't had for the five years it has been "de facto" abandoned. To "scrap out" the line would cost what the scrap value would be. BNSF doesn't want anyone else to own this line as it would represent a competitive outlet to the UP and MRL and would break the chokehold BNSF has on rail transportation estimated to be 94% of all rail traffic into and out of Montana.

For reason of public convenience and necessity in addition to establishment of competitive outlets to promote commerce and economic development, I would like to exercise the option I have as an individual under 49 U.S.C.10907 that provides that a "financially responsible person" may apply to the Surface Transportation Board to require a railroad to sell to that person an under-served rail line. For a period of five years, the line has not been a "going concern" and is therefore of no value to Burlington Northern Santa Fe Railroad.

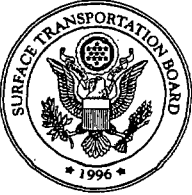
If granted approval of this application by the STB, I would repair the 50 feet of washout at Ulm and restore rail service immediately.

The alternative I propose is a "private sector" solution to the restoration of service and believed to be a better alternative solution than allowing BNSF to scrap the line or use "Eminent Domain Powers" of the state government. BNSF can write off the line using whatever valuation method they choose. BNSF will improve overall Return On Assets by eliminating this unproductive rail line from its balance and tax burden of continuing to own the line.

Your personal consideration and early favorable reply would be appreciated.

Sincerely,

Mary Ann R. Fiehrer, Chair: and Dr. Daniel R. Fiehrer, 2nd Vice Chair:
Transportation Preservation Society of Montana



Office of the Chairman

Surface Transportation Board
Washington, D.C. 20423-0001

May 1, 2006

Dr. Daniel R. Fiehrer
Transportation Preservation Society of Montana
PO Box 1004
Helena, MT 59624

Dear Dr. Fiehrer:

Thank you for your letter of April 12, 2006, which I received by facsimile transmission. You have expressed interest in filing an application under 49 USC 10907 to acquire the BNSF Railway Company line between Great Falls and Helena, Montana. I asked that a member of the Board staff contact you to provide technical information on the Board's rules for filing such an application.

I understand that Joseph Dettmar, an attorney in the Office of Proceedings, called you and faxed some material to you, and has also called you in connection with material you faxed to him on April 25. I hope this has been of assistance to you.

Sincerely,

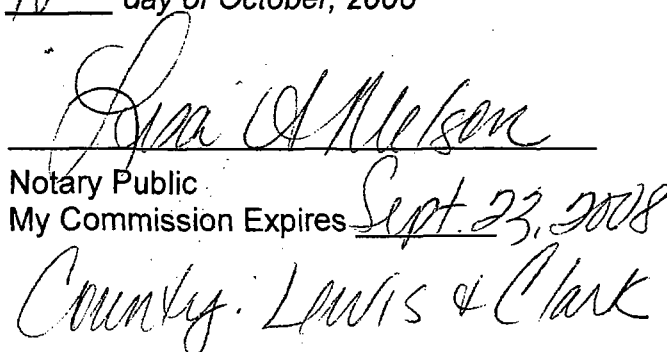
W. Douglas Buttrey
Chairman

STATE OF MONTANA)
COUNTY OF LEWIS AND CLARK)

**Mr. Matthew Rose, CEO
Burlington Northern Santa Fe Railway
P.O. Box 961052
2650 Lou Menk Drive
Fort Worth, Texas 76161-0052**

Dr. Daniel R. Fiehrer
P.O. Box 1004
Helena, Montana 59501

Subscribed and sworn to before me this 10th day of October, 2006



PERSONAL AND CONFIDENTIAL

Mr. Matthew Rose, CEO
Burlington Northern Santa Fe Railway Company
P.O. Box 961052
2650 Lou Menk Drive
Fort Worth, Texas 76161-0052

SUBJECT: ACQUISITION OF BNSF ABANDONED RAIL LINE - GREAT FALLS TO
HELENA, MONTANA

Dear Mr. Rose:

I would like to explore with you personally acquisition of ownership of BNSF's *de facto* abandoned rail line between Great Falls and Helena, Montana for "going concern value" which could involve cash and possible tax credits. This line has been abandoned for over six years and has a washout at Ulm, Montana which BNSF apparently feels too costly to repair. Presumably it is too costly to salvage this line, so it remains a continuing unproductive asset on BNSF's balance sheet subject to rising property taxes "cross-subsidized" by other profitable BNSF assets.

Were BNSF to transfer ownership of this line to me, it would eliminate possibility of liability to BNSF for accidental spills into the Missouri River, and, trespassers (*hikers or bikers*) who could start a fire on the right of way, which could spread to adjacent land. Furthermore, restored operation by me would present BNSF with the opportunity to improve BNSF's overall Return on Assets by eliminating unproductive assets and ongoing cost burdens, while creating the opportunity to generate new incremental business to and from points not accessible to or served by BNSF with no investment by BNSF to generate these returns or maintain the line and equipment.

This line can be operated as a shortline for less than BNSF can operate it due to lower allocated overhead unit costs of a shortline. If BNSF allows me to acquire this line "as is" with the rails in place, no equipment or service would need to be furnished by BNSF and freight rates for movement over this line could be proportional combination rates which would divide as made to and from the interchange with BNSF. BNSF could presumably make similar rates to and from the junction for BNSF service provided and no divisions of joint through rates would be necessary.

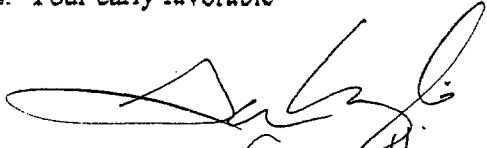
I am in the process of filing an application with the Surface Transportation Board for STB approval to acquire and operate this line under Statutory Provisions of 49 USC 10907 Part 1151.

Please advise whether you personally are agreeable to transferring ownership of this line based on "going concern" value for some predetermined amount of cash; and, or, tax credits. Your early favorable reply would be appreciated.

Sincerely,


Dr. Daniel Fiehrer

CC: Mr. Douglas Buttrely, Chairman STB
Mr. Vernon Williams, Secretary STB
Governor Brian Schweitzer, Governor of Montana


Laren Carparelli
Notary Public for the
State of MT
My commission expires
09-13-2007



Matthew K. Rose
*Chairman, President and
Chief Executive Officer*

**Burlington Northern
Santa Fe Corporation**
P.O. Box 961052
Fort Worth, TX 76161-0052

2650 Lou Menk Drive
Fort Worth, TX 76131-2830

tel 817-867-6100
fax 817-352-7430
matthew.rose@bnsf.com

August 7, 2006

Dr. Daniel Fiehrer
Post Office Box 811
Helena, MT 59624

Dear Dr. Fiehrer:

This is with reference to your July letter in which you expressed an interest in acquiring BNSF's line between Great Falls and Helena, Montana.

In 2005, we conducted an in-depth study of this line in an effort to determine its long-run role within the broader BNSF network. We evaluated a wide range of potential outcomes that ranged from immediately restoring the line for service to filing for abandonment and then disposing of the track-related assets and underlying real property.

We concluded that, while there has been no demand for rail service to or from stations on this line for several years and none is anticipated, there is a small but realistic chance that overhead traffic between western Canada and certain western states might someday return to levels that could justify reopening the line. If so, we feel that BNSF is best positioned to operate and maintain the route in a safe, effective and efficient manner. Accordingly, we have decided to keep the line in-place but out-of-service until we have a clearer view of its role in moving traffic over the broader corridor of which it is part.

If the line no longer fits our future long range plans, we will keep your interests in mind. Thank you for your interest in this property and in our industry.

Sincerely,

Matthew K. Rose

cc: Mr. W. Douglas Buttrey, Chairman, STB
Mr. Vernon Williams, Secretary, STB
Governor Brian Schweitzer, Governor of Montana

bcc: Ms. Sarah Bailiff
Mr. Jerry Johnson
Ms. Barbara A. Ranf
Mr. Pete Rickershauser
Mr. Charles Shewmake



Matthew K. Rose
Chairman, President
and Chief Executive Officer

BNSF Railway Company
P.O. Box 861052
Fort Worth, TX 76161-0052
2650 Lou Menk Drive
Fort Worth, TX 76131-2830
Tel 817-867-6100
Fax 817-352-7430
Email matthew.rose@bnsf.com

July 17, 2006

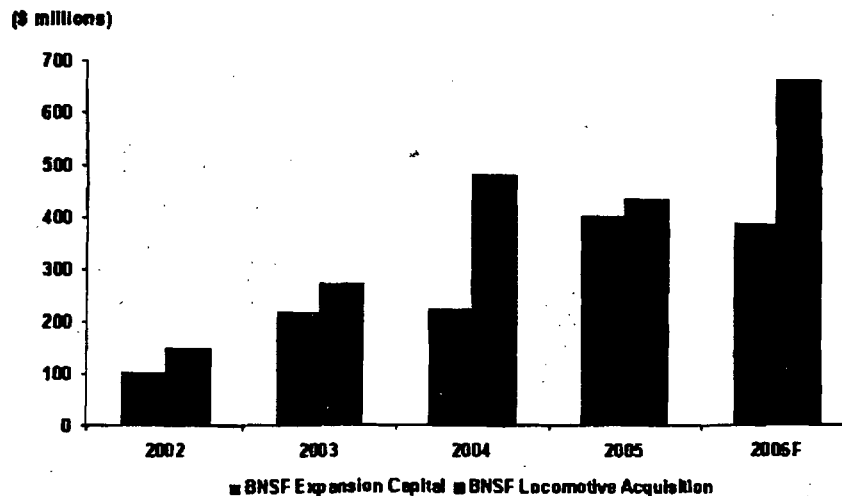
The Honorable W. Douglas Buttrey
Chairman
Surface Transportation Board
1925 K Street, N.W. - Suite 810
Washington, DC 20423-0001

Dear Chairman Buttrey:

As I have told our customers in a number of forums over the last few months, we do not foresee any systemic congestion issues on BNSF Railway Company (BNSF) for the remainder of this year, including peak season.

To meet our customers' capacity and service requirements, BNSF has increased its capital commitments every year since 2002. This has been possible because of improving returns. Between 2002 and 2006, BNSF will have invested almost \$10 billion to maintain the quality of our infrastructure and to provide additional capacity, not including freight car acquisitions. More than 33 percent of that total is devoted to expanding our locomotive fleet and our main lines and terminals. The following charts provide details of the growth in BNSF's capacity.

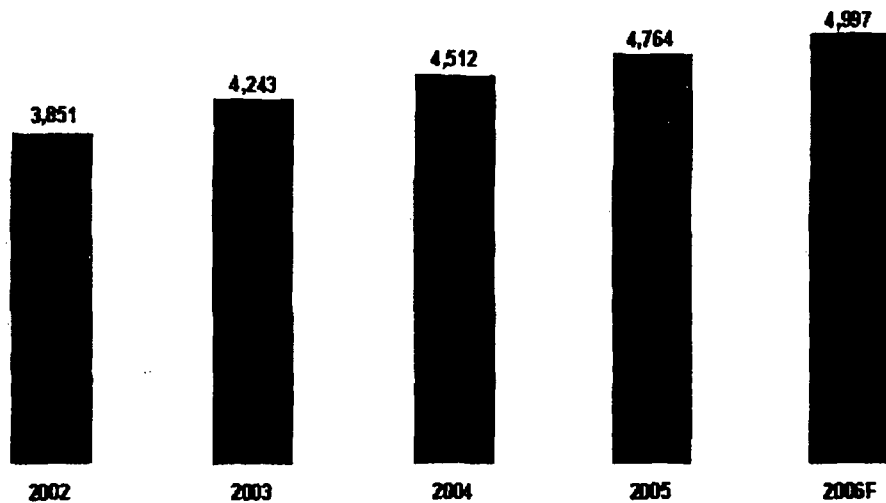
BNSF Expanding Capacity



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BOARD
2006 JUN 18 PM 3:52

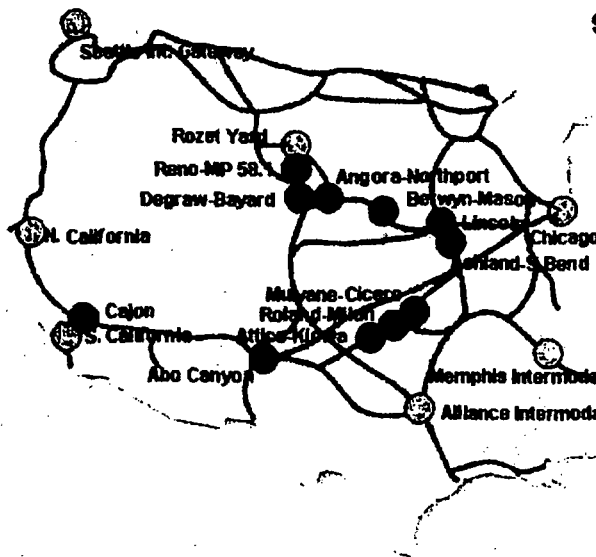
BNSF Road Locomotives

Year End



BNSF
RAILWAY

2005-2006 BNSF Expansion Projects



Significant Expansion Projects

- Adding 94 miles of double track on the Transcon
- Terminal - Thruput Capacity
- Coal – adding 24 miles of triple track

Intermodal Capacity Initiatives

- Complete Memphis Yard
- Begin two new Intermodal terminals

BNSF
RAILWAY

BNSF also has maintained an aggressive hiring program during this five-year period; hiring more than 16,000 employees, including about 8,000 Transportation employees, boosting total employment by 5,000. Details are shown on the following table.

BNSF Hiring

	2002	2003	2004	2005	2006 Forecast
Salaried New Hires	111	106	150	200	250
Management Trainees	53	54	43	72	125
Mechanical	182	156	683	641	850
Engineering	283	339	404	1,146	1,078
Transportation	1,181	1,164	2,288	2,336	2,050
Dispatchers	21	16	14	54	80
Other	29	32	21	40	50
Total	1,860	1,867	3,603	4,489	4,483*

Total Hires to date as of June 2006 3,534

BNSF Railway also employs over 100 college interns on an annual basis

*2006 Forecast as of June 2006



Additionally, we have a series of initiatives focusing on improving velocity. Initiatives target improvement in locomotives and each of our business units. Our performance has improved during the second quarter, and we expect that improvement to continue. These initiatives not only leverage our investments in equipment by increasing asset turns, but also provide additional capacity to our network.

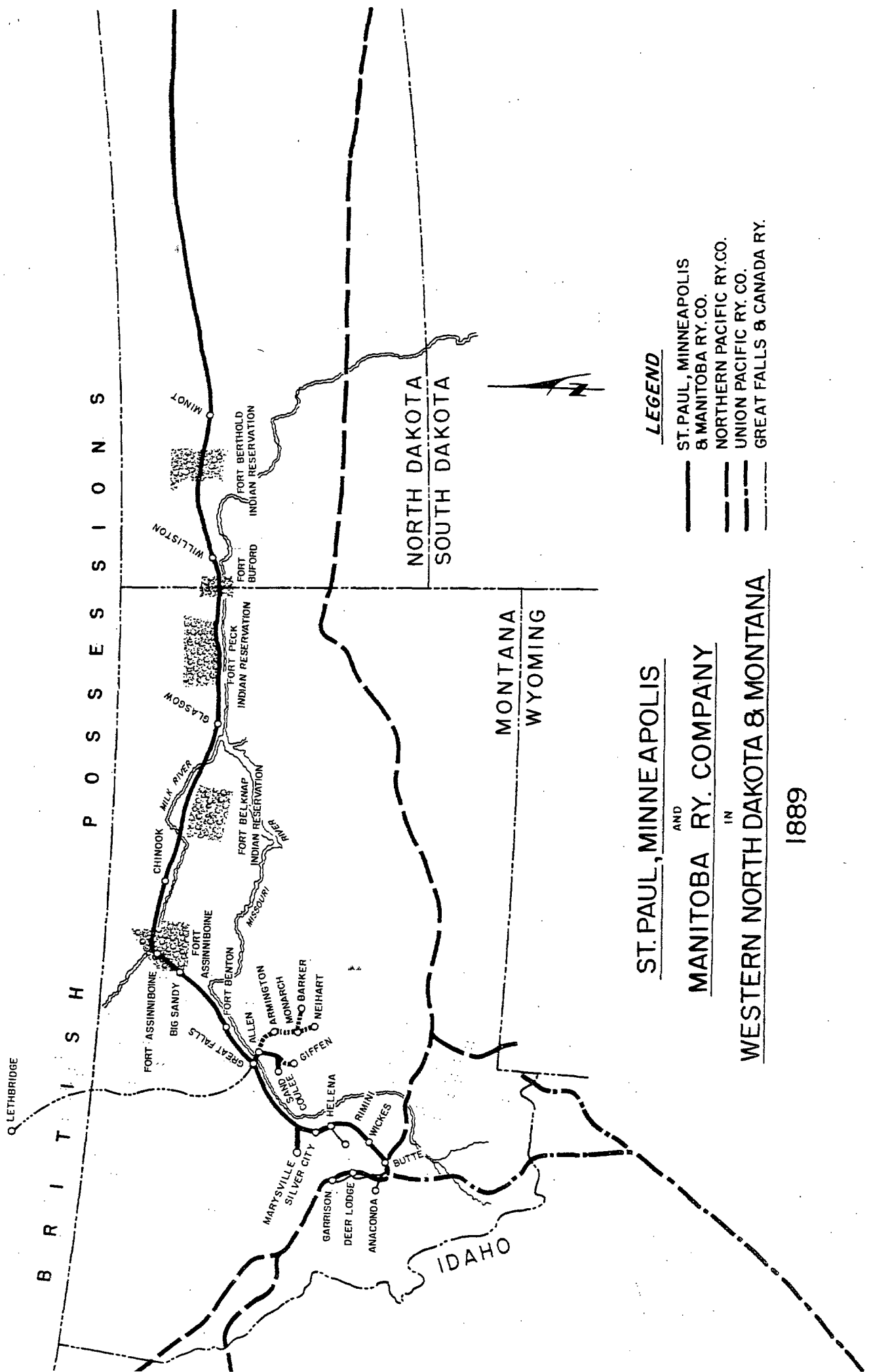
During the first quarter of this year, we handled 5 percent more units compared with the first quarter of 2005, and we handled 9 percent more units in the second quarter, year over year. We handled 200,000 or more units during 17 of the first 26 weeks of this year and set monthly unit volume records in May and again in June. These achievements substantiate that our investments and initiatives are resulting in increased throughput and improved service for our customers.

BNSF's Leadership Team continues communicating daily with our customers regarding their future needs and how we will meet them. I am confident that as long as our return on invested capital continues to improve, we will continue investing to expand our railroad's capacity. But this may not be enough to meet forecasted longer-term demand for rail transportation. That's why I continue to believe that we need a stimulus such as the proposed 25 percent investment tax credit.

Please let me know if you have any questions, as the success of our industry in serving its customers is based on ensuring that we have a common understanding about expectations.

Sincerely,

Matthew K. Rose



**ST. PAUL, MINNEAPOLIS
AND
MANITOBA RY. COMPANY**
IN
WESTERN NORTH DAKOTA & MONTANA

LEGEND
 — ST. PAUL, MINNEAPOLIS
 & MANITOBA RY. CO.
 - - - NORTHERN PACIFIC RY. CO.
 . . . UNION PACIFIC RY. CO.
 - . - . GREAT FALLS & CANADA RY.

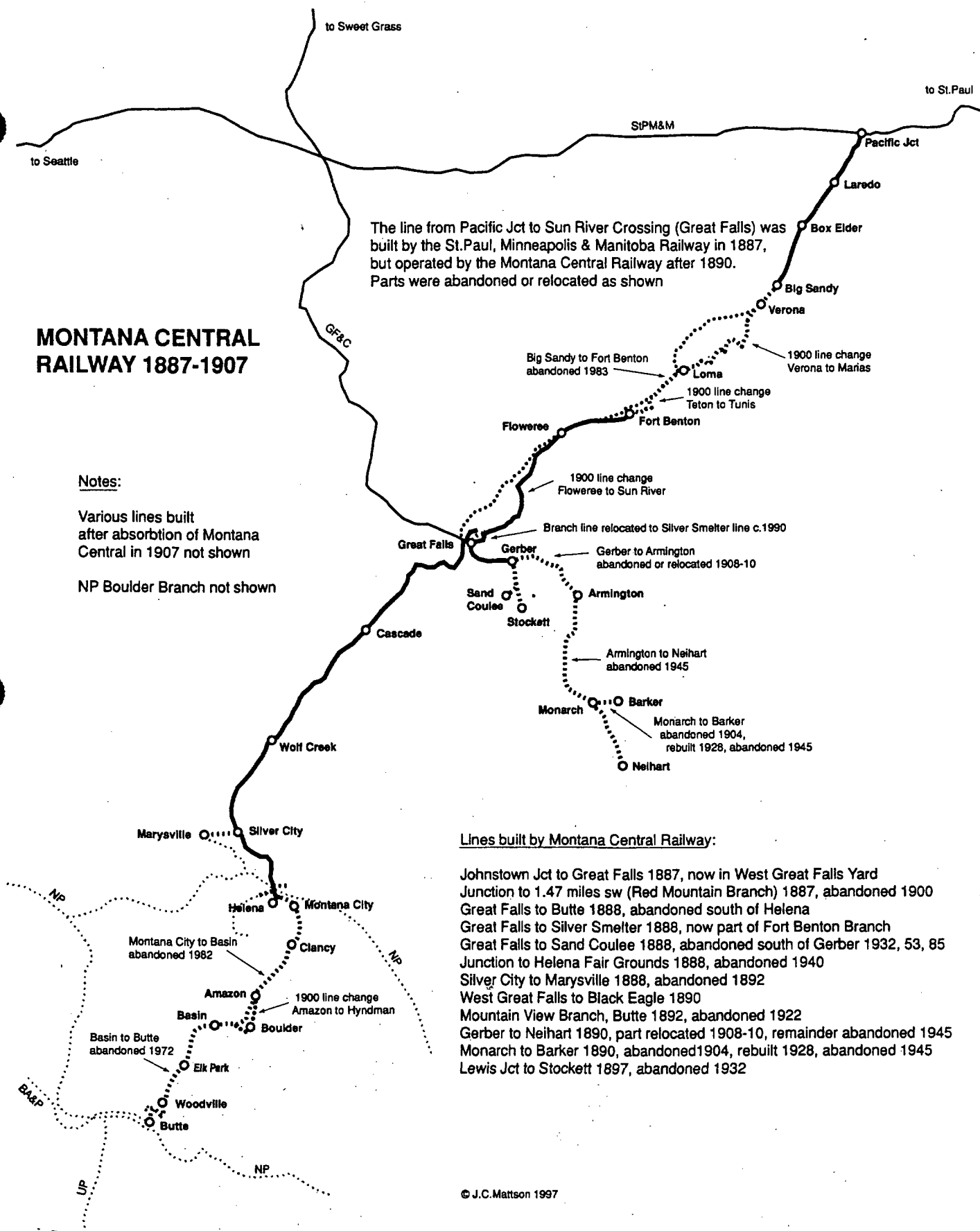
1889

MONTANA CENTRAL RAILWAY 1887-1907

Notes:

Various lines built after absorption of Montana Central in 1907 not shown

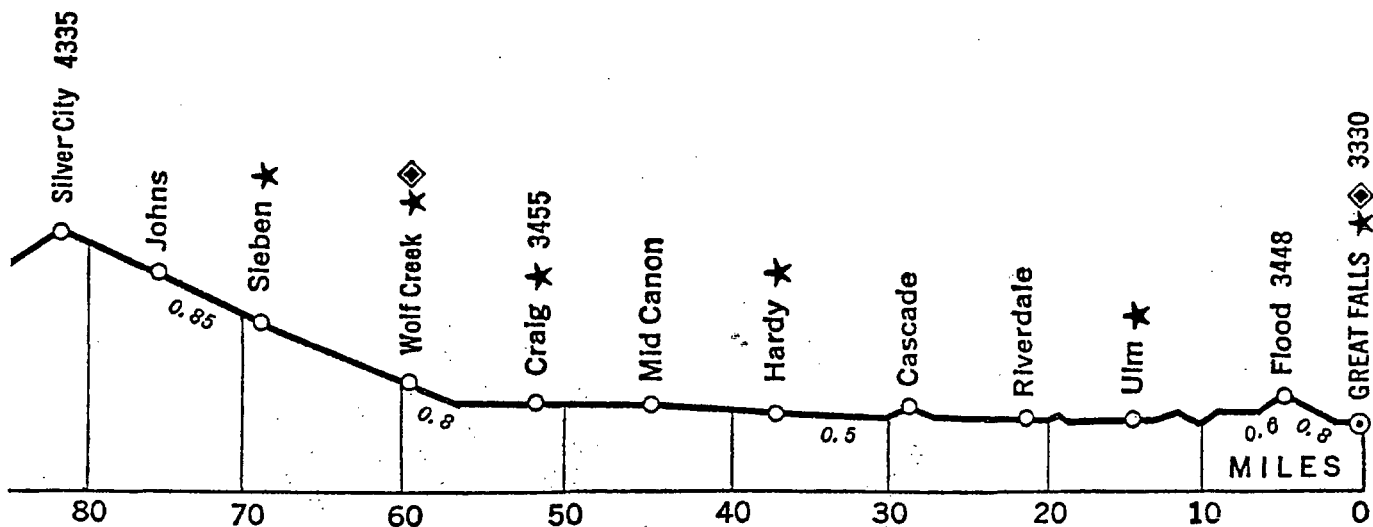
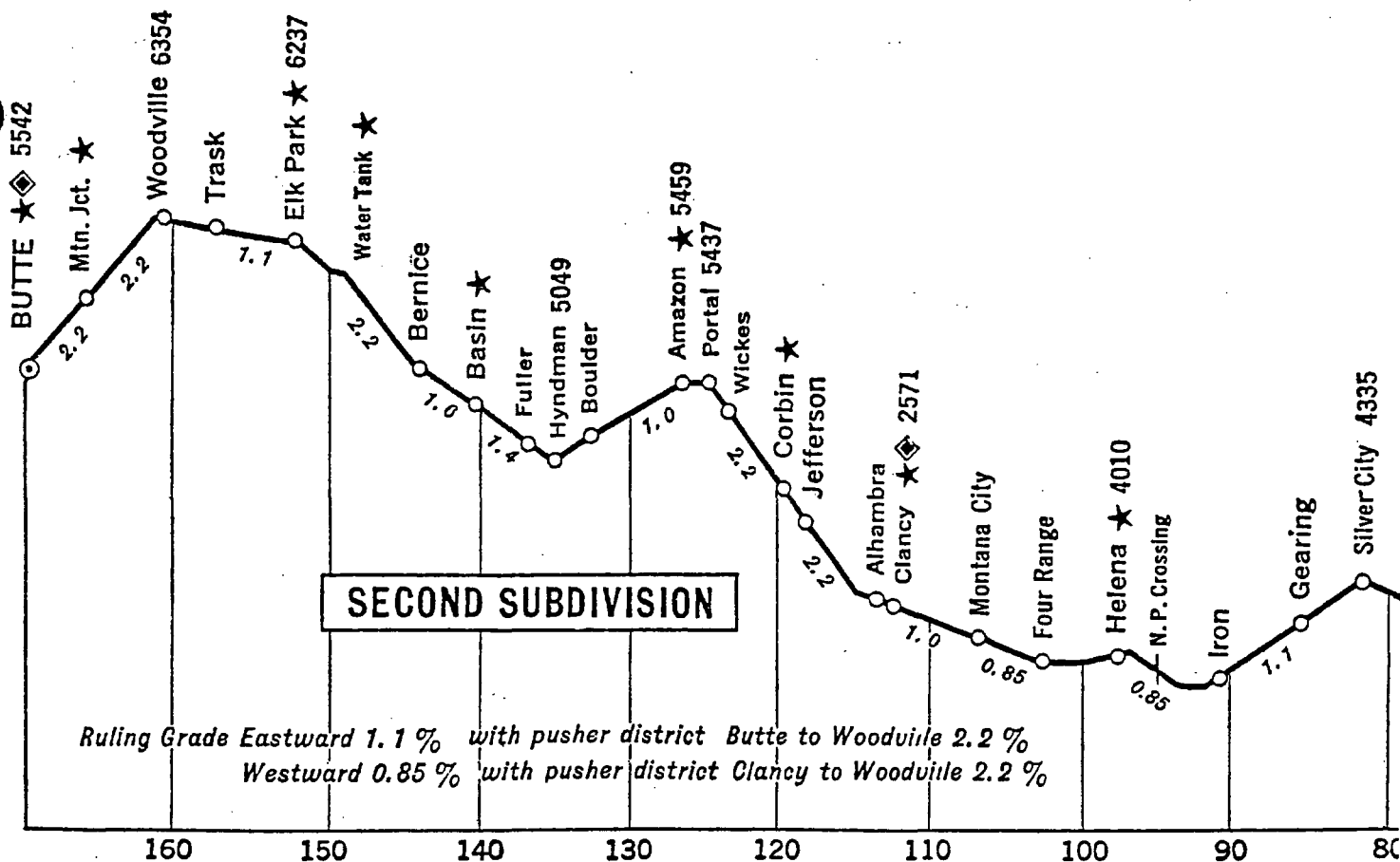
NP Boulder Branch not shown



Lines built by Montana Central Railway:

Johnstown Jct to Great Falls 1887, now in West Great Falls Yard Junction to 1.47 miles sw (Red Mountain Branch) 1887, abandoned 1900
 Great Falls to Butte 1888, abandoned south of Helena
 Great Falls to Silver Smelter 1888, now part of Fort Benton Branch
 Great Falls to Sand Coulee 1888, abandoned south of Gerber 1932, 53, 85
 Junction to Helena Fair Grounds 1888, abandoned 1940
 Silver City to Marysville 1888, abandoned 1892
 West Great Falls to Black Eagle 1890
 Mountain View Branch, Butte 1892, abandoned 1922
 Gerber to Neihart 1890, part relocated 1908-10, remainder abandoned 1945
 Monarch to Barker 1890, abandoned 1904, rebuilt 1928, abandoned 1945
 Lewis Jct to Stockett 1897, abandoned 1932

This map created by GNRHS member James C. Mattson. Our thanks to him for his expertise.



A study of the 1929 timetable and profile of the former Montana Central yields a wealth of information. In the 64 miles from Helena to Elk Park Pass, the line climbed 2300 feet. Twenty-five miles of the line was laid on a 2.2% grade, necessitating helper stations at Butte and Clancy. In 1929, you could ride the entire line in broad daylight—in both directions! Or, you could ride from either end and then change trains at Silver City, returning to your originating point the same afternoon.

SECOND SUBDIVISION—BETWEEN GREAT FALLS AND BUTTE.

FIRST CLASS			Car Capacity		Station Numbers.	Distance from Great Falls	Time Table No. 19		Telegraph Call	Distance from Butte	SIGNS	FIRST		
235	239	41	Sidings	Other Tracks			Effective December 1, 1929					238	240	
Passenger	Passenger	Passenger					STATIONS					Passenger	Passenger	
Daily	Daily Ex. Sunday	Daily										Daily	Daily Ex. Sunday	
L 8.30Am	L 8.10Am	L 6.30Am	Yard	2931	Z 119	.0	GREAT FALLS.....		PD	169.74	R DNX	O	A 1.30Pm	A 6.30Pm
8.33	L 8.13Am	A 6.33Am				0.68	WEST SIDE JUNCTION.....		GF	169.06	R DNX W.C. YOK		1.27	L 6.27Pm
8.42			41		Z 120	4.97	FLOOD.....			164.77	P		1.17	
8.59			42	32	Z 130	14.11	ULM.....		M	155.63	D PW		1.02	
9.09			35	6	Z 137	20.91	RIVERDALE.....			148.83	P		12.51	
9.24			42	55	Z 145	28.59	CASCADE.....		Q	141.15	D P		12.39	
9.39			35	6	Z 153	36.81	HARDY.....			132.93	PW		12.24	
9.53			42		Z 160	44.64	MID CANON.....			125.10	P		12.11Pm	
10.06			43	39	Z 167	51.54	CRAIG.....		RA	118.20	D PW		11.59	
10.22			48	30	Z 175	59.42	WOLF CREEK.....		WC	110.32	PWCXD		11.46	
10.42			43	8	Z 184	68.62	SIEBEN.....			101.12	PW		11.29	
10.55				12	Z 190	75.06	JOHNS.....			94.68	P		11.18	
11.08			42	47	Z 197	81.14	SILVER CITY.....		MN	88.60	D P Y		11.08	
11.15			46	4	Z 201	85.18	GEARING.....			84.56	P		10.55	
11.24			35	5	Z 206	90.16	IRON.....			79.58	P		10.45	
11.40						95.22	N. P. CROSSING.....			74.52				
11.50			Yard		Z 214	97.72	HELENA.....		HN	72.02	XW YODNK		10.30	
12.02Pm			Spur	15	Z 219	102.51	FOUR RANGE.....			67.23	P		10.08	
12.11				15	Z 223	106.63	MONTANA CITY.....			63.11	P		10.00	
12.21			45	78	Z 229	112.37	CLANCY.....		W	57.37	DXPWC		9.50	
12.25			Spur	3	Z 230	113.15	ALHAMBRA.....			56.59			9.45	
12.38					Z 235	117.94	JEFFERSON.....			51.80			9.37	
12.44			50	12	Z 236	119.52	CORBIN.....		BI	50.22	D PW		9.34	
12.54			22	7	Z 240	123.29	WICKES.....			46.45	P		9.26	
12.59			Spur	7	Z 242	124.55	PORTAL.....			45.19	P		9.23	
1.04			51	7	Z 244	125.93	AMAZON.....			43.81	PW		9.18	
1.19			50	27	Z 250	132.23	BOULDER.....		RO	37.51	D P		9.06	
1.25					Z 253	134.98	HYNDMAN.....			34.78	P K		8.59	
1.29			Spur	16	Z 254	136.43	FULLER.....			33.81			8.56	
1.40			43	82	Z 257	139.95	BASIN.....		SI	29.79	D PW		8.50	
1.48			36	15	Z 261	143.91	BERNICE.....			25.83	P W&P 3 Miles West		8.40	
2.08			42	34	Z 269	151.93	ELK PARK.....			17.79	PW Y		8.25	
2.17			Spur	7	Z 277	156.86	TRASK.....			12.88	P		8.18	
2.23			45	40	Z 279	160.31	WOODVILLE.....			9.43	P Y		8.12	
2.32			Spur	46	Z 284	165.73	MOUNTAIN JUNCTION.....			4.01	W		7.56	
						169.10	N. P. CROSSING.....			0.64	I			
A 2.45Pm			Yard	Yard	293	169.74	BUTTE.....		DU	.0	R DNXWC YOK		L 7.45Am	
6.15	.03	.03					Time Over Subdivision					5.45	.03	
27.1	13.6	13.6					Average Speed Per Hour					29.5	13.6	

MONTANA LINES

HAVRE, GREAT FALLS, HELENA, BUTTE AND ANACONDA.

1-223 Daily	3-235 Daily	Mile	Table 65	236-2 Daily	2-30-36 Daily	224-4 Daily
11 15	10 45	0	Lv. St. Paul...Ar	8 15		10 30
11 50	11 30	10	Lv. Minneapolis...Ar	7 45		10 00
8 35 AM		0	Lv. Duluth 32...Ar	8 50		
8 50 AM		4	Lv. Superior...Ar	8 35		
7 00 PM		272	32, 33, Crookston 34, 36, 42	11 20		
7 55 PM		298	Ar 1 Grand Forks Lv	10 25		
			2, 32, 35			
		298	Lv 37 Grand Forks Ar	10 17		12 30
8 25			54, 55, 56			
		934	Ar Havre 5, 11, 32 Lv	2 35 AM	2 35	4 25
2 00	1 55		Mountain Time	236		224
223	235		Daily	Daily		Daily
2 25	3 00	0	Lv 5 Havre...Ar	1 40		12 30
2 35	3 10	4	Pacific Junction	1 30		12 20
2 45		8	Assiniboine			12 10
2 55	3 25	15	Laredo	1 05		11 55
3 05		19	Filbert			11 40
3 15	3 45	25	Box Elder	12 50		11 30
3 35	4 05	35	Big Sandy	12 30		11 10
3 45		41	Verona			11 00
3 55		45	Cairo			10 50
4 05	bb	49	Virgelle			10 40
4 15		55	Sayre			10 30
4 25		60	Lippard			10 15
4 40	5 05	66	Chappell	11 35		10 05
4 50		71	Teton			9 55
5 00		74	Lisicum			9 40
5 15	5 45	79	Benton	11 10		9 30
5 29		84	Kershaw			9 20
5 37		89	Tunis			9 05
5 50	6 20 AM	94	Carter	11 00	Lewis-	8 55
6 05	6 35 AM	100	Floweree	11 30	town	8 45
6 25		107	Portage		See	8 35
6 35		112	Goodale		Table	8 15
6 40		114	Volta		No. 66.	8 00
6 55		117	Rainbow			7 55
7 15	7 30	119	Gibson			7 45
237 Dly		123	Ar Great Falls Lv	9 40	238	7 30
			13, 26, 32, 66, 69, 72, 73		Daily	
2 05	8 00	123	Lv Great Falls Ar	9 20	Jedith Spl.	
2 20		129	Flood			2 35
2 35	8 32	138	Ulm			2 20
2 48		145	Riverdale			2 05
3 05	9 02	152	Cascade	8 20		1 55
3 20	9 20	161	Hardy			1 40
3 34		168	Mid Canon			1 25
3 47	9 54	175	Craig	7 29		12 53
3 56		180	Holter Junction			12 44
4 08	10 12	183	Wolf Creek	7 14		12 38
4 15		187	Manila			12 25
4 28		192	Mitchell			12 14
4 40		199	Johns			12 01
4 54	11 08	205	Silver	6 27		11 49
5 02			Gearing			11 37
5 10		214	Iron			11 26
5 30	11 53	222	Ar Helena...Lv	5 50		11 10
5 40	11 53	222	Lv Helena...Ar	5 40		11 00
5 53		228	Four Range			10 44
6 01		230	Montana City			10 35
6 12	12 27	236	Clancy	5 11		10 24
6 25	12 37	237	Alhambra	5 07		10 14
6 35		240	Longway			10 04
6 40		242	Jefferson			10 00
6 48	12 58	243	Corbin	4 53		9 51
7 01		247	Wickes			9 42
7 07		248	Portal			9 29
7 14		250	Amazon			9 17
7 29	1 31	256	Boulder	4 24		9 03
7 38		269	Hyndman			8 58
7 43		280	Fuller			8 42
7 57	1 51	284	Basin	4 07		8 35
8 08		288	Bernice			8 00
8 18		271	Wilder			
8 33	2 25	276	Elk Park	3 44		
8 48		281	Trask			
9 00		284	Woodville			
9 30	3 00	294	Ar Butte...Lv	3 00		
			26, 32, 66, 68			

BUTTE, HELENA, GREAT FALLS, MOCCASIN AND LEWISTOWN.

364 Mixed Daily	238 Daily	Mile	Table Mountain Time 66	237 Daily	363 Mixed Daily
	8 00	0	Lv...Butte 65...Ar	9 30	
	11 10	72	Lv...Helena...Ar	5 30	
	2 35	171	Ar Great Falls 65 Lv	2 05	
		2 50	Lv...Great Falls...Ar	1 42	
			13, 26, 32, 69		
3 30	6 23	259	...Moccasin...Ar	10 35	11 59
3 55	6 41	267	...Kolin	10 15	11 15
4 15	6 54	273	...Rossfork	10 02	11 05
4 35	7 08	279	...Kingston	9 50	11 35
5 01	7 12	281	...Hanover	9 45	10 30
			...Stavely		
5 11	7 18	284	...Scott	9 38	10 15
5 30	7 30	289	Ar...Lewistown...Lv	8 30	10 00

Nos. 237 and 238. Buffet Parlor Car between Lewistown and Great Falls.
Parlor Car and Dining Car between Great Falls and Butte.

CONRAD AND VALIER. Montana Western R. R.

1 Ex. Su. Mixed	Table Mountain Time 67	2 Ex. Su. Mixed
12 30	Lv...Conrad 26...Ar	9 15
1 00	...Manson	8 45
1 30	...Williams	8 15
2 00	Ar...Valier...Lv	7 45

BUTTE AND ANACONDA. Butte, Anaconda and Pacific Ry.

7 Daily	5 Daily	3 Daily	1 Daily	Mile	Table Mountain Time 68	2 Daily	6 Daily	4 Daily	8 Daily
10 15	5 00	1 00	9 30	0	Lv 26, 32 Butte 65, 66 Ar	8 40	4 30	12 20	7 30
10 24	5 07	1 07	9 38	4	...Rocker	8 29	4 18	12 08	7 18
10 29	5 12	1 12	9 43	7	...Silver Bow	8 22	4 11	12 02	7 11
10 32	5 15	1 15	9 46	8	...Ramsey	8 19	4 09	11 59	7 09
10 47	5 31	1 31	10 02	14	...Durant	8 05	3 55	11 45	6 55
10 52	5 36	1 36	10 07	18	...Gregson	8 00	3 50	11 40	6 50
11 15	6 00	2 00	10 30	28	Ar...Anaconda...Lv	7 40	3 30	11 20	6 30

GREAT FALLS, STOCKETT, MONARCH AND NEIHART.

216-212 Ex. Sun.	Mile	Table Mountain Time 69	211-215 Ex. Sun.
6 35	0	Ar...Great Falls...Lv	4 30
		13, 26, 32, 65, 66	
6 50	7	...Field	4 17
8 51	10	...26 Gerber 71	4 10
9 08	14	...Swift	4 02
9 12	17	...Fife	3 50
9 18	21	...Wayne	3 44
9 30	26	...Belt	3 32
9 40	28	...Armington	3 27
10 02	39	...Riceville	3 07
10 17	44	...Albright	3 02
10 28	46	...Logging Creek	2 57
10 49	53	...Tylera Spur	2 42
11 00	53	...Monarch	2 25
11 30	66	Ar...Neihart...Lv	1 00

GERBER, SAND COULEE AND STOCKETT

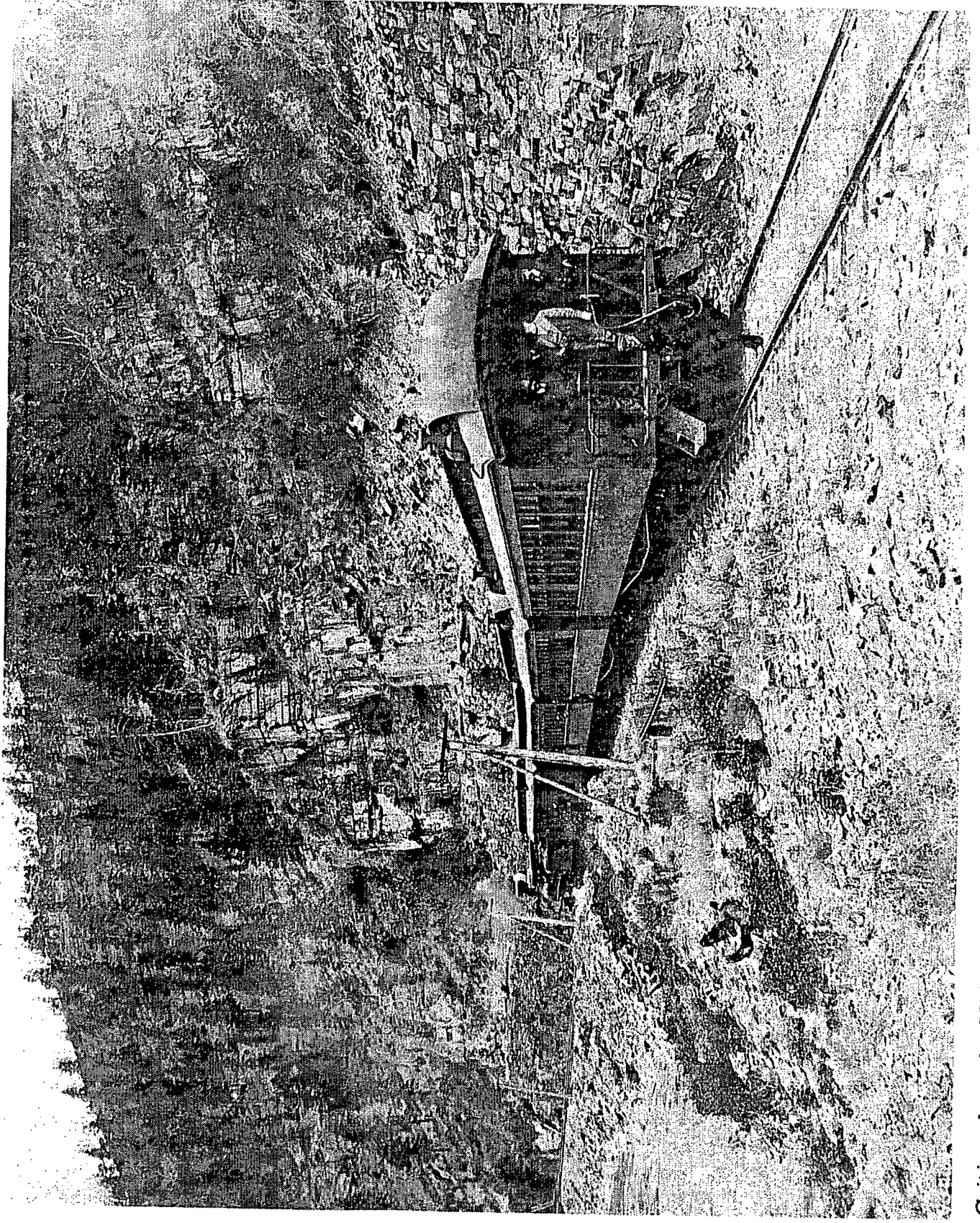
154 Ex. Sun.	156 Ex. Sun.	Table Mountain Time 71	155 Ex. Sun.	153 Ex. Sun.
3 15	7 00	Lv 26 Gerber 69...Ar	8 05	4 10
3 22	7 07	Ar...Lewis Junction...Lv	7 55	4 02
	7 12	Ar...Sand Coulee...Lv		3 58
	7 15	Lv...Sand Coulee...Ar		3 56
3 22	7 20	Lv...Lewis Junction...Ar	7 55	3 52
3 37	7 35	Ar...Stockett...Lv	7 40	3 40

fFlag stop.
Figures opposite stations refer to numbers of tables showing connecting time.

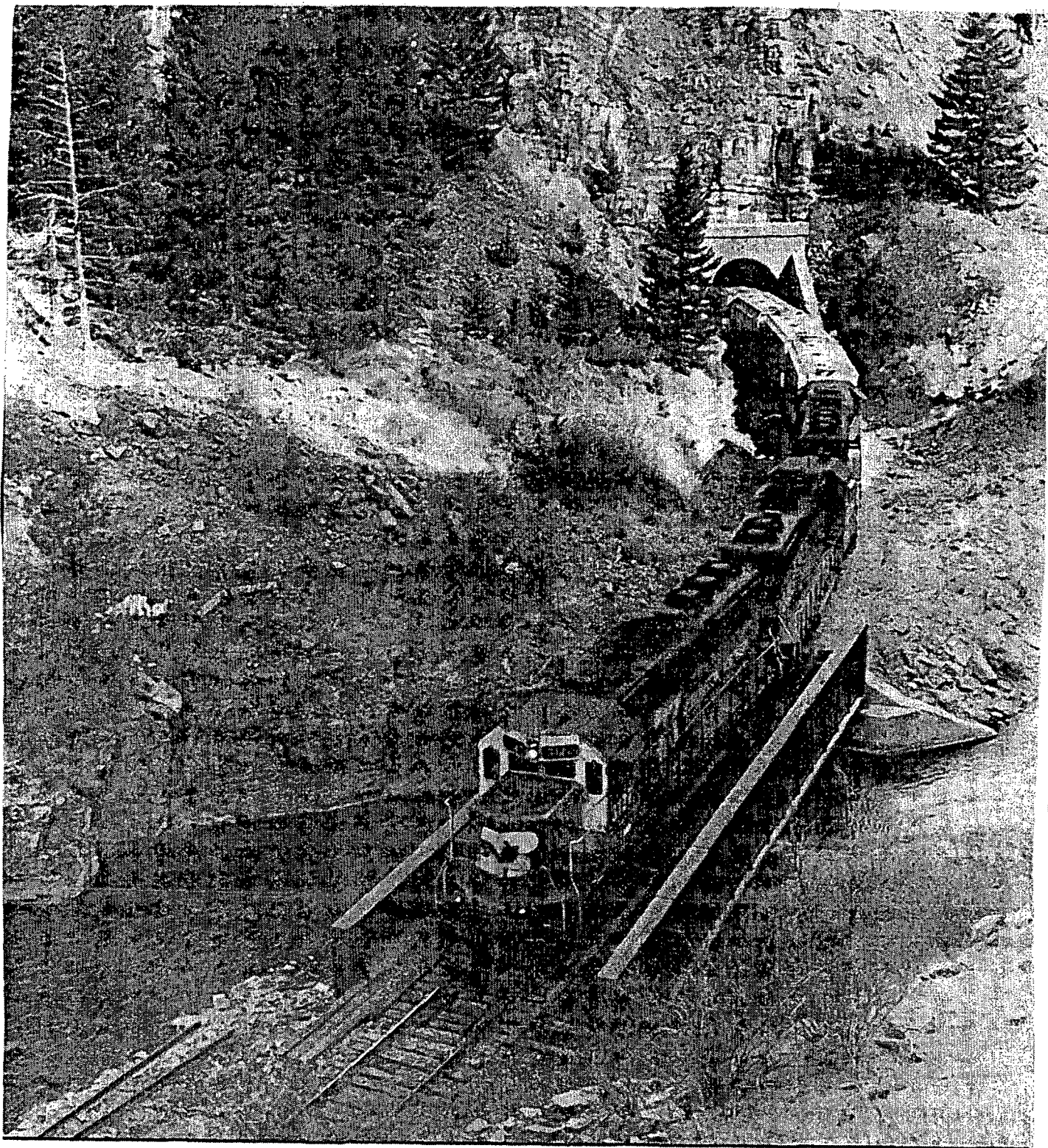
The Great Northern Railway operates 8,000 miles of well equipped railroad, extending from the Great Lakes to the Pacific Ocean.

For Altitudes of Stations see Index pages 1 to 6, inclusive.

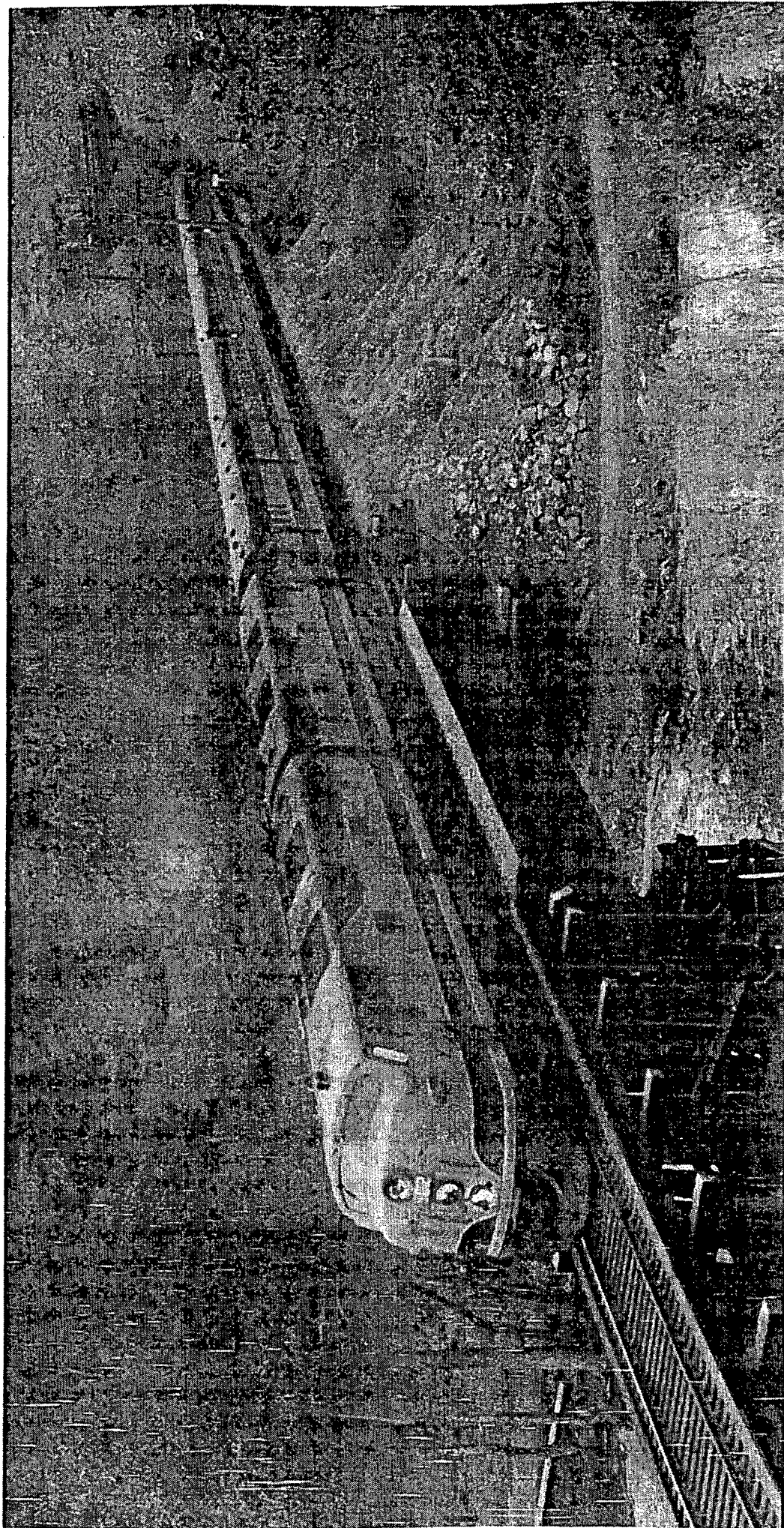
aaStop to let off passengers from regular stops between Butte and Wickes.
bbStop on signal to let off passengers from Havre or pick up passengers for Benton and beyond where No. 235 stops. nFlag stop Saturdays only. fFlag stop.
Buffet Parlor Car between Havre and Great Falls on Nos. 223 and 224.



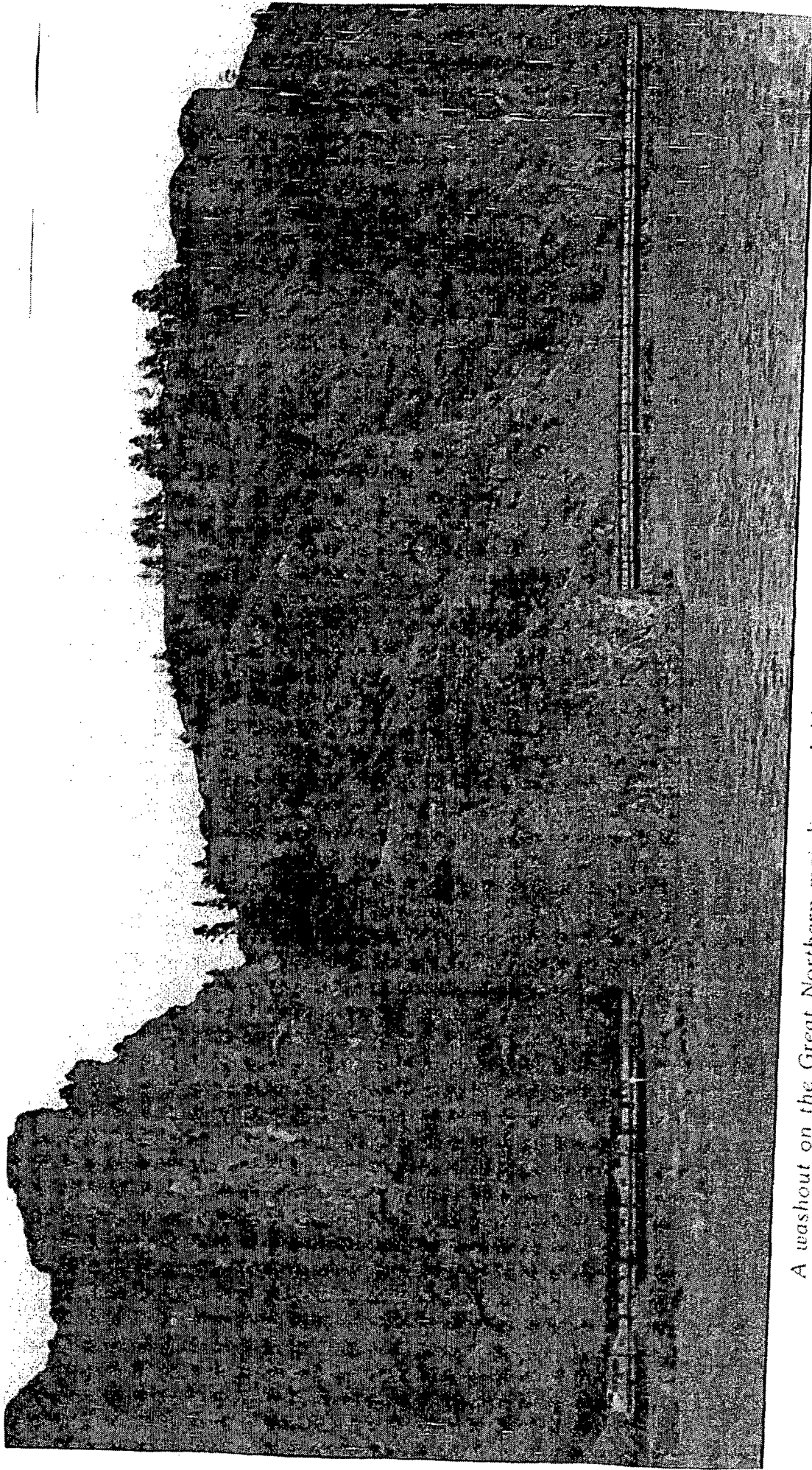
Critics thought Hill was moving too quickly into the northwest, but this train on the Montana Central between Great Falls and Butte suggests that business was ample.



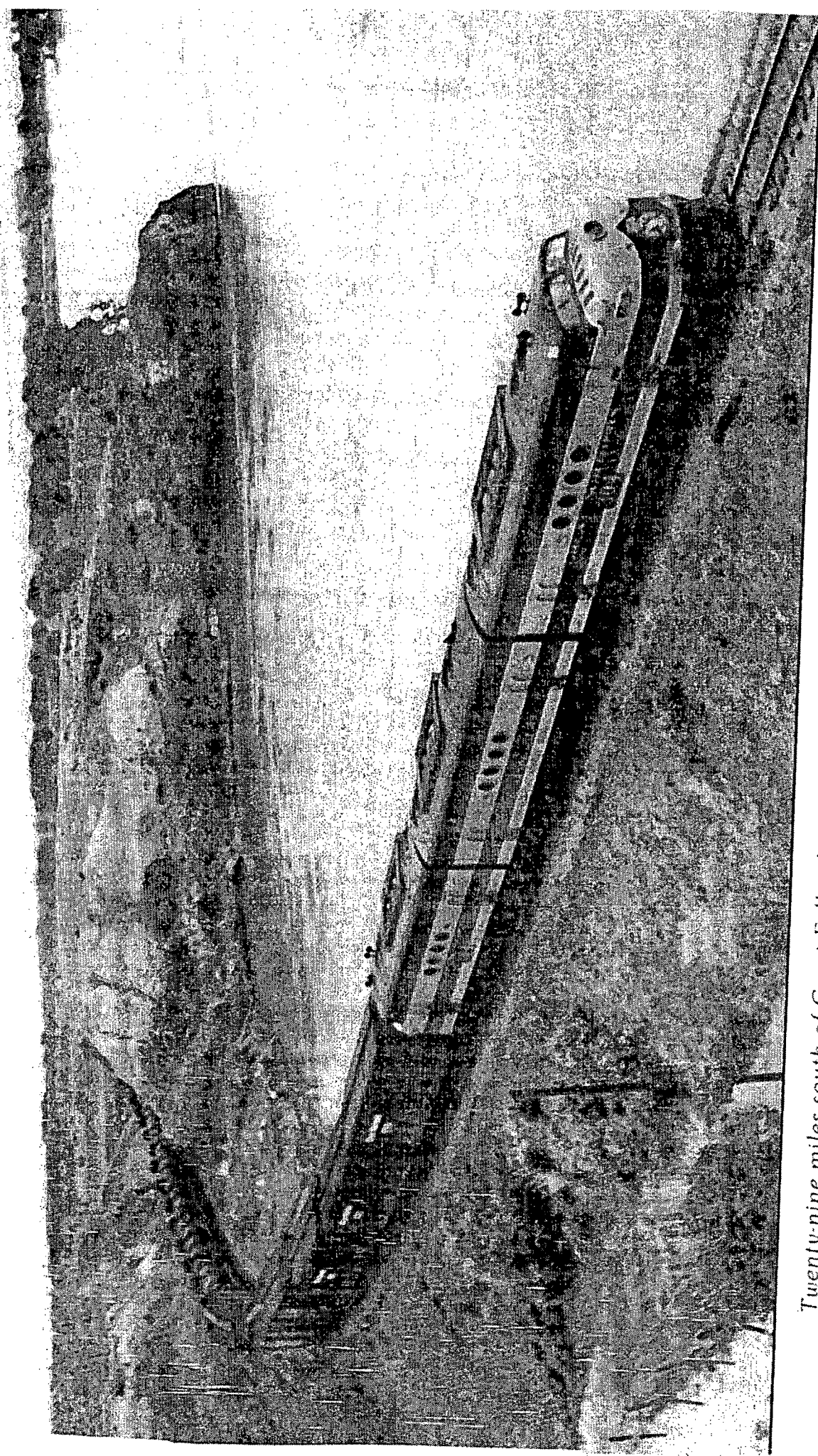
At Sieben, Montana, the rails and highway enter the spectacular Little Prickly Pear Canyon and, at great expense, attempt to follow the creek through a rugged and winding defile. Tunnel 5 is visible from the Interstate 15 Bridge. (cf. cover



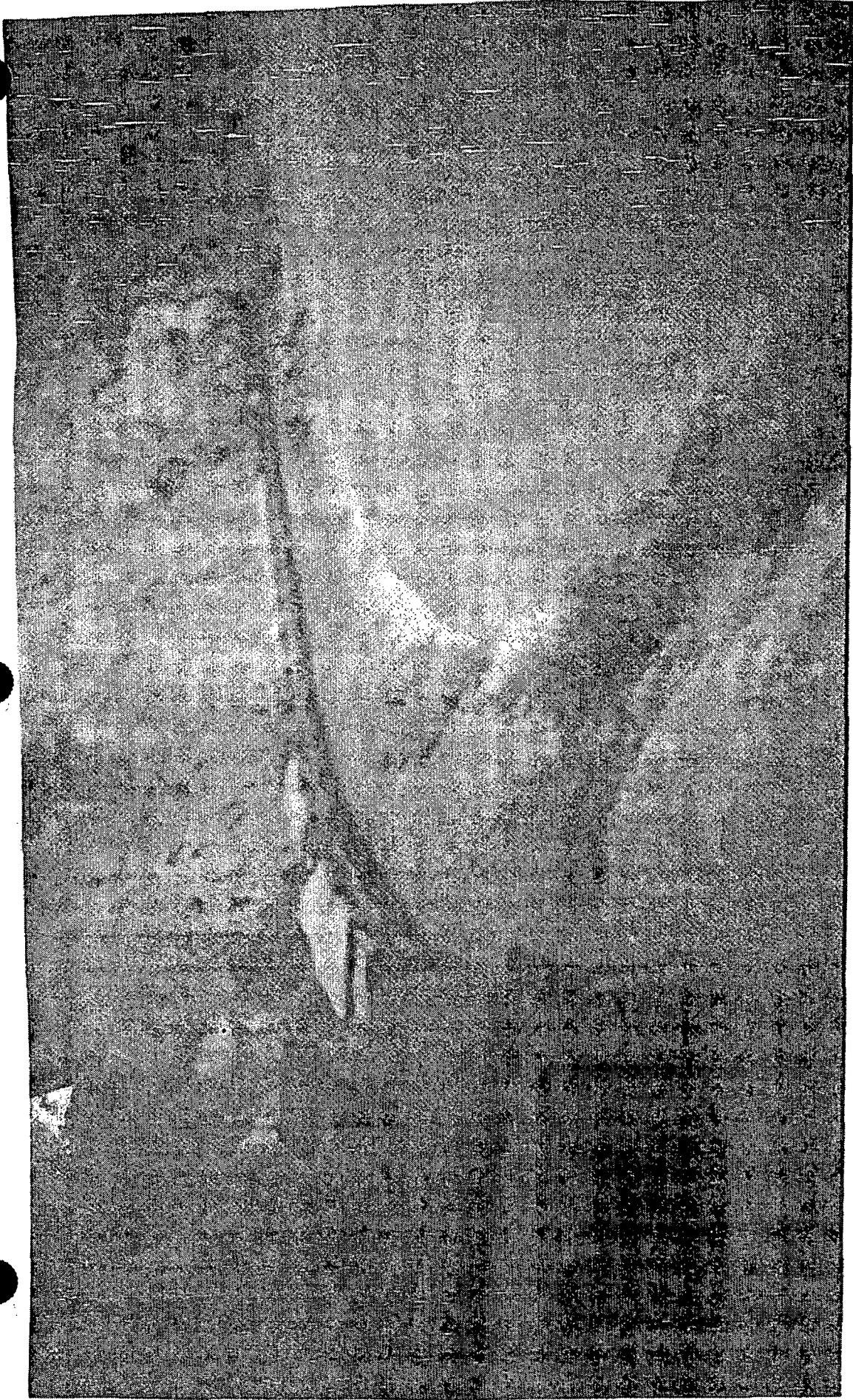
Detouring around a washout, train #1, the Empire Builder, exits Tunnel 4 near Sieben, Montana, along the Little Prickly Pear Creek, in May of 1948. A Warren McGee photograph.



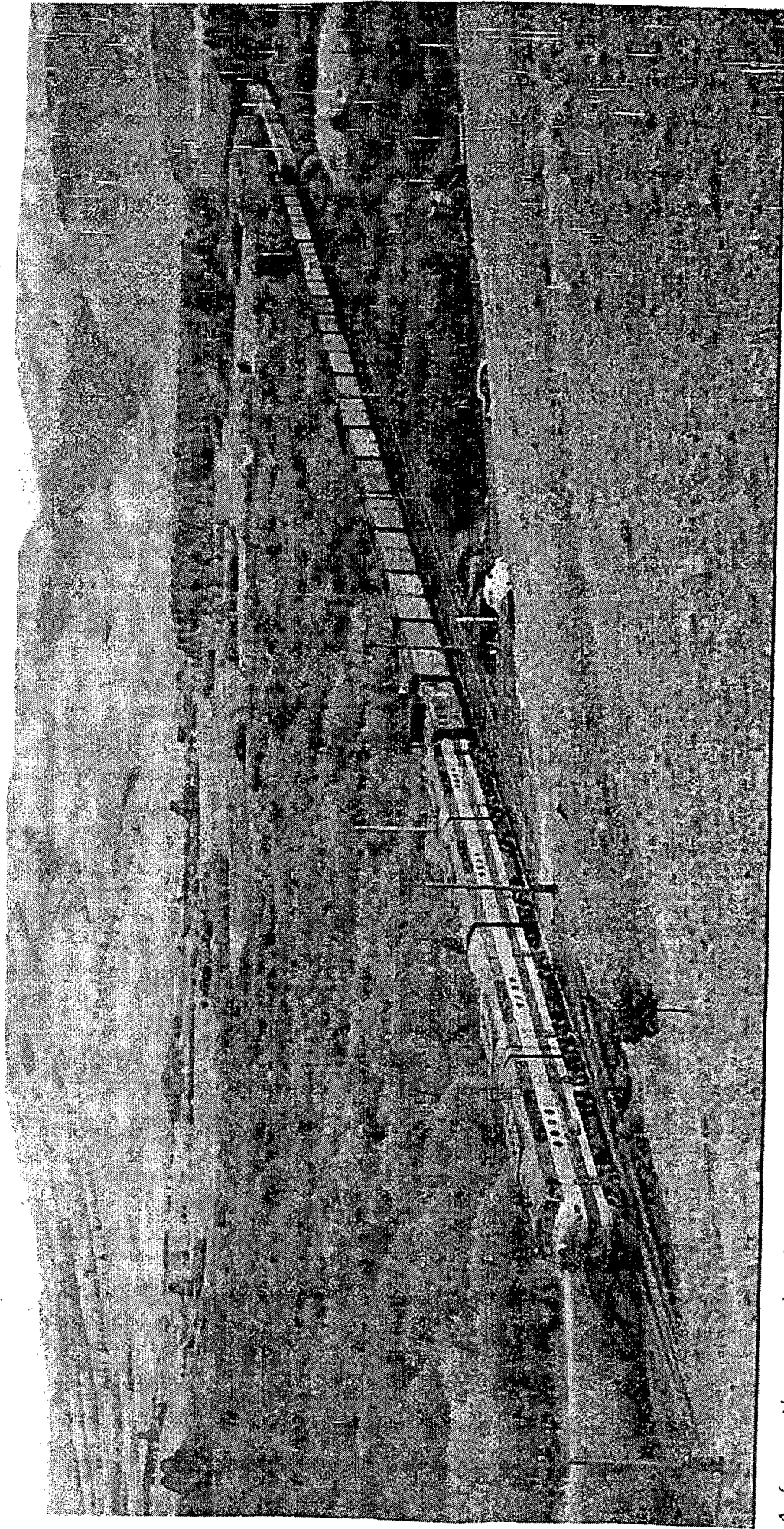
A washout on the Great Northern mainline at Libby, Montana, has forced train #1, the Empire Builder, to detour south to Helena on the Montana Central, where it will continue west on the Northern Pacific mainline to Spokane. A pair of E-7's is towing 12 cars in this May 31, 1948 photograph taken along the Missouri River at Dearborn Montana. A Warren McGee photograph.



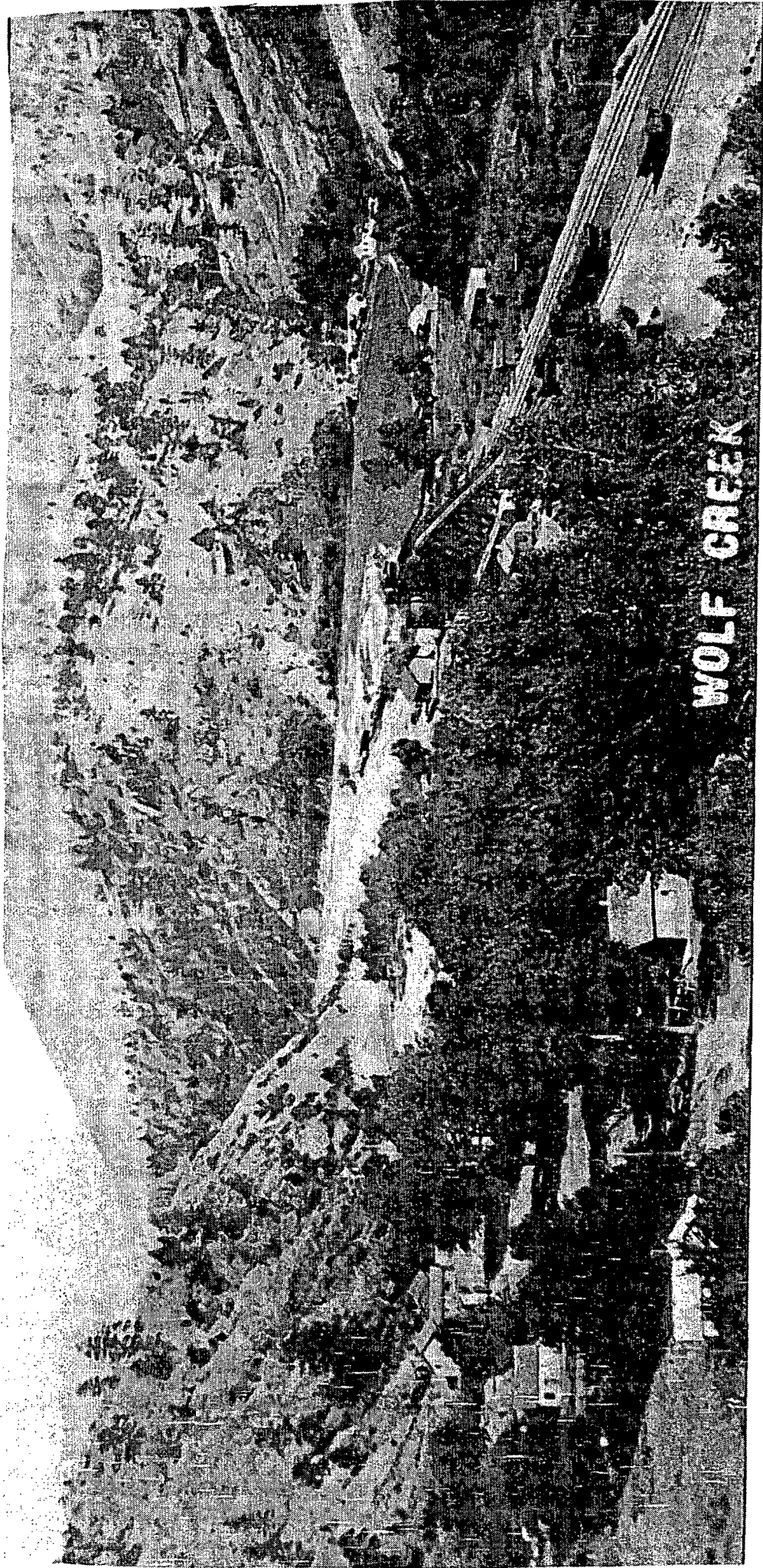
Twenty-nine miles south of Great Falls, the Butte Local headed by FT 304 A-B-C, delivered to GN in 1945, rolls south out of Cascade, Montana, following the Missouri River. The cab units are still equipped with illuminated number boards on their flanks in this May 1948 Warren McGee photograph.



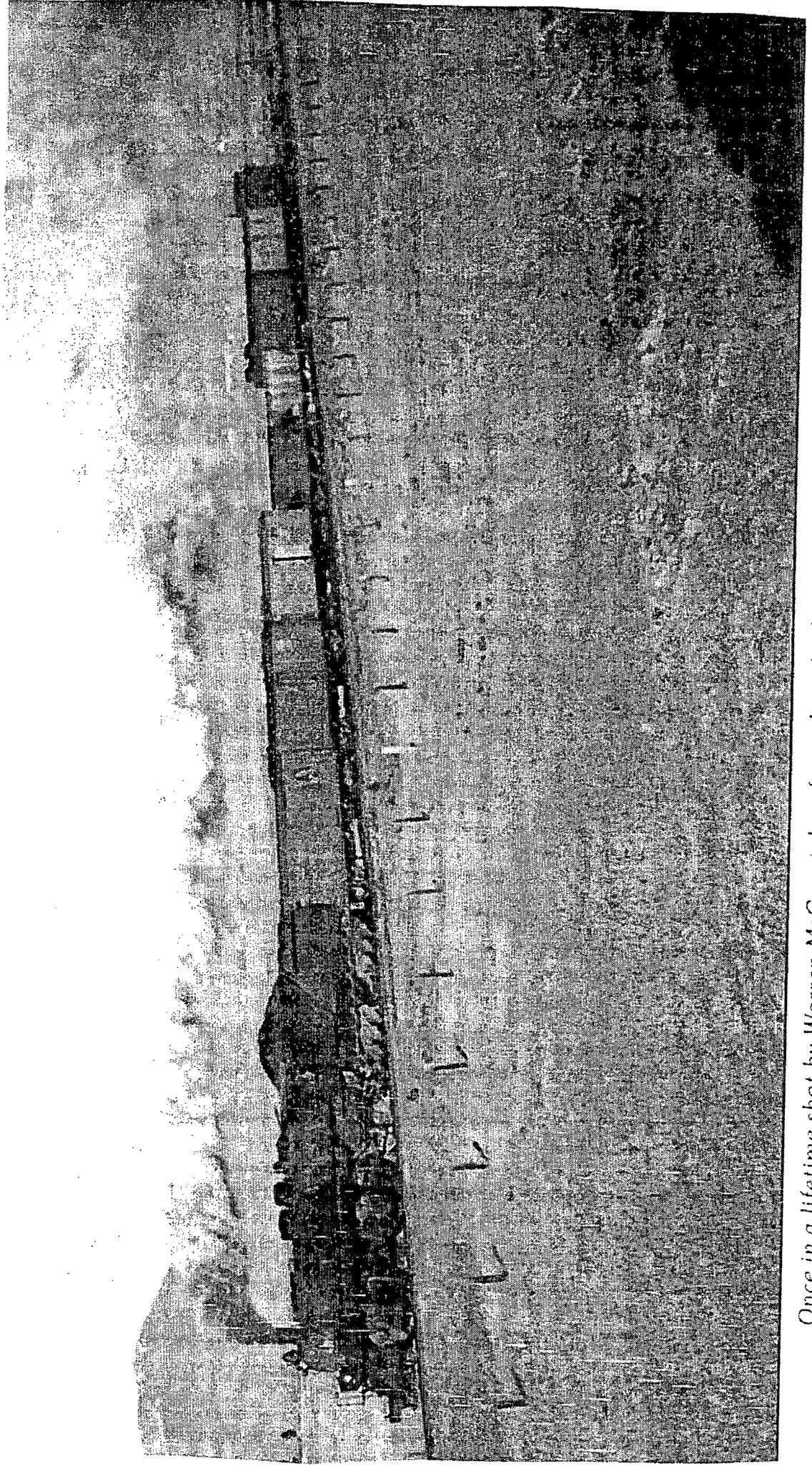
Hauling ore on the Montana Central, this northbound train has caught a red block. A crewman has climbed onto the caboose roof for a shot of the train, the Missouri River and the rugged cliffs that contain the river and railroad from Sieben to Hardy. The inclusive "Wolf Creek Canyon" term is used to describe the area, but in fact the Montana Central follows three different rivers through the canyon country north of Helena. Photo from Cascade County Historical Society, Great Falls.



A few miles north of Helena, Extra 408 East, bound for Great Falls, begins to move after a meet with train #1, Empire Builder, in the siding and just visible in the distance. Helena is beyond the distant hill in the center of photograph. Montana Central tracks curve off to the right to avoid the barrier. A Warren McGee 1948 photograph.



Postcard, postmarked 1908, shows depot, water tank and coal dock at Wolf Creek. Lack of a smokestack probably indicates lack of hoisting equipment for raising cars on the incline.



Once in a lifetime shot by Warren McGee, taken from the cab of a Northern Pacific Yellowstone #5104, just east of Helena. The Great Northern train is extra 1981 South, pulled by M-2 class 2-6-8-0 #1981 in June 1939.



Mr. George Paul
General Manager Port of Montana

Butte, Montana

Dear George,

Thank you for setting up our recent meeting at the Port of Montana with local legislative leaders. We really appreciated the frank exchange of information.

I want you to know we are pursuing the action items we identified and look forward to continuing our efforts. I understand you are planning to attend the Rail Service Competition Council meeting next Monday and I hope you will share the results of our meeting with that group as well as the news article from the Montana Standard 8-6-06.

As we discussed in Butte there are efforts in Washington to turn back the clock and reregulate the rail industry, forgetting that the past regulatory scheme resulted in the majority of the industry in bankruptcy and a degradation of rail safety. Beyond that, those involved in these efforts have attacked a Senate bill recently introduced by Senators Lott of Mississippi, Conrad of North Dakota, Crapo of Idaho, Smith of Oregon and 6 other senators (unfortunately MT senators have not yet signed on to the bill). S.3742 would provide tax incentives and other changes for both railroads and rail shippers to encourage further investment in their rail facilities.

We hope the Competition Council will study and endorse S.3742.

Thank you for your good work on behalf of the Port and our common interests.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles".

Charles G. Clark
Special Representative to the President UPRR, Idaho and Montana
P.O. Box 1745
Boise, Idaho 83701
208-343-1771

Cc: Mike O'Hara, Chairman, RSCC
Evan Barrett, Montana Governor's Office
Senator Bill Tash
Senator Steve Gallus
Senator Dan Harrington
Representative Art Noonan
Representative George Groesbeck

Charles G. Clark
Special Representative, Corporate Relations

UNION PACIFIC RAILROAD
802 W. Bannock, Ste. 801, P.O. Box 1745, Boise, ID 83701
ph. (208) 343-1771 fx. (208) 465-8252

Union Pacific staying on rail line

Railroad not planning to sell immediately

Erin Nicholes of The Montana Standard - 08/06/2006

Fears that Union Pacific will ride rail out of Montana have been put to rest, for now.

The railroad is not immediately planning to sell a line running from Pocatello, Idaho, to Silver Bow, spokesman Charles Clark confirmed.

But Union Pacific's long-term security here hinges on Montana and Butte's economies growing and increasing its profits.

"The line there has been under increased scrutiny for quite a while now," Clark said. "Folks there ... have got to look at their options and what they can do to increase business either incoming or outgoing." Economic development efforts that would benefit the railroad are underway, Chief Executive Paul Babb said.

The railroad "is definitely something we don't want to lose," he said.

Anxiety over Union Pacific possibly leaving Montana became public last September after Butte and state officials heard of a possible sale and reached out to the railroad cohesively.

The railroad is a major player in the industry and officials consider it a key component for growing the local and state economies.

Butte, especially, had reason to worry as it's the only place in Montana where two Class I railroads — Union Pacific and Burlington Northern Santa Fe — come together from opposite directions.

But Union Pacific's President Jim Young recently told Gov. Brian Schweitzer the railroad will stay in Montana — at least for now — bringing relief locally, said George Paul, manager of the Port of Montana.

"There are some things that the railroad and others are going to need and work together on as we go forward," he said. "But at least the mystery and anxiety we had held in us for the last year and a half is no longer there." Now, the focus is on getting Union Pacific more local business.

Improvements planned for the Silicon Mountain Technology Park will lure companies that will benefit both the county and the railroad, said Russ Connoles, county economic development director.

"A lot of those businesses ... have interest in the location because of the Union Pacific line," Connoles said.

Last week's announcement that United Building Center is adding a distribution center in Butte, which will tap the railroad, is encouraging, Babb said.

"We take it seriously every day, because (the railroad) is one of the major things we sell when we're trying to get a business into our industrial park," he said. "It's an advantage we have over other places in the state and other places in the NorthWest." Erin Nicholes may be reached at erin.nicholes@mtstandard.com.



Five Union Pacific engines uncouple from a train in the yard at Silver Bow recently. The railroad has put fears to rest that it would be leaving Montana by selling its line running from Pocatello, Idaho, to Silver Bow. Walter Hinick / The Montana Standard

Discussion on track for Great Falls to Helena trail

■ Meeting to cover rail-to-trail conversion of unused BNSF line

Imagine hiking or biking along the Missouri River from Great Falls to Helena.

Sounds kind of goofy, unless you didn't have to compete with the traffic. And, there is a way.

Doug Wicks of the Rivers Edge Trail will discuss "The Corridor of Discovery," a proposed recreational trail from Great Falls to Helena on an unused rail line today at noon at the University of Great Falls student center.

The trail would use the 95-mile roadbed that currently is unused by the BNSF Railway.

Citizens in both Helena and Great Falls are working with Fish, Wildlife & Parks and the National Rails-to-Trails Association to pursue the permission and funding to create a recreational economic revitalization along the Missouri River rail bed. Wicks will explain how property rights are preserved and benefited by this "rail banking" system.

Earlier this year, Wicks told



AROUND THE REGION
Michael Babcock
Jared Miller

the Great Falls City Commission that BNSF has not used the rail line for five years.

Proponents of the trail want the railbed if BNSF won't fix a sloughed-off portion of the line along the Missouri River near Ulm, or if the line is not acquired by a competitor such as Union Pacific, which runs as far north as Butte.

There is opposition. Grain farmers have their own ideas for the rail line. They are working in Congress to pass the Railroad Competition Act of 2005, which could prompt more rail competition in Montana. Farmers in the northcentral Golden Triangle would like another option for grain shipping.

Some landowners are concerned about a trail passing by their property. They are concerned about the potential for trash, trespassing and spread of weeds.

Wicks told city commissioners that other trails have been able to manage those issues. He said the 73-mile Trail of the Coeur d'Alenes in Idaho is a big hit. If only half as many people used a Great Falls-to-Helena trail as the Idaho stretch, it could bring more than \$5 million per year into the area economy, he said. Motorized vehicles would not be allowed on it.

Wicks said the trail could be banked in case a railroad wanted to use it again.

So, whichever side of the issue is yours, find out more from Wicks today at noon.

—MB

Herding cats

Cat owners in Shelby soon may be required to equip their cats with a microchip to help keep track of the felines.

The Shelby City Council is considering updating its city

ordinance that deals with pets and cats are part of it.

According to the Shelby Pro-moter, the latest version of the ordinance was adopted in 2001, and simply stated that cats cannot roam at large, they must be vaccinated for a variety of diseases and the owners must keep a record of information on tags.

Shelby city commissioners will consider tightening the pet ordinance when they meet Dec. 5.

The city animal control officer estimated the city would need about 400 of the microchips at a total cost of \$2,600. How to fund the new program is still up in the air, but owners likely would not be charged for the microchips.

Dog owners have to provide proof of current pet vaccinations and licensing and the new ordinance would require the same for cats.

The city of Great Falls is taking similar steps to update its animal control ordinance.

—MB

Do you have a tip about someone or something special in your community? Call Regional Editor Michael Babcock at (800) 438-6600. The address is P.O.

County wants rail line to Ulm to remain intact

By KIM SKORNOGOSKI
Tribune Staff Writer

Cascade County commissioners asked a group trying to turn an unused rail line into a recreational trail between Great Falls and Helena to preserve the tracks to Ulm for future economic development.

The 95-mile rail corridor hasn't been used since 2000, when the tracks broke after sinking into the unstable riverbank.

A group called Recreational Trails Inc. is working to transform the riverfront line into a walking and biking trail. The group is headed by Doug Wicks, a key founder and leader of the River's Edge Trail project in Great Falls.

The rail-to-trail proposal could only move forward if BNSF formally abandons the rail line and no other entity buys it.

"We're trying to develop a backup option so that this land doesn't become fragmented," Wicks told the commissioners Tuesday. "The whole corridor is in danger of being abandoned."

Commissioner Joe Briggs said the rail line was still usable to Ulm and is concerned that converting the line to a paved trail would close an option for creating a business like the malting plant near

Ulm.

Wicks said the trail could continue alongside the railroad tracks for that stretch.

The rail-to-trail project has support from other quarters, including the Great Falls City Commission, which voted in November to support the trail project if the tracks aren't revived for rail shipments.

However farmers fighting to save the rails have spoken against the trail proposal, as have landowners who are wary of the trail crossing their property.

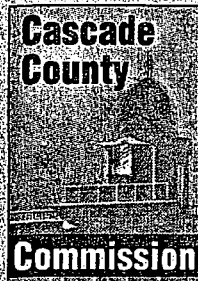
County Commissioners had a full plate of other issues at Tuesday's commission meeting.

- The Access to Care Group was given the go-ahead to secure grants that would pay to see if it's feasible to expand the City-County Health Department's medical and dental clinic.

Health Department Director Cherry Loney said the clinic would like to both expand its programs and its space to meet the growing needs of Medicaid, Medicare and low-income patients.

She also is seeking support from the city for the facility's expansion plans.

- Commissioners are proceeding cautiously with an agreement to lease about 30



See COMMISSION, 2M

CENTRAL MONTANA RAIL TRAIL

Backers touring Idaho projects

By MICHAEL BABCOCK
Tribune Outdoor Editor

A bike and pedestrian trail on the BNSF rail bed along the Missouri River from Great Falls to Helena isn't dead: it just isn't going anywhere right now.

But over Labor Day weekend, the Corridor of Discovery Action Committee plans to take a group of interested people to Idaho to pedal the Trail of the Coeur d'Alenes and the Hiawatha Trail, both trails on former rail beds.

"We are taking people interested in the project and who want to learn more," said Andy Baur, executive director of the Prickly Pear Land Trust, a parent committee to the Helena trail group. "They are not necessarily potential donors."

"We are trying to get all poten-

For more information
■ Reach the Prickly Pear Land Trust at 406-442-0490

tially interested parties — people on the fence as far as supporting the trail — on this fact-finding mission that would be fun too," he said.

So far, about 20 people have signed up to go on the rides, which include 14-mile and 70-mile segments of the trails.

No trains, no joggers

The railroad has not used the 95-mile Great Falls-to-Helena rail line since 2000 when sinkage caused the tracks to break near Cascade.

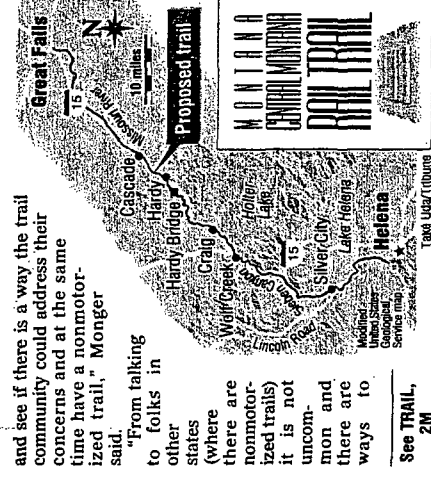
Trails advocates in Great Falls and Helena are urging development of the trail. Both Cascade and Lewis and Clark counties and Great Falls and Helena city commissions have proclaimed their support for the trail.

But BNSF is not interested in abandoning the line. "We have been talking to BNSF about that possibility and so far haven't come to anything with the company," said Doug Monger, a volunteer with the Helena trails group. "They have been real honest and upfront with us, but right now they are not interested."

Landowners along the corridor also have reservations about the trail.

Standard concerns are trespassing on the trail right of way onto private property, litter, dogs, fires, illegal camping and weed control.

"We hope to work with landowners



Trail: Grant would help proposed route

FROM 1M

work around (the issues) with landowners.

What's next?

"Hopefully we continue to have a dialogue with the landowners and negotiate with the railroad. If they go into abandonment, we want to be in a position to pick up the right of way for trail purposes," Monger said.

He said a federal law passed in the early 1990s deals with "rail banking," which would allow the roadbed to be used for a trail, but returned into railroad use if needed.

Money for the proposed trail would come from a number of sources and donors.

Some of it would come from the sale of cabin sites on Canyon Ferry Lake through the Montana Fish and Conservation Trust.

A grant of about \$110,000 awarded from that fund five or six months ago would go toward acquiring real estate between the Lewis and Clark County fair grounds in Helena and Silver City.

Monger said the total amount the trails group has accumulated remains "less than six figures," but that he did not know the specific amount.

"We are working with other partners nationally to help fund it," he said.

"The angle from the Great Falls standpoint, and throughout the whole corridor is that this would be such a nice tie to the

River's Edge Trail," Monger said.

"We are still excited about that project," said Doug Wicks of River Trails Inc. in Great Falls. "The railroad has said they are not interested at this time for a trail proposal. But times change and we don't see that line ever as a profitable operation for the railroad. We are still hoping that someday it can be a trail."

"We are in a wait-and-see mode," said Bauer. "Hopefully we can keep interest and dialogue up while the railroad is trying to figure out its next move."

Reach Tribune Outdoor Editor Michael Babcock at triboutdoors@sofast.net or at 406-791-1487 or 800-438-6600.



You can make online comments — about opinions, today's question from Page 1M, sports and news issues — all on *The Buzz*, the Great Falls Tribune's online Forums. Check them out at: <http://GreatFallsTribune.com/forums>

OPINION

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Many 'ifs' remain, but rail-trail is on right path

In physics, momentum is determined by multiplying an item's mass by its velocity.

Along the defunct Great Falls-to-Helena rail line, there is no velocity. BNSF

stopped running rail cars across the crumbling line more than six years ago.

But, in defiance of physics, there is some momentum. It comes from those who support turning the 95-mile rail bed into a scenic trail for hiking and biking.

They don't have much "mass" to move at this point.

BNSF has no plans to abandon the line. That formality is necessary to set in motion any efforts to convert the route into a public trail.

But trail backers hope that BNSF eventually will sell the property, which currently generates no revenue.

Grain shippers, faced with declining options for shipping their products, oppose abandoning the line. They hope a competitor will buy and reopen it.

But even conservative esti-

mates to repair the damaged rail bed run into the millions. So far, no one has stepped forward to pay for such repairs or with other plans for reviving rail traffic on the line.

If shippers can't justify reopening the line, a rail trail is the next best option for it.

To make that point, trail supporters are taking people interested in the project on a trip to Idaho over Labor Day weekend.

There, they'll ride bicycles over the Trail of the Coeur d'Alenes and Hiawatha Trail. Both are former rail lines

converted to trail use, and both are extremely popular. Such fact-finding trips (or mini vacations, depending on how you see them) are important to build support for new trails.

In fact, if efforts to develop the Central Montana Rail Trail continue, we'd urge supporters to go even further and sponsor similar trips for landowners along the rail line.

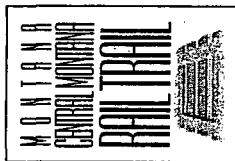
They could see firsthand how trails running through private property elsewhere operate. And perhaps they'd be less inclined to oppose a

public trail. Those of us who've used the River's Edge Trail in Great Falls know the value of such a recreational resource.

To connect our trail with one that extends all the way to Helena — through some of the prettiest country in Montana — is an almost magical concept.

It will take a lot. Vision. Patience. A change of heart from BNSF. A lot of work from supporters.

If that all develops, we predict tremendous momentum in developing one of the premier rail trails in the country.

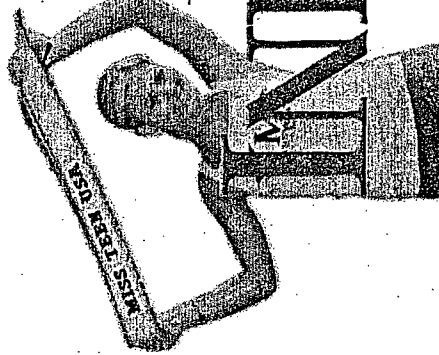


For more information

For more information on efforts to convert the Great Falls-to-Helena rail line into a recreational trail, contact the Prickly Pear Land Trust in Helena at 406-442-0409.

READER /OPINIONS

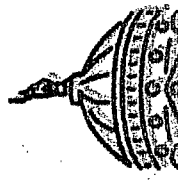
GUEST /OPINION



■ Hip-hop instructor sets standards high / YOURTIME

Teen angel

Teen USA title changing Billings girl's life ■ 7A



VP backs Burns
Cheney speaks at Whitefish fundraiser ■ 8A



INDEPENDENT RECORD

THURSDAY, AUGUST 17, 2006 ■ HELENA, MONTANA ■ Vol 62, No. 243 ■ FIFTY CENTS

Lewis rails against trail grant

■ State senator says land for controversial bike path isn't for sale, doesn't have support

By EVE BYRON
IR Staff Writer

A \$110,000 grant to be used for a section of the controversial bike path along an



Lewis

old railroad route between Helena and Great Falls is raising a few eyebrows. State Sen. Dave Lewis (R-Dist. 42) is concerned that the money won't be used in the manner in which it was

granted, and that it's not enough to do much with any way. He adds that so far, the railroad isn't a willing seller, and he's urging the Corridor of Discovery Recreational Trail Group — a subcommittee of the Prickly Pear Land Trust — to return the money to the Montana Fish and Wildlife Conservation Trust (MFWCT), which recently authorized the grant.

"Everything should be up front and above board, and this seems to be, in my view, a little bit suspicious," said Lewis, who opposed the proposed bike path during the last legislative session. "What gets me going is they know they can't buy the land for this amount, and it's not for sale anyway."

But to Andy Baur, executive director of the Prickly

Pear Land Trust, there's nothing odd or unusual about the grant, which he characterizes as a straightforward proposition that's in the early stage of development. The PPLT has always engaged in open dialogue with any and all interested parties, he said, adding that they've even considered asking Lewis to aid in future negotiations with landowners.

"It's always been our policy that we only work with willing sellers — this isn't going to be jammed down anyone's throat," Baur said. "Whatever happens will only happen after everyone talks it through."

The Plan

In the grant application,

More TRAIL, page 10A

Trail: FWP commits to \$2.6M for trail

continued from 1A

the trail group asked for \$350,000 to purchase 175 acres in a 21-mile section — from Helena to Wolf Creek — of a proposed 95-mile trail, in what is expected to be a \$15 million project.

That got Lewis' attention, because he's been in contact with some of the large landowners along the route who were opposed to the plan when it came before the 2005 Legislature. The landowners were concerned about the human impacts on private property along the proposed route.

But that may be a moot point in regard to the recent grant, since as the request moved through the Conservation Trust process, the area that might be bought was downsized to a stretch from the Lewis and Clark County fairgrounds north to Silver City near Lincoln Road.

One reason for the smaller scale involves the way the grant process works.

The \$17 million Conservation Trust, which was created from the sale of cabin sites along Canyon Ferry Reservoir, has two pools of money generated by the trust's investments. The money must be used to purchase land for hunting, fishing and sporting access in

Montana, with half of the money going to projects in the Missouri River watershed, between its headwaters and Holter Reservoir; the rest can be used statewide.

Bill Orsello, a member of the citizens advisory group that recommends projects to the trust's board, said the money the trail group was seeking only could be used for the stretch from Helena to Silver City because the funds would come from the Missouri River watershed pool of money. If it competed in the statewide pool, the project probably wouldn't have been funded, Orsello said.

That dropped the amount of funding allocated for the project to \$110,000.

Baur said that works for the PPLT.

"One thing that we hear is that there's a nice trail system in the South Hills, but nothing in the valley. This would be a great opportunity," Baur said. "It's not the full project, but we're keeping the dialogue open."

If a land purchase isn't made with the money within two years, it may have to be returned to the Conservation Trust.

"A lot of the projects start out as ideas ... and we give them two years," Orsello said. "If there's no significant movement, like getting other funding, then the

money comes back to the trust."

Baur said his organization is aware of the stipulation and is comfortable with it.

"There may not be a lot of movement right now, but we want to make sure we have everything lined up to do something if the opportunity becomes available," Baur said. "If we have to give the money back, then it can fund some other great project."

FWP to provide funds

The PPLT anticipates that funds from the Conservation Trust would be "highly leveraged" with additional funds, including state and federal aid, as well as private donations.

The group already has a verbal commitment from Montana Fish, Wildlife and Parks that the state agency will provide around \$2.6 million during a five-year period for the rails-to-trails project if BNSF decides to sell its property.

Bob Walker, state trails program coordinator, said there aren't any signed agreements, but FWP has set aside portions of federal grants for the past two years in case a project came along like this. He told PPLT that if everything falls into place, the money could be available. So far, about \$530,000 has set aside.

"They would have to spend the money up front, and then we would reimburse them," Walker said.

He added that the decision to stockpile funding was made in 2000, before this specific project was discussed.

Walker acknowledges that some worthwhile projects might not be funded while they wait to see how this pans out, but adds that it's important to have funds set aside for large projects that can have positive economic impacts to communities.

"We know that there are people with projects that are ready to go that are not getting funded," Walker said. "But I still think you just ... need to be prepared to consider special projects as they come along."

He also notes that if nothing happens with the proposed trail system by 2008, the money could be assigned elsewhere.

The application states that initial phase for negotiating purchase options is scheduled for completion by December 2006. The second phase, which would focus on developing a portion of the line for recreational use, would be finished by fall 2008, with final trail conversion and uses implemented by 2010.



Jim Ethell IR Staff Photographer

Doug Monger has been attempting to coordinate efforts in both Great Falls and Helena to convert this 95-mile stretch of railroad track into a bike trail should BNSF Railway decide to sell the property.

Rails-to-trails hopefuls ready to spring into action

Eric Grove and Doug Monger patiently waiting for opportunity to turn unused railway into bike/ped trail

By LARRY KLINE
IR Staff Writer

BNSF Railway will retain ownership of its Helena-to-Great Falls line, a spokesman said this week.

The statement didn't faze two of the people who hope to turn the 95-mile stretch, much of which hasn't seen rail traffic in about five years, into a trail for bikers and walkers.

"The scenario is always changing," Great Divide Cyclery owner Eric Grove said. "At the moment they may not be interested in selling it, but that could change in a year."

"We just hope to see that someday it could become a possibility," Doug Monger said. He's a member of a Prickly Pear Land Trust committee devoted to the trail's creation.

Grove and Monger said the trail would be an economic boost to not only the

Queen and Electric cities, but also smaller communities along the route, large portions of which parallel the Missouri River.

City and county commissioners here have joined Great Falls city officials in supporting the proposed trail.

BNSF spokesman Gus Melonas said railroad officials believe the line could be used in coming years.

"There could be possible future utilization of this line," he said.

The railroad has supported similar rails-to-trails projects in Montana and elsewhere, "however, in this situation it just doesn't make business sense," Melonas said.

He said track conditions have limited activity on much of the line, but would not specify what repairs or upgrades would be needed to put it back into regular use. The railroad uses a portion of the line north of Ulm for storage and switching operations, he said.

Melonas declined to comment further.

Monger, a retired state Department of Fish, Wildlife and Parks administrator, and Grove said they and other trail advocates

will be ready if BNSF ever decides to sell the line.

"It has been a moving target ... we're just going to continue to operate under the assumption that the opportunity in the future may again present itself," Grove said.

He said he knows some of the impediments BNSF would have to overcome if it re-activated the line. Track at a crossing at Wolf Creek is paved over; sinkholes have undermined the rail bed near Ulm; tunnels along the route are too small for modern rail traffic; and on some curves trains would be limited to 15 mph.

"All of that adds up to a track that is going to take some major capital investment," Grove said.

Both he and Monger said they would love to see the line actively used by BNSF.

"The highest and best use of a rail line is as a railroad," Monger said.

"Only if it's not going to be used as a railroad, we would want to pursue the ped/bike possibility," Grove said.

Landowners along the route have expressed concerns about privacy, trespassers, pets and other

issues that may crop up if the trail is built.

Monger said he understands those concerns and thinks they can be addressed.

"What we would continue to hope to do is to work with those landowners and understand their concerns and alleviate them as much as possible," he said.

Property owners along other routes in the West, such as the Coeur d'Alene Trail, voiced similar concerns in the past, he said.

Some of those landowners have now installed gates in their fences to allow themselves access to the trails, Monger said. Small businesses have sprung up along the routes, he added.

He said he would expect to see rangers for "weed, dog and people control" along the Helena-to-Great Falls route.

"I just see some great opportunity there for some recreation and economic development in the smaller communities along that line," Monger said.

Read more about this issue on the inKlined blog at www.helenair.com/blog/inklined.



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August 28, 2006

Dr. Daniel R. Fiehrer
P. O. Box 1004
Helena, Montana 59624-0811

Dear Dr. Fiehrer:

I appreciate your letters in regard to the acquisition and restoration plan of services involving the abandoned 100 mile rail line from Great Falls to Helena, Montana.

I am a transportation agent of Exel Transportation Services. I have made Exel Corporate management aware of this opportunity and the availability of the former Albertsons Warehouse in Great Falls. I have expressed the need for support of the effort to have viable rail services in this corridor and the opportunities that are available if a viable regional railroad is established. This would have to come from Exel Corporate Management.

I will be glad to assist in any way I possibly can. I do have locomotives and Rail equipment available for sale and lease. This equipment inventory involves most Rolling stock equipment types that you may require. I will be glad to quote prices as you may require. I also supply bridge timbers. I offer them cut to order from Engineering plans on Auto Cad, pre drilled and delivered to the job site.

Preliminary pricing that is available on locomotives that I have in inventory Subject to delivery charges and possible prices adjustments depending on actual Delivery date and duration of lease.

SW 1200 - \$190.00 per month

GP 8 and GP 10 - \$230.00 per month

Railroad Responsible for all maintenance.

Please advise if I can be of service to you.

Sincerely

Alan Barker

Notary Public
My commission Expires: 6/21/08

Great Falls Distribution Center - 601 6th Street SW, Great Falls, MT

West Side - Office/Industrial/Warehouse

Lease Rate: Low Rates - Negotiable

Lot Size: 15.06 Acres - Secure

Zoning: City of Great Falls
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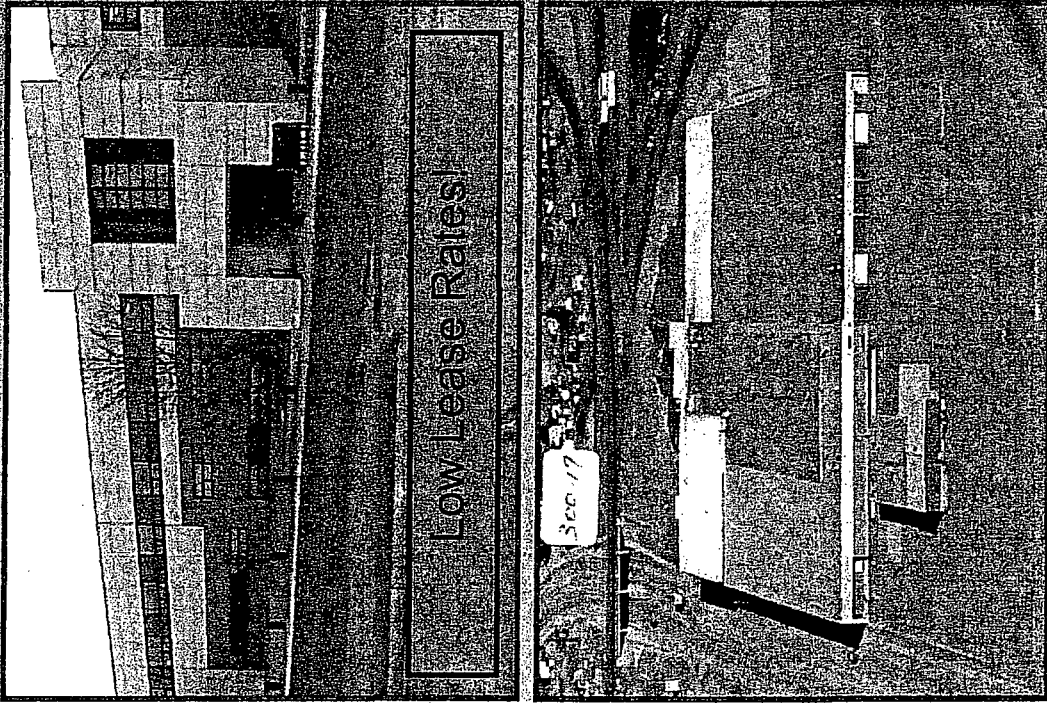
Office/Work Area	60,500 SF+-
Main Warehouse	212,500 SF+-
Refrigerated Whse & Refer. Dock Area	62,500 SF+-
Truck Garage	11,500 SF+-

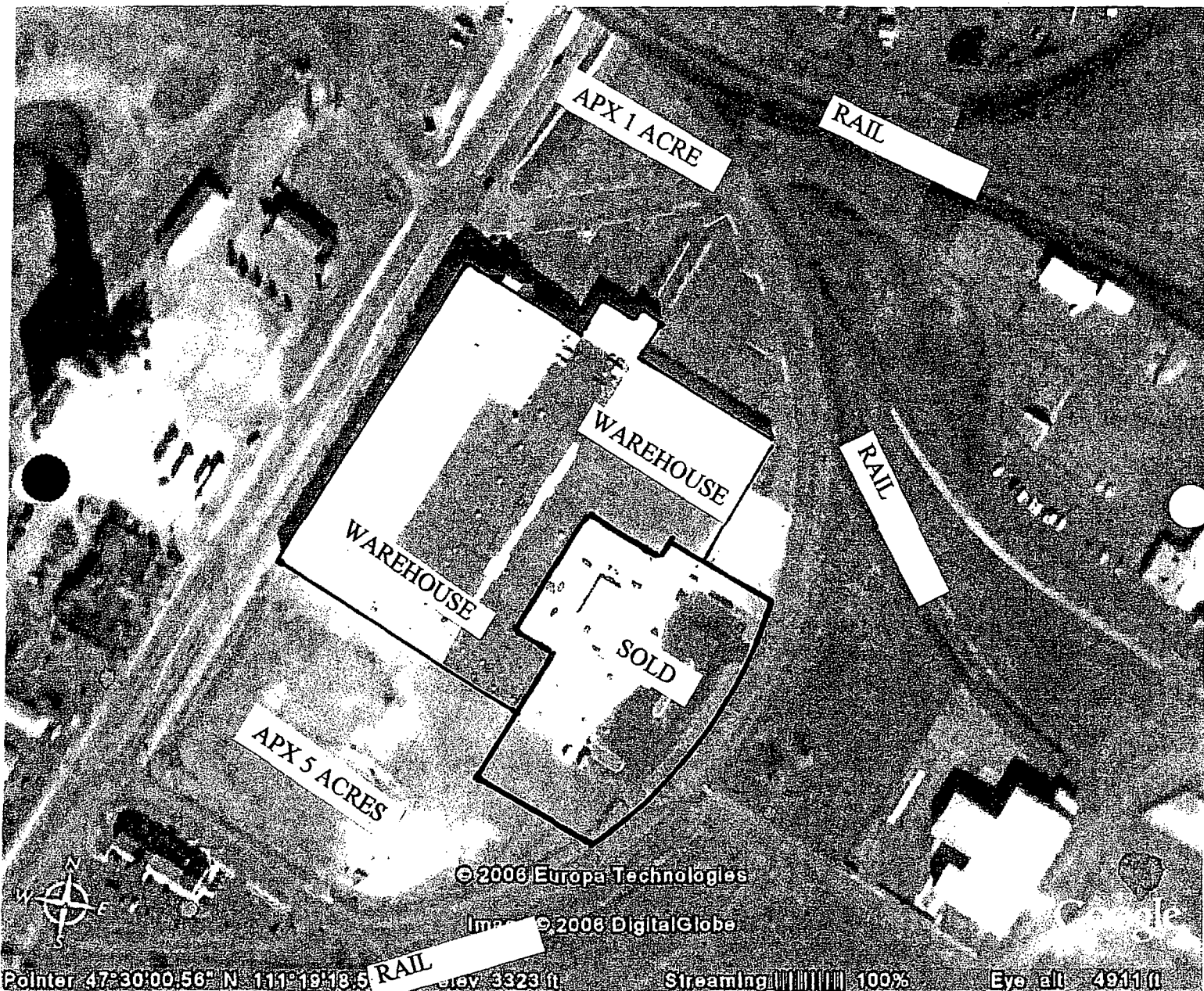
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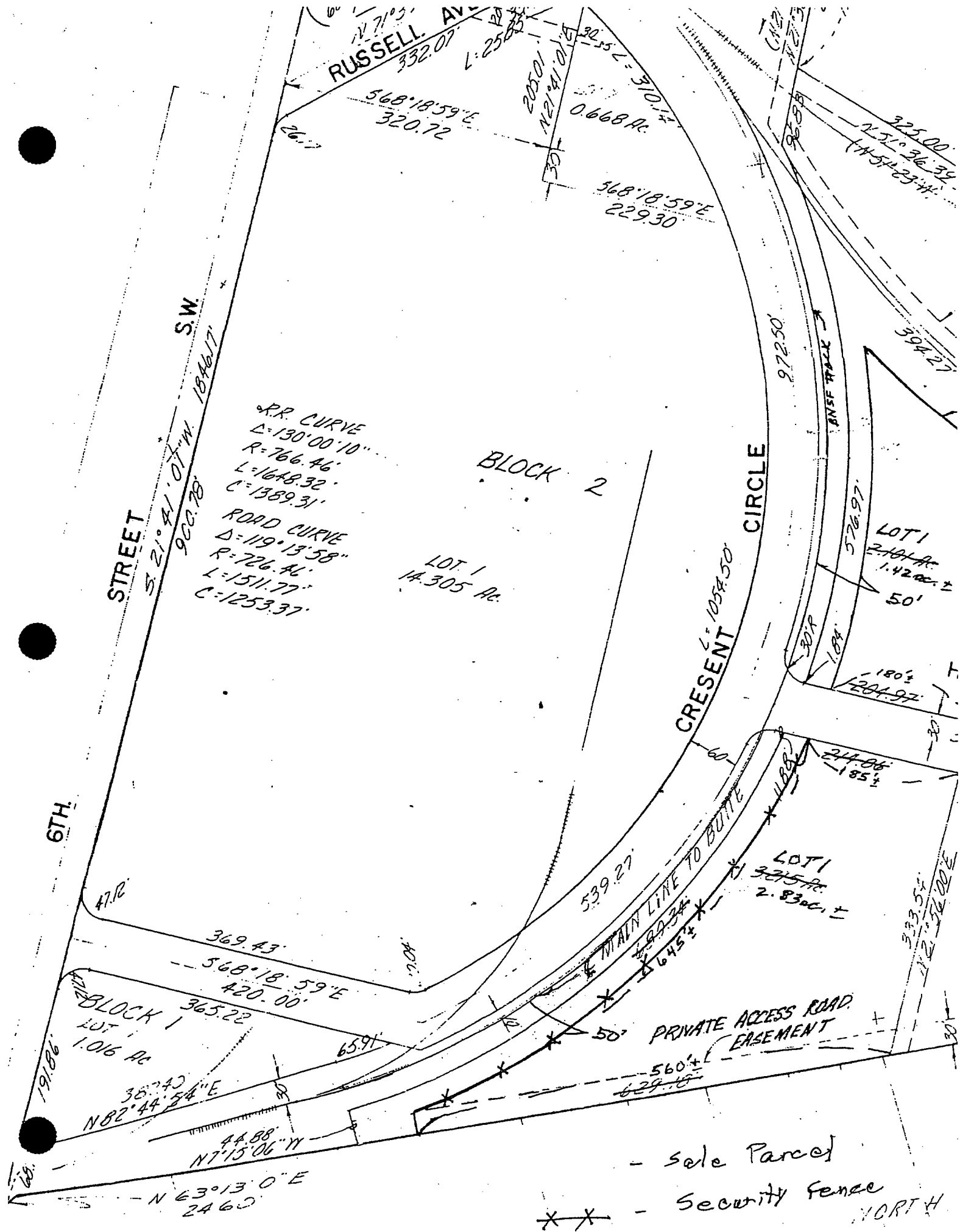
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Point: 47°30'00.56" N 1°11'19.13.5" E

RAIL
Elev: 3323 ft

Streaming 100%

Eye alt: 4911 ft



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X X - Security Fence

NORTH

GREAT FALLS TRIBUNE

A PULITZER PRIZE WINNING NEWSPAPER

FRIDAY

May 12, 2006

Great Falls, Montana — 50 cents

Governor lobbies for rail competition

By MARY CLARE JALONICK
Associated Press Writer

WASHINGTON — Montana Gov. Brian Schweitzer criticized a regulatory agency Thursday for not doing enough to encourage more railroad competition in Montana, saying the state's shippers are paying more than their fair share.

Schweitzer, a Democrat, told the Surface Transportation Board in Washington that "things cannot get much worse" for Montana as the board has allowed one company, BNSF Railway Co., to monopolize rail shipping in the state.

"Regulatory oversight of the railroads, or lack of it, affects everything we do in Montana every day," he told the regulators.

Schweitzer said that state analysts have shown the company is charging fuel surcharges that are greater than the actual fuel costs on rail movements from Montana.

Tom Hund, executive vice president and chief financial officer of BNSF, told the board Thursday that the company "has not fully recovered fuel costs, above

the threshold price at which the surcharge takes effect."

Hund said that the surcharges are based on the historical average cost of highway diesel fuel, which "have a high correlation" to BNSF's price of diesel fuel.

After the hearing, the governor said he is waiting to see if the board, an independent agency that is affiliated with the Department of Transportation, will decide

that BNSF is slapping shippers with fuel surcharges that are too high.

Board member Francis P. Mulvey pledged board members are "looking at the way the board does things and the way we approach our analyses."

Schweitzer said that if the board does not take action, "we're going to get to lawyering."

"We'll take it to court if necessary," he said.

Sen. Conrad Burns, R-Mont., has introduced legislation in the Senate that would encourage more competition on the rails. He announced this week that the Senate Energy and Natural Resources Committee will look into the issue.



Schweitzer

Burns says rail rates driving up electricity costs

By JO DEE BLACK
Tribune Staff Writer

Consumers are paying a price for monopoly railroads every time they turn on a light switch.

That's the claim of Sen. Conrad Burns, R-Mont., who wants the Senate Energy and Natural Resources committee to look into accusations that high rail rates and poor service on coal shipments are driving up electricity costs.

It's also a claim that could help push legislation designed to prevent monopoly railroads from charging unfairly high rates.

"Nationally, complica-

tions in rail delivery of coal to power plants are expected to cost ratepayers between \$2 billion to \$3 billion this year," Burns said. "That's a pretty astounding number."



Burns

In areas served by a single railroad company, rates are often higher and service poorer than in areas where there is competition, he said.

This is a nationwide issue happening across the country," Burns said.

The broadening impact of the captive shipper issues is creating optimism among farm organizations that say a legislative remedy is needed.

The more industries we

can get to support that idea the better it is," said Richard Owen, executive vice president of the Montana Grain Growers Association.

"Captive shipper" is a term tossed around frequently on Montana's Hi-Line. The state's grain farmers ship their crops to market on the area's lone railroad, BNSF Railway. Grain industry folks have lobbied for decades for help.

Burns is the sponsor of legislation introduced about a year ago to specify the primary objectives of the Surface and Transportation Board, the federal agency with authority over rates and service issues in captive rail markets.

Burns' legislation allows

What is next

The Senate Energy and Natural Resources Committee will hold a hearing on railroad coal deliveries impact on electricity rates and reliability on May 25 in Washington, D.C.

rate and service disputes between railroads and customers to be sent to arbitration. It also requires the STB to use actual railroad costs to determine whether or not rail rates are justified.

The legislation gives the

See RAILROADS, 2M

Railroads: 65 percent of state's electricity comes from coal plants

FROM 1M

STB mandatory authority to require railroads to enter into mandatory reciprocal-use agreements to allow competing railroads to use each other's tracks. It also requires the STB to designate areas and states with inadequate rail competition.

If the bill passes, the transportation board will also have to post complaints on its Web site.

Customers are frustrated by the board's lack of action and lack of accessibility, Burns said.

"Right now, it costs \$140,000 to file a case with the STB," Burns said. "It only costs \$150 to file a case in federal district court."

The Montana Electric Cooperative Association and the Montana Grain Growers Association support Burns' bill.

"We need consumer representation on the STB, and we need fairness in rates," said Dave Wheelihan, general manager of the Montana Electric Cooperative Association. "Some of the electricity we buy is from coal-fired generation, and coal delivery is an issue for Basin Electric Power Cooperative in Bismarck, N.D."

And it will also be an issue for any new coal-fired plants."

About half of America's electricity and 65 percent of that used in Montana comes from coal plants, Wheelihan said.

Returning to government regulated railroads are not the direction to go, Burns said, and he does not want to put the industry at a disadvantage.

"I don't want to create any unintended consequences," he said. "We need rail companies to be healthy and viable; we can't survive without them. Prices should be set by the market, but not by monopolies. If you are a victim of a monopoly, there should be some assurances to get relief if you are impacted."

Burns also made hearing requests on the issue to the Senate Agriculture, Nutrition and Forestry and Small Business and Entrepreneurship committees.

A spokesman for the Association of American Railroads in Washington, D.C. could not be reached for comment Tuesday evening.

Reach Tribune reporter Jo Dee Black at (406) 791-6502 or by e-mail at jdblack@greatfall.gannett.com.

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Howard Ellison, B.A., LL.L.

Dr. Daniel Fiehrer
P.O. Box 1004
Helena, Montana 59624-0811

SUBJECT: RESTORATION OF RAIL SERVICE VIA *de facto* ABANDONED BNSF
LINE BETWEEN GREAT FALLS AND HELENA, MONTANA

Dear Dr. Fiehrer:

Thank you for your inquiry seeking my opinion as a transportation consultant as to what value or impact there could be on freight traffic between Western Canada, the U.S. and Mexico if service over BNSF's line between Great Falls and Helena were restored.

In my opinion BNSF is probably not inclined to reopen service over this line, or they would have done so in the six years the line has been *de facto* abandoned, and not pulled up or salvaged. Re-opening service via this route would provide a more direct route between Western Canada, the Southwest U.S. and Mexico over the Sweetgrass Port of Entry on the border of Alberta and Montana. Traffic from and to British Columbia and Alberta would otherwise be hauled by BNSF via circuitous long-haul routes via the West coast North/South gateway over Vancouver, B.C.; or the more circuitous central corridors over NorthGate, Winnipeg, Emerson/Noyes, Duluth or Chicago.

It would appear not in BNSF's best interest revenue-wise to short haul themselves over Sweetgrass and deliver or receive traffic via this Great falls to Helena line when they could haul or receive traffic over their long haul via the other gateways. The same would be true to and from the southern connections with Union Pacific Railway over Butte/Silver Bow to and from points like Salt Lake City, Denver, Colorado Springs, Reno, Las Vegas, Phoenix; and Texas and Mexico via Fort Worth (Fort Worth & Western RR and South Orient RR to Presidio for connecting with Mexico's Ferromex RR) which would be a more direct service route with less shortline miles involved.

There is woodpulp from Alberta going to mills in Missoula, Montana, Minnesota and Wisconsin. There is also long haul highway traffic of petro-chemicals between

Houston, Texas and Alberta that perhaps could be diverted to rail from truck due to expected increase in fuel costs. There is also scrap paper trucked from Montana to Alberta pulp mills. Lumber from Alberta and the interior of British Columbia would probably be the great volume of traffic available to the Sweetgrass gateway via BNSF over Great Falls south for interchange with Union Pacific to Midwest, Southwest and the Southeast. Because of capacity constraints on Canadian Pacific from Calgary to the West Coast, there are also unit trains of potash moving off the Canadian Pacific Railway over BNSF from Sweetgrass in "run through" service going to the West coast for export to China. This could be routed competitively over the Great Falls to Helena line to the Union Pacific at Silver bow and to the Montana Rail Link West bound from Helena. This could relieve some of the traffic pressure off BNSF's line through Glacier Park which is a "choke point" that is also near capacity, estimated to be 45 trains per day.

There is a significant movement northbound of bagged and palletized barites and bentonite used in oil drilling in Alberta. These commodities are now moving circuitously from Wyoming to Shelby, Montana where they are transloaded to flat bed "B" train high capacity trucks as backhauls for lumber trucked from Alberta to Shelby. This lumber for movement to Texas and the South could move by rail direct competitively from Shelby to Great Falls and Helena to MRL or UP. This move could also be more competitive using this direct route from Alberta in high capacity 100 ton cars. It would eliminate several hundred dollars per car in transloading to truck in each direction at Shelby by providing a competitive alternative via rail. Rail can move traffic at a lower cost per ton mile for fuel than truck, especially with the rising costs for diesel truck fuel.

There is a smaller volume of primary forest products such as logs and wood chips which could move from Alberta to Montana to points like Eureka and Missoula. There is some opportunity for Volkswagon Beetles to move from Mexico, which is the only place in North America where they are assembled, and shipped to Western Canada and the Pacific Northwest.

There are also some possibilities for Montana grain and pasta made from grain to move via UP over Butte/Silver Bow in both carload and "container" for West Coast export. Operation of this line by a shortline could add rail equipment BNSF may be unable to furnish. There is also a possibility of increased transload distribution of merchandise at the Port of Northern Montana in Shelby, Montana, the Port of Montana at Butte/Silver Bow, and facilities in Great Falls and Helena, as well as steel originating in Colorado and lumber from the Western U.S. and Canada.

Coal from shorthaul origins in Montana and Wyoming could move northbound via this line to the new coal fired power plant being planned in Great Falls. Currently BNSF doesn't supply coal cars for big long haul power companies, much less shorthaul shippers like the move to Great Falls. Thus, if the shortline which might operate BNSF's line between Great Falls and Helena were to provide coal cars and lease them to the power company building the plant at Great Falls, they could generate revenues from freight as well as "car hire".

They may also be a possibility of shipping gypsum board from Cody, Wyoming to Alberta. Alberta's oil sands have a huge future potential to generate petro-chemical shipments to the U.S. via this gateway, were this line to be restored to service.

It would be in BNSF's best future financial interest to transfer ownership of this line and remove it from their balance sheet and open this gateway over Sweetgrass and Butte/Silver Bow, as potential International traffic could exceed local interstate and intrastate traffic within the U.S. Other corridors handling NAFTA traffic between Mexico and Canada are approaching, or at capacity and may require massive infusion of capital. BNSF could participate in interline traffic they don't enjoy with no investment of assets such as cars, locomotives, or right-of-way if they were to transfer ownership of this line to a shortline who would reopen service.

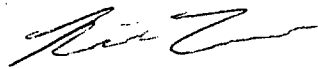
This could improve BNSF's system ROA by eliminating unproductive assets that must otherwise be cross-subsidized by other profitable assets. In addition re-opening this abandoned rail line could enhance economic development in Montana by increasing commerce.

Best wishes for success in your attempt to acquire this line and restore service! Your plan to contract or lease the line to a shortline is a good strategy if you don't have significant experience in operating a railway.

I hope this information will help your application to the U.S. Surface Transportation Board to obtain their approval to acquire this abandoned line from BNSF. It is obvious continued status quo of not operating this line does not have the economic potential of restoring service. It is obvious that if the cost of salvaging the line would have been less than the salvage value. BNSF would have probably salvaged it years ago.

BNSF will be hard pressed to find a single shipper in Montana who would support BNSF's continued closure of this line. You will find overwhelming support from shippers and Montana government officials for acquiring and re-opening this line. If I can help you further, please let me know.

Sincerely,



Dr. Richard Lande
Transportation Consultant

VERIFICATION

I, Dr. Richard Lande hereby certify under Penalty of Perjury that the above statement is true and correct to the best of my ability, knowledge and belief, so help me God.

Signed

Richard Lande

Dr. Richard Lande

Date

Sept. 7, 2006

QUEBEC

PROVINCE OF

I, THE UNDERSIGNED Notary Public certify Dr. Richard Lande, whose name is signed to the foregoing verified statement, appeared before me, on this 7th day of September, 2006 and informed me on the context of the above statement which he executed on the same day given under my hand and seal

Notary Public

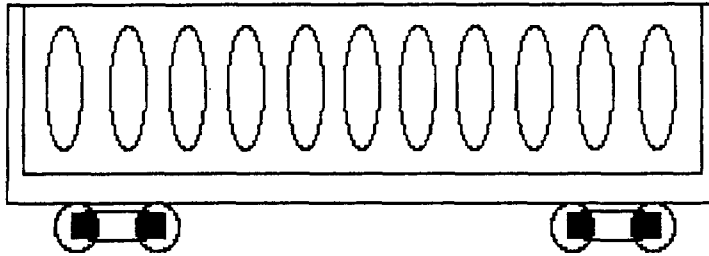
MICHEL LANGFORD
LAWYER #185599-9

My commission Expires _____

(Affix Notarial Seal)

Gwynn Lumber & Reload Inc.

PO Box 911, #1 Railroad Street
Eureka, MT 59917
(406)-297-2341
(406)-297-2956 FAX



July 26, 2006

Dr. Daniel R. Fiehrer
PO Box 1004
Helena, MT 59624

RE: Acquisition and restoration of service on BNSF's abandoned line from Great Falls, Montana to Helena, Montana.

Dear Dr. Fiehrer,

Thank you for your letter requesting support of your application to acquire the line which has been de facto abandoned for 6 years yet remains on BNSF's system map.

If the line acquired by someone other than BNSF and service was restored, it would give Gwynn Lumber Company a more direct route for connection to the Union Pacific and Montana Rail Link to service points not served by BNSF.

I hope this will be helpful to you in your efforts to acquire the line and restore service by contracting with a credible short-line rail operator. Gwynn Lumber currently operates on a former BNSF branch line and it appears to be working well for us.

Your interest in our input is very much appreciated.

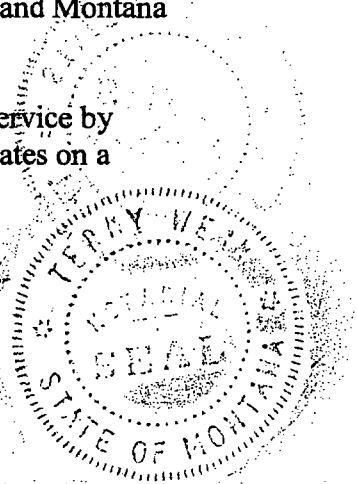
Sincerely,

Craig Eaton
General Manager
Gwynn Lumber & Reload Inc
#1 Railroad Street
Eureka Montana
406-297-2341 (W)

Notary Terry J. Webb residing

at Eureka, Montana

My commission expires January 1, 2008





MONTANA RAIL LINK, INC.
101 INTERNATIONAL WAY
POST OFFICE BOX 16390
MISSOULA, MONTANA 59808-6390
(406) 523-1500

August 18, 2006

Dr. Daniel Fichrer
P.O. Box 811
Helena, Mt. 59624

Dear Dr. Fichrer,

I received your letter concerning the BNSF rail line from Helena to Great Falls inquiring if Montana Rail Link would be interested in operating that segment.

Montana Rail Link is always interested in opportunities to expand its franchise, however; the Helena/Great Falls line is not one we would be interested in pursuing at this time. The line has little, if any, customer base to support the cost of maintenance and operation, thus reducing the need for ownership or running rights.

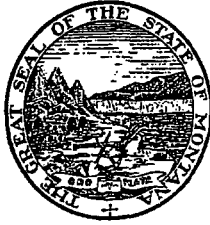
Thank you for considering Montana Rail Link. Perhaps there will be other opportunities in the future that we can work on together.

Sincerely,

A handwritten signature in black ink, appearing to read 'Howard E. Nash', written over a horizontal line.

Howard E. Nash
Executive Director of Marketing

Montana State Senate



SENATOR TRUDI SCHMIDT
SENATE DISTRICT 11
SENATE MAJORITY WHIP

HELENA ADDRESS:
PO BOX 200500
HELENA, MONTANA 59620-0500
PHONE: (406) 444-4800

HOME ADDRESS:
4029 6TH AVENUE SOUTH
GREAT FALLS, MONTANA 59405
(406) 452-7215

The Big Sky Country

COMMITTEES:
FINANCE - VICE CHAIR
TAXATION
PUBLIC HEALTH, WELFARE AND SAFETY - VICE CHAIR
ETHICS

July 25, 2006

TO: U. S. Surface Transportation Board

FROM: Sen. Trudi Schmidt - Montana *TS*

RE: BNSF Abandoned Line Between Great Falls & Helena, Montana

I strongly urge you to support the request of many citizens in the State of Montana to acquire, reopen and restore the rail line between Great Falls, MT and Helena, MT so that Montana can again be competitive in the rail shipping business. We are a captive shipper now; there is only one line through MT and that goes east and west. This line has been "de facto" abandoned for six years. It would help Montana shippers to have a north-south route between Canada and Mexico, and this line is the link to do that.

Again, I urge you to allow MT rail shippers competitive access to MT Rail Link and Union Pacific points. Presently, BNSF controls over 90% of all rail shipments into and out of MT; that is not fair to our agricultural industry to not have some choice in the shipment of their product.

My question to you: Why should MT producers be denied this opportunity? Is the purpose of this country's Surface Transportation Board to make sure we import our ag products, or do we want to see our producers making it financially. Having choice in rail shipping would be a huge step for our producers. It is critical that this line be reopened and restored to service.



MONTANA
Department of
AGRICULTURE

303 N Roberts, PO Box 200201
Helena, Montana 59620-0201

Nancy K. Peterson
Director

Brian Schweitzer
Governor

406.444.3144 • Fax: 406.444.5409 • agr@mt.gov • www.agr.mt.gov

June 15, 2006

Dr. Daniel R. Fiehrer
PO Box 811
Helena MT 59624

Re: Rail Line Between Great Falls and Helena

Dear Dr. Fiehrer:

Thank you for contacting me regarding your efforts to purchase the BNSF rail line between Great Falls and Helena. I agree with your assessment that international commerce could provide significant traffic on the line, including the shipment of Montana wheat, barley and malt to customers in Mexico or others via other connecting railroads.

I am not familiar with the little-used statute you mentioned that might enable you as an individual to purchase the line and return it to service. What would the Surface Transportation Board need to consider for purchase of the line and to repair and operate it? Have you discussed your proposal with potential partners that might rebuild and maintain the line, or even possibly with railroad consultants?

I very much want to see the line repaired and operating to benefit agriculture, our number one industry, and other Montana businesses. You may want to consider sharing your thoughts with the Rail Service Competition Council as well.

Sincerely,

Nancy K. Peterson
Director

LOPACH & CARPARELLI P.C.

CERTIFIED PUBLIC ACCOUNTANTS

October 23, 2006

To Whom It May Concern:

I, Mike Lopach, the accountant for the applicant, Daniel R. Fiehrer, do state his approximate net worth to be \$4,850,000 and thus declare him to be a financially responsible person.

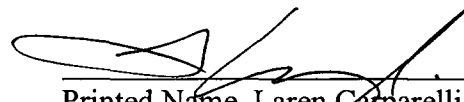
Sincerely,



Mike Lopach, CPA

SUBSCRIBED AND SWORN to before me this 23rd day of October 2006 by

(SEAL)


Printed Name Laren Carparelli, CPA
Notary Public for the Sate of Montana
Residing at Helena, Montana
My Commission expires 09-13-2007

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: AUG 9 2006

TRANSPORTATION PRESERVATION SOCIETY
OF MONTANA
PO BOX 1004
HELENA, MT 59624

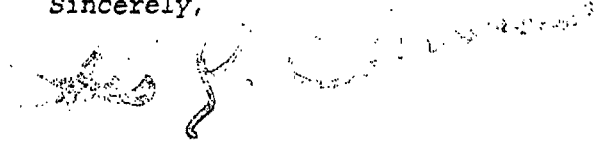
Employer Identification Number:
20-3763974
DLN:
17053046024026
Contact Person:
MS K WILMER ID# 52405
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
December 31
Form 990 Required:
Yes
Effective Date of Exemption:
December 7, 2005
Contribution Deductibility:
No

Dear Applicant:

We are pleased to inform you that upon review of your application for tax-exempt status we have determined that you are exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Please see enclosed Information for Organizations Exempt Under Sections Other Than 501(c)(3) for some helpful information about your responsibilities as an exempt organization.

Sincerely,


Lois G. Lerner
Director, Exempt Organizations
Rulings and Agreements

Enclosure: Information for Organizations Exempt Under Sections Other Than 501(c)(3)

Transportation Preservation Society of Montana
P. O. Box 1004, Helena, MT 59624
September 25, 2006

TO: Department of Treasury
Internal Revenue Service

ATTN: Ms. K. Wilmer

Dear Ms. K. Wilmer,

On August 9, 2006, our organization, The Transportation Preservation Society of Montana, was granted tax exempt status from Federal Income tax under section 501 © (4) of the Internal Revenue code.

We are now writing for assistance in applying for the necessary status to be able to grant Tax Credits, as part of our organizations on-going activities. Would you please fax or mail, to us, the necessary forms/information that we need to complete/be aware of for filing for such status?

EMPLOYER ID # - 20-3763974

DLN - 17053046024026

Effective date of exemption - 12-07-05

Thank you for your assistance,
Sincerely,

Mary Ann R. Fiehrer
TPS of MT Chair

(a hard copy of this fax will follow)

New Mexico buys BNSF tracks for commuter rail

By FELICIA FONSECA

Associated Press Writer Wednesday, December 07, 2005

ALBUQUERQUE (AP) -- The state has signed an agreement to buy nearly 300 miles of railroad track that extends from Belen to Trinidad, Colo.

Gov. Bill Richardson has been pushing for a commuter train service since unveiling plans in 2003 for the Rail Runner Express. The first leg from Belen to Bernalillo is expected to begin service in January. Service to Santa Fe is expected to begin by late 2008.

The system will ease traffic congestion, attract new businesses and revitalize rural businesses, Richardson has said.

The \$76 million purchase from BNSF Railway includes 51 miles of mainline track between Belen and Bernalillo, 48 miles of track between Bernalillo and Lamy and 200 miles of track between Lamy and Trinidad. The purchase also includes 13 acres of rail yard property near downtown Albuquerque.

New Mexico Transportation Secretary Rhonda Faught said the purchase of the extra 200 miles was necessary to close the deal with BNSF.

"They didn't want to piecemeal this thing," she said Monday.

The Mid-Region Council of Governments, which is spearheading the commuter rail effort, estimates it will cost \$8 million to \$12 million a year to run the commuter service from Belen to Bernalillo. Federal funds will pay for the operation and maintenance of the track for the first three years. Communities that make up the transit district eventually will pick up some costs.

The Legislature authorized the rail project as part of the 2003 transportation plan. That plan -- called GRIP for Governor Richardson's Investment Partnership -- authorized up to \$1.6 billion in bond financing. Faught also has said \$75 million in federal transportation money could be used.

BNSF suggested in June that the state buy, rather than lease, the line. For the past few months, the state has been discussing the purchase.

State ownership gives the commuter service priority on the track, which isn't considered a main line for BNSF.

"We control our own destiny on the line," Faught said.

As part of the agreement, BNSF will be allowed to continue running freight trains on the track and maintain the track from Lamy, near Santa Fe, into Colorado until 2008 when the state takes over ownership. Amtrak passenger service also would use the line, though an agreement hasn't been signed.

The state's commuter rail will be the dominant user of the Belen to Bernalillo stretch. Maintenance fees will be divided between the users, depending on each user's impact on the track. Although the state will use the track more often, BNSF likely will pay more in maintenance fees because freight trains are heavier than the Rail Runner system, said Lawrence Rael, executive director of the Council of Governments.

Critics have expressed concern that the commuter rail project will cut funds needed for future road projects, but Faught said those projects will not suffer.

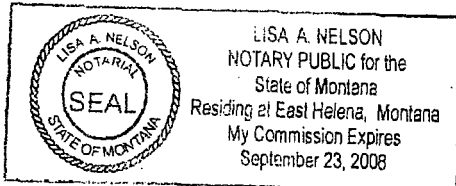
STATE OF MONTANA)
COUNTY OF LEWIS AND CLARK)

**Mr. Matthew Rose, CEO
Burlington Northern Santa Fe Railway
P.O. Box 961052
2650 Lou Menk Drive
Fort Worth, Texas 76161-0052**

David B. Baker

Dr. Daniel R. Fiehrer
P.O. Box 1004
Helena, Montana 59501

Subscribed and sworn to before me this 10th day of October, 2006



Spa D Nelson
Notary Public
My Commission Expires Sept 23, 2008

County: Lewis & Clark