

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB Docket No. AB-1014

DENVER & RIO GRANDE RAILWAY HISTORICAL FOUNDATION
-ADVERSE ABANDONMENT-
IN MINERAL COUNTY, CO

Protest of
SAN LUIS & RIO GRANDE RAILROAD

Respectfully Submitted,

John D. Heffner
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Counsel for San Luis
& Rio Grande Railroad

Dated: January 31, 2008

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SURFACE TRANSPORTATION BOARD

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INTRODUCTION

On December 17, 2007, the City of Creede, CO ("the City") filed its application seeking the adverse abandonment of "all of the track within the city limits" constituting a line of railroad owned by an entity known as the Denver & Rio Grande Railway Historical Foundation ("D&RGRHF"). On October 18, 2007, the Board granted a petition filed by the City relieving it from compliance with certain provisions of law including those applicable to offers of financial assistance and feeder line procedures thus depriving, perhaps inadvertently, prospective offerors the chance to preserve service. By decision served January 4, 2008, the Board acknowledged receipt of the adverse abandonment application and

established a procedural schedule with protests due January 31, 2008. San Luis & Rio Grande Railroad ("SL&RG"), an existing class III short line railroad, opposes the subject application and urges the Board to deny it because it fails to meet the public convenience and necessity standard. Moreover, it urges the Board to allow SL&RG as a financially responsible person to submit an offer of financial assistance under 49 U.S.C. 10905 to acquire this Line in the event that application is granted.

STATEMENT OF FACTS

This proceeding dates back to 1999, when the Board in a decision served on May 11¹ authorized D&RGRHF to acquire from the Union Pacific Railroad a line of railroad extending between MP 299.3 near Derrick to the end of the line at MP 320.9 inside the city limits of the City of Creede. According to the City's application, D&RGRHF has never provided any common carrier rail service of any type over the Line and has never rehabilitated the Line in order to provide rail service. In fact, according to the City, the only type of "rail service" ever provided over the Line has been that provided by "speeders", hobbyists who operate self propelled railroad work equipment over rail lines for

¹ Union Pacific Railroad Company-Abandonment Exemption-in Rio Grande and Mineral Counties, CO, STB Docket No. AB-33 (Sub-No. 132X).

pleasure. Moreover, the City asserts that D&RGRHF lacks the funds to restore and operate the Line and has no business plan. Because the Line traverses forest lands without any sort of industry and because tourism is the principal form of economic activity at Creede, the City maintains that there are no customers who would require rail freight service and there is no potential for common carrier rail service. Finally, the City contends that D&RGRHF and its owner Donald Shank have been "bad citizens", vandalizing City public works projects involving the railroad right-of-way, damaging City-owned property such as streets, frustrating the City's ability to convert the former right-of-way to other uses such as parking lots and recreational facilities, and seeking extortionate rents from tenants on the right-of-way.

ARGUMENT

As a general proposition, the Board and its predecessor the Interstate Commerce Commission have repeatedly held that they have a statutory duty to preserve and promote rail service and that its role is to provide the public with a degree of protection against the unnecessary discontinuance, cessation, interruption, or obstruction of available rail service. Western Stock Show Assn.-Aban. Exemption-In Denver, CO, 1 S.T.B. 113, 131

(1996) (cited as "Western") and Chelsea Property Owners-Aban.-The Consol. R. Corp., 8 I.C.C. 773, 778 (1992), *aff'd sub. nom.*, Consolidated Rail Corp. v. ICC, 29 F.3d 706 (D.C. Cir. 1994) (cited as "Chelsea"). Moreover, the Board and the Commission have repeatedly held that they will generally deny an adverse abandonment application if there is *potential* for *future* operation on the line and the carrier has taken *reasonable steps* to attract traffic. See, New York Cross Harbor R.R. v. STB, 374 F.3d 1177 (D.C. Cir. 2004) and cases cited therein. Furthermore, the Board and the courts have emphasized that it is the *adverse applicant*, here the City, that has the burden of proof in an adverse abandonment case. Chelsea at 778 and Western at 131.

This case presents the Board with a basic policy question: whether to give a financially and operationally responsible party proposing to restore rail service over a long out of service rail line that opportunity in the face of a pending adverse abandonment application. In deciding whether to grant the subject adverse abandonment without serious analysis of policy and environmental considerations going far beyond the current proceeding, the Board should consider the fact that rail is the *only* form of transportation that can combat America's insatiable thirst

for oil and its effect on global warming. Granting adverse abandonment applications such as this present a serious threat to the long term viability of the national rail infrastructure by chipping away pieces that are difficult, if not impossible, to restore at a later date.

What distinguishes this case from the above-cited precedent is that the party proposing the future operations is not the incumbent railroad that is the subject of this application, D&RGRHF, but the Protestant, SL&RG. Board precedent allows parties seeking to preserve out of service rail lines to submit offers of financial assistance. See, e.g., CSX Transportation - Abandonment Exemption - In Allegany County, MD - In the Matter of an Offer of Financial Assistance, STB Docket No. AB-55 (Sub-No. 159X) (served August 18, 2006) and Consolidated Rail Corporation - Abandonment Exemption-In Hudson County, NJ - In the Matter of an Offer of Financial Assistance, STB Docket No. AB-167 (Sub-No. 1158X) (served July 25, 1996). Accordingly, if normal Board abandonment precedent allows a party to preserve an out of service rail line through an offer of financial assistance, it only stands to reason that the Board must either deny the adverse abandonment of this out of service rail line or allow SL&RG to file an offer of financial assistance where, as here, there is a *potential*

for *future* operation, the protestant is taking *reasonable* steps to attract traffic, and desires to restore it to service. Cf., New York Cross Harbor R.R. v. STB, *supra*.

In support of this Protest, SL&RG submits the Verified Statement of its President and Chief Executive Officer Edwin Ellis. SL&RG is a corporate subsidiary of short line owner Iowa Pacific Holdings, LLC, and its wholly-owned operating subsidiary Permian Basin Railways, Inc. Ellis VS at 1-2. SL&RG owns and operates as a class III railroad the contiguous segment of this rail line extending between Walsenburg and Alamosa and between Derrick and Antonito. Ellis VS at 3.²

As Mr. Ellis testifies, SL&RG is protesting this abandonment because the loss of even the one mile of track that is the subject of this proceeding would be a loss for the nation in this new era of concern over energy consumption and the environment. Simply stated, SL&RG would like to work with the City of Creede to preserve the rail service option into the City and to extend SL&RG's service from Alamosa, Monte Vista, Derrick and South Fork into Creede. Ellis VS at 3-4.

² RailAmerica, Inc. originally acquired this trackage from UP in 2003 as authorized in San Luis & Rio Grande Railroad Company, STB FD No. 34350, decision served July 18, 2003.

In response to the City's assertions about D&RGRHF and the Line's prospects, SL&RG is actively working to attract new freight customers to its railroad, and has actively worked with numerous potential shippers of oil and gas field commodities in the area surrounding Creede. These discussions are confidential but SL&RG would be willing to share this information with the City upon execution of a confidentiality agreement. Ellis VS at 5.

Regarding the rail cars stored on the adjacent track east of Derrick, SL&RG is willing to move these rail cars once there is a need for reopening the line west to Creede. Ellis VS at 6.

Mr. Ellis also discusses at length in his statement the potential of the Line for common carrier passenger service and how SL&RG would provide that service. Ellis VS at 6-7. Regarding excursion passenger service, the City notes that the only service provided by D&RGRHF has been a tourist train operated between Alamosa and Walsenburg over SL&RG's line. Nowhere does the City suggest that the Line could not be used for passenger service, excursion or common carrier. In fact, the leading precedent on offers of financial assistance, Chicago And North Western Transp. Co. - Abandonment, 363 I.C.C. 975 (1981) involved an offer by a public agency to acquire a rail line for providing

common carrier commuter rail service. Accordingly, the Board must give SL&RG an opportunity to present detailed evidence on the use of the Line for passenger service.

Finally, regarding financial responsibility, SL&RG advises that it has spent roughly \$8 million on track, equipment, and right of way improvements since acquiring SL&RG in 2005. If this line can be preserved, SL&RG notes that it is prepared to spend the money required to restore the line from South Fork to Creede to a state of good repair appropriate to the level of service to be provided. Ellis VS 7-8. Within the context of that restoration, Mr. Ellis pledges that SL&RG would work with the city of Creede, as it has with Alamosa, Monte Vista, La Veta, to ensure that the rail facilities fit within the context of downtown Creede. Mr. Ellis is willing to prepare and provide the Board with a business plan for this proposed service and confidential financial statements for the IPH/PBR family of railroads under a protective order should they be required in any further proceedings. Ellis VS at 8.

SL&RG acknowledges that it does not own or have access to the Creede branch. It is reviewing its options under current transportation law and board practice to determine

a reasonable approach for obtaining that access, preferably on an amicable basis for all parties.

The City's application contains numerous suggestions, but no proof, that there is no demand for rail freight service on this line. Although it attaches some correspondence between D&RGRHF and potential customers about potential freight traffic, it has provided no evidence establishing any lack of need for rail transportation. SL&RG is prepared to submit detailed information of public need; however, the limited time - roughly 27 days - between the date of the Board's procedural order of January 4 and the January 31 protest deadline is inadequate for any rail carrier to develop any credible public need evidence. The solution is either for the Board to deny the application outright or at least to initiate an evidentiary proceeding with realistic deadlines to develop a record. Due process requires no less.

Simply stated, the City of Creede has understandably identified numerous reasons for its dissatisfaction with D&RWRHF's ownership of the subject line. But the City's application when viewed in the light of this protest and the significant potential of this line for future rail transportation has not carried its burden of proof.

Chelsea at 778 and Western at 131 supra.

CONCLUSION

For all of these reasons the Board should either reject the subject adverse abandonment application as being contrary to the public convenience and necessity and should require the City of Creede, the D&RGHF, and SL&RG to work together to arrive at that amicable solution or permit SL&RG to submit an offer of financial assistance to acquire the track within the City limits.

Respectfully submitted,



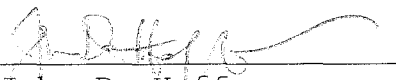
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Counsel for San Luis
& Rio Grande Railroad

Dated: January 31, 2008

CERTIFICATE OF SERVICE

I, John D. Heffner, hereby certify that a copy of the foregoing "Protest" of San Luis & Rail Grande Railroad was served on counsel for the City of Creede by email transmission and first class United States Mail and on all all parties to this proceeding by first class United States Mail on January 31, 2008.



John D. Heffner

VERIFIED STATEMENT
OF EDWIN ELLIS

Edwin Ellis, being duly sworn, deposes and states as follows:

My name is Edwin Ellis. I am President and Chief Executive Officer of Iowa Pacific Holdings, LLC (“IPH”), Permian Basin Railways, Inc. (“PBR”), and the San Luis & Rio Grande Railroad (“SL&RG”). My office address is Suite 400, 118 South Clinton Street, Chicago, IL 60661. I have a BS in Business with a major in Transportation from the University of Tennessee. My career in the railroad business spans 35 years, starting first in train service on the Illinois Central Railroad, then as a management employee with the Chicago & Northwestern Railroad, then in various management and marketing capacities with several different short line railroad companies including Chicago West Pullman and Rail-Tex, Inc. After serving for four years as Vice President-Mail and Express with Amtrak, I was a founder of IPH, in 2001, for the purpose of locating short line railroad opportunities.

PBR is a short line railroad holding company that is solely owned by IPH. PBR in turn owns five short line railroads: Arizona Eastern Railway, Inc., Chicago Terminal Railroad, San Luis & Rio Grande Railroad, Texas-New Mexico Railroad, and the West, Texas & Lubbock Railway. We are working to close the purchase of a sixth company, the Mount Hood Railroad

and to add to our Arizona Eastern subsidiary some track owned and operated by the Union Pacific Railroad (“UP”). Collectively, IPH, PBR, and PBR’s operating subsidiaries employ 125 people and have an annual operating budget of exceeding \$20,000,000. PBR’s operating subsidiaries collectively own and operate or operate 600 miles of track and own or lease 35 locomotives, 40 freight cars, and 15 passenger cars. I am enclosing with this statement a picture of our website as well as a map depicting our railroad subsidiaries.

PBR and its subsidiary railroads are growth-oriented companies. Its West Texas & Lubbock subsidiary has the distinction of being the short line railroad selected by Pyco Industries, Inc. to provide rail service at its facility in Lubbock, TX, replacing service formerly provided by South Plains Switching Co. Ltd., and found by the Board to be inadequate in a series of unique proceedings brought by a rail customer challenging the service provided by the incumbent carrier.¹ PBR’s Arizona Eastern subsidiary is the only entrepreneur-owned short line that I am aware of that is seeking Board permission to build a new rail line, a 12 mile long extension to serve a new Phelps Dodge Mine near Safford, AZ. PBR’s subsidiary railroads connect

¹ PYCO Industries, Inc.—Alternative Rail Service—South Plains Switching, Ltd. Co., STB Finance Docket No. 34802 (Alternative Rail Service) (STB served Jan. 26, Feb. 16, Feb. 24, and June 21, 2006); PYCO Industries, Inc.—Alternative Rail Service—South Plains Switching, Ltd. Co., STB Finance Docket No. 34889, et al. (STB served Nov. 21, 2006; PYCO Industries, Inc.—Feeder Line Application—Lines of South Plains Switching, Ltd. Co., STB Finance Docket No. 34890 (STB served August 31, 2007)

with lines of the UP, BNSF Railway Company, and CP Rail, and I believe that each of these carriers has a very positive opinion of the IPH/PBR management team and our record of success. PBR also has the distinction of being one of the few short lines with a reputation for buying and turning around railroad properties whose operating and financial results were disappointing for their former short line owners. In other words, IPH and PBR have a history of taking the proverbial lemon and making lemonade.

I am submitting this protest on behalf of our subsidiary, the San Luis & Rio Grande Railway (“SLRG”). Historically, SLRG and the Creede Branch both formed a part of the Antonito Cluster of the former Denver & Rio Grande Railway serving the San Luis Valley in southern Colorado. After the UP acquired the lines and operations of the former Southern Pacific Railroad and its Rio Grande subsidiary, UP management sold off the Antonito Cluster. Initially, it sold the 20 mile line into Creede to the Denver & Rio Grande Railroad Historic Foundation (“D&RGRHF”) headed by Donald Shank. Shortly thereafter, UP sold the balance of these lines, from Walsenburg to Alamosa, and from there to Derrick and Antonito to the SL&RG, a new short line established by RailAmerica, Inc. IPH and PBR acquired 100% control of SL&RG by stock purchase in 2005.

I have followed with interest the relationship between the City of Creede and the D&RGRHF over the past few years. I am submitting this protest because the loss of even the one mile of track that is the subject of this proceeding would be a loss for the country in this new era of concern over energy consumption and the environment. Simply stated, SL&RG would like to work with the City of Creede to preserve the rail service option into the City and to extend SL&RG's service from Alamosa, Monte Vista, Derrick and South Fork into Creede. According to Creede's filing, D&RGRHF appears to have taken what could be called a "heavy handed" approach to dealing with both the City and landowners or tenants along the right of way. IPH and PBR believe in a fundamentally different approach. As communities and customers on our railroads will testify, the PBR family of short lines believes in a cooperative approach to problem solving rather than the combative approach reported by the City. In reviewing the Creede application, I note the following issues raised by the City and offer the following as to how SL&RG would respond to the City's concerns:

- The City desires to acquire the right of way for public purposes such as public parking and an expanded park and playground
- In the seven years that D&RGRHF has owned the line it has never identified any shippers or operated a train, that all revenue freight service on the rest of the line (outside the City limits) ceased in the mid-1980's, that the track inside the City limits has been out of service for more

than 30 years, and that the only rail-related use of the line under D&RGRHF's ownership has been for "speeders"

- There are no shippers in this part of Colorado that would need rail service or even any form of transportation and D&RGRHF's past rail freight service projections are grossly exaggerated
- There are no communities located between South Fork and Creede and that most (90%) of the land between South Fork and Creede is forest land owned by either the federal or state governments
- The economy will not support a tourist railroad
- D&RGRHF does not appear to have the financial means to restore the railroad to service, has no business plan and has not completed any rehabilitation of the line
- D&RGRHF cannot operate any trains because rail cars stored by the SL&RG block access to the national rail system
- D&RGRHF has been a "bad citizen" insofar as it has torn up city streets and damaged city property along the right of way, demanded that the City restore crossings without any prospect of rail service, and aggressively collected rents from tenants along the right of way
- Regarding rail facilities at Creede, the City asserts that there is no existing depot (the former depot is owned by the Creede Historical Society)
- The closest facility for turning and switching trains is located at a point called Wason

In reply SL&RG would work with the City to accomplish its goals such as increased public parking and an expansion of park facilities if the abandonment is denied and SL&RG is able to acquire this segment of track. Regarding freight service, SL&RG is aware of the fact that no rail service has been provided for years. SL&RG is actively working to attract new freight customers to its railroad, and has actively worked with numerous

potential shippers of oil and gas field commodities in the area surrounding Creede.

Local residents know that SL&RG has been earning income from stored cars on the line between Monte Vista and South Fork. SL&RG is willing to move rail cars that are currently stored on the west end of its railroad to other track or even to a sister railroad once there is a need for reopening the line west to Creede.

SL&RG also believes that a need and market for common carrier (as opposed to excursion or tourist) rail passenger service exists in this part of rural Colorado known as the San Juan Valley. SL&RG notes that Creede has identified tourism as its major industry and that the rail line traverses beautiful forest lands enroute to the City. SL&RG submits with this protest a copy of an application filed with the Colorado DOT for funding to conduct a survey to estimate ridership for this type of public transportation in the San Luis Valley. The passenger service envisioned by SL&RG would utilize rail passenger equipment and engines that SL&RG or its corporate affiliates already own and would operate the service between Creede and Alamosa, a regional hub in the San Luis Valley that offers shopping, recreation, employment, education, and medical services. SL&RG's passenger service would handle passengers traveling in interstate as well as intrastate

commerce. It has made arrangements for through ticketing to Chama, NM, via the Cumbres & Toltec Scenic Railroad on a seasonal basis. We also expect to offer through ticketing for interstate points with TNM&O Coaches, a bus line that stops in Alamosa.

SL&RG's requirements for operating facilities at Creede are limited. We are aware that D&RGRHF does not own the depot in Creede and its track facilities are very modest. SL&RG is prepared to initiate passenger service using the existing track arrangement, operating "push-pull" as many commuter lines do, with either a cab car or a second locomotive on the other end of the train. That arrangement eliminates the need for a "wyer" track or an engine runaround at Creede. All we would need is space for a loading platform. However, it is absolutely essential that the loading platform be located in downtown Creede, within walking distance of the fine Creede Repertory Theater and the shops and restaurants that line the main street through Creede. The loss of the downtown access would make it far less convenient for passengers and visitors. It's a well-known tenet of passenger transportation that transfers denigrate the quality of the trip, and reduce the satisfaction of the users, resulting in a loss of ridership.

Regarding financial responsibility, SL&RG wants the Board to know that it has spent roughly \$8 million on track, equipment, and right of way

improvements since acquiring SL&RG in 2005. If this line can be preserved, SL&RG is prepared to spend the money required to restore the line from South Fork to Creede to a state of good repair appropriate to the level of service to be provided. Within the context of that restoration, SL&RG would work with the city of Creede, as it has with Alamosa, Monte Vista, La Veta, to ensure that the rail facilities fit within the context of downtown Creede. IPH and PBR are prepared to provide the Board with a business plan and confidential financial statements under a protective order should they be required in any further proceedings.

SL&RG does not own or have access to the Creede branch. We are reviewing our options under current transportation law and board practice to determine a reasonable approach for obtaining that access, preferably on an amicable basis for all parties. While that process is underway we would respectfully request the Board to deny the abandonment and require the City of Creede, the D&RGHF, and SL&RG to work together to arrive at that amicable solution.

Pursuant to 28 U.S.C. 1746, I declare and verify under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on: January 31, 2008.

A handwritten signature in cursive script, appearing to be "H. M. W.", written in dark ink.

[signature]

Permian Basin Railways



OVERVIEW

Permian Basin Railways (PBR) is a wholly-owned subsidiary of Iowa Pacific Holdings (IPH). PBR was formed in May, 2002 to purchase the Texas – New Mexico Railroad (TNMR) and the West Texas & Lubbock Railway (WTLC), collectively the **Permian Basin** Railways. Subsequent railroad acquisitions by IPH have been under the umbrella of PBR. In addition to TNMR and WTLC, PBR owns the Arizona Eastern Railway (AZER), acquired in December 2004 and the San Luis & Rio Grande Railroad (SLRG) acquired in December 2005.

OFFICES

PERMIAN BASIN COMPANIES

Arizona Eastern Railway
San Luis & Rio Grande Railroad
Texas – New Mexico Railroad
West Texas & Lubbock Railway
Chicago Terminal Railroad

MAPS

Regions Served

Southeast New Mexico
Southeast Arizona
South-central Colorado
West Texas

Services:

Railroad holding company

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San Luis & Rio Grand Railway
 SLRG Trackage Rights
 UP Union Pacific
 BNSF BNSF Railway

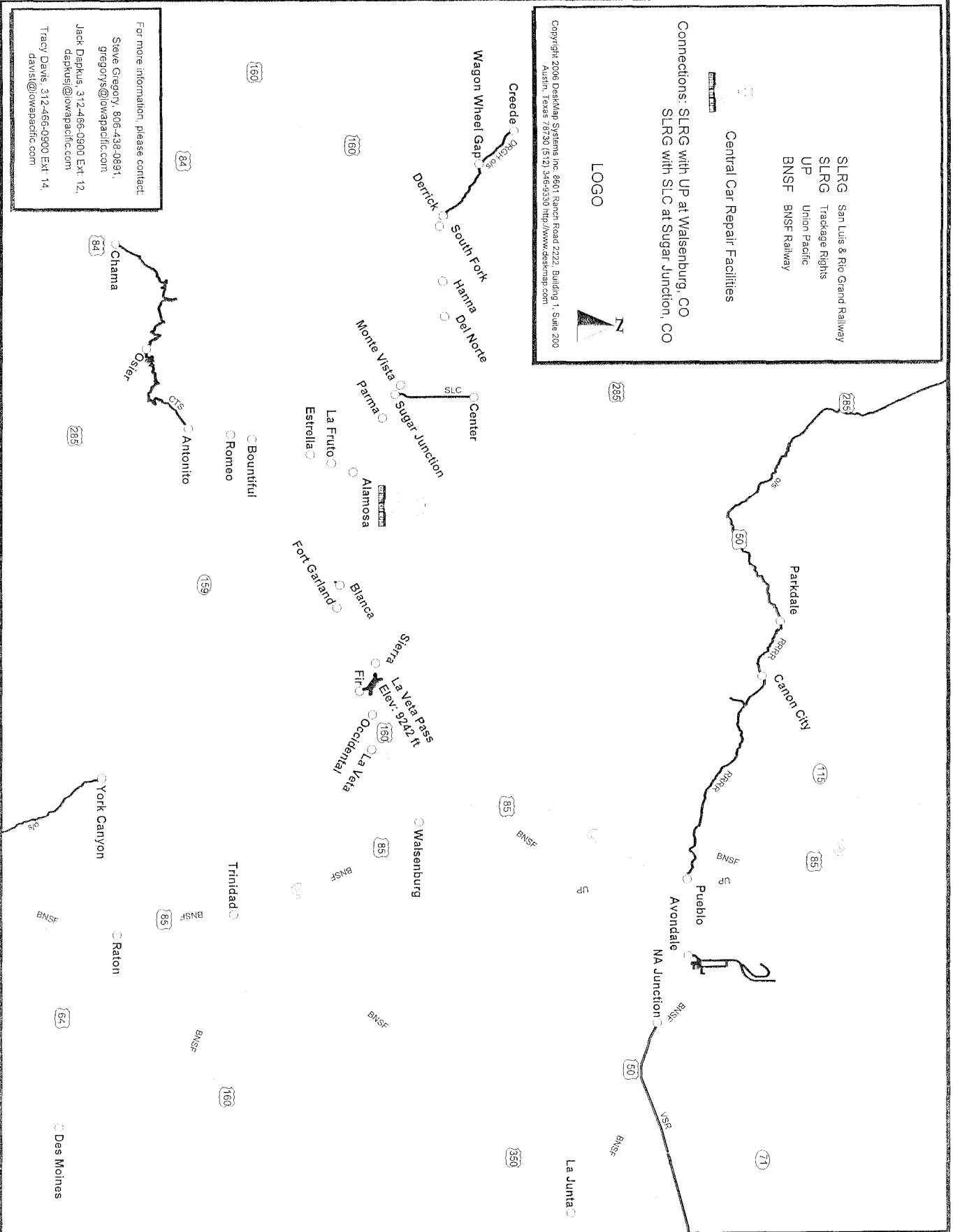
Central Car Repair Facilities

Connections: SLRG with UP at Walsenburg, CO
 SLRG with SLC at Sugar Junction, CO

LOGO



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AZER Arizona Eastern Railway
 UP Union Pacific
 BNSF BNSF Railway

Central Car Repair Facilities

Connections: AZER with UP at Bowie, AZ

ARIZONA
 EASTERN



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180

• Show Low

60

• Scottsdale

• Fountain Hills

188

BNSF

Phoenix

Tempe •

• Mesa

• Apache Junction

Bixby

Miami

Globe

Casino

San Carlos I.R.

San Carlos

Chandler •

• Gilbert

60

• Superior

70

Calva

Bylas

347

UP

177

77

• Maricopa

UP

347

Coolidge •

• Florence

• Kelvin

Kearny •

Hayden • Winkelman

AZER

• Geronimo

• Fort Thomas

• Casa Grande

79

Eloy •

Pima

Thatcher • Safford

Solomon

• Mammoth

Oracle •

• San Manuel

191

77

UP

• Oro Valley

UP

Bowie

• Willcox

Tucson

Benson •

191

Green Valley •

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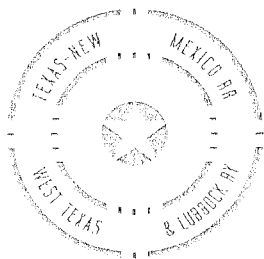
Texas-New Mexico Railroad
West Texas & Lubbock Railway

TNMR Texas-New Mexico Railroad
WTLC West Texas & Lubbock Railway
BNSF BNSF Railway
UP Union Pacific

Central Car Repair Facilities

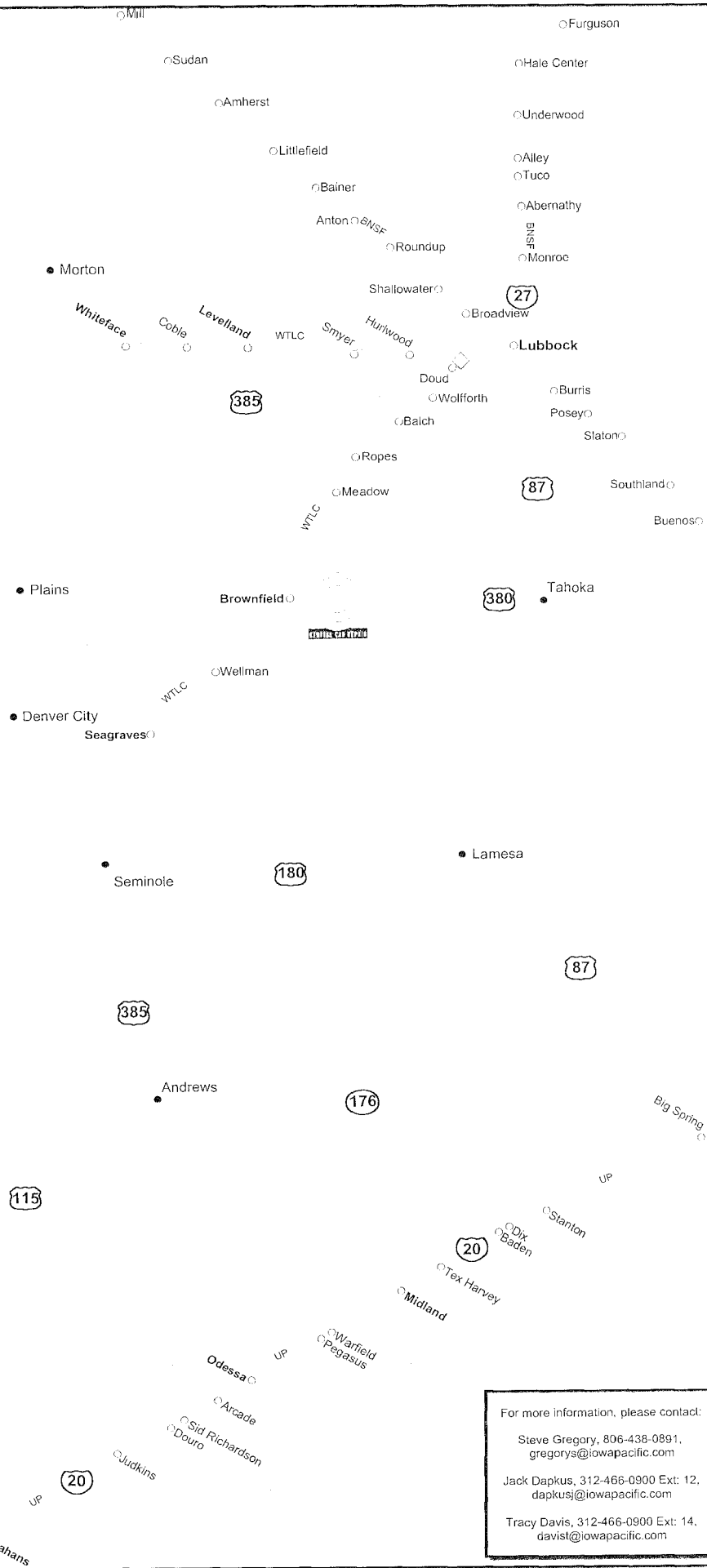
Doud Yard Transload Facility

Connections: TNMR with UP at Monahans, TX
WTLC with BNSF and UP at Lubbock, TX



PERMIAN BASIN RAILWAYS

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EXHIBIT A

2008 FTA 5304 Project Proposal and Funding Request

San Luis and Rio Grande Railroad

Ridership Study for Rural Rail Transportation

The purpose of this Project Proposal and Funding Request is to provide for a rail ridership study in the San Luis Valley between Alamosa, Antonito, South Fork, and La Veta including intermediate stations on the routes.

San Luis and Rio Grande (SLRG) operates freight rail and tourist services on its lines in the San Luis Valley including Alamosa-La Veta, Alamosa-Antonito, and Alamosa-Monte Vista. SLRG owns additional trackage between Monte Vista and South Fork, and between La Veta and Walsenburg.

Because the rail line passes through many of the smaller communities in the San Luis Valley, and because SLRG has made a private investment in passenger rail equipment, station platforms, and servicing facilities, use of the railroad to provide needed passenger services in these communities is of great interest to SLRG and the communities it serves.

In order to develop a service plan that would effectively meet community needs at a reasonable cost, it is necessary to determine the potential ridership that would be attracted to a regular, year-round rail passenger service on the lines of the SLRG.

When the study is complete, SLRG expects to work with San Luis Valley stakeholders to develop an effective service plan.

2008 5304 Application Questions:

Outline the proposed timetable for completion of the project.

We estimate the project will take about 3 months to complete, with a tentative start date of June 2008 and finishing in August 2008. Here is a preliminary list of major work steps and timeframes:

June 2008 – Select contractor, meet with stakeholders, determine and validate methodology for study.

July 2008 – Conduct and evaluate primary and secondary research, to include both office and field research.

August 2008 – Conclude research, prepare and submit preliminary report, meet with stakeholders, submit final report.

Present an estimate of the cost of the project. Getting a cost estimate from subject matter consultants will help refine the scope and cost of your proposed project.

<u>Item</u>	<u>5304</u>	<u>Match</u>	<u>Total</u>
Contractor	\$18,000		\$18,000
Staff Salary and Benefits		\$2,500	2,500
Administration		2,000	2,000
Travel	3,000		3,000
Meeting costs	1,000		1,000
Printing/Postage/Copies/Supplies	<u> </u>	<u>1,000</u>	<u>1,000</u>
Total	\$22,000	\$5,500	\$27,500

Indicate the source(s) of the required 20% local match, when it would be available, and, if applicable, whether you propose to provide more than the required 20% local match.

The 20% cash match will be provided by Iowa Pacific Holdings, LLC, parent company of the San Luis and Rio Grande Railroad.

Indicate the person to whom questions should be directed, including email address and phone and fax numbers.

Edwin Ellis, President
San Luis and Rio Grande Railroad
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Chicago, IL 60661
Phone 312-545-7245
Fax 708-469-1637
ellise@iowapacific.com

Provide information indicating why this project is needed, how the project will be used, and whether and how the results of this project might be useful to others.

San Luis Valley transportation alternatives are presently very limited, with few opportunities to use any public transportation. Alamosa is the hub of the San Luis Valley, and many residents of the Valley come to Alamosa for shopping, medical services, education, employment and recreation. Virtually all of these trips are by car, in good weather and bad, although many of the trips are on roads that parallel SLRG trackage which could be used to provide an alternative.

While bus transportation could be a transit alternative, weather and traffic delays have a negative impact on bus reliability, and thus on the effectiveness of bus travel.

On the other hand, the SLRG has made an investment of over \$5 million in facilities and equipment needed to operate rail passenger service, and presently operates seasonal tourist-oriented trains. SLRG has purchased a dozen passenger cars capable of carrying almost 1,000 riders, and is presently constructing a state-of-the-art maintenance facility which can care for locomotives, freight cars and passenger cars. SLRG is unique in Colorado in its ability and willingness to provide rural transportation services over a network of routes.

The ridership study is needed to determine the level of farebox revenue that could be expected under various schedule/fare scenarios, in order to determine the level of farebox recovery that could be expected, and thus the amount of financial participation from other stakeholders.

Results of the study will be used to develop an operating plan that can be presented to Valley stakeholders to determine whether these services can and should be operated.

Write a Scope of Work, in narrative form, for the proposed project. (If you are awarded funds, this Scope of Work will likely serve as the Scope in the contract, which will then serve as the binding agreement between the grantee and CDOT).

In this Scope of Work, please cover the following points:

- What kind of project is proposed? (i.e., a strategic plan, a training project, a facility plan....etc.)

A study of potential ridership on trains proposed to be operated on the lines of SLRG in the San Luis Valley.

- What is the purpose and nature of the project?

In coordination with all San Luis Valley stakeholders, design and conduct a systematic ridership study between all locations on the SLRG railroad.

- What are the specific tasks to be completed and the expected deliverables for each task?

Issue an RFP for a qualified contractor, with experience in conducting ridership studies. Manage and supervise the contractor, from selection through final report.

The primary deliverable is a report that provides corridor- and station-specific ridership projections under selected operating scenarios.

- How will the project be carried out?

SLRG will oversee the project, select the contractor, convene stakeholders, disseminate information, and monitor the overall process.

- Who will carry out the project? (A consultant under contract, existing staff, other).

The bulk of the scope of work will be assigned to a qualified and experienced contractor, with portions of the work tasks, general communications, and monitoring assigned to SLRG staff as may be feasible and supported by the available resources. Any volunteer assistance identified in the process may also be used, depending on qualifications and type of assistance needed.

- How will the project be overseen? By whom?

Oversight for the project will be provided by SLRG management and named staff, including President Edwin Ellis and Vice President Project Management Jeff Barker.

- During what timeframe would the project be carried out (assuming that a contract was not executed before March 31, 2008)?

We plan to carry out the project over a three month period, beginning June 2008 through August 2008.

- What is the expected outcome of the project?

A Ridership Projection which outlines prospective usage of rail services under selected operating scenarios.

- How will the results of the project be used? By whom? For what purpose?

The Ridership Projection will be used by SLRG in partnership with San Luis Valley stakeholders to assess the feasibility and plan for operation of rural rail passenger services on the SLRG.

- Can/will the results be easily shared with others? How?

Results will be disseminated to all San Luis Valley stakeholders and will be available as appropriate to other Colorado agencies and constituents.

- Are there any particular barriers or challenges that will have to be overcome to complete the project?

There is no existing model for determining ridership on rail services in a rural U.S. environment, so it will be challenging for the contractor and stakeholders to agree on a methodology.

It is always challenging to coordinate stakeholder schedules for meetings which will be necessary to provide the contractor with an adequate level of input.

In spite of these factors, SLRG's commitment to the San Luis Valley and to passenger services is very strong, and SLRG will provide the leadership to insure the project is completed.

FTA SECTION 5304 SIGNATURE PAGE

Please print, sign, and return this signature page via regular mail by December 31, 2007.

Your application is not considered complete until the original signature page has been received by the Colorado Department of Transportation.

Failure to submit both parts (online application and original signature page) of the FTA Section 5304 application by the due date will result in your project being excluded from funding consideration.

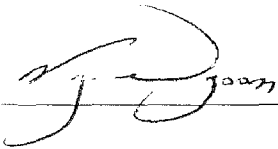
The highest elected official of the public entity submitting the application must sign the signature page.

Applications and the original signature page for FTA Section 5304 funds must be submitted to the Department of Transportation no later than **5:00 P.M. on December 31, 2007**. Once your application has been submitted online you will receive an auto-generated confirmation of receipt. If you submitted an application, but failed to receive a confirmation, it will be your responsibility to follow-up before the deadline to ensure that your application is received for consideration. The original signature page must also be submitted to CDOT by the due date. However, because CDOT does not currently accept electronic signatures, the original signature page will need to be submitted via regular mail.

I hereby certify, as a person authorized to sign for the organization, that I have reviewed the application and all the information contained herein is true and correct to the best of my knowledge.

PRINT NAME: Michael Wisdom

TITLE: Executive Director

SIGNATURE: 

DATE: 12/28/07

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I hereby certify, as a person authorized to sign for the organization, that I have reviewed the application and all the information contained herein is true and correct to the best of my knowledge.

PRINT NAME: Edwin Ellis

TITLE: President

SIGNATURE: 

DATE: 12/28/07