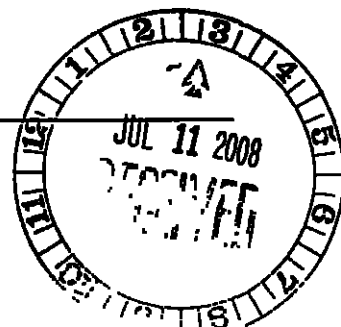


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July 11, 2008

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Public Record

The Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street, SW
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 35160 Oregon International Port of Coos Bay—Feeder Line Application—Coos Bay Line of the Central Oregon & Pacific Railroad, Inc.

Dear Secretary Quinlan:

Enclosed for filing in the above captioned proceeding please find the original and ten (10) copies of the Feeder Line Application of the Oregon International Port of Coos Bay to acquire the Coos Bay Line of the Central Oregon & Pacific Railroad, Inc. The Application consists of three volumes. Volumes II and III of this Application contain color images and all copies are being provided in color. Volume III has a CD-Rom attachment

Pursuant to Board regulations, enclosed are three CD-Roms with files containing the Application. Also enclosed is a check for \$2,600.00 to cover the filing fee for the Application.

One extra copy of the foregoing application is enclosed for date-stamp and return to our offices by the waiting messenger.

Please feel free to contact me if you have any questions.

FEE RECEIVED

JUL 11 2008

**SURFACE
TRANSPORTATION BOARD**

Very truly yours,


Sandra L. Brown

FILED

JUL 11 2008

**SURFACE
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Enclosures

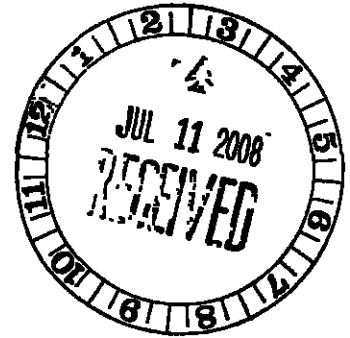
**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

FEEDER LINE APPLICATION

VOLUME I OF III



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July 11, 2008

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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

FEEDER LINE APPLICATION

I. INTRODUCTION

The Oregon International Port of Coos Bay (the “Port”) respectfully submits this Feeder Line Application (“Application”) to the Surface Transportation Board (“STB” or “Board”) and requests that the Board exercise the authority vested in it by Congress to authorize the Port to acquire the Coos Bay Line (the “Line”) of the Central Oregon & Pacific Railroad, Inc. (“CORP”) under the feeder line railroad development program, 49 U.S.C. § 10907. In this Application, the Port presents compelling evidence and argument showing that the public convenience and necessity require or permit the Port’s acquisition of the Line. As more fully explained below, the Port stands ready, willing, and able in all respects to rehabilitate and provide reliable service over the Line, and enjoys the support of a majority of shippers on the Line. By promptly granting this Application, the Board will facilitate a resumption of rail service over the Line, which the Port endeavors to make a viable and self-sustaining pipeline of commerce for shippers and communities in southwest Oregon.

As the Board is well aware, most of the Line has been embargoed since September 21, 2007, when CORP halted rail operations on less than 24 hours notice to shippers and affected communities. It has subsequently come to light that CORP and its parent, RailAmerica—acquired by Fortress Investment Group LLC in February 2007—have deferred maintenance on this Line, neglected needed tunnel repairs and thereby harmed shippers and local communities. A complete discussion of the status of the Line, and CORP's actions and failures regarding the same can be found in the replies to the Show Cause order filed by the Port, the Shippers and the State on June 3, 2008 in Finance Docket 35130, *Central Oregon & Pacific Railroad, Inc. – Coos Bay Rail Line*. The Port respectfully requests that the Board take administrative notice of those replies for this proceeding. The Port will attempt to minimize the repetition of the narrative discussion and will refer to exhibits in the Show Cause proceeding to minimize duplication.

II. THE PORT IS AN IDEAL PURCHASER UNDER THE FEEDER LINE STATUTE

Congress created the feeder line development program “to provide communities and shipper groups an opportunity to preserve rail lines before they are abandoned or downgraded by the owning railroad.” *Hudson River Estates, Inc. - Acquisition of Boston and Maine Corporation Reversionary Offer – Hillsborough Branch*, Docket 31701 (Sub-No. 2), 8 I.C.C.2d 807, 809 (1992). In other words, the “clear purpose...is to give local interests an alternative to the status quo.” *Id.* See also H. Conf. Rep. No. 1430, 96th Cong., 2nd Sess. 124, reprinted in 1980 U.S.C.A.N. 4110, 4156 (The feeder program “provide[s] shipper groups and government agencies an alternative to inadequate rail service” and also allows preservation of “feeder lines prior to the total downgrading of such lines”); *Caddo Antoine and Little Missouri Railroad Company v. STB*, 95 F.3d 740, 745-746 (8th Cir. 2001). Now found at 49 U.S.C. § 10907, the feeder line program allows a “financially responsible person,” including a governmental

authority, to request that the Board order the sale of a rail line if certain factors exist, such as inadequate rail service.

The present, unfortunate circumstances have created an ideal opportunity for the Board to exercise its authority under the feeder line statute. As described in more detail below, the Port has long worked to improve transportation options and the health of the regional economy along the south Oregon coast. The Port is not a shipper on the Line. Hence, the Port's interest in the Line is broad-based and represents the public interest of the entire southwestern Oregon region. The Port desires to aid the communities in the region by providing reliable rail service and connecting those communities to the national rail network.

III. REQUIRED INFORMATION FOR THE PORT'S APPLICATION

In this Section, the Port sets forth the supporting information required at 49 C.F.R. § 1151.3. As appropriate, the Port makes reference to the supporting Verified Statements of its expert witnesses, which are attached as Exhibits to this Application and incorporated herein.¹

- A. 49 C.F.R. § 1151.3(a)(1) - Identification of the line (to be purchased including: (i) The name of the owning carrier; and (ii) The exact location of the line to be purchased including milepost designations, origin and termination points, stations located on the line, and cities, counties and States traversed by the line.**

The name of the owning carrier is the Central Oregon & Pacific Railroad, Inc. The exact location of the line to be purchased is the line of rail between milepost 763.130, near Cordes, OR and milepost 652.114, near Danebo, OR, including the Cordes, Hauscr, Lakeside, Reedsport, Gardener Jct., Franz, Canary, Cushman, Mapleton, Swisshome, Richardson, Noti, Vaneta, and Danebo stations. The total distance of the Line is approximately 111 016 miles. The Line is located entirely within the State of Oregon and traverses Coos, Douglas, and Lane counties and

¹ As noted above, the Port also refers at appropriate points to exhibits contained in its Show Cause Reply, filed in Finance Docket No. 35130 on June 3, 2008.

passes nearby or through the population centers of Swisshome, Reedsport, Gardiner Junction, and Cordes. The Line was acquired by CORP from Southern Pacific Transportation Company ("SPTC") in a transaction approved by the Interstate Commerce Commission ("ICC"). See ICC Finance Docket No. 32567, *Central Oregon & Pacific Railroad, Inc.—Lease, Operation, and Acquisition Exemption—Southern Pacific Transportation Company* (served Jan. 19, 1995). For reference, the Port has attached a map of the Line as Exhibit 1.²

- B. 49 C.F.R. § 1151.3(a)(2) - Identification of applicant including: (i) The applicant's name and address; (ii) The name, address, and phone number of the representative to receive correspondence concerning this application; (iii) A description of applicant's affiliation with any railroad; and (iv) If the applicant is a corporation, the names and addresses of its officers and directors.**

Applicant: The Oregon International Port of Coos Bay
125 Central Avenue, Suite 300 - P.O. Box 1215
Coos Bay, OR 97420
Phone (541) 267-7678

Representative: Sandra L. Brown, Esq.
Troutman Sanders LLP
401 9th Street, NW, Suite 1000
Washington, D.C. 20004
Phone (202) 274-2959

The Port presently has no affiliation with any railroad.

The Port is located in the Coos Bay-North Bend-Charleston area of Coos County on the southern Oregon coast. See Verified Statement of Port Executive Director Jeffrey Bishop ("V.S.

² The Port is aware that CORP has trackage rights over the Union Pacific Railroad ("UPRR") on track adjacent to the Line. In particular, CORP has trackage rights over UPRR track between (1) Cordes (MP 763.13) and Coquille (MP 786.5) at the end of the Line; and (2) Danebo (MP 652.11) and Springfield Junction (MP 644.3). Verified Statement of Paul Lundberg at pages 2-3, attached to CORP Response to Show Cause Order (filed May 12, 2008) in Finance Docket 35130. The Port has had a long and effective relationship with UPRR and if the Port successfully acquires the Line, it will work with UPRR to determine an appropriate interchange location and/or operating agreements for the Danebo/Eugene area. Additionally, the Port is amenable to operating on the Cordes to Coquille segment, and will work with UPRR in the event the Port acquires the Line.

Bishop”), attached as Exhibit 2. It is the largest coastal deep draft port between San Francisco and Puget Sound. The Port handles inbound and outbound traffic for domestic and international markets; an average of 2.3 million tons of cargo moves through the Port annually. As described more fully in the Bishop V.S., the Port is specifically authorized under Oregon law to own and operate railroads. See Oregon Revised Statutes § 777.195, attached as Exhibit 3. In addition, Port Executive Director Bishop has some experience overseeing rail operations. V.S. Bishop (Ex. 2) at 64-65.

As a state port organized under Oregon law, the Port is not a private corporation. The Port’s five commissioners are appointed by the Governor and confirmed by the Oregon Senate for 4 year terms. Day-to-day operations of the Port are managed by a staff of approximately 20 persons. For purposes of meeting the informational requirements set forth above, the Port identifies the names of the persons comprising its Board of Commissioners, and their respective positions and addresses. The Port also identifies its senior management staff and their respective addresses.

Board of Commissioners: David Kronsteiner, President
The Oregon International Port of Coos Bay
125 Central Avenue, Suite 300 - P.O. Box 1215
Coos Bay, OR 97420

Caddy McKown, Vice-President
The Oregon International Port of Coos Bay
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Dan Smith, Secretary
The Oregon International Port of Coos Bay
125 Central Avenue, Suite 300 - P.O. Box 1215
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Brady Scott, Treasurer
The Oregon International Port of Coos Bay
125 Central Avenue, Suite 300 - P.O. Box 1215

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Jerry Hampel, Commissioner
The Oregon International Port of Coos Bay
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Senior Management: Jeffrey Bishop, Executive Director
The Oregon International Port of Coos Bay
125 Central Avenue, Suite 300 - P.O. Box 1215
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Michael Gaul, Deputy Executive Director
The Oregon International Port of Coos Bay
125 Central Avenue, Suite 300 - P.O. Box 1215
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Martin Callery, Director of Communications & Freight Mobility
The Oregon International Port of Coos Bay
125 Central Avenue, Suite 300 - P.O. Box 1215
Coos Bay, OR 97420

- C. 49 C.F.R. § 1151.3(a)(3) - Information sufficient to demonstrate that the applicant is a financially responsible person. In this regard, the applicant must demonstrate its ability: (i) To pay the higher of the net liquidation value (NLV) or going concern value (GCV) of the line; and (ii) To cover expenses associated with providing services over the line (including, but not limited to, operating costs, rents, and taxes) for at least the first 3 years after acquisition of the line.**

The Port is a financially responsible person, as that term has been defined through STB and ICC precedent. Port funding comes from three main sources: business operations in the Charleston marina complex, real estate leases, and a local tax base. V.S. Bishop (Ex. 2) at 65. The Port's income is used to promote the use of Coos Bay's deep-water port to enhance the transportation options and the economy of the entire southern Oregon coast region. The Port's goal is fostering a diversified, healthy, and stable regional economy. The Port also serves as a regional economic development entity. In addition, Port staff work in partnership with the local marine industry to promote maritime commerce in the harbor.

The Port's fiscal year ended June 30, 2008 and, as shown in the balance sheet attached as Exhibit 4, the Port has over \$7 million in cash reserves. V.S. Bishop (Ex. 2) at 67. Due to the recent end of the Port's fiscal year, the current balance sheet is unaudited, but the Port can provide an audited balance sheet to the Board if requested. The Port also has a loan commitment from Umpqua Bank in the amount of \$12,500,000³ Exhibit 2, Attachment 1 at 73-76. Additionally, the Port has long been active in obtaining federal, state, and local funds for rail improvement projects along the Line, as well as more generally for other aspects of the area infrastructure. V.S. Bishop (Ex. 2) at 67-69. The Port's experience in infrastructure development, consensus-building, and fund-raising indicate that the Port may also be successful in securing additional funding sources for refurbishment of the Line.

The Port's experience includes ownership and repair of the Coos Bay rail bridge. The Port acquired the bridge via a donation agreement with UPRR and CORP in 2000. The Port decided to acquire the bridge to preserve rail service to the Port's marine terminals and to the local businesses of Coos County. UPRR retained the obligation to remove the bridge in the event rail service ceased. V.S. Bishop (Ex. 2) at 67-68. The Port was able to secure roughly \$7 million in funding, most of it from the federal TEA-21 program, for bridge repairs in 2003-2005. In order to ensure the long-term health of the bridge, the Port also recently obtained \$8 million from the federal SAFETEA-LU program and \$4 million from the state ConnectOregon program. The current working life of the bridge without the latest repairs is ten years and with the planned bridge repairs the working life of the bridge would be extended to 25 years. These repairs, which were to have begun in late 2007, have been on hold due to the embargo on the rail line.

³ Three shippers on the Line have agreed to provide irrevocable letters of credit to Umpqua Bank to support the Port's loan commitment. As described more fully in the Verified Statement of Jeffrey Bishop, these irrevocable letters of credit would only be drawn upon in the unlikely event that the Port defaults on its loan from Umpqua Bank. V.S. Bishop (Ex. 2) at 67.

The Port is working with elected officials to re-program these funds to be available for all aspects of the Coos Bay Line in order to restore service to the region. If the feeder application is successful, the Port would then seek additional federal and state funding to complete the additional bridge work and other major work needed on the Line. V.S. Bishop (Ex. 2) at 68

The Port also helped obtain a total of \$4.8 million from a variety of sources to build the North Spit rail line in 2004-2005, thus providing CORP access to new customers and industrial sites. Finally, the Port played key roles in securing \$60 million in state money for Coos Bay dredging and \$1.4 million in federal funds for repair of the north jetty. V.S. Bishop (Ex. 2) at 68-69.

Consideration of just the Port's cash reserves and Umpqua Bank loan commitment reveals that the Port has the ability to pay the higher of the Net Liquidation Value ("NLV") or Going Concern Value ("GCV") of the Line, respectively \$9,811,100 and \$0, which are discussed and substantiated in the next section of this Application. In addition, the Port's financial resources will also allow it to cover the expenses of operating the Line for each of the first three years of operation, which have been estimated by CORP at approximately \$1.5 million per year.⁴ See Exhibits 28 and 36 in Volume II of the Port's Show Cause Reply. Of course, as described above, the Port may also seek to re-program already allocated funds and use its expertise to find other funding sources for the Line as well.

D. 49 C.F.R. § 1151.3(a)(4) - An estimate of the NLV and the GCV of the line and evidence in support of these estimates.

1. Analysis of Net Liquidation Value

⁴ A preliminary operating plan for the Line is set forth in the Verified Statement of Charles Banks, attached as Exhibit 5 ("V.S. Banks")

The Port estimates that the NLV of the Line is \$9,811,100. The Port's NLV estimate is supported (1) by the Verified Statement of Gene A. Davis, P.E. of R.L. Banks & Associates, Inc. ("V.S. Davis") attached as Exhibit 6, hereto, which establishes the salvage value of the track assets comprising the Line; and (2) by the Verified Statement of Jay DeVoe of J.J. DeVoe & Associates, Inc. ("V.S. DeVoe") attached as Exhibit 7, hereto, which establishes the fair market value of real estate underlying the Line.

a. Discussion of Salvage Value of Track Assets

The Port asked R.L. Banks & Associates, Inc. ("RLBA") to determine the NLV of CORP's track assets between MP 652.11 and MP 763.13. These assets include track, ties, ballast, switches, and other track materials. As described below, RLBA has determined that the estimated NLV of CORP's track assets is \$8,901,100 as of April 18, 2008. The Port is simultaneously filing discovery requests with CORP and the Port will notify the Board if, and to extent, these materials support a valuation revision.⁵ See STB Finance Docket No. 34890, *Pyco Industries, Inc. --Feeder Line Application--South Plains Switching, Ltd.*, 2006 STB Lexis 415 (Served July 3, 2006) (allowing the applicant to propound discovery requests under 49 C.F.R. § 1114 and to amend its valuations to reflect the responses it received from the incumbent).

RLBA's work in determining the NLV of the track assets was completed primarily by Gene A. Davis, an experienced railway engineer and former Assistant Division Engineer for the Norfolk Southern Railway. To determine the NLV of the Line's rail assets, Mr. Davis relied upon (1) an on-site inspection; (2) an aerial inspection via helicopter; (3) various printed

⁵ For example, the NLV of the track assets may be subject to revision due to reported thefts of CORP rail assets. See articles, "Rail line thefts bring arrests," from *The World* (July 1, 2008), attached at Exhibit 8; and "Metal thefts pose problems for railroad," from *The World* (July 7, 2008), attached at Exhibit 9. The Port would like to reserve the right to modify its NLV calculation based on the actual quantity of track assets remaining on the Line, and to seek compensation if necessary for any damage to track leased from UPRR.

materials such as track charts; (4) prevailing market prices for salvaged assets; (5) his own experience and expertise in the rail industry; and (6) the expertise of RLBA. Mr. Davis conducted an on-site inspection, to the extent possible, by viewing the track assets from publicly accessible locations such as street crossings on April 14-17, 2008. Mr. Davis also viewed the Line during an aerial inspection via helicopter during that same time period. V.S. Davis (Ex. 6) at 95 and 97.

i. Description of the track assets

The Line consists of a single main track of 111.02 miles and side and industry track of 8.85 miles (totaling 119.87 miles). Mainline track was previously maintained by CORP to Federal Railroad Administration ("FRA") Class 2 standards, capable of supporting freight train speeds of up to 25 miles per hour.⁶ The rail assets vary considerably in weight. They appear to be rail of 136, 132, 131, 115, 113, 112, 110, 90 and 85 pounds per yard regular jointed and continuously welded rail ("CWR"), rolled predominately in the 1950's, 1960's and 1970's. As such, Mr. Davis' conclusion reflects his limited physical inspection but are supplemented with information provided through printed and verbal sources. In light of the deferred maintenance by CORP and the embargoed status of the Line for more than nine months, it is likely that the value of the Line is overstated. V.S. Davis (Ex. 6) at 97 and 99-100.

Besides rail, additional track assets include ties, tie plates, joint bars, rail anchors, and other track materials ("OTM") such as spikes, bolts, and washers. As described briefly below and more completely in the Davis Verified Statement, certain track assets, such as bridges and highway crossings, must be removed during salvaging due to state or federal requirements

⁶ The Port understands that little to no maintenance has been completed on the Line since at least September 21, 2007 so the Line has most likely fallen below Class 2 standards.

despite the fact that these items have negative net salvage value. V.S. Davis (Ex. 6) at 101-102 and 104-106.

Mr. Davis's evaluation also revealed that the Line includes 50 turnouts, nine tunnels, 108 bridges, and 129 culverts in the evaluation area. There are believed to be 68 at-grade, highway-rail crossings (41 public and 27 private). There are also six overhead bridge crossings. V.S. Davis (Ex. 6) at 96.

ii. Calculation of NLV

Mr. Davis calculated the NLV in four stages. First, he computed the Gross Liquidation Value ("GLV"), which is simply the market value of assets with a positive net salvage value.⁷ Second, he calculated liquidation expenses such as removal and remediation costs (which include things such as the costs of removing the rail and the costs of complying with environmental or other state and federal laws). Third, Mr. Davis subtracted the liquidation expenses from the GLV to obtain the Preliminary Track Liquidation Value ("PTLV"). Lastly, he determined the NLV by subtracting things such as transportation, administration, and marketing from the PTLV. V.S. Davis (Ex. 6) at 97-98.

(A) Gross Liquidation Value

GLV is the current retail market value (with the exception of ties, which would be sold on the wholesale market) of all fixed assets as if they were available for immediate sale. Rail is the most valuable asset of the Line, but other asset types also possess market value even after

⁷ Unless compelled by law or some other requirement, it would not be economically wise to salvage assets whose costs of removal/remediation exceed the market value. Hence, it was assumed that such assets would not be salvaged and such removal/remediation has not been included at this time. However, it is likely that an abandonment of a rail line in a coastal environment like the south coast of Oregon would require the removal of additional rail assets not currently included in the Port's salvage costs notwithstanding the zero or negative salvage value. If additional salvage requirements are imposed upon CORP's proposed abandonment, the Port requests that these additional costs be subtracted from the NLV of the Line.

subtracting salvaging (removal and remediation) costs. Market prices utilized in the calculation of GLV were believed appropriate to the observed condition of the ties and steel materials in place (given the limits of physical inspection) and were obtained from L.B. Foster, American Metal Market and RLBA's databanks. V.S. Davis (Ex 6) at 98.

Bridges, highway crossing devices, ballast, and culverts yield no positive NLV value in most cases because of high removal costs. However, as described below, removal of two bridges that cross navigable waters were included in the analysis due to legal requirements of the United State Coast Guard ("USCG"). Exhibit 6, Attachment 6 at 130. In addition to the physical costs to remove the bridges, the bridge removal also entails environmental permitting costs associated with the removal. Based upon a proposal that the Port received from David Evans & Associates for such environmental permitting costs potentially associated with the Coos Bay Bridge, Mr. Davis has included environmental permitting costs for the two other bridges. Exhibit 6, Attachment 7 at 131-132. While David Evans & Associates' proposal states that only some costs would be shared with multiple bridge removals completed at the same time, Mr. Davis has included the cost estimate only once, split between the two bridges that CORP would have to remove. V.S. Davis (Ex. 6) at 104-106.

Mr. Davis classified rail assets of CORP to be either re-roll or scrap. Given the age and condition of the rail assets, he determined that none of the CORP rail could be classified as relay (the highest level), which would allow re-use of the rail on other railroads. Mr. Davis also learned through his investigation that a noticeable portion of the heavier rail (such as 136-pound or 132-pound) on CORP was second-hand when it was installed on the Line. Having determined that none of the rail could be classified as relay, Mr. Davis estimated that 80% of the rail is re-roll (which can be rolled into new non-rail products) and 20% is scrap. V.S. Davis (Ex. 6) at 99

Based on his evaluation, Mr. Davis found that many tie plates could be classified as relay. Other tie plates, all joint bars, and all OTM were classified as scrap. To develop the value for ties, Mr. Davis relied upon the FRA standard for class 2 track as well as his limited on-site visual inspection. Under the FRA class 2 standard, of the 23 ties that exist for every 39 feet of rail, 9 of the ties must be "effective." Mr. Davis' inspection confirmed that there were roughly 9 effective ties per 39 feet of rail, but that only 4 of these ties (18%) could be considered relay. The remaining 5 effective ties, plus 9 others, were classified as landscape quality (14 ties total, or 60%). Lastly, the final 5 ties (22%) were classified as scrap. V.S. Davis (Ex. 6) at 101.

Mr. Davis found that there is no net value in removing many other materials and structures, such as ballast, signals, communication facilities, highway crossing signals, bridges, and culverts. The main reason is that these items have a market value that is less than or equal to the salvaging costs or there is no second-hand market for them. V.S. Davis (Ex. 6) at 101-102.

Mr. Davis noted that he needed to make certain reductions from the simple market value in calculating the GLV. For example, he described in the Verified Statement how 3% of rail was assumed lost due to wear and tear. Additionally, other reductions were made to recognize the material lost during the recovery process V.S. Davis (Ex. 6) at 102

Values for the salvaged materials were based on actual market prices as of April 18, 2008. V.S. Davis (Ex. 6) at 102.

(B) Liquidation expenses: removal and remediation costs

Mr. Davis described the removal and remediation costs associated with salvaging the Line. These costs include removing and sorting materials, costs associated with compliance with various laws, removal of highway crossings, environmental compliance, and removal of certain bridges. In this category, Mr. Davis included costs required by law or other authority, such as

the Coast Guard requirement that the bridges over the Siuslaw River and the Umpqua River be removed. Exhibit 6, Attachment 6 at 130, letter from Chief, Bridge Section, Thirteenth Coast Guard District ("USCG Letter") and accompanying USCG directives and regulations. The USCG Letter references three bridges that would require removal, those bridges are the rail bridges that cross the Siuslaw (near MP 716.4/Cushman) and Umpqua (near MP 739.63/Gardiner Junction) River and Coos Bay (MP 763.55/Coos Bay) Only the removal costs of the Siuslaw and Umpqua bridges are included in Mr. Davis' calculations since the Coos Bay Bridge removal would be incurred by UPRR and not CORP. V S. Davis (Ex. 6) at 105.

(C) Preliminary Track Liquidation Value

Mr. Davis calculated a PTLV of \$12,662,800 consisting of a GLV of \$21,809,100 minus liquidation expenses of \$9,146,300. Exhibit 6, Attachment 2 at 124

(D) Transportation, administration, and marketing costs

After an evaluation of prevailing market prices, Mr. Davis maximized the NLV by planning to transport the salvaged materials to the highest-price markets, taking into account transportation costs. Mr. Davis also deducted costs, amounting to 15% of the salvaged material value, to account for administration and marketing of the liquidation process. After subtracting costs of \$3,761,700 for these items, Mr. Davis arrived at a NLV of \$8,901,100. Exhibit 6, Attachment 2 at 124.

b. Discussion of Fair Market Value of Real Estate

In order to establish the fair market value of the real estate underlying the Line, the Port submits the Verified Statement of its expert consultant Mr. Jay DeVoe of J.J. DeVoe & Associates, Inc. Mr. DeVoe estimates that the fair market value of the real estate is \$910,000

In preparing his Verified Statement, Mr. DeVoe utilized (1) county assessor maps for Lane, Douglas, and Coos Counties, (2) Right of Way and Track Maps prepared by SPTC in 1994; (3) and the Florence and Rainrock highway right of way map prepared for the Oregon Department of Transportation in 1937. Also, Mr. DeVoe conducted an inspection of the Line and adjacent properties from public roads and other publicly accessible vantage points, and by helicopter over-flight. V.S. DeVoe (Ex. 7) at 2 and 9.

Relying primarily upon county assessor maps, the SPTC right of way and track maps, and the ODOT highway right of way map, Mr. DeVoe estimated that the rail corridor is comprised of 277 Appraisal Sections, totaling 1,853.52 gross acres. Based upon his analysis of 65 classifications (i.e. zoning) of land adjacent to the rail line, Mr. DeVoe developed 17 distinct Valuation Units, reflecting different types of area with similar value characteristics. V S DeVoe (Ex. 7) at 9 and 69. One pervasive issue in Mr. DeVoe's analysis is SPTC's reservation of water, timber, and mineral rights, and a communications and pipeline easement, when it conveyed the Line to CORP in 1995. V S. DeVoe (Ex. 7) at 10. These encumbrances substantially reduce the value of the property. V.S. DeVoe (Ex. 7) at 209 and 240.

For each Valuation Unit, Mr. DeVoe developed a unit price by using an across-the-fence valuation methodology. Based on his expert opinion, Mr. DeVoe determined that land within Valuation Unit 1 ("No Value"), consisting of 61.87 acres, would have no value. V.S. DeVoe (Ex. 7) at 77-81. Additionally, Mr. DeVoe opines that land within the following units is unlikely to sell and therefore is essentially worthless. Valuation Unit 2 ("Nominal Values"), consisting of 307.56 acres; Valuation Unit 3 ("Forest Nominal"), consisting of 1,029.84 acres; Valuation Unit 8 ("City of Veneta"), consisting of 42.83 acres; and, Valuation Unit 16 ("City of Lakeside"), consisting of 23.01 acres. V.S. DeVoe (Ex. 7) at 82-109, 160-164, 226-229.

The total salable land has been estimated by Mr DeVoe to be approximately 1,680 acres, which is the gross area of 1,853.52 acres less Valuation Unit 1 (61.87 acres with no value) and less the numerous title defects recognized in the report (approximately 112 acres) V S DeVoe (Ex 7) at 9. Mr DeVoe further determined that the decided majority of the salable land should be classified as abutter property, meaning that it could have value only to the abutting property owner by reason of shape, size, topography, encumbrances, access, or other physical characteristics. The only relevant instance of developable property is in Reedsport, where the property could be developed or subdivided for conventional uses in the marketplace. V.S. DeVoe (Ex. 7) at 70-71.

In order to arrive at the total fair market value for the real estate within the corridor, Mr. DeVoe applied his estimated unit price for each Valuation Unit to the total acreage of property (Appraisal Sections) classified into that Valuation Unit. This calculation yielded a base value for the gross area comprising the unit. Then, Mr. DeVoe adjusted the base value by cataloguing and deducting for the pertinent and known title defects. Mr. DeVoe's next step was to factor in costs that the seller would incur in disposing of the property to realize the property's highest and best use, such costs including selling costs, administrative and overhead, legal fees, title insurance, escrow fees, and insurance. Mr. DeVoe assumed that initially the property would be sold to a specialty salvage company that would seek to resell individual parcels. Finally, the potential future net value for each Valuation Unit was discounted to reflect the net present value of property. Ultimately, Mr. DeVoe estimated that the fair market value of the real property underlying the Line was \$910,000 as of April 18, 2008. V.S. DeVoe (Ex. 7) at 70-75, 242-243.

It is important to note that CORP's right of way contains certain parcels that were originally granted by the United States, pursuant to an Act of Congress, dated March 3, 1875, the

General Railroad Right of Way Act of 1875 ("1875 Act"), 18 Stat. 482 (presently codified at 43 U.S.C. § 934 et seq). The parcels are described in the quit claim deeds for Douglas, Lane, and Coos counties, prepared for CORP's 1995 acquisition of the Coos Bay and Siskiyou Lines from SPTC.⁸ Precedent establishes that a grantee under the 1875 Act did not receive, and thus does not hold a fee interest in the granted lands. As stated by the U.S. Court of Federal Claims,

There is in the 1875 Act a requirement that future transfers of lands through which the right-of-way passes shall be disposed of subject to the right-of-way. Act of 1875, at § 4. If, under the 1875 Act, the land was to be transferred to the railroad with a fee interest, there would have been no need for a requirement in the statute that future transfers of land through which the right-of-way passes be made subject to the right-of-way.

Beres v. United States, 64 Fed. Cl. 403, 416-417 (2005). In describing the history of land rights given to railroads, the United States Supreme Court noted that a "shift in Congressional policy occurred in 1871" due to the public disfavor with outright land grants prior to that year. *Great Northern Railway Company v. United States*, 315 U.S. 262, 273-274 and 278 (1942). See also *United States v. Union Pacific Railroad Company*, 353 U.S. 112, 119 (1957); *Idaho v. Oregon Short Line Railroad Company*, 617 F. Supp. 207, 209 (D. Id. 1985) ("In 1871, Congress, with a finger to the prevailing winds of public opinion, changed this policy and discontinued outright grants of land to railroads."). The *Great Northern* Court found that the real estate interest given to railroads under the 1875 Act was a "right of way," which the Court interpreted as simply an "easement." 315 U.S. at 274 and 279. See also *Oregon Short Line*, 617 F. Supp. at 212 ("Congress, in granting the 1875 Act rights-of-way, did not intend to convey to the railroads a fee interest in the underlying lands.") Accordingly, Mr. DeVoe properly withdrew all such parcels from his valuation analysis because CORP could not have rightfully disposed of them

⁸ The quit claim deeds indicate that consideration for the transaction was \$17,975,000 covering conveyances in Lane, Douglas, Coos, Jackson, and Josephine counties.

Under 43 U.S.C. § 912, when a railroad ceases using a federally-granted right-of-way for railroad purposes, the right-of-way returns to ownership of any party or entity to whom the United States granted title to the underlying land. However, if the land is in a municipality, then it is owned by that municipality. The statute also notes that oil, gas, and mineral rights are retained by the United States. Although the *Great Northern* court did not rely upon 43 U.S.C. § 912, the 10th Circuit recently found that railroad rights-of-way granted under the 1875 Act were subject to the statute. *Marshall v. Chicago and Northwestern Transportation Company*, 31 F.3d 1028, 1032 (10th Cir. 1994). In accord with *Marshall*, the *Oregon Short Line* court noted, first, that a right-of-way under the 1875 Act is given just for railroad purposes. 617 F. Supp. at 212 (“Congress did...intend to give the railroads an interest suitable for railroad purposes”) Second, the *Oregon Short Line* court found that 43 U.S.C. § 912 applies to the rights-of-way granted under the 1875 Act, thereby giving the United States a reversionary interest.⁹ *Id.* at 212-213.

2. Estimate of Going Concern Value

a. CORP and RailAmerica statements indicate that the Line does not have a Going Concern Value

Based on public statements of CORP and RailAmerica, and materials they have made publicly-available, the Port believes that the Line has no GCV: CORP’s operating costs substantially exceed its revenue. Indeed, CORP’s recent steps to abandon and discontinue

⁹ In the event that the United States has not granted land underlying the railroad’s right-of-way to a third party (and the right-of-way is not in a municipality), then it would appear that, under the National Trails Act, such land is entirely owned by the United States if it is no longer used for railroad purposes. 16 U.S.C. § 1248(c). *See generally Beres v. United States*, 64 Fed. Cl. 403, 418-420 (2005). In addition, 16 U.S.C. § 1248(d) states that rights-of-way within or adjacent to a conservation system or National Forest will be added to such conservation unit or National Forest upon abandonment. The *Beres* court suggested that the National Trails Act does not apply to rights-of-way granted under the 1875 Act because there was no reversionary interest given to the federal government in the 1875 Act. *Id.* at 419-420

service over the Vaughn to Coquille segment (approximately 119 miles) should be taken as confirmation that the Line has zero or negative GCV. *See Combined Environmental and Historic Report, Central Oregon & Pacific Railroad, Inc.*, AB-515 (Sub-No. 2) (filed by CORP on June 24, 2008)

The Port's conclusion that the Line has no GCV is well-supported by materials that CORP and/or RailAmerica have developed and presented to shippers, Oregon state and local officials, and the STB. For example, in a letter to Ms. Katherine Bezold of the STB's Office of Compliance and Consumer Assistance, dated Nov. 2, 2007, Scott G. Williams, RailAmerica's Senior Vice President and General Counsel, stated "[a]fter subtracting operating expenses, the Coos Bay Line suffered an operating loss of about \$1.5 million *before* annual capital expenditures." Attached as Exhibit 36 in Volume II of the Port's Show Cause Reply [emphasis added]. In a joint presentation to Coos Bay shippers and state and local officials, CORP and RailAmerica stated that the Line "currently operates at an annual deficit of approximately \$1.5 million, making operations and future capital expenses unsustainable." *See "Partnership for Coos Bay Line"* at 8, dated Nov. 14, 2007, attached as Exhibit 23 in Volume II of the Port's Show Cause Reply. Thus, CORP proposed a five year subsidy agreement under which the Oregon Department of Transportation ("ODOT") would "provide[] *up to \$2m each year to defray the CORP operating deficit*, and up to \$2m each year (starting in year 3) for infrastructure improvements." *Id.* [emphasis added] In its open letter to the Coos Bay community, published as a paid advertisement in *The World*, on December 22, 2007, CORP asserted, "for several years, we have been putting more money into the line than we have made from its operation." Exhibit 29 in Volume II of the Port's Show Cause Reply. Statements made by senior management of RailAmerica confirm the Port's assertion that the Line has no value as a going concern. A news

report about the partnership proposal quotes Mr. Bob Jones, RailAmerica's Vice President (western region) as stating, "we're losing approximately \$1.5 million a year on the [Coos Bay] line." Exhibit 28 in Volume II of the Port's Show Cause Reply. Finally, for purposes of a STB-sponsored mediation with shipper representatives, RailAmerica and CORP prepared two pro-formas applicable to the Coos Bay Subdivision. One showed an annual operating loss of \$1.405 million; the other showed an annual operating loss of \$1.960 million. Attached as Exhibits 37 and 38 in Volume II of the Port's Show Cause Reply.

Indeed, the partnership proposal is compelling evidence of the Line's zero or negative GCV. CORP and RailAmerica requested \$4.66 million each from the Union Pacific Railroad, ODOT, the Port, and shippers on the Line and suggested that they would contribute \$4.66 million from corporate funds. CORP and RailAmerica claimed that \$23.3 million is needed "to restore the line to status quo." See Exhibit 23 in Volume II of the Port's Show Cause Reply, at 8. Assuming for the sake of argument that the Line requires this investment, there is no possible way that it could achieve near-term profitability. In 2006, which was the Line's last full year of operations, CORP stated that its *gross* operating revenue was approximately \$3.5 million. See Exhibit 36 in Volume II of the Port's Show Cause Reply. This gross amount falls far short of the \$23.3 million that CORP alleges is required for rehabilitation over the next twenty-six months. Even if the \$23.3 million figure were divided evenly over a five-year period, the Line's annual *gross* revenues would not pay for the annual expenditure of \$4.66 million (and this does not include ordinary operating expenses each year). CORP has stated that its 2006 *net* revenues were negative \$1.5 million. Thus, based upon CORP's statements, the Line's revenues cannot cover its expenses.¹⁰

¹⁰ The Port has not had the ability to verify CORP's revenue and expense data because CORP has not provided official financial records or audited financial statements during any of this

It is important to note that CORP and RailAmerica public statements and materials concerning revenue and losses have sometimes referred to the Richardson to Coquille segment (covered by the embargo) and sometimes referred to the entire Coos Bay Branch Line from Danebo to Coquille. For example, the CORP and RailAmerica presentation, "Partnership for Coos Bay Line" dated Nov 14, 2007 apparently refers to the entire line from Danebo to Coquille. It states that the line operates at an annual deficit of \$1.5 million. CORP's pro-formas refer ambiguously to the "Coos Bay Subdivision" and state negative operating income of \$1.405 million and \$1.960 million. By contrast, in his letter to Ms. Bezold, Mr. Williams defined the "Coos Bay Line" as the segment between Richardson and Coquille, referring to a \$1.5 million operating loss "before annual capital expenditures." In his Verified Statement, attached to CORP's response to the Show Cause order, Mr. Lundberg appears to define "the Coos Bay Line" as between Danebo and Coquille, when referring to operating losses of \$578,000 (2004), \$939,000 (2005); \$1.17 million (2006), and \$792,000 (Jan 1. – Sept. 21, 2007). See pages 3 and 5. However, this reference is unclear because "the Coos Bay Line" is apparently defined differently between the argument section of CORP's Response (see footnote 2) and Mr. Lundberg's Verified Statement (see page 3).

Assuming for the sake of argument that CORP's statements of its "operating losses" exclude traffic from the Danebo to Richardson segment, the addition of such traffic would, at most, slightly diminish CORP's substantial operating losses: There are three rail shippers on this segment: Rosboro at Vaughn, and Swanson Group, Inc. and Swanson Brothers, Inc. at Noti. Rosboro generated 82 carloads in 2006, 30 in 2007 and closed down due to market conditions on January 31, 2008. Swanson Group generated 830 loads in 2006, 667 in 2007 but only 4 in 2008.

process The Port expects to gain necessary materials via the discovery that it is serving simultaneously with this Application.

Swanson Brothers shipped 58 carloads in 2006, 61 carloads in 2007, 55 carloads in 2008 (projected). V.S. (Ex. 5) Banks at 85. Assuming revenue of \$600 per carload¹¹, this traffic would have generated additional *gross revenue* of \$582,000 in 2006 and \$454,800 in 2007 – not nearly enough to offset CORP’s claimed operating losses *even if those additional revenues were net revenues*. Of course, they are not net revenues because CORP’s operating costs have not been included; thus, it is plain that the Danebo to Vaughn segment does not push the Line into the black.

b. The Port is not required to present GCV evidence because the Line is clearly uneconomic

It is appropriate for the Board to value the Line at its NLV because STB and ICC precedent firmly establishes that an applicant in a feeder line proceeding is not required to present evidence of a line’s GCV when the line is uneconomic. Shortly after enactment of the feeder line statute, the ICC observed, “[u]nder this statutory scheme, a profitable line could be valued at either the going concern value or the net liquidation value. An unprofitable line, however, would *always* be valued at its net liquidation value.” *Chicago and North Western Transp. Co.—Abandonment between Ringwood, IL and Geneva, WI*, Docket AB-1 (Sub-No 70F), 363 I.C.C. 956, 958 (n. 1) (1981) [emphasis added]. More recently, in STB Finance Docket No. 32479, *Caddo Antoine, etc.—Feeder Line Acquisition—Arkansas Midland Railroad*, slip op. at 4-5 (served June 26, 2000), the Board noted “[i]ndeed, the Board does not require a feeder line applicant to present any evidence of a GCV where it believes that the line it seeks to acquire is unprofitable.” Similarly, in *PSI Energy, Inc.—Feeder Line—Norfolk Southern Corp.*, Docket 31608, 7 I.C.C.2d 227, 230 (1990), the ICC stated, “the intent of our filing requirements

¹¹ Union Pacific letter to the STB (dated April 29, 2008), in Ex Parte 677, *Common Carrier Obligation of Railroads*. Exhibit 20 in Volume II of the Port’s Show Cause Reply.

was not to force an applicant to develop its case according to a GCV basis which according to the applicant, has no factual foundation in the case at hand. Our regulations merely alert potential applicants to the fact that GCV may be an issue in their case.” Thus, in *PSI Energy*, the ICC declined to reject an application that did not contain GCV evidence because the subject line had not been operated for a number of years and was in need of substantial rehabilitation. See also *Sandusky County—Feeder Line Application—Conrail*, Docket 31438, 6 I.C.C.2d 568, 571-572 (1990).

c. Confirmation of zero GCV

As discussed above, CORP and RailAmerica materials and statements establish that the Line has negative GCV. Consequently, under STB and ICC precedent, the Port need not present detailed GCV evidence. Nevertheless, the Port asked RLBA to consider whether the Line has any GCV. Charles Banks, the president of RLBA, reached the preliminary conclusion that the entire Coos Bay Branch Line has zero or negative GCV. Mr. Banks noted that statements made by CORP’s corporate parent, shippers, and others all point to the conclusion that the operating costs of the entire line easily surpass its revenues, and that this deficit has existed for several years. Moreover, Mr. Banks also concluded that the GCV of entire line remains zero or negative even if traffic from the non-embargoed, eastern end of the Line is included. V S. Banks (Ex. 5) at 84-85.

Mr. Banks’ GCV review was of a very preliminary nature because CORP refused to allow RLBA access to the physical plant of the Line, and because RLBA did not have access to audited financial and operating documents, and other useful business records. Such additional information would have allowed Mr. Banks to make a more precise determination of the GCV, if any, based upon repairs needed to return the Line to operable condition, the level of ongoing

maintenance, and the Line's historic operating revenues and expenses V S. Banks (Ex. 5) at 84. Moreover, the Port currently has no access to CORP records regarding actual Line revenue, operating expenses, and annual capital expenditures. In its Show Cause Reply, the Port attached exhibits showing the great conflict in the publicly available information regarding CORP operations on the Line. See Exhibits 24 and 34, attached to the Port's Show Cause Reply (filed June 3, 2008) in Docket 35130. Assuming that relevant information is made available in discovery, the Port reserves the right to generate full quantitative analysis of the Line's GCV or lack thereof

E. 49 C.F.R. § 1151.3(a)(5) - An offer to purchase the line at the higher of the two estimates submitted pursuant to paragraph (a)(4) of this section

The Port offers to purchase the Line at its NLV of \$9,811,100 as set forth above. In the unlikely event that the Board determines that the Line does have a GCV, despite recent contrary evidence and representations of both CORP and RailAmerica, and that the Line should be valued in accordance with its GCV, the Port reserves the right to revise its offer to purchase the Line. The Port also reserves the right to revise its offer if discovery or further proceedings reveal that the Port's conservative NLV assessment should be lower. *Pyco Industries, Inc.--Feeder Line Application--South Plains Switching, Ltd*, Docket 34890, slip op. at 7 (served July 3, 2006) (allowing the applicant to propound discovery requests under 49 C.F.R. § 1114 and to amend its valuations to reflect the responses it received from the incumbent). The Port is renewing its request to enter and physically inspect the Coos Bay Line. If a voluntary agreement cannot be reached with CORP, the Port will seek a Board order consistent with precedent. See STB Finance Docket No. 34890, *Pyco Industries, Inc --Feeder Line Application--South Plains Switching, Ltd.*, 2006 STB Lexis 511 (Served July 13, 2006) (Incumbent ordered to allow feeder applicant access to enter and inspect property prior to acquisition).

F. 49 C.F.R. § 1151.3(a)(6) - The dates for the proposed period of operation of the line covered by the application.

The Port desires to commence operations on or about January 1, 2009, or as soon as this Application is granted by the Board, the sale of the Line is completed, and the Line is returned to operational condition. For purposes of this Application, the period of operation of the Line is the three-year period from January 1, 2009 until January 1, 2012. However, the Port's intention is to acquire the Line so that responsive, reliable, and efficient rail service will be restored for the whole Line into the foreseeable future.

G. 49 C.F.R. § 1151.3(a)(7) - An operating plan that identifies the proposed operator; attaches any contract that the applicant may have with the proposed operator; describes in detail the service that is to be provided over the line, including all interline connections; and demonstrates that adequate transportation will be provided over the line for at least 3 years from the date of acquisition.

The Port has engaged in exploratory discussions with several established, short line operators in order to select a rail common carrier to provide service over the Line. See Verified Statement, attached hereto as Exhibit 10, Martin Callery, Director of Communications & Freight Mobility ("V.S. Callery"). As described by Mr. Callery, the following entities have expressed an interest in providing operations on the Line. Portland & Western Railroad, Inc.; John Darling, RailServe; Dan Lovelady, and Yreka Western Railroad Company. All of the entities have expressed an interest in providing service over the Line as a replacement for CORP. In addition, Watco Companies, Inc. and OmniTRAX, Inc. have asked to be included in any bid requests. At this stage, however, it is premature to enter into a contract because of the current situation involving this Line and the need for the Port and interested operators to conduct due diligence on the Line, including: its customer base, potential traffic volumes; equipment requirements, anticipated operations and service levels; and its present condition, including the tunnels and

bridges. Furthermore, since the Line has been subject to years of deferred maintenance with the majority of the Line out of service for the last nine months, it would be very difficult to finalize a contract to operate the Line without the Port or interested persons having the opportunity to evaluate the Line's condition first hand V.S. Callery (Ex. 10) at 144-145.

The Port anticipates that it would engage in a competitive bidding process to select an operator for the Line. The Port expects to begin the bidding process in the near future and, since a significant portion of the Line is out of service and needs rehabilitation, the Port asserts that the contract operator can be in place before the Board rules on this Application or shortly thereafter. V.S. Callery (Ex. 10) at 145.

In order to avoid a service disruption to shippers on the active segment of the Line—between the closing of the forced-sale and the Port's start-up of new operations—the Port has held discussions with persons or entities that could provide interim service. The Port recognizes that three shippers located on the active, Vaughn to Danebo segment may require continuity of operations. (Currently, only one shipper is using rail transportation.) As shown in the letter attached to Mr. Callery's Verified Statement, Dan Lovelady, a former General Manager of CORP is ready, willing and able to provide expertise for continued operations on the Danebo to Vaughn segment. Exhibit 10, Attachment 1 at 147-148. Mr. Lovelady's experience makes him a strong candidate to potentially provide operations on the active portion of the Line, and start-up and re-development expertise going forward for the whole Line. V.S. Callery (Ex. 10) at 145.

While the Port cannot presently identify a proposed operator for the Line, the Port is committed to providing service itself or via a contract operator that will be selected in consultation with the shippers, the Oregon Department of Transportation, and other relevant stakeholders. If the Port operates the Line, it may set up an affiliate entity to perform the

operations. If this occurs the Port will notify the shippers and the Board. The Port will provide service consistent with the business plan discussed below. V.S. Callery (Ex. 10) at 145. The Port submits that such an arrangement is substantially consistent with the STB precedent in the *Caddo Antoine* proceeding which was permitted to go forward on remand, despite the shippers' replacement of the proposed operator:

We reject AMR's assertion that we should terminate this proceeding because the Shippers have proposed that ETC, rather than DRRC/CALM, operate the Norman Branch. The court in *Caddo* was aware that the Shippers had engaged ETC to replace DRRC/CALM as the operator when it directed us to consider whether the entire line should be sold . . . This proceeding is not moot merely because a new operator has been proposed. Nor is a new feeder line application required.

STB Finance Docket No. 32479, *Caddo Antoine and Little Missouri Railroad Company—Feeder Line Acquisition—Arkansas Midland Railroad Co. Line between Gurdon and Birds Mill, AR*, slip op. at 3-4 (served May 14, 1997). The Board ordered the shippers to update the record to supply information concerning the new operator, as appropriate in accordance with 49 C.F.R. § 1151.3. *Id.* at 5. The Port submits that it will supplement the record, as may be required by the Board, when an operator is selected for the Line.

Moreover, the Port submits that if the Board deems it necessary, it would be appropriate for the Board to use its discretion under 49 C.F.R. § 1151.2(j) to waive the component of 49 C.F.R. § 1151.3(a)(7), which instructs the Port to name the proposed operator. For the reasons stated above, the Port believes that there is good cause to grant a limited waiver, allowing the Port to name the proposed operator as the selection process becomes more practical.

As required under 49 C.F.R. § 1151.3(a)(7), the Port has developed an operating plan for the Line that (1) describes the service that is to be provided, including all interline connections; and (2) demonstrates that adequate transportation will be provided over the line for at least 3

years from the date of acquisition. The Port's operating plan for the Line was prepared by the Port's expert consultant Charles H Banks of R L. Banks & Associates, Inc., and is based on information that he gathered from public sources, from his inspection of the Line, from consultations with Mr. Davis, and from his interviews with representatives of all of the major shippers on the Line. V.S. Banks (Ex. 5) at 86-88. Using the foregoing sources, Mr Banks developed a preliminary operating plan that will be used to provide adequate rail service on the Line for a period of at least three years from the date of acquisition. As explained below, this plan is designed to provide service that is better than the service that CORP provided over the Line in the period prior to the embargo.

After the Line becomes operational again, the preliminary operating plan devised by Mr. Banks proposes rail service provided by either by the Port itself or through a contractor. Mr. Banks recommends an initial operating plan with service leaving the Eugene Yard every Monday, Wednesday, and Friday. Mr. Banks envisions that the rail operator would come to an agreement with UPRR regarding trackage rights between Eugene and Danebo (just as CORP does today). Pulled by two GP 38 locomotives, this westbound train would travel all the way to Coos Bay Yard, but on the way it would (1) interchange with the Portland & Western Railroad if necessary; and (2) provide switching for American Bridge in Reedsport. A local crew would break up the train in the Coos Bay Yard, and would also provide switching for Southport Forest Products and AmeriGas on the North Spit. V.S Banks (Ex. 5) at 86

Local switching operations, using a GP 15-1 locomotive and operating 5 or 6 days per week, would be based in the Coos Bay Yard for shippers in Coos Bay and Coquille. Local crews will also assist in building the eastbound trains, which would leave Coos Bay Yard on Tuesdays, Thursdays, and Saturdays. On its way to Eugene, the eastbound train would provide switching

for Coos Head Lumber if necessary, as well as the three shippers in the Noti and Vaughn area. The eastbound train would also interchange with the Portland & Western Railroad before arriving in the Eugene Yard for interchange with UPRR. V.S. Banks (Ex. 5) at 86-87.

Mr. Banks envisions that service three days per week in each direction, as described above, would be the most economical and reasonable initial plan as traffic volumes rebound from the CORP embargo. He also noted that service would increase, as needed, when traffic dictates. He recommends two alternatives for enhanced service. First, service could be provided similar to the description above, but would occur five days per week in each direction. This plan would require four road locomotives instead of two, but would provide quicker and more frequent service to customers. V.S. Banks (Ex. 5) at 87.

The second alternative would also have trains leaving Eugene and Cordes/Coos Bay five days per week, but the trains would stop and meet each other at the Mapleton Yard to trade crews. In this way, the crews would be able to spend each night at home, thus increasing employee satisfaction and decreasing hotel, taxi, and meal expenses. However, this second alternative would require precise and consistent operations to facilitate the crew switch at Mapleton. V.S. Banks (Ex. 5) at 87.

Mr. Banks recommends that routine and program track maintenance be contracted out. He also suggests that the railroad consider leasing locomotives from CORP and also contracting with CORP to maintain locomotives and rail cars. V.S. Banks (Ex. 5) at 87-88

As mentioned above, the Port is aware that CORP formerly utilized and continues to utilize certain trackage rights in conjunction with its service on the Line. That is, CORP operates on UPRR track between Cordes (MP 763 13) and Coquille (MP 786 5) to access shippers at the end of the Line. Meanwhile, in the Eugene area, CORP's interchange with UPRR is facilitated

by trackage rights between Danebo (MP 652.11) and Springfield Junction (MP 644.3). If the Port successfully acquires the Line, it will work with UPRR to determine an appropriate interchange location in the Danebo/Eugene area. Additionally, the Port is amenable to operating on the Cordes to Coquille segment, and will discuss this issue with UPRR.

H. 49 C.F.R. § 1151.3(a)(8) - A description of the liability insurance coverage carried by applicant or any proposed operator. If trackage rights are requested, the insurance must be at a level sufficient to indemnify the owning railroad against all personal and property damage that may result from negligence on the part of the operator in exercising the trackage rights.

The Port presently carries comprehensive general liability insurance with coverage up to \$ 5 million. Exhibit 2, Attachment 2 at 77. Assuming that the Board authorizes the Port to acquire the Line through the feeder line procedures, the Port shall acquire appropriate types and amounts of liability insurance coverage commensurate with anticipated risks and industry standards for short line railroads before any rehabilitation or operation of the Line. To the extent requested by the Board, the Port represents that it is willing to provide certificates of its insurance coverage prior to the closing of the transaction for the sale of the Line. Moreover, the Port represents that it shall require its contract operator of the Line to have and maintain liability insurance commensurate with anticipated risks and railroad industry standards, and to provide proof of its coverage to the Port. V S Bishop (Ex. 2) at 69-70

While the Port is not requesting any trackage rights on CORP, the Port is aware that CORP's operations on the Line have been and are made possible due to the trackage rights on the UPRR between (1) Cordes (MP 763.13) and Coquille (MP 786.5) at the end of the Line, and (2) Danebo (MP 652.11) and Springfield Junction (MP 644.3). The Port will work with UPRR to agree upon appropriate insurance and indemnification provisions if the Port obtains any trackage rights over UPRR.

I. 49 C.F.R. § 1151.3(a)(9) - Any preconditions (such as assuming a share of any subsidy payments) that will be placed on shippers in order for them to receive service, and a statement that if the application is approved, no further preconditions will be placed on shippers without Board approval.

The Port views its proposed ownership of the Line as a partnership with shippers who would use the Line. The Port plans to have an "open book" policy with the shippers, and to conduct monthly or quarterly business meetings with the shippers. In fact, the Port has already been working with the shippers to establish a formal business plan for the Line in the event that the Port's feeder line application is successful and rail operations are resumed. Such a business plan has included discussions with most of the shippers regarding the appropriate subsidy payment that may be necessary in light of the high operational costs associated with the Line. The Port and shippers have discussed a per car subsidy or equity payment in the range of a few hundred dollars. V.S. Bishop (Ex. 2) at 0.

The exact level of the subsidy payment necessary to keep the Line operational is dependent on a number of factors, many of which are unknown at this time. For example, the Port does not know the current condition of the Line, actual costs associated with the rehabilitation of the Line, and the division that UPRR provides to CORP for Line traffic since UPRR sets the rates for most Line traffic. The Port is committed to working with UPRR to negotiate an appropriate division if necessary, particularly in light of the traffic that UPRR stands to gain and the salvage cost UPRR would avoid from abandonment and removal of the Coos Bay Bridge. V.S. Bishop (Ex. 2) at 70.

The level of an appropriate subsidy payment also depends on traffic volumes. The Port plans to discuss five-year volume commitments with shippers so that the Port can plan for the future and determine an appropriate subsidy payment. At the aforementioned business meetings, it is expected that the shippers and Port will engage in an ongoing dialogue refining the

appropriate subsidy amount based on the Line's financial performance and traffic volumes. The parties will also discuss service reliability and other issues. V.S. Bishop (Ex. 2) at 70-71.

The Port is also working with state and federal elected officials and with the Oregon Department of Transportation to obtain funding that might help minimize any shipper subsidy. The Port will provide the Board with details of any subsidy and the status of the discussions with and/or approval by the shippers on the Line as applicable and will commit to not placing any further preconditions without Board approval. V S. Bishop (Ex. 2) at 71.

J. 49 C.F.R. § 1151.3(a)(10) - The name and address of any person(s) who will subsidize the operation of the line

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In addition, as the Board is well aware, this Line is in need of significant rehabilitation investment in order to re-open the majority of the Line. The Port is seeking state and federal funding for these and other investments that may be necessary on the Line, particularly in the event that the Board does not grant the Port's request in Part IV of this Application.

K. 49 C.F.R. § 1151.3(a)(11) - A statement that the applicant will seek a finding by the Board that the public convenience and necessity permit or require acquisition. (i) If the applicant seeks a finding of public convenience and necessity, the application must contain detailed evidence that permits the Board to find that: (A) The rail carrier operating the line refused within a reasonable time to make the necessary efforts to provide adequate service to shippers who transport traffic over the line; (B) The transportation over the line is inadequate for the majority of shippers who transport traffic over the line; (C) The sale of the line will not have a significantly adverse financial effect on the rail carrier operating the line; (D) The sale of the line will not have an adverse effect on the overall operational performance of the rail carrier operating the line; and (E) The sale of the line will be likely to result in improved railroad transportation for shippers who transport traffic over the line

The Port seeks a finding by the Board that the public convenience and necessity permit or require its acquisition of the Line, and believes that the evidence and argument submitted in this Application and in the Port's Show Cause Reply overwhelmingly support such a finding. As discussed in Section V, below, the Port submits that the Board should apply the foregoing standard to this Application, notwithstanding CORP's intent to file to abandon and discontinue service over the Vaughn to Coquille segment of the Coos Bay Subdivision. *Revision of Feeder Railroad Development Rules*, Ex Parte 395 (Sub-No. 2), 7 ICC2d 902 (served July 24, 1991).

1. CORP has refused within a reasonable time to make the necessary efforts to provide adequate service to shippers who transport traffic over the Line.

a. CORP's Actions after the Embargo.

CORP has refused to provide adequate service over the Line within a reasonable time. Since its cessation of service, over nine months ago, CORP has not taken any concrete steps toward the resumption of service. As discussed in depth in the respective replies of the Port, the shippers, and the State of Oregon in the *Show Cause* proceeding (Finance Docket No. 35130), CORP's actions in the months following the embargo suggested a tactical delay to force shippers, the State, and the Port to make the investments in maintenance that CORP should have made over the past 13 years. The sum total of CORP's "efforts" consisted of a proposal for a public-private partnership that CORP eventually morphed into a modestly different proposal for joint-ownership of the Line. As early as last November, it was plain that such proposals were futile. Still, CORP made no boots-on-the-ground commitment of resources despite the availability of CORP funds necessary to restore service. Then, after approximately 7 months of inaction, CORP announced its intention to abandon a substantial portion of the Line. Simply put, CORP failed to make "necessary efforts to provide adequate service." Its efforts are now

directed at a permanent cessation of service. For a more detailed discussion regarding CORP's post embargo actions, the Port refers to, and incorporates pages 32-42 of the Port's Show Cause Reply. CORP's intransigence provides ample ground for the Board to find that it has refused within a reasonable time to provide adequate service over the Line within the meaning of 49 U.S.C. § 10907(c)(1)(A).

b. CORP's Service was Inadequate Prior to the Embargo

If the Board finds that CORP's cessation of service during the embargo should not be considered, a finding in favor of the Port is still warranted under 49 U.S.C. § 10907(c)(1)(A) because CORP's service was inadequate prior to the embargo. In this regard, the Port relies on the letters filed by the major shippers on the Line in support of the Port's Application. These letters express dissatisfaction with CORP's service even before the embargo.

For example, the letter submitted by Swanson Group, Inc. indicates that as of 2004 CORP proved unable to meet Swanson's requested service level, despite CORP's verbal assurances. Exhibit 11. Faced with the prospect of curtailing production at its mill in Noti, Swanson first used costly barge transportation, and ultimately decided to make a long term investment in timber hauling trucks and alternate loading sites.

Letters of support submitted by Roseburg Forest Products also indicate that CORP's service was inadequate well before the embargo. Andrew E. Jeffers, Traffic Manager – Rail for Roseburg Forest Products states that the deterioration of CORP's service began in 1996. He states that CORP's ineffective service caused chronic car shortages, forcing Roseburg's Coquille manufacturing facility to maintain a one-week's supply of empty cars on-hand. Exhibit 12. Unreliable service disrupted commercial agreements with customers, and frequently forced Roseburg to convert shipments to truck, or to fill orders from alternate locations. Service

disruptions imposed extra transportation costs on Roseburg, and “adversely affected its profitability.” Allyn C. Ford, President of Roseburg, concurs that CORP’s service “gradually deteriorated over the last few years” and became “inadequate to meet the transportation needs of [his] company.” Exhibit 13.

For American Bridge Manufacturing, the embargo has been particularly damaging. Prior to the embargo, 95% of American Bridge’s inbound traffic arrived by rail, and 40% of the outbound traffic also used rail. The embargo has forced all of this traffic onto trucks, if possible. American Bridge has also had to deal with problems in 2006 and 2007 regarding car service and repair delays that extended far longer than CORP originally predicted. In sum, the American Bridge facility in Reedsport is in danger of closing due to the lack of rail service. Exhibit 15.

Other shippers have had similar problems. Ferrellgas noted that some production has had to shift work from Coos Bay to Eugene due to the embargo, and Coos Head Forest Products notes that it “cannot reach [its] market competitively without rail.” Exhibits 17 and 19. Lastly, Rosboro and Swanson Brothers, both shippers on the still active portion of the Line, both have described how CORP’s service continues to be inadequate on the Danbo to Vaughn section of the Line. Exhibits 18 and 22. In fact, Rosboro noted that service on the non-embargoed part of the Line deteriorated after the embargo on the rest of the Line. Exhibit 18.

Letters from Georgia Pacific and Southport Forest Products also stated that service was poor before the embargo, and both support the Port’s Application. Exhibits 14 and 16

Accordingly, even if the Board does not consider the period following CORP’s embargo of the Line, the Board should still find in favor of the Port under 49 U.S.C § 10907(c)(1)(A)

because CORP refused within a reasonable time to make the necessary efforts to provide adequate service to shippers who transport traffic over the Line.

2. The transportation over the line is inadequate for the majority of shippers who transport traffic over the line

At Exhibits 11-24, the Port has attached letters of support from a majority of shippers on the Line stating that CORP's service is inadequate. The primary shippers using the Line immediately prior to the embargo include the following eight shippers:

- Georgia Pacific (Coos Bay)
- Roseburg Forest Products (Coquille)
- American Bridge Manufacturing (Reedsport)
- Southport Forest Products (North Bend)
- Swanson Group (Noti)
- Swanson Brothers (Noti)
- Amerigas (North Bend)
- Ferrellgas (North Bend)

Of these eight primary shippers, the Port has attached letters from seven of these shippers obtained to date. In addition, the following shippers have used rail service to varying degrees in the past but for some it has been more than three years since they have used rail service:

- Coos Head Forest Products (Hauser)
- Rosboro (Vaughn)
- Thomas & Sons Transportation (Coos Bay)
- Ocean Terminals, Inc. (North Bend)
- Coos Bay Docks (Coos Bay)
- Danish Dairy (Coquille)

The Port has received letters of support from four of the six inactive shippers listed above. The Port has the support of 11 of the 14 total shippers that have used the Line at some point in the last three to five years.

In addition, the Port has also received a letter of support from a potential future rail shipper, Oregon Resources Corporation, which is developing a mineral sands operation in Coos Bay. As described in the letter of support, Oregon Resources Corporation envisions shipping

500 to 600 rail cars per year once its new plant is operational sometime in 2009. Exhibit 23.

The Port has also received a letter of support from the Port of Siuslaw, stating that a resumption of rail service by the Port on the Line could aid economic development efforts in the Siuslaw Port District. Exhibit 24.

3. The sale of the line will not have a significantly adverse financial effect on the rail carrier operating the line.

The Board's forced sale of the Line to the Port to ensure continued rail service to shippers and affected communities will not have a significant adverse financial effect on CORP. In fact, the evidence overwhelming establishes that the sale of the line will significantly enhance CORP's finances by freeing the railroad of a liability that by CORP's own admission drains between \$1.5 and \$2 million dollars on an annual basis. In addition, CORP will receive the Line's NLV, a cash infusion of millions of dollars from the sale of the Line.

The Line's negative impact on CORP's bottom-line is well-documented as discussed in Part III C.1 above.

Under feeder line precedent, it is well-settled that forcing an incumbent to sell a money-losing line does not constitute a "significant adverse financial effect." On the contrary, the Board has squarely held that where, as here, the incumbent will realize a substantial cost savings as a result of the sale, the applicant must prevail on this element of the PCN standard. In *Caddo Antoine*, 4 S.T.B. 610 (2000), the Board stated:

[I]n the event of the sale of the entire Norman Branch, [the incumbent] would avoid the cost of rehabilitating the approximately 49-mile northern portion of the line. Since the northern portion of the line is in very poor shape, the cost of rehabilitation would substantially reduce, if not wipe out, [the incumbent's] profits from serving [a shipper] on the southern portion of the line. AMR would therefore realize substantial cost savings from elimination of the northern portion of the line, which would have a positive impact on its overall bottom line. In addition, if the northern portion of the line were not rehabilitated, we presume that it would continue to be operated at a loss.

...
In sum, [the incumbent] will lose the compensation it presently receives from [a shipper] if the line is sold. However, it also will avoid the costs associated with operating over the southern portion of the line. Even though [the incumbent] would realize less compensation than we previously determined (\$1,628,727), it will still realize cash proceeds from the sale of the line that it can invest in its other lines. Given the compensation that [the incumbent] would receive from the sale and [the incumbent's] operations over the rest of its system, the loss of this income will not cripple [incumbent] financially or operationally, and thus the PC&N standards are met with the entire line valued at NLV.

Id. at 623. The evidence presented by the Port in this matter is even more compelling. CORP stands to avoid an annual loss of approximately \$1.5 million. Additionally, it will avoid expenditures on initial tunnel repair said to be \$2.9 million. CORP will also avoid additional repair and rehabilitation expenses over the next 26 months, alleged to be \$23 million for the long-term operation of the Line. Finally, CORP is likely to receive approximately \$9 million in cash for the sale of the line. Simply put, CORP will find itself in a substantially better financial position immediately after the sale of the line. As such, the Board must find in the Port's favor on this element of the PCN standard.

4. The sale of the line will not have an adverse effect on the overall operational performance of the rail carrier operating the line.

The sale of the line to the Port will not have an adverse effect on CORP's overall operations in Oregon. CORP's rail network is comprised of two primary branches: the Coos Bay Branch and the Siskiyou Branch. Although the two branches converge in the vicinity of Eugene, they do not connect and are operated independently. Trains and crews working on the Siskiyou Branch are dedicated to that branch, meaning that they do not typically operate on the Coos Bay Branch. Similarly, trains and crews operating on the Coos Bay Branch did not and do not typically operate on the Siskiyou Branch. Accordingly, the disposition of the Line will not cause operational dislocation because CORP's operations are segregated. *V.S. Banks (Ex. 5)* at 88.

As the Board is well-aware, operation of the Line has proved challenging for CORP. Over the course of approximately 111 miles, the Line generally traverses rugged and rural lands, tracing a serpentine path along the Siuslaw River, before winding south along the Oregon coast. The Line contains nine tunnels and 108 bridges. Along much of the route, the Line is inaccessible from public roadways. Including the leased segment from Cordes to Coquille, the Coos Bay Branch comprises approximately one-quarter of CORP's system in terms of mileage but historically generates 10-15% of CORP's annual carloads. *See* Verified Statement of Paul Lundberg at pages 3 and 5, attached to CORP Response to Show Cause Order, Finance Docket No. 35130 (filed May 12, 2008); and "Traffic and Revenue Chart", attached as Exhibit 24 in Volume II of the Port's Show Cause Reply. Thus, if the Port's acquisition of the Line has any operational effect at all on CORP's system, that effect should be positive. CORP will be able to transfer resources to the Siskiyou Line.

In fact, the sale should simplify CORP's operations in the vicinity of Eugene and allow CORP to focus its resources on its troubled Siskiyou Branch—the other major component of CORP's system. Recently, CORP announced significant changes to its operations on the southern portion of the Siskiyou line. CORP stated that it would reduce and eventually cease its service to and from Weed, CA through the Siskiyou Pass. Exhibit 25. This decision forces all traffic on the southern portion of the line to move through Eugene, increasing the volume of traffic at this choke-point. Traffic that formerly moved relatively efficiently between northern California and southern Oregon would be routed over UPRR's line through Klamath Falls, an inefficient, circuitous route. Thus, it is evident that CORP faces operational hurdles on the Siskiyou Line that may be assisted by CORP's sale of the Coos Bay Line assuming that CORP direct its resources to help the Siskiyou Line.

Indeed, CORP's efforts to formally abandon and discontinue service on the Line west of Vaughn may be taken as additional evidence that the Port's acquisition of the Line would not adversely affect CORP's remaining network. If cessation of operations would negatively affect the Siskiyou Line, then it is unlikely that CORP would have undertaken such efforts.

5. The sale of the line will be likely to result in improved railroad transportation for shippers who transport traffic over the line.

There has been no rail service provided to the vast majority of the shippers on the Line since the imposition of an embargo by CORP on September 21, 2007. CORP has taken no concrete steps to restore service since that date and, in fact, has recently taken steps that indicate it will file to abandon the currently embargoed section of the Line. *See, e.g., Combined Environmental and Historic Report*, filed by CORP on June 24, 2008 in *Central Oregon & Pacific Railroad, Inc.*, Docket AB-515 (Sub-No. 2). In contrast, if the Port's feeder line application is approved, the Port plans to restore rail service to the entirety of the Line. Hence, Port rail operations will be superior to the absence of rail service on the Line.

As the Board knows, CORP has not embargoed (or indicated an intent to abandon) the entire Line. There are three shippers on the roughly 20-mile portion of the Line able to receive CORP service, Swanson Group (who has a mill at Noti, OR), Rosboro (who has a plant near Vaughn, OR) and Swanson Brothers (Noti, OR). Only Swanson Brothers is currently using CORP rail service, but, nevertheless, all three of these shippers support the feeder line application of the Port. See Exhibits 11, 18, and 22. The support of current shippers is indicative of the level of dissatisfaction with CORP's service that exists along the entire Line.

- L. 49 C.F.R. § 1151.3(a)(12) - A statement detailing applicant's election of exemption from the provisions of Title 49, United States Code, and a statement that if the application is approved, no further exemptions will be elected.**

The Port states that it does not seek an exemption from the provisions of Subtitle B of Title 49 of the United States Code at this time. The Port intends that the Line will be operated subject to the requirements of federal law and under the jurisdiction and oversight of the STB.

- M. 49 C.F.R. § 1151.3(a)(13) - A description of any trackage rights sought over the owning railroad that are required to allow reasonable interchange or to move power equipment or empty rolling stock between noncontiguous feeder lines operated by the applicant, and an estimate of the reasonable compensation for such rights, including full explanation of how the estimate was reached. The description of the trackage rights shall include the following information: Milepost or other identification for each segment of track; the need for the trackage rights (interchange of traffic, movement of equipment, etc.); frequency of operations; times of operation; any alternative to the use of trackage rights; and any other pertinent data. Trackage rights that are necessary for the interchange of traffic shall be limited to the closest point to the junction with the owning railroad's line that allows the efficient interchange of traffic. A statement shall be included that the applicant agrees to have its train and crew personnel take the operating rules examination of the railroad over which the operating rights are exercised.**

Presently, the Port does not believe that it will be necessary to obtain any trackage rights over CORP. The Port believes that it will be able to interchange traffic with UPRR in the vicinity of Eugene, OR, and will seek to enter into appropriate agreements with UPRR. The Port's belief is predicated on its understanding that CORP's trackage rights over UPRR's line from Danebo (milepost 652.114) to the UPRR yard at Eugene (milepost 644.300) are non-exclusive or could be changed. The Port is willing to work with UPRR to obtain the trackage rights necessary for smooth interchange and operations. The Port agrees to have its train and crew personnel take the operating rules examination of CORP and UPRR, as necessary.

- N. 49 C.F.R. § 1151.3(a)(14) - If applicant requests Board prescribed joint rates and divisions in the feeder line proceeding, a description of any joint rate and division agreement that must be established. The description must contain the following information: (i) The railroad(s) involved; (ii) The estimated revenues that will result from the division(s); (iii) The total costs of operating the line segment purchased (including any trackage rights fees); (iv) Information sufficient to allow the Board to determine that the line sought to**

be acquired carried less than 3 million gross ton-miles of traffic per mile in the preceding calendar year; and (v) Any other pertinent information.

While the Port is not requesting the Board to prescribe joint rates in connection with this Application, the Port recognizes that CORP has made an issue of the division of rates agreement that CORP has with UPRR. With the information currently available to it, the Port understands that the majority of CORP's Line traffic is interchanged to UPRR, and that CORP receives compensation directly from UPRR for these movements. Verified Statement of Paul Lundberg at pages 3-4, attached to CORP Response to Show Cause Order, Finance Docket No. 35130 (filed May 12, 2008). The amount of compensation from UPRR is unclear (CORP and UPRR have stated conflicting figures in recent months). Therefore, the Port may seek STB involvement, if necessary, after the Port learns more about the UPRR-CORP rate division, other UPRR-CORP agreements that may exist, and the full operating expenses and repair needs of the Coos Bay rail line and if negotiations with UPRR were at an impasse.

O. 49 C.F.R. § 1151.3(a)(15) - The extent to which the owning railroad's employees who normally service the line will be used.

The Port states that it will use reasonable efforts to give priority consideration to qualified employees of CORP that have worked on the Coos Bay Line in meeting its staffing needs to provide service on the Line. *See Keokuk Junction Railway Co.—Feeder Line Acquisition—Line of Toledo Peoria and Western Railway Corp. between La Harpe and Hollis, IL*, Docket 34335, shp op. at 23-24 (served Oct. 28, 2004). However, because the Line has not been in operation since CORP's embargo on September 21, 2007 and because the Port does not expect to commence operations until January 1, 2009 or later, the Port believes that CORP personnel on the Line have already transitioned to other employment.

P. 49 C.F.R. § 1151.3(a)(16) - A certificate stating that the service requirements of Sec. 1151.2(a) have been met.

The Port's Certificate of Service is provided in this Application on the page immediately following the signature of its counsel. The Port states that it has complied with the service requirements set forth at 49 C.F.R. § 11521.2(a).

IV. THE BOARD SHOULD ORDER CORP TO REPAIR THE TUNNELS OR COMPENSATE FOR THEIR REPAIR

The Board is faced head on with an extremely important issue with the Coos Bay Line. The Line has traffic volumes higher than normally seen on short line operations normally facing abandonment, yet the Line's characteristics make it more expensive to maintain than many short lines. Many of these characteristics add to the importance that the Coos Bay Line has for southwestern Oregon including the fact that the area is rural and with limited access to major highways, coupled with the natural beauty that precipitates many of the increased costs. CORP's neglect and deferred maintenance over the past several years have severely damaged the public interest and compromised the ability of the Port or another future rail operator to provide service over the Line to Southwestern Oregon. In the event the Port's feeder line acquisition is successful, these compelling circumstances warrant a Board decision ordering CORP to repair tunnels on the Line to a serviceable condition (or compensate the Port for tunnel repairs).

A. CORP Knowingly Neglected the Line

As the Board is aware, the Port provided detailed evidence regarding CORP's long-standing knowledge of the significant and critical repair needs of the Coos Bay Line tunnels in the Show Cause Proceeding, Docket 35130. Reply of the Oregon International Port of Coos Bay, *Central Oregon & Pacific Railroad, Inc – Coos Bay Rail Line*, Docket 35130 (filed June 3, 2008) at pages 11-18 ("Port Reply"). In particular, the Port described the reports completed by tunnel experts in 1994 and 2004 that provided ample notice for CORP of both the severity of the

tunnel issues and also the need to conduct repairs long before the September 2007 embargo Port Reply at 13-14. The Port also included numerous communications and statements by CORP employees and management regarding CORP's repeated and willful deferral of tunnel maintenance for many years. Port Reply at 13-18.

In response to the Port Reply, CORP filed a letter with the Board to correct alleged "material misstatements with respect to facts" in the Port Reply and the reply of the State of Oregon. CORP Letter, *Central Oregon & Pacific Railroad, Inc – Coos Bay Rail Line*, Docket 35130 (filed June 11, 2008) ("CORP Rebuttal Letter"). Despite providing a detailed critique in its single-spaced, 4-page Rebuttal Letter, CORP did not dispute or address the factual evidence presented in the Port Reply regarding CORP's significant prior knowledge of the deteriorating tunnel conditions and the pressing need for tunnel repairs over the past 5-10 years. The Board should understand CORP's silence on the matter as agreement that the facts presented in the Port Reply accurately describe CORP's prior knowledge and knowing neglect of the Line.

B. CORP's Actions Have Damaged the Public Interest

As explained in the Port Reply, CORP's long-term deferral of maintenance and milk-the-asset strategy with respect to the Coos Bay Line (and, specifically, the tunnels) represents a violation of CORP's common carrier obligation. Port Reply at 9-18, 27-31, and 38-45. The evidence provided on CORP's long-standing disregard for its common carrier obligation cannot be ignored by the Board without negative ramifications in the industry. CORP's actions have damaged the public interest by causing economic hardship for communities and businesses in Southwestern Oregon, a largely rural area without easy access to the National Interstate Highway System. Port Reply at 46-47. *Cf.* Combined Environmental and Historic Report, AB-515 (Sub-No. 2) at pages 6, 9, and 10 (filed by CORP on June 24, 2008) ("CORP Environmental Report")

(describing the area served by CORP as rural). Hence, CORP's actions implicate the Board's statutory mandate to consider the proposed abandonment's effect on rural and community development. 49 U.S.C. § 10903(d); Port Reply at 46-48.

Moreover, CORP's deferral of maintenance and simple neglect of the Line have made future rail operations quite difficult and costly. It appears likely that time-consuming and costly repairs will be required before rail operations can resume on the Line. CORP Environmental Report at 3 ("The Line.. would require a major capital investment to repair the tunnels and rehabilitate the Line for safe operations."). CORP Response to Show Cause at 21-23. The necessary repairs represent the deferred maintenance that CORP should have been doing over the past 13 years while owning the Line. Under largely undisputed facts in this case, the Board should not allow CORP to simply wash its hands of the Line, ignoring the future hardship (which CORP itself created) that will be incurred by the local communities as they try to restore rail service. *Cf. Pyco Industries, Inc – Alternative Rail Service – South Plains Switching, Ltd. Co.*, Docket 34802, slip op. at 4 (served June 21, 2006) (inadequate rail service can be an abuse of market power); *Dardanelle & Russellville Railroad Company – Authorized to Operate – Lines of Arkansas Midland Railroad Company*, Supp. Order No. 2 to Service Order No. 1516, 1994 ICC Lexis 89 at *7 (served June 6, 1994) (ICC suggests a "finding by the Commission of unlawful abandonment of other activity" may possibly lead to compensation, such as free trackage rights, to the railroad providing service over a second railroad's embargoed rail line¹²).

¹² In *Dardanelle & Russellville*, the ICC actually rejected free trackage rights because there had been no determination of an unlawful abandonment, but left open the possibility of compensation in cases where unlawful abandonment existed. A second reason for the ICC's decision may be that the trackage rights were incidental to a service order under former 49 U.S.C. § 11123. Unlike the current version of this statute, the former version did not include "unauthorized cessation of operations" as a reason for Board approval of service over another railroad.

C. The Board Should Order CORP To Repair the Tunnels to A Serviceable Condition, or To Compensate the Port For Such Repairs

CORP's willful neglect of the Line and, particularly, the tunnels has damaged the prospects for future rail service on the Line and should not be ignored. The Board should order CORP to repair the tunnels to a serviceable condition before consideration of the abandonment or the Board should order CORP to make the repairs or compensate the Port for such tunnel repairs as part of the feeder line acquisition. An order of this sort would remedy the harm caused by CORP to the public interest and restore the "utility" of the Line. *The Kansas City Southern Railway Company – Abandonment Exemption – Line in Warren County, MS*, Docket AB-103 (Sub-No. 21X), slip op at 4 (served May 20, 2008) ("*Kansas City Southern*").

The Board has the authority to order repairs or compensation by railroads who have neglected rail lines they are trying to abandon. In a recent decision, the Board ordered the Kansas City Southern Railroad ("KCS") to pay an OFA applicant for damage to a bridge on the line to be abandoned, even though the bridge had zero salvage value, because "diminishing the rail assets during the pendency of the OFA process undermines the process because it could obstruct or impede the efforts of the offeror to provide rail service." *Kansas City Southern*, Docket AB-103 (Sub-No. 21X), slip op. at 4-5 (served May 20, 2008). Such an order is even more appropriate in this case because CORP's deferral of maintenance was a knowing and intentional or careless act, whereas the damage in the *Kansas City Southern* case was done by a local county government without KCS's knowledge. Hence while KCS simply did not know that Warren County began to dismantle the railroad bridge (meaning that, at most, KCS engaged in an inadvertent failure of oversight), CORP had acute knowledge of the critical tunnel repair needs of the Line, but willfully chose to ignore such needs for several years (thereby engaging in intentional neglect). *Id.* at 5.

D. The Board Has the Authority to Issue the Requested Order

The Board has “inherent authority to protect the integrity of the regulatory processes that...[it is] charged with administering.” *Kansas City Southern*, Docket AB-103 (Sub-No. 21X), slip op. at 4-5 (served May 20, 2008). Therefore, an order by the Board to repair the tunnels or compensate for their repair would not only cover return of the tunnels to a serviceable condition, thereby rectifying CORP’s years of neglect and deferred maintenance, but also preserve the integrity of the Board’s abandonment, embargo, and feeder line regulation.

Beyond the *Kansas City Southern* case described above, numerous additional statutes and court opinions show that the Board has authority to order CORP to repair the tunnels or compensate for their repair. First, Congress has directed that, “[i]f the Board finds that a rail carrier is violating this part [49 U.S.C. §§ 10101 et seq.], the Board shall take appropriate action to compel compliance with this part.” 49 U.S.C. § 11701(a). Second, both Congress and the courts recognize the Board necessarily has additional powers not found in the statutes. Under 49 U.S.C. § 721(a), Congress has stated that “[e]numeration of a power of the Board in this chapter or subtitle IV does not exclude another power the Board may have in carrying out this chapter or subtitle IV.” See, e.g., *Interstate Commerce Commission v. American Trucking Association, Inc.*, 467 U.S. 354, 365 (1984) (upholding ICC action based partially on 49 U.S.C. § 10321(a), the precursor to today’s § 721(a)). The Board used its flexibility under statutes like this in 2000 to issue a moratorium on new railroad merger applications *Public Views on Major Rail Consolidations*, Ex Parte 582 (served March 17, 2000). After the Board’s action was challenged, the D.C. Circuit affirmed. *Western Coal Traffic League v. Surface Transportation Board*, 216 F.3d 1168 (D.C. Cir. 2000). The court determined that, even though no statute specifically gave the Board the authority to issue a moratorium on merger applications, the broader substantive

purposes of rail regulation justified the moratorium so that the Board could determine the nature of the public interest in the face of increasing industry consolidation. *Id.* at 1175-1176.

Due to the fact that statutes cannot “include specific consideration of every evil sought to be corrected,” the absence of an express statutory remedy should not force an agency to “sit idly by and wink at practices that lead to violations.” *American Trucking Association, Inc. v. United States*, 344 U.S. 298, 309-311 (1953). Hence, an agency like the Board “has discretion to take actions that are legitimate, reasonable, and [directly] adjunct to” its explicit statutory power. *Interstate Commerce Commission v. American Trucking Association, Inc.*, 467 U.S. 354, 365 (1984) (internal citations omitted). As stated by the Third Circuit, “regulatory agencies are afforded some discretion in determining which sanctions or remedies would best effectuate statutory objectives.” *Zola v. Interstate Commerce Commission*, 889 F.2d 508, 515 (3rd Cir. 1989). Lastly, the Port also notes that the Board has authority under 49 U.S.C. § 721(b)(4) to “issue an appropriate order” whenever “necessary to prevent irreparable harm.”

E. The Proposed Order Supports the Public Interest

This is not a situation where one shipper is seeking preferential treatment compared to other shippers. *DeBruce Grain, Inc. v. Union Pacific Railroad Company*, Docket 42023, 2 STB 773, 776-777 (1997) (shipper sought transportation priority under 49 U.S.C. § 721(b)(4)). In fact, the request of the Port is entirely in the public interest because it will benefit all shippers and all communities on the Coos Bay Line. *Compare DeBruce*, 2 STB at 777 (noting that favoring one shipper above others in a service crisis is not “in the public interest”). Requiring CORP to rectify its deferred tunnel maintenance over the past several years would merely mark a return to the status quo, to a state of tunnel repairs that would exist if CORP had not (1)

unlawfully ignored its common carrier obligation to maintain the Line and (2) unlawfully abandoned the Line.

Board action is appropriate and necessary in this matter because shipper damages are woefully inadequate to fully compensate the communities, shippers, and future rail line owner for the acts of CORP. Damages to shippers would likely only compensate for increased transportation charges during the time period when rail service was unlawfully withheld. Such damages would not compensate for the great harm bestowed upon the communities, shippers, and future rail line owner for being saddled with rail infrastructure that is in a woefully inadequate state of repair due to CORP's unlawful lack of maintenance. The facts of this case go to the heart of the Board's mandate to protect the public interest. 49 U.S.C. § 10101(4) *See also BNSF Railway Company v Surface Transportation Board*, 453 F3d 473, 485 (D.C. Cir. 2006) (Board has duty "to weigh alternatives and make its choice according to its judgment how best to achieve and advance the goals of the National Transportation Policy") (internal citation omitted). Without action from the Board requiring CORP to make up for the years of unlawful deferred maintenance, the ultimate success of future rail operations on the Line is in jeopardy. CORP's bad acts should not be allowed to condemn Southwestern Oregon to a future without rail service.

At the very least, the Board should require CORP to maintain the status quo of the tunnels and the entire Line as of the date that the Board determines the embargo was unlawful. *Cf. Kansas City Southern*, Docket AB-103 (Sub-No. 21X), slip op. at 5 (served May 20, 2008). 49 U.S.C. § 721(b)(4).

V. THE BOARD HAS AUTHORITY TO ADDRESS A FEEDER APPLICATION IN THE FACE OF THE PROPOSED ABANDONMENT OF PART OF THE LINE

In anticipation of CORP's opposition to this Application, the Port will briefly address the Board's authority to consider this Application in light of CORP's recent steps to abandon and

discontinue service over a portion of the Line. CORP has not yet filed its application and the STB has ample authority to consider simultaneously this Application and any abandonment and discontinuance application (if necessary). *Revision of Feeder Railroad Development Rules*, Ex Parte 395 (Sub-No. 2), 7 I.C.C.2d 902, 911-914 (1991) The public interest strongly favors the STB's consideration of this Application, despite CORP's recent efforts to permanently terminate operations. Indeed, on June 16, 2008, *nearly nine months after the embargo*, CORP filed its notice of intent after stonewalling the Port, Shippers, Congress, and the STB.

First, CORP's proposed abandonment does not completely overlap this feeder line application. CORP's notice of intent states that CORP would abandon milepost 669.0 near Vaughn, OR to milepost 763.13, near Cordes, OR; (2) milepost 763.13 near Cordes, OR and discontinue service on milepost 786.5, near Coquille, OR. CORP has excluded from its proposed abandonment the segment of the Line from Danebo, OR (near Eugene) to Vaughn, OR, which includes three shippers that are critical to the economic viability of the Line: Swanson Lumber and Swanson Brothers located in Noti, OR at milepost 665.3 and Roseboro located in Vaughn, OR at milepost 668.3. Together, these shippers contributed approximately 970 carloads in 2006 and 758 carloads in 2007. Assuming CORP earns \$600 per carload,¹³ the gross revenue from this traffic would have been \$582,000 and \$454,800—a measurable contribution to the Line's economics. V.S. Banks (Ex 5) at 85. And, in its letter of support, Swanson stated that it could ship up to 1,200 carloads on an annual basis (\$720,000 gross revenues). Accordingly, the Board's "OFA process is not a viable alternative to acquiring the line under the PC&N standards of the statute" because partition of the Line would deprive the OFA purchaser of significant

¹³ Union Pacific letter to STB (dated April 29, 2008) in Ex Parte 677, *Common Carrier Obligation of Railroads*. Exhibit 20 in Volume II of the Port's Show Cause Reply.

revenues, making its new business even more precarious. *Revision of Feeder Railroad Development Rules*, 71 C.C. 2d 902, 911-914 (1991).

Second, CORP's continued ownership of the eastern part of the Line would constitute a "steel barrier," meaning that CORP could extract various handling charges for the movement of traffic over its segment. Also, CORP's continued ownership would reduce efficiency, as the new operator would be required to affect an otherwise unnecessary interchange with CORP at Vaughn. Such an interchange likely would require an otherwise unnecessary investment in rail infrastructure to facilitate storage and switching operations which would have an adverse impact on service to all Coos Bay Line customers. The same traffic then would be subjected to another interchange with UPRR in the vicinity of Eugene just a few miles away. Increased costs would inevitably arise from the unnecessary handling of freight, and would ultimately be passed on to customers, weakening the competitiveness of rail transportation. Moreover, the scenario is undesirable because additional interchanges increase the risk of damage to the lading and to rail equipment, and of injuries to rail employees. *V.S. Banks* (Ex. 5) at 85-86.

Third, feeder precedent decidedly favors preservation of unitary line segments. For example, in *Caddo Antoine and Little Missouri Railroad Co. v. United States*, 95 F.3d 740 (8th Cir. 1996), the court squarely rejected a decision of the Board's predecessor that allowed a railroad to bifurcate the profitable and unprofitable section of its line in the context of a feeder proceeding. The court observed,

As we read the Commissioner's revised policy, it is designed to prevent what appears to have occurred in the present case, i.e., the owning carrier (Arkansas Midland) downgrades (by failing to maintain and repair its tracks) services over a portion of its line that it deems more expensive to operate, while maintaining service to a single shipper that it deems easier and more profitable to serve, and then files a SDM covering only the undesirable portion of the line shortly before the abandoned shippers are able to file a

feeder line application. If the Commission's position is affirmed in this case, Arkansas Midland will have succeeded in lopping off service to the majority of its former shippers while "cherry-picking" the single, more easily served shipper on the remaining seven percent of the line it elected to retain. There may be situations in which such a result may ultimately obtain, as, for example, where no carrier files an application to acquire the portion of the line sought to be abandoned. But that is not the situation here, where CALM desires to acquire a line that from the date of its construction has been operated as a unitary line of railroad.

Id. at 747. Simply put, there is no compelling reason to allow CORP to succeed where Arkansas Midland failed. Allowing CORP to "cherry-pick" Swanson Lumber and Rosboro would likely sound the death-knell for what was formerly operated as a unitary line, depriving rail service to the majority of former shippers on the Vaughn to Cordes segment. Indeed, the Board recently applied the "unitary line" concept in STB Finance Docket No. 34335, *Keokuk Junction Railway Company—Feeder Line Acquisition—Line of Toledo, Peoria and Western Railway between La Harpe and Hollis, IL* (served Feb. 7, 2005), *aff'd Toledo, Peoria & Western Railway v. S.T.B.*, 462 F.3d 734 (7th Cir. 2006). In that proceeding, the Board forced the incumbent to sell a subsection of a "unitary, historically integrated line" that was "integral to [the purchaser's] plan to reactivate and operate the [line] as an effective and efficient route for local and through traffic." *Id.*, slip op. at 9. Here, partition of the Line would severely compromise the Port's desire to preserve rail service for *all* shippers on the Line.

Fourth, timing favors the Board's consideration of the feeder line application. At this point, CORP's application has not yet been filed, so this feeder line application does not disrupt the Board's ongoing consideration of a pending matter. This is hardly a scenario in which the Port has entered the fray at the eleventh hour; in fact, any delay in the Port's filing is due to its participation in the *Show Cause* proceeding, which was a substantial undertaking due to the fact-

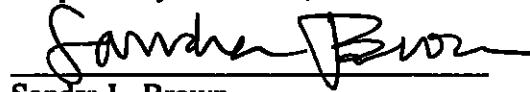
specific nature of that matter. Thus, assuming that CORP files its application on July 14, 2008, the Board's decision would not be due until November 3, 2008. As such, "sufficient time remains" for the Board to "accept the feeder line application for immediate handling." *Revision of Feeder Railroad Development Rules*, 7 I.C.C. 2d at 914.

Finally, nearly every tenet of the Rail Transportation Policy at 49 U.S.C. § 10101 supports the Board's consideration of the Port's feeder line application, including §§ 10101(2); 10101(3); 10101(4); 10101(5); 10101(7); 10101(8); 10101(9); and 10101(15). Partition of the Line would forever doom rail service to this region, lead to inefficiencies, and reward CORP for actions that the Board should not condone under the Rail Transportation Policy.

VI. CONCLUSION

For the foregoing reasons, the Board has good cause to order the sale of the CORP Line between milepost 763.130, near Cordes, OR and milepost 652.114, near Danebo, OR to the Port. In addition, the Port respectfully requests that the Board order CORP to repair the tunnels on the Line to a serviceable condition or compensate the Port for the tunnel repairs that were caused by CORP's neglect and deferred maintenance in violation of its common carrier obligation.

Respectfully submitted,



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Counsel for the Oregon International Port of Coos Bay

CERTIFICATE OF SERVICE

This is to certify that on this 11th day of July 2008, I caused the foregoing Fecder Line Application in STB Finance Docket No. 35160 to be served upon all parties required by regulation of the Surface Transportation Board, as identified below:

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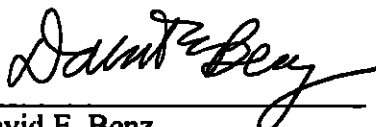
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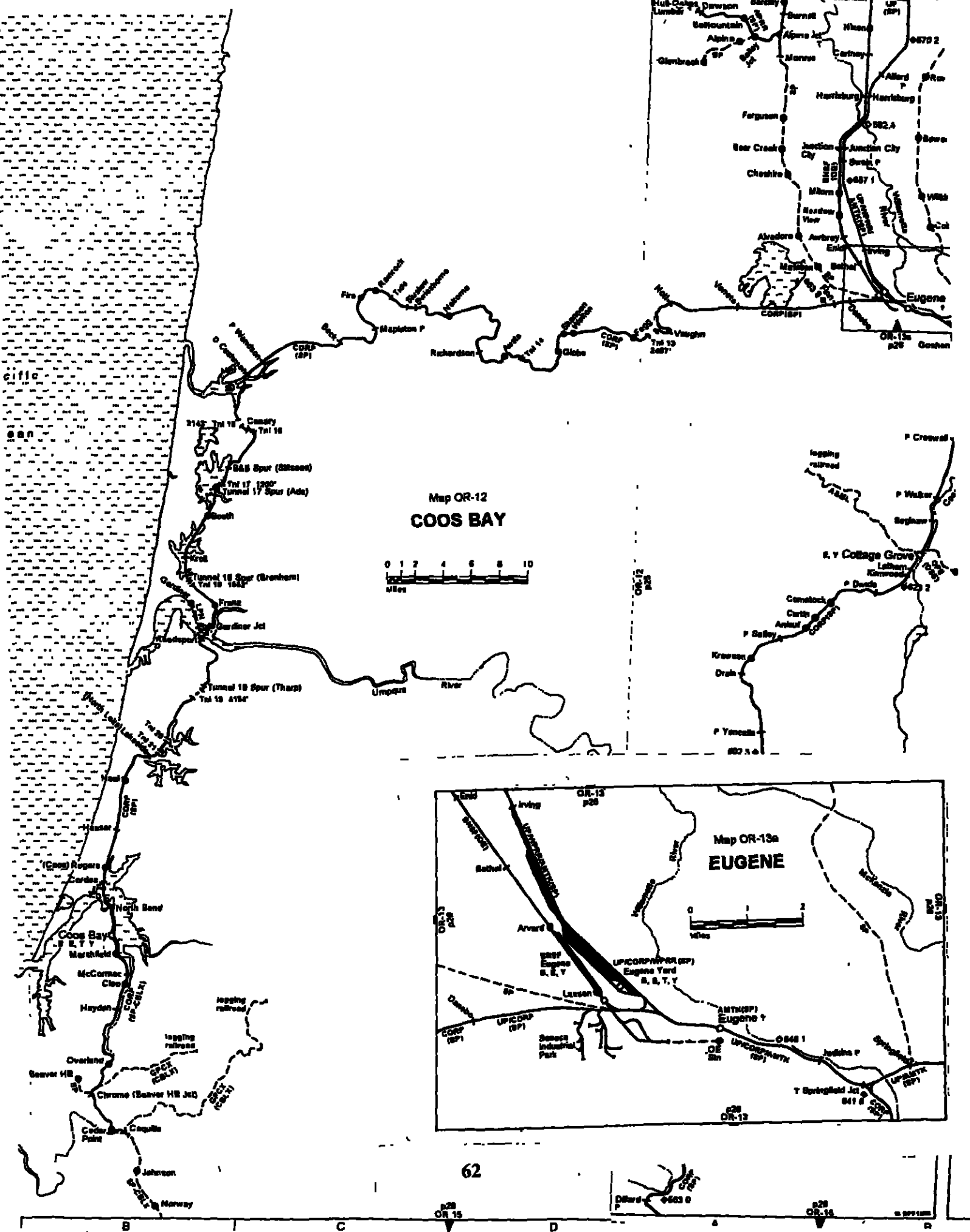

David E. Benz

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 1



**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

VERIFIED STATEMENT OF JEFFREY BISHOP

Exhibit 2

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

VERIFIED STATEMENT OF JEFFREY BISHOP

1 My name is Jeffrey Bishop. I am the Executive Director for the Oregon International Port of Coos Bay ("Port"), which is located in Coos Bay, Oregon. I am qualified and authorized to offer this Verified Statement on behalf of the Port in the above-captioned proceeding. My testimony concerns the Port's feeder line application to acquire the Coos Bay rail line of the Central Oregon & Pacific Railroad ("CORP").

2 In January 2005, I joined the Port as CEO after working for three years as the Industrial Development Manager for the Port of Tacoma, Washington. At the Port of Tacoma, my responsibilities included overseeing the Frederickson Industrial Area and working hand-in-hand with Tacoma Rail's Mountain Division, which provides rail service to the Port's customers. Tacoma Rail operates on 29 miles of track and serves as the switching carrier between the Port and the transcontinental railroads. This experience included planning and budgeting capital expenditure for the development of rail infrastructure and marketing industrial land to rail customers.

3 Prior to my time at the Port of Tacoma, I worked for five years with the Port of Pasco, Washington, serving as Director of Properties and Development. At the Port of Pasco,

my responsibilities also including overseeing rail operations in and around the Port. I managed the Pasco Industrial Center, which consisted of 600 acres of industrial land and 19 miles of port owned and maintained rail. While at the Port of Pasco, I also oversaw the Pasco processing center, which is a 250-acre industrial park with 2 miles of port owned and maintained rail line.

4 I have extensive experience in public administration, having served as a city manager or city administrator for several cities. I have a Bachelor of Arts degree from Central State University (now known as the University of Central Oklahoma) and did graduate work in Public Administration at the University of Oklahoma.

5. The Port occupies a unique position as the largest coastal deep draft port between San Francisco and Puget Sound. The Port handles inbound and outbound traffic for domestic and international markets; an average of 2.3 million tons of cargo moves through the Port annually. The Port is organized under Oregon law, with five commissioners appointed by the Governor and confirmed by the Oregon Senate for 4-year terms. Day-to-day operations of the Port are managed by me and a staff of approximately 20 persons.

6 The Port does not receive revenue from cargo moving through terminals in the Coos Bay harbor, which are all privately owned. Port activities are funded by business operations in the Charleston marina complex, leasing of land, and the local tax base. Instead of revenue generation, the Port's focus is on promoting the use of Coos Bay's deep-water port to enhance the economy and quality of life in the region. The Port strives to build a diversified, healthy and stable regional economy along southern Oregon's coast. The Port also serves as a regional economic development entity and an advocate for transportation infrastructure improvements throughout southwest Oregon. The Port's staff works in partnership with the local marine industry to promote maritime commerce in the harbor.

7 In my role as Executive Director of the Port, I have become very familiar with the operations of CORP, a railroad subsidiary of RailAmerica, Inc. CORP provides rail access to many of the terminals at the Port. Given the connection of the Coos Bay Line with the Union Pacific Railroad and the Portland & Western Railroad near Eugene, Oregon, the rail service provided by CORP connected the Port to the national rail network.

8. I previously provided some history of the Port's relationship with CORP in my Verified Statement to the Port's Reply in the "Show Cause" Proceeding at the Surface Transportation Board, Docket 35130 (filed June 3, 2008). I will not repeat that history here, but the Board should consult that prior statement for background if needed.

9. The Port is interested in acquiring CORP's Coos Bay rail line ("Line") for a variety of reasons. As the Board knows, CORP has not provided any rail service to the great majority of the Line since CORP imposed an embargo in September 2007. Moreover, CORP has now taken steps that indicate it may abandon the embargoed section of the Line. This lack of rail service to Coos Bay and the surrounding south coast region since September 2007 has limited the transportation options for area shippers and hurt the local economy. Port economic development efforts have been harmed by a lack of rail service, as certain business entities have lost interest in relocating to the Port area, or using the Port for bulk commodity shipping, once they learned that there was no current rail service

10. As the Port is organized under Oregon law and has commissioners appointed by the Governor, one of the main goals of the Port is to foster a stable and healthy regional economy. The lack of rail service, as well as the erratic CORP service prior to the embargo, have hampered the Port's efforts and damaged the local economy. The Port is interested in

ensuring the long-term success of rail service to the region for the benefit of all communities along the Line.

11. The Port is authorized by Oregon state law to own and operate railroads. In particular, Oregon Revised Statutes § 777.195 states that a port may “[o]wn, acquire, construct, operate and maintain railroad terminal grounds and yards, and construct, operate and maintain such line or lines of railroad, with necessary sidetrack, turnouts, switches and connection and arrangements with other common carriers, as may facilitate water commerce between common carriers and points within the port, and carry and transport freight and passengers.” See Exhibit 3 to the Port’s feeder line application.

12. The Port has sufficient funds to acquire the Line. As shown in the balance sheet attached as Exhibit 4 to the feeder line application, the Port currently has a little over \$7 million in cash reserves as of June 30, 2008. Given the recent end of the Port’s fiscal year, this balance sheet is unaudited, but the Port would be willing to provide an audited version of the balance sheet when it becomes available. In addition to its cash reserves, the Port has secured a \$12.5 million commitment from the Umpqua Bank. See Attachment 1 to my Verified Statement. Three of the major shippers on the Line have agreed to support the credit facility with \$5 million irrevocable letters of credit (for a total of \$15 million), which would only be drawn upon in the unlikely event that the Port defaulted on its credit facility.

13. As stated above, I have some previous experience with rail operations. In addition, the Port believes its experience with the Coos Bay swing span railroad bridge is instructive in showing the Port’s ability to own and maintain rail assets, which is a key component of the feeder line application. Spurred by a strong desire to preserve the long-term future of rail service across the bridge and to the region, the Port determined that the best way to

ensure adequate maintenance occurred was to acquire the bridge. As the Board knows, the Port acquired this bridge in 2000 from the Union Pacific Railroad ("UP"); however, UP retained the obligation to remove the bridge in the event of an abandonment.

14 Over the past several years, the Port has been able to secure funding from a number of sources for bridge restoration. First, the Port obtained roughly \$7 million in funding, with \$5.5 million from the federal TEA-21 program, for bridge repairs in 2003-2005. These earlier repairs have extended the life of the bridge out ten additional years. Since those repairs were a relatively short-term measure, the Port also recently obtained \$8 million from the federal SAFETEA-LU program and \$4 million from the state ConnectOregon program. The bridge repairs to be completed with these funds will likely extend the working life of the bridge 25 years. Unfortunately, these repairs, which were to have begun in late 2007, are now on hold due to the embargo on the rail line. The Port is working with elected officials to re-program funds as needed to be available for all aspects of the Coos Bay Line in order to restore service to the region. If the feeder application is successful, the Port would then seek additional federal and state funding to complete the additional bridge work.

15. The Port also played an instrumental role in securing funds for the construction of the 4-mile North Spit spur rail line in 2004-2005. This new spur off the CORP line was developed to provide direct rail access to the northern edge of Coos Bay and a new facility being constructed by Southport Forest Products. The Port helped secure the \$4.8 million construction cost from sources such as the U.S. Economic Development Administration, the Oregon Department of Transportation Rail Division and the State of Oregon (Strategic Reserve and Special Public Works Funds), Coos County, the North Bay Urban Renewal Agency, the CCD Regional Investment Board, and a loan from the state of Oregon to the Port.

16 In addition to obtaining the funds outlined for rail related projects, the Port was instrumental in securing \$60 million in state funds for the Coos Bay dredging project from the Oregon Legislature and approximately \$1.4 million federal funds for the north jetty. The Port intends to use the expertise in getting this type of funds in the past to help obtain funds for the vital rail service in the future. However, the Port is hampered at this time by the timeframes that CORP has imposed upon rail service to Coos Bay. CORP imposed its embargo with no notice to the Port (and in violation of the Coos Bay bridge and North Spit Spur agreements) and at a time that the state legislature was not in session. CORP has now stated its intention to abandon a portion of the Line, again with little notice to the stakeholders. The State and the Port's budget are set similar to the Board's budget process, which means timing is critical. The State Legislature does not convene until January 2009 to begin the biennial budget and appropriations process for the following biennium. Nevertheless, the Port is committed to exploring every opportunity to re-direct and obtain additional funding to restore rail service to this region.

17. As shown by the examples above, the Port is committed to the resumption and long-term success of rail operations along the entire Coos Bay Line of CORP. The Port has long played a key role in some discrete projects associated with the Line in the past, and the Port now believes the preservation of rail service through the feeder line application will significantly aid the economic health and vitality of the entire southwestern Oregon region.

18. As recommended by its insurance agent based on its current exposure, the Port has \$5 million of comprehensive general liability insurance. See the attached insurance declarations page at Attachment 2. If the Port's feeder line application is successful, the Port will acquire any appropriate additional liability insurance commensurate with short line railroad

operations. Furthermore, the Port will require any contract rail operator to maintain liability insurance in accord with anticipated risks and industry standards.

19. As part of its consideration of and preparation for operating the Line, the Port has been working with shippers to establish a formal business plan. Discussions with most shippers have included evaluation of the appropriate equity or subsidy payment that may be necessary in light of the high operational costs associated with the Line. In particular, the Port and shippers have discussed a per car subsidy in the range of a few hundred dollars. These discussions are ongoing, and there are several additional factors that may impact the level of subsidy needed to maintain reliable rail service. For example, neither the Port nor the shippers know the exact condition of the Line, the costs that will be necessary to rehabilitate the Line, or the revenue division that UPRR provides to CORP.

20. The Port is also committed to working with UPRR to negotiate an appropriate division in light of both the traffic that UPRR stands to gain by a resumption of Line operations and also the salvage cost UPRR would avoid from abandonment and removal of the Coos Bay Bridge.

21. The Port views its ownership of Coos Bay Line as a quasi-partnership with the shippers. In particular, the Port will own and operate the Line with its books open to the shippers and the Port will strive to (1) reduce expenses, (2) obtain capital funding, and (3) increase volumes on the Line. Additionally, the Port will conduct monthly or quarterly business meetings with shippers to discuss pertinent issues, such as rail service and ongoing refinement of the appropriate equity or subsidy payment level. The Port plans to seek five-year volume agreements with the shippers in order to aid planning for the future and determination of the

subsidy payment required. The Port expects the actual subsidy to be continually refined based on actual Line traffic volumes

22. The Port is also working with state and federal elected officials and with the Oregon Department of Transportation to obtain funding that might help minimize any shipper subsidy or shipper equity investment. The Port will provide the Board with details of any subsidy and the status of the discussions with and/or approval by the shippers on the Line as applicable. The Port will not place any other preconditions on shippers for the provision of rail service without shipper agreement and/or Board authorization.

VERIFICATION

I, Jeffrey Bishop, verify under penalty of perjury that the foregoing is true and correct based on my knowledge, information and belief. Further, I certify that I am qualified and authorized to file this Verified Statement.



Jeffrey Bishop
Executive Director
Oregon International Port of Coos Bay

Dated: 7/9/08



UMPQUA
B · A · N · K

July 2, 2008

Oregon International Port of Coos Bay
P O Box 1215
Coos Bay, OR 97420
Attn: Jeffrey Bishop

Dear Jeff,

Umpqua Bank ("Umpqua") is pleased to advise you that it has approved a commitment for the following credit facility to Oregon International Port of Coos Bay on the terms and conditions outlined below. This commitment expires November 1, 2008 ("Acceptance Deadline") unless we extend it in writing prior to that time.

Stand By Letter of Credit

Borrower	Oregon International Port of Coos Bay
Borrowing Limit	\$12,500,000.00
Loan Purpose	To support an application to purchase Coos Bay Branch Rail Line from Central Oregon Pacific Railroad (CORP)
Interest Rate	If drawn upon, balances due under the Letter of Credit will accrue at WSJ Prime Rate plus 5%, fully floating multiplied by 70% to obtain the Tax Exempt interest rate. Rates are calculated on an actual day/360 day basis.

The "WSJ Prime Rate" is the prime rate quoted in the Wall Street Journal

Tax Exempt Financing/Rate Adjustment. The interest rate on this Note is contingent upon Borrower being, and continuing to be, qualified to issue this indebtedness as tax-exempt under applicable IRS regulations. If Borrower at any time ceases to be so qualified, the annual interest rate shall be increased to Index plus .5% from and after the effective date of disqualification. In addition, Borrower shall, within 30 days after filing, provide Lender with a copy of each IRS Form 8038, 8038G or 8038GC filed in connection with the indebtedness evidenced by this Note.

Loan Fee \$62,500. (.5%). Borrower is to pay \$15,000 of the loan fee

700 S Broadway
Coos Bay, OR 97420
ph (541) 269-1122 ext 2
fax (541) 266-8523
email jonimusterl@umpquabank.com

	upon acceptance of this commitment ("Commitment Fee"). with the balance payable at closing
Maturity Date:	1 year from date of issue
Repayment Terms	Due immediately upon presentation of the letter of credit to the bank
Collateral:	Roseburg Forest Products, Georgia Pacific Co., and American Bridge Co., hereafter known as the Designated Shippers, to provide Irrevocable Letters of Credit each in the amount of \$5,000,000 naming Umpqua Bank as beneficiary. Letters of Credit are subject to Umpqua Bank's review and approval in its sole discretion, and will, at a minimum, be of like term and maturity to this Letter of Credit. The Irrevocable Letters of Credit issued from the Designated Shipper's banks will have only the condition that Umpqua Bank's Stand By Letter of Credit must be drawn upon first and that these Letters of Credit will only be used to repay that credit facility with Umpqua Bank. No other conditions will be permitted.
Documentation:	Borrower and the other persons or entities granting a security interest in Collateral for this loan must execute the various loan documents provided by Umpqua in a form and with a content satisfactory to Umpqua by the below stated Closing Deadline. Borrower understands that the loan documents will contain additional covenants and conditions that are not referenced in this commitment letter.
Documentation Fee:	\$250.00.
Closing Deadline:	November 30 th , 2008.

Additional Conditions

Reporting Requirements:

1. Borrower will provide Umpqua with reasonably detailed, annual CPA audited financial statements within 120 days of fiscal year end.
2. At any time requested by Umpqua, Borrower shall furnish any additional information regarding Borrower's financial condition and business operations. This information may include, but is not limited to, financial statements, tax returns, lists of assets and liabilities, aging of receivables and payables, inventory schedules, budgets and forecasts.

Other Requirements:

1. Borrower shall reimburse Umpqua for all out-of-pocket expenses incurred in connection with this credit accommodation upon demand, whether or not this transaction closes or is funded.

Such expenses shall include, without limitation, attorney fees, title insurance fees, travel costs, examination expenses, filing fees, and other customary charges.

- 2 Borrower understands that reliance will be on the Irrevocable Letters of Credit for our Repayment should the line be drawn upon
- 3 This commitment is further subject to Borrower maintaining their major account relationship with Umpqua. If this covenant is not satisfied, Umpqua may increase the interest rate on the Note by 10 % per annum until Borrower is in compliance
- 4 This credit accommodation may not be assigned by Borrower. No third party is intended as a third-party beneficiary or has any right to rely hereon
- 5 All third party fees and attorney fees (both Umpqua's outside counsel fees and fees of Umpqua's in-house counsel) shall be paid by Borrower.

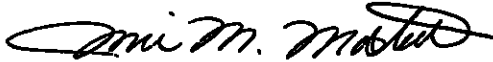
Umpqua's obligations under this commitment are subject to the fulfillment of a number of usual and customary conditions including, but not limited the execution and delivery of loan documents in a form satisfactory to Umpqua and the absence of a material adverse change in the business, financial condition or prospect of Borrower or any Guarantor. The undersigned certifies that any financial information presented to Umpqua in connection with this commitment is and will be correct and complete. Umpqua is authorized to investigate the credit and employment status of Borrower, either directly or through any agent. This commitment supersedes and replaces any prior oral or written commitments, term sheets and discussions relating to this loan. This commitment will expire if the loan documents are not signed and the transaction is not closed by the Closing Deadline, as it may be extended in writing by Umpqua.

Failure to comply with any term, condition or obligation in this letter shall constitute an event of default. A financial, or non-financial default under the terms and conditions of any note, security agreement, this commitment letter or any other commitment letter or document executed by Borrower, in favor of Umpqua, will constitute default of any and all loans and credit accommodations provided to Borrower by Umpqua. The provisions of this letter shall survive the closing of the loan and the execution and delivery of the Loan Documents. In the event of a conflict between this letter and the Loan Documents, the terms of the Loan Documents shall control. Except to the extent modified by any other agreement, all terms, conditions, covenants and other provisions of this letter shall remain in effect until the credit accommodation(s) (including any renewals, extensions or modifications) is terminated and the loan balance(s) is paid in full. By signing below Borrower agrees to comply with all such provisions.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDERS AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE LENDER TO BE ENFORCEABLE.

If the above terms and conditions are acceptable to you, please sign and return the acknowledgment copy of this, along with any applicable Commitment Fee as indicated above on or before the Acceptance Deadline stated above

Sincerely,



Joni M. Mostert
Vice President
(541) 266-2295

ACKNOWLEDGMENT

Borrower hereby accepts Umpqua's offer to extend credit on the terms and conditions stated above.

Oregon International Port of Coos Bay

By: 
Jeff Bishop

Title: Executive Director _____

Date: 7/7/08



Special Districts Association of Oregon

Liability Declarations

Certificate Number 23P16351-259

Coverage Period: 1/1/2008 through 1/1/2009

Named Participant:

Agent of Record:

Oregon International Port of Coos Bay
P O Box 1215
125 Central, Suite 300
Coos Bay, OR 97420

Nasburg & Company
P O Box 1200
375 South Fourth
Coos Bay, OR 97420

Coverage is provided for only those coverages indicated below for which a contribution is shown

Coverage	Per Occurrence Limit	Annual Aggregate	Deductible / SIR	Contribution
Public Entity Liability Coverage Including:	\$500,000	None	N/A	\$35,826.00
Increased Limits of Liability	\$4,500,000	None	N/A	\$2,008 00
Total Limit of Liability	\$5,000,000	None	N/A	N/A
Tort Liability - Coverage A	Included	Included	\$1,000	Included
Federal Acts Liability - Coverage B	Included	Included	\$1,000	Included
Other Junsdictions - Coverage C	Included	Included	\$1,000	Included
Employee Benefits Liability	Included	Included	\$1,000	Included
Wrongful Acts/Public Officials	Included	Included	\$1,000	Included
Employment Practices	Included**	\$5,000,000	\$1,000	Included
Emergency Operations Pollution	Included	Included	\$1,000	Included
Potable Water Treatment Pollution	Included	Included	\$1,000	Included
Auto Liability	Included	Included	None	\$2,114.00
Non-Owned/Hired Auto Liability	Included	Included	None	\$125 00
Additional Coverages				
Unless otherwise indicated in Section II of the SDAO Liability Coverage Document, the following Additional Coverages will not be in addition to the Total Limit of Liability identified above				
Ethics Complaint Defense	\$2,500	\$5,000	None	Included
BOLI Defense Costs	\$50,000	\$50,000	None	Included
OSHA Defense Costs	\$5,000	\$5,000	None	Included
Pollution Coverage - (minimum)	\$100,000	\$100,000	\$1,000	Included
Applicators Pollution Coverage	\$50,000	\$50,000	\$1,000	Included
Injunctive Relief Defense	\$25,000	\$25,000	None	Included
Uninsured/Underinsured Motorist	\$500,000	None	None	Included
Auto Physical Damage	Per Schedule	Per Schedule	Per Schedule	\$746 00
Hired Auto Physical Damage	\$50,000	None	\$100 Comp/\$500 Coll	\$75 00

** \$25,000,000 maximum per occurrence limit for all SDAO Trust Participants involved in the same occurrence

\$5,000,000 maximum per occurrence and annual aggregate limit for all Employment Practices related claims.

\$10,000 employment practices deductible for terminations when SDAO is not contacted for free legal advice in advance

\$10,000 controlled burn deductible if BPSST guidelines are not followed

Forms applicable to participant:

SDAO Liability Coverage Document

Auto Physical Damage Coverage Document

This certificate is made and is mutually accepted by the Pool and Named Participant subject to all provisions, stipulations, and agreements which are made a part of the SDAO Liability Coverage Document. This certificate represents only a brief summary of coverages. Other conditions and exclusions apply as described in the SDAO Liability Coverage Document

Countersigned by

Frank Shattuck

Special Districts Association of Oregon

Tuesday, December 11, 2007

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 3

777.195 Port may engage in certain water commerce-related activities. A port may, for hire:

(1) Acquire, charter, own, lease, rent, dispose of, maintain and operate towboats, barges and other watercraft for the transportation of all kinds of merchandise, freight and commercial or recreational passengers, and engage generally in maritime trade and commerce, within or without the boundaries of this state.

(2) Own, acquire, construct, operate and maintain railroad terminal grounds and yards; and construct, operate and maintain such line or lines of railroad, with necessary sidetrack, turnouts, switches and connection and arrangements with other common carriers, as may facilitate water commerce between common carriers and points within the port; and carry and transport freight and passengers and move passenger trains over the lines.

(3) Acquire, own, lease, rent, operate, maintain and dispose of unit trains and related facilities for the transportation of bulk commodities to facilities within the port from locations within or without the port. [1971 c.728 §22 (enacted in lieu of 777.130); 1979 c.109 §1; 1981 c.879 §2; 2001 c.883 §39f]

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 4

Oregon International Port of Coos Bay
Balance Sheet By Fund
For the Twelve Months Ending June 30, 2008

	General Fund 1	GO Bond Fund 2	Dredge Fund 4	Spec Proj Fund 5	Property Fund 6	Depr Fund 7	Bus Cntr Fund 8	Personnel Fund 9	Rev Fund 10	Rail/Bridge Fund 12	Debt Rss Fund 13	Total All Funds
ASSETS												
Petty Cash-Administration	80	0	0	0	0	0	0	0	0	0	0	130
Petty Cash-Marina	1,434	0	0	0	0	0	0	0	0	0	0	1,434
Alloc Cash in Fund Pool 5347	550,093	0	0	0	0	0	0	0	0	0	0	550,093
General Checking	(622,856)	0	0	0	0	0	0	0	0	0	0	(622,856)
Real Estate Option	0	0	0	25,000,000	0	0	0	0	0	0	0	25,000,000
Money Market HB5038	5,000,000	0	0	0	0	0	0	0	0	0	0	5,000,000
Contra Allocated Cash in Funds	(7,737,939)	0	173,911	5,418,341	1,287,168	540,473	(8,439)	73,914	150,000	139	100,434	0
Money Market Account	2,620,103	0	0	0	0	0	0	0	0	0	0	2,620,103
US Bank Payroll Checking	75,000	0	0	0	0	0	0	0	0	0	0	75,000
Payroll Checking	100	0	0	0	0	0	0	0	0	0	0	100
Cash Held By County Treasurer	20,780	0	0	0	0	0	0	0	0	0	0	20,780
Accounts Receivable-Operating	14,821	0	0	0	0	0	0	0	0	0	0	23,803
Accounts Receivable - Taxes	109,361	1,150	0	0	0	0	9,182	0	0	0	0	110,520
Notes Receivable-Principal	0	0	0	0	27,285	0	0	0	0	0	0	27,285
Notes Receivable - SouthPort	0	0	0	0	211,828	0	0	0	0	0	0	211,828
Allowance For Doubtful Accounts	(19,478)	0	0	0	0	0	0	0	0	0	0	(19,478)
Asset/Land	476,310	0	0	0	0	0	0	0	0	0	0	476,310
Asset/Buildings and Docks	11,327,838	0	0	0	0	0	0	0	0	0	0	11,327,838
Asset/Land Improvements	7,295,110	0	0	0	0	0	0	0	0	0	0	7,295,110
Asset/Machinery-Equipment	1,296,981	0	0	0	0	0	0	0	0	0	0	1,296,981
Accumulated Depreciation	(7,371,012)	0	0	0	0	0	0	0	0	0	0	(7,371,012)
Prepaid Insurance	1,155	0	0	0	0	0	0	0	0	0	0	1,155
Total Assets	13,037,481	1,150	173,911	30,418,341	1,526,379	540,473	2,793	73,914	150,000	139	100,434	46,025,024
LIABILITIES												
Deferred Revenue	183,719	0	0	0	4,330	0	0	0	0	0	0	188,049
Accounts Payable	(6)	0	0	0	0	0	0	0	0	0	0	(6)
Accounts Payable - Interest Acctd	87,846	615	0	7,933	0	0	0	0	0	8,845	0	103,039
Accrued Worker's Compensation	633	0	0	0	0	0	0	0	0	0	0	633
Accrued PERS	(886)	0	0	0	0	0	0	0	0	0	0	(886)
HSA Deduction	45	0	0	0	0	0	0	0	0	0	0	45
LOC Channel Modification	0	0	0	840,285	0	0	0	0	0	0	0	840,285
Note Payable WQ3003 RRB	0	0	0	0	0	0	0	0	0	214,114	0	214,114
Note Payable L69003 DWF	43,386	0	0	0	0	0	0	0	0	0	0	43,386
Note Payable J0001A Call Center	79,339	0	0	0	0	0	0	0	0	0	0	79,339
Note Payable J0001B Call Center	913,224	0	0	0	0	0	0	0	0	0	0	913,224
Note Payable 040-164 Call Center	205,878	0	0	0	0	0	0	0	0	0	0	205,878
Note Payable L01002 Shoyd Upgrad	232,859	0	0	0	0	0	0	0	0	0	0	232,859
Note Payable J01001 Skatlenud	64,745	0	0	0	0	0	0	0	0	0	0	64,745
Note Payable L67001 DWF	117,863	0	0	0	0	0	0	0	0	0	0	117,863
Note Payable GO Bond	25,000	0	0	0	0	0	0	0	0	0	0	25,000
Note Payable Unmpqua Marina Dcks	162,152	0	0	0	0	0	0	0	0	0	0	162,152
Note Payable Rail Spur/Peterson	836,494	0	0	0	0	0	0	0	0	0	0	836,494
Note Payable Unmpqua Bank 2006A	0	0	0	10,000,000	0	0	0	0	0	0	0	10,000,000
Note Payable L06006	0	0	0	15,000,000	0	0	0	0	0	0	0	15,000,000
Total Liabilities	2,952,304	615	173,911	25,848,218	4,330	0	0	0	0	220,759	0	28,028,228
Equity												
Excess/Deficiency Income Over Exp	10,085,177	544	173,911	4,570,123	1,522,046	540,473	2,793	73,914	150,000	(220,620)	100,434	16,998,798
Total Equity	10,085,177	544	173,911	4,570,123	1,522,046	540,473	2,793	73,914	150,000	(220,620)	100,434	16,998,798
Total Liability & Equity	13,037,481	1,150	173,911	30,418,341	1,526,379	540,473	2,793	73,914	150,000	139	100,434	46,025,024

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
- FEEDER LINE APPLICATION -
LINE OF CENTRAL OREGON & PACIFIC RAILROAD, INC.
BETWEEN DANEBO AND CORDES, OR**

EXHIBIT 5

**VERIFIED STATEMENT
OF
CHARLES H. BANKS**

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, D.C.**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
- FEEDER LINE APPLICATION -
LINE OF CENTRAL OREGON & PACIFIC RAILROAD, INC.
BETWEEN DANEBO AND CORDES, OR**

EXHIBIT 5

**VERIFIED STATEMENT
OF
CHARLES H. BANKS**

I. Qualifications

I am Charles H. Banks, President of R.L. Banks & Associates, Inc. (RLBA), railroad transportation economics, engineering and planning consultants, located at 2107 Wilson Boulevard, Suite 750, Arlington, VA 22201. RLBA is a nationally recognized leader in the provision of short line railroad viability, valuation and due diligence consulting services, all of which are germane to this proceeding. My personal qualifications are detailed in Attachment A. I have prepared this Verified Statement in support of the Feeder Line Application that the Oregon International Port of Coos Bay (OIPCB) is submitting to the Surface Transportation Board (STB) in order to acquire a segment of railroad line from the Central Oregon & Pacific Railroad, Inc. (CORP) between Danebo, OR and Cordes, OR.

II. Summary and Scope of Testimony

My testimony in this Verified Statement addresses four subjects:

(1) the Going Concern Value (GCV) of the Coos Bay Branch Line (for purposes of my analysis the segment between Danebo and Coquille) (Section III);

(2) the significance of the segment between Danebo and Vaughn with regard to the GCV and the economic viability of future operations after acquisition of the Line by the OIPCB (Section IV),

(3) the Operating Plan on the Line after its acquisition by the OIPCB (Section V) and

(4) the effect of the OIPCB acquiring the segment between Danbo and Cordes on CORP's overall performance (Section VI).

My testimony in this Verified Statement must be considered preliminary because I have not been allowed to enter upon and examine CORP's rail property, to interview its current employees, or to review CORP's internal business records and documents pertaining to its operation of the Coos Bay Branch Line, and the economics of those operations. Instead, I have relied chiefly upon RLBA's observation of the line from publicly accessible points, interviews that I and my staff conducted with shippers and other knowledgeable persons, statements and materials that CORP and RailAmerica have made in public, or made available to the public, and information within the databanks of RLBA.

III. Going Concern Value

In order to make a preliminary assessment of the GCV of the Coos Bay Branch Line, I reviewed numerous documents related to this matter including several filed before the STB. In one of those documents, the Verified Statement of Paul Lundberg, RailAmerica's Vice President, filed in support of CORP's Response to the STB's *Show Cause* order, Mr. Lundberg states, at page 5, that CORP incurred "operating losses" of \$578,000, \$939,000, \$1,170,000 and \$792,000 in 2004, 2005, 2006, and in less than nine months of 2007, respectively. Presumably those "operating losses" exclude the significant rehabilitation expenditures that must be made to offset CORP's deferred maintenance, which characterizes the condition of the railroad physical plant owned by CORP. CORP has estimated this rehabilitation investment to be \$23 million. Thus, the foregoing losses likely understate the true financial condition of the Coos Bay Branch Line.

I have no reason to dispute or challenge the veracity of the operating losses cited by Mr. Lundberg in his Verified Statement. Indeed, his statement is consistent with numerous other public statements made by CORP and RailAmerica and with public materials that they have produced in relation to the ongoing embargo. Anecdotal information obtained from numerous sources as well as the facts my staff and I obtained from past and current CORP customers are consistent with that statement, as regards the line's poor financial performance under CORP management.

Given the increasingly negative financial performance of the Coos Bay Branch Line under CORP, it is my preliminary conclusion that the GCV of the line is significantly less than zero.

IV. The Segment Between Danebo and Vaughn

CORP and RailAmerica statements and materials regarding the Coos Bay Branch Line's operating losses have sometimes referred to the entire branch (between Danbo and Coquille) and sometimes to a smaller segment thereof, while other times the statements and materials are

ambiguous with respect to the geographic territory being characterized. For example, the statement of Mr. Lundberg, noted above, apparently refers to the segment between Danebo and Coquille. Assuming for the sake of argument that Mr. Lundberg's recent statement as to CORP's operating losses excludes traffic on the segment between Danebo and Vaughn, the addition of such traffic, at best, only would slightly diminish those substantial losses. The Coos Bay Branch Line still would experience a serious cash flow shortfall on an annual basis, particularly if sufficient infrastructure maintenance were performed to keep the physical plant in a steady state of repair, and therefore it would have a zero or negative GCV.

There are three rail shippers on the active segment between Danebo and Vaughn: Rosboro at Vaughn, and Swanson Group, Inc. and Swanson Brothers, Inc. at Noti. Rosboro records indicate that it generated 82 carloads in 2006, 30 in 2007 and closed down due to market conditions on January 31, 2008. Swanson Group records indicate that it generated 830 loads in 2006, 667 in 2007 but only 4 in 2008. Swanson Brothers shipped 58 carloads in 2006, 61 carloads in 2007 and project that it will tender 55 carloads throughout 2008. Assuming revenue of \$600 per carload, based upon a letter submitted to the STB on April 29, 2008 by J. Michael Hemmer of Union Pacific Railroad, this traffic would have generated additional gross revenue of \$582,000 in 2006 and \$454,800 in 2007, not nearly enough to offset CORP's operating losses of \$1,170,000 and \$792,000 even if those *gross revenues* on the active portion were transformed into revenues net of incremental operating expenses. Of course, they are not net revenues because CORP's incremental operating costs have not been included in my hypothetical example above. Thus, it is plain that the segment between Danebo and Vaughn is not sufficiently robust financially as to convert the Coos Bay Branch Line into a profitable enterprise.

At the same time, I note that the segment between Danebo and Vaughn is clearly an important part of the overall economics of the Coos Bay Branch Line, and the loss of that traffic, if CORP remained on that segment, would diminish the overall viability of the branch to a new operator. At page 4 of its June 24, 2008 Environmental Report, filed in Docket AB-515 (Sub-No. 2), CORP stated that 4,707 carloads originated or terminated on the subject line in its "Base Year" of September 2006 through August 2007. Dividing those 4,707 loads by the 119.5 miles of line that are the subject of its Environmental Report at page 1, yields slightly more than 39 loads per mile per year. Based on interviews my staff conducted with the foregoing three shippers and other information, we believe that they would generate approximately 1,334 carloads per year annually if CORP's successor provided a consistently high and reliable level of service. Those 1,334 carloads equate to more than 67 carloads per mile per year on the segment between Danebo and Vaughn. Thus, the relatively small segment makes a significant contribution to the line's overall economics.

Additionally, CORP's continued ownership of the eastern part of the Line could constitute a "steel barrier," meaning that CORP could extract various charges related to the movement of traffic over the segment. CORP's ownership also could reduce efficiency, as the new operator would presumably be required to affect an otherwise unnecessary interchange with CORP at Vaughn. Such an interchange likely would require an otherwise unnecessary investment in rail infrastructure to facilitate storage and switching operations which would have an adverse impact on service to all Coos Bay Line customers. The same traffic then would be subjected to

another interchange with UPRR in the vicinity of Eugene just a few miles away. Increased costs inevitably would arise from the unnecessary handling of freight and ultimately would be passed on to customers, weakening the competitiveness of rail transportation. Moreover, the scenario is undesirable because additional interchanges increase the risks of damage to the lading and rail equipment and injuries to rail employees.

V. Operating Plan and Related Issues

Assuming that it is successful in its Feeder Line Application, I would recommend and expect that railroad freight service would be operated at least three days each week in each direction between Coos Bay and Union Pacific's yard in Eugene, whether or not the OIPCB elected to operate the rail freight service itself or contract it out. Further, I would recommend that the operating plan evolve to a more frequent one, yielding a superior level of service, as traffic volumes rebounded in response to more reliable service delivery.

The initial operating plan would encompass a road train pulled by two GP 38's or similar locomotives departing Eugene for example on Mondays, Wednesdays and Fridays in the direction of Coos Bay. Westbound road trains would operate via trackage rights over UP between Eugene and Danebo to interchange with Portland & Western Railroad, Inc. Then the crew would switch American Bridge located at Reedsport, proceed south and, ideally, take the train into the yard at Coos Bay. However, in the event the westbound road crew encountered problems along its route or, if the Coos Bay Railroad Bridge was not available¹ to facilitate a timely crossing, the crew would leave the train at Cordes

A local crew, working five or six days a week, would report daily to the Coos Bay yard office and, as appropriate, "taxi" to Cordes. While in Cordes, the local crew would have the option of using one or more of the westbound road units to switch customers in North Spit (Southport Forest Products and AmeriGas). In any case, the local crew would use the road engines to pull the westbound road train into Coos Bay yard and would break up the westbound road train there to facilitate local switching. Over the course of two days, it would use one assigned GP 15-1 or similar locomotive to shuttle cars to customer Roseburg Forest Products in Coquille and switch Coos Bay customers Georgia-Pacific and Ferrelgas. Prior to and after the arrival of the westbound road train, the local crew would finish pulling outbound cars from (and placing inbound cars at) customers, to begin building the eastbound road train. Finally, the local crew would make up the eastbound road train and ideally move it over the Coos Bay Railroad Bridge, positioning it at Cordes, so as to minimize interference experienced by the road crew with traversing the Coos Bay Railroad Bridge and save that crew precious hours on duty.

The eastbound road train crew would report to the Coos Bay yard office and would "taxi" to Cordes. That eastbound road crew would depart Cordes for example on Tuesdays, Thursdays and Saturdays, switch Coos Head Lumber and any of the three customers at Noti/Vaughn and

¹ The Coos Bay Railroad Bridge is a swing span over navigable waters in Coos Bay. It is normally kept in the open position to facilitate the passage of ships so a train might have to wait at Cordes until the bridge was closed to accommodate rail operations

interchange with Portland & Western Railroad, Inc., on its way into Eugene. Once a week, the switch crew might be "taxied" to Eugene to relieve the road train crew, especially if the road crew was working many eleven or twelve hour shifts

As traffic volumes increased, I would recommend and expect that the operating plan would evolve in one of two ways. In the first enhanced operating scenario, the plan would be identical to the one portrayed above except that road trains would depart Eugene and Cordes five days a week. The switch crew's assignment would be as before, except that the benefits of relieving the road crews would be lessened because they would each be assigned to work only five days a week, versus six previously.

The enhanced operating scenario would cost more than the initial operating plan because it would require at least four road locomotive units plus a spare instead of two plus a spare, twice as many road crews and more away from home terminal expenses (hotels, meals and "taxi" costs). On the other hand, those costs would be somewhat offset by lower freight car equipment rents, as the average number of days that any customer's freight cars spent on the Coos Bay line should decline. But the primary reason to enhance the operating plan would be to better align the interests of the serving railroad carrier and its customers; more railroad freight service should translate into more traffic tendered to the carrier and vice versa.

The second enhanced operating scenario would comprehend a road crew leaving both Eugene and Cordes five days a week but, instead of running through to the other end of the line as above, the crews would meet in the passing siding at Mapleton, near the middle of the line, climb off their respective engines and onto the other's and bring the new consist back to the crew's original terminal. Aside from saving hotel and other per diem costs, this operating scenario offers the road crews the advantage of a higher quality work experience as they would be able to sleep in their homes every night. Such a labor friendly job assignment would pay off in terms of higher employee retention and better quality sleep, which presumably would result in a safer railroad.

While I deem this second enhanced scenario superior to the first one, it requires more coordination and a more consistently achieved operating schedule. Therefore, I would initially recommend that, when traffic volumes warrant, the rail line operator increase its service from three days per week by instituting the first enhanced operating scenario described above. When the operator is confident that coordinating the swapping of crews at Mapleton can be achieved consistently, I would recommend that the second enhanced scenario be instituted due to its cost and employee morale benefits. The operator always could revert to the first enhanced scenario in the event the required consistency was not achieved.

I would recommend that routine and program track maintenance be contracted out to any one of several contract maintenance organizations located throughout the country, operating under the authority and management of the Coos Bay short line operator. Regarding locomotives and equipment maintenance, I understand that the OIPCB may be amenable to working with CORP. In fact, I would recommend that the OIPCB or its operator contract with CORP to lease its locomotives formerly used on the line. Moreover, it is my understanding that CORP possesses excess capacity in its Eugene shops given the cessation of most operations on the

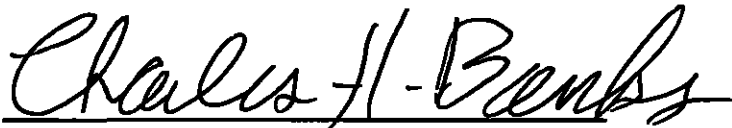
Coos Bay Line. I would suggest that the OIPCB or its operator seek to contract with CORP to maintain the new operator's locomotives and rail cars. This would allow CORP to make use of excess capacity in its Eugene shops, while also taking advantage of CORP's familiarity with the locomotives (whether or not they are leased from CORP). Such an agreement would achieve a "win-win" for the involved parties and, hopefully, would encourage them to find a way to work together. If they could not find a mutually beneficial way to work together, I would recommend that the operator find an alternative location at which to perform the necessary maintenance functions.

VI. Effect on CORP's Overall Operational Performance

In my opinion, the feeder line sale of the segment between Danbo and Cordes to the OIPCB will not have an adverse effect on CORP's overall operations in Oregon. CORP's rail network is comprised of two primary branches: the Coos Bay Branch and the Siskiyou Branch. Although the two branches converge in the vicinity of Eugene, they do not connect and are operated independently. Trains and crews working on the Siskiyou Branch are dedicated to that branch, meaning that they did not typically operate on the Coos Bay Branch. Similarly, trains and crews formerly operating on the Coos Bay Branch did not typically operate on the Siskiyou Branch. Accordingly, the sale of the Coos Bay Line will not cause operational dislocation because CORP's operations are segregated, rather than integrated. In fact, the sale should simplify CORP's operations in the vicinity of Eugene and allow CORP to focus its resources on its Siskiyou Branch.

Verification

I, Charles H. Banks, verify under penalty of perjury that I am the same Charles H. Banks whose statement of Qualifications appears in Attachment A; that I am sponsoring and responsible for the going concern valuations contained herein and the assumptions upon which they are based, that I know the contents thereof and that the same are true and correct. Further, I certify that I am qualified and authorized to file this statement.



Charles H. Banks

Subscribed and sworn to before this 1st day of July, 2008.



Notary Public



Reg #103583

Charles H. Banks
President

Education

MBA, University of Pennsylvania, Wharton School of Business, 1977
BA Economics, Haverford College, 1974

Professional Affiliations

Transportation Research Forum

Years of Transportation Experience

33

Qualifications

Since joining RLBA in 1985, Mr. Banks has focused on strategic planning, railroad line valuation and negotiation issues, and evaluation of the economics involved with financing the acquisition, expansion or rehabilitation of numerous short line and regional railroads, often assessing their potential viability as part of due diligence studies performed by the firm. He has examined the competitive economics of continued or proposed unit coal train movements to utilities and industrial customers on many rail lines. When evaluating intermodal and intramodal transport competition and other modal choices, Mr. Banks has interviewed hundreds of the largest existing and prospective rail customers on the I&M Rail Link, Wisconsin Central Ltd., Iowa Interstate Railroad, Dakota, Minnesota & Eastern Railroad and more than a dozen other enterprises as well as many large industrial customers served by Class I railroads.

Relevant Project Experience

- **PYCO Industries** Directed RLBA's participation through development and submission of testimony in support of an STB feeder line application to acquire certain South Plains Switching, Ltd. Co. (SAW) rail lines serving multiple customers in Lubbock, Texas by PYCO Industries, the largest cottonseed cooperative in the southeastern United States. Developed going-concern values of three, alternative rail asset transfer scenarios as well as analyzing historical, existing and future traffic volumes. Provided four Verified Statements illustrating financial analyses of current and future rail operation viability and going concern values, considering potential rehabilitation costs to cure years of deferred maintenance. Written testimony included rebuttal statements to differing opinions offered by witnesses on behalf of SAW and a competing feeder line applicant.
- **Grafton and Upton Railroad Company** Led a strategic disposition analysis of 15.4 mile short line railroad between North Grafton and Milford, Massachusetts for a private investor and co-owner. Examined and reported on the carrier's prospects as a going concern as compared with net liquidation values that could be realized from sale of company-owned locomotives, rail and land assets. Physically inspected the line.
- **Railroad Development Corporation** Managed an updated valuation of the Iowa Interstate

Railroad, Ltd. as a going concern. Assessed the carrier's traffic volume and revenue prospects, based on historical and projected performance.

- **Federal Railroad Administration (FRA)** Reviewed applications to FRA in connection with obtaining way and structure rehabilitation financing. Interviewed major customers of the Iowa Interstate Railroad, Ltd., the Gulf & Mississippi Railroad Corporation, and the Dakota, Minnesota & Eastern Railroad to assess those carriers' commercial prospects. Interview subjects included representatives of major industrial and agricultural rail shippers and/or receivers, including large grain elevator managers and officials of connecting carriers. Information gleaned from interviews and other materials was used to develop five year carload, freight, switching, demurrage, and other traffic volume and revenue forecasts.
- **Irving Trust, New York Life and Berkshire Partners** Interviewed 14 major rail users to assess intra- and intermodal alternatives in Wisconsin Central Ltd.'s service area. In connection with acquisition financing, conducted special studies of the highly competitive pulp and paper, TOFC and coal markets.
- **Bank of Boston, Bank of Montreal** Coordinated RLBA's extensive due diligence efforts in connection with I&M Rail Link, the largest, newly created U S regional railroad. Presented RLBA's findings to prospective lenders.
- **New Jersey Transit** Served as RLBA's lead staff member providing numerous services in support of this state-of-the-art, new-start, diesel light rail system DBOM procurement. Guided studies of real estate, rail asset and going-concern valuations. Participated in numerous meetings with Conrail, CSXT and NS staff to develop and refine numerous shared track/right-of-way operating/capital improvement plans. Drafted or oversaw the development of a Letter of Intent and a Construction Agreement governing the rights and responsibilities of the freight carrier/track owners, project sponsor New Jersey Transit and the DBOM consortium.
- **Massachusetts Bay Transportation Authority** Managed real estate, rail asset and going-concern valuations to assist the MBTA in determining a range of likely acquisition access costs in connection with starting commuter rail services to New Bedford and Fall River.
- **Maryland Mass Transit Administration** Oversaw the development of real estate, rail asset and going-concern valuations in connection with negotiations to acquire seven-miles of short line railroad that were used to host Baltimore's Central Light Rail Line. Interviewed existing and prospective freight customers to determine their rail service requirements, which information affected both the going-concern valuation and the rehabilitation schedule and cost, and shaped both the shared use operating agreement and the level of capital improvements necessary to minimize interference between freight and passenger services.
- **Amtrak** Determined the net present going-concern value of Boston and Maine Corporation (B&M) freight operations between Brattleboro and Windsor, Vermont, which line Amtrak sought to acquire through condemnation to restore its "Montrealer" train. The calculation, derived by a computer model which compared the financial posture of B&M before and after a

contemplated taking, was the subject of four joint Verified Statements on just compensation submitted by Mr. Banks and RLBA's Chief Executive. Ultimately, the U.S. Supreme Court ruled in favor of Amtrak's position and valuation.

- ***St. Louis Car Company*** Examined traffic prospects, oversaw rail asset and going-concern valuations and contributed to a business plan presented in connection with the prospective purchase of SP's Owensville Branch.
- ***New York City Economic Development Authority*** Oversaw the development of rail asset and real estate valuations, conducted a Rail Line Acquisition Planning Seminar, and supported negotiations resulting in public sector acquisition of a rail line linking the U.S. mainland with an intermodal port facility to be rebuilt on Staten Island.
- ***Central Vermont Railway, Inc.*** Determined the net present going-concern value of Boston and Maine Corporation (B&M) freight operations between Brattleboro and Windsor, Vermont, which line Central Vermont sought to acquire through condemnation to restore its "Montrealer" train. The calculation, derived by a computer model which compared the financial posture of B&M before and after a contemplated taking, was the subject of four joint Verified Statements on just compensation submitted by Mr. Banks and RLBA's Chief Executive. Ultimately, the U.S. Supreme Court ruled in favor of Central Vermont's valuation.

Prior to joining RLBA, Mr. Banks was Director of Strategic and Financial Planning at the United States Railway Association (USRA), the public corporation which restructured bankrupt Northeast railroads into Conrail. There, he identified Conrail's competitive advantages and rebutted valuation claims exceeding \$1.3 billion, including extensive testimony as an Expert Witness. Previously he worked in Strategic Planning and in the Costing and Economic Analysis section of Conrail's Finance department. Prior to Conrail, at the Bureau of Transportation Research at Southern Pacific, he completed numerous capital budgeting assignments, prepared abandonment studies and testified before public utilities commissions. He also worked in the Operating and Market Research Departments of railroads subsequently acquired by Norfolk Southern, CSX Transportation and Union Pacific.

Publications and Presentations

Speaker, "The Relationship of the Coal, Coal-Fired Utility and Railroad Industries," The Illinois Clean Coal Institute's 15th Contractors Conference, 1997; "How to Identify Viable Lines: The Lending Institution Consultant's Perspective," Canadian Short Line Railroad Conference, Toronto, 1993; Co-authored, "Breaching the Barriers to Moving Waste-by-rail," *Waste Age*, February 1992; Co-author, Series of articles on waste-by-rail, *The Management of World Wastes*, September 1990 - April 1991.

Media Recognition

Mr. Banks has been quoted extensively in the *Wall Street Journal*.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 6

BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC

STB FINANCE DOCKET NO. 35160

OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR

VERIFIED STATEMENT
OF
GENE A. DAVIS, P.E.

EXHIBIT 6

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Two	Net Liquidation Value of Track Assets
Three	Gross Liquidation Value of Track Assets
Four	Yard Tracks and Sidings Summary
Five	Summary of Turnouts
Six	United States Coast Guard Letter (Mr. Austin Pratt)
Seven	Permitting Cost Estimate
Eight	Gene A. Davis, P.E. Resume

**BEFORE THE
SURFACE TRANSPORTATION BOARD
WASHINGTON, DC**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
– FEEDER LINE APPLICATION –
LINE OF CENTRAL OREGON & PACIFIC RAILROAD
BETWEEN DANEBO AND CORDES, OR**

Introduction

The Oregon International Port of Coos Bay (Port) engaged R.L. Banks & Associates, Inc. (RLBA) to evaluate and determine the Net Liquidation Value (NLV) of the track assets owned by the Central Oregon & Pacific Railroad (CORP) over which rail service previously had been provided between Danebo and Cordes, Oregon but has since been embargoed west of Vaughn because of tunnel conditions beginning with Tunnel 13 at MP 669.47. The subject rail line is between milepost (MP) 652.11 and 763.13 all of which has existing track, ties, ballast, switches, and other track materials (OTM).

On behalf of RLBA, I was asked to determine the NLV of the subject track assets (excluding land and rolling stock) as of April 18, 2008. My conclusions are set forth in this Verified Statement which is attached to the Port's Application being filed in this proceeding. In this Verified Statement, I present the assumptions and other calculations underlying my conclusions.

Description of the Railroad

CORP-owned properties between Danebo and Cordes, Oregon that are the subject of this report are portions of the former Southern Pacific Transportation Company Coos Bay Branch and are described in more detail below. Under instruction from the Port, I viewed the track structure from publicly available locations and I participated in an aerial helicopter inspection of the line on April 14, 2008. I understand that CORP would not

allow the Port or its consultants to have on-site access to CORP track or facilities. I gained further information from printed information such as a track chart provided by the Port.

The subject line consists of a single main track with a few short sidings which formerly hosted several active customers before CORP embargoed the Line. During the inspection, Port representative Martin Callery (Director of Communication & Freight Mobility) accompanied me on April 14 through 16, 2008 and provided me with a history of rail movements on the corridor. Track contained within the subject limits between MP 652.11 and MP 763.13 totals 119.87 miles, 111.02 of main track and 8.85 miles of side and industry track. Mainline track in this segment was previously maintained to Federal Railroad Administration (FRA) Class 2 standards, capable of supporting freight train speeds of up to 25 miles per hour (MPH).

The portion of the line encompassing the track and other track material (OTM) contains 266 curves, 50 turnouts, nine tunnels, 108 bridges (of all types of construction including two swing span bridges) and 129 culverts in the evaluation area. I believe there are a total of 68 at-grade, highway-rail crossings including 41 public road crossings in the subject area (featuring both passive and active protection) and 27 additional, private road crossings (some with passive protection). In addition to the at-grade, highway-rail crossings, there are six overhead bridge crossings in the corridor. Maximum gradient on the line is 0.6 percent.

The 119.87 miles of mainline, side and industry track varies in rail size throughout the entire corridor and is comprised of numerous rail sections including 136, 132, 131, 115, 113, 112, 110, 90 and 85 pounds per yard regular jointed and continuously welded rail (CWR) rolled predominately in the 1950's, 1960's and 1970's. My valuation reflects the information gained through the limited physical inspection and information provided through printed and verbal sources. The evaluation covers rail, ties, ballast, switches and OTM including joint bars, anchors, tie plates and spikes. A summary of the assets evaluated appears in the Attachments attached to this Verified Statement.

Net Liquidation Value

As summarized in Table 1 on the next page and detailed in Attachment Two of this Appendix, the aggregate, track-related NLV of all selected CORP-owned property,

(119.87 miles of railroad main, side and industry track) was \$8,901,100 as of April 18, 2008. That figure was determined through my physical (spot checking of publicly available locations) and aerial inspection of the property on April 14 through 17, 2008, as well as additional information obtained from the Port and rail assets suppliers. Supplementary information was obtained from track charts and other descriptive documentation supplied by the Port as well as application of market prices and typical removal costs.

I estimated the mainline to be comprised of 111.02 track miles of heavy and medium weight (136, 132, 131, 115, 113, 112 and 110 pounds per yard) regular jointed and CWR. Side and industry track mileage was estimated at 8.85 miles of light weight (90 and 85 pounds per yard) regular jointed rail. A detailed breakdown of total mileage by rail weight is shown in Attachment One.

Determination of Net Liquidation Value

The total estimated NLV of all CORP track assets in the evaluated area (excluding land and rolling stock) is \$8,901,100 and is based on April 18, 2008 salvage, relay and scrap prices as summarized in Table 1 below.

Table 1

NLV of Certain Track Assets
CORP-Owned Rail Line
(dollars in thousands)

Gross Liquidation Value – In Situ Materials	\$21,809.1
Less Liquidation Expenses	
Preparation Cost Adjustments	\$1,459.0
Restoration Cost Adjustments	7,687.3
Preliminary Track Liquidation Value	\$12,662.8
Administration, Marketing and Transportation Expense	\$3,761.7
Net Liquidation Value	\$8,901.1

Source: Attachment Two

I determined the NLV through four principal steps: first, computation of Gross Liquidation Value (GLV), the market value of salvageable assets (primary components with a value greater than related liquidation expenses); second, calculation of various Liquidation Expenses; third, Preliminary Track Liquidation Value, that value remaining after

deductions of Liquidation Expenses due to removal and restoration as necessary to render assets saleable and preparation of the corridor for non-rail use; and fourth, Net Liquidation Value (NLV), that value remaining after deductions of Administrative and Marketing Expenses as well as conduct of the sales process such as materials Transportation Expense

The rail assets constituted the largest proportion of NLV; however, ties also possess noteworthy value. Market prices utilized in the calculation of NLV were believed appropriate given the observed condition of the ties and steel materials in place (as noted earlier, I was only able to physically inspect the Line from publicly available locations) and were obtained from L.B. Foster, American Metal Market and RLBA's databanks.

Methodology To Compute NLV

NLV was determined through application of a multiple step process, the building blocks of which were:

1. Gross Liquidation Value
 - a) Fixed Asset Ownership
 - b) Fixed Asset Inventory
 - c) Inventory Adjustment for Wear and Recovery Reductions
 - d) Application of Market Value Unit Prices
2. Liquidation Expenses
 - a) Removal Expenses
 - b) Restoration Expenses
3. Preliminary Track Liquidation Value [(1) - (2)]
4. Administrative, Marketing and Transportation Expenses and
5. Net Liquidation Value [(3) - (4)].

Attachments One, Two and Three to this report provide detailed computational data, including inventory and unit costs by type of asset valued

Gross Liquidation Value

GLV in the context of this analysis was defined as current retail market value (with the exception of ties, which would be wholesaled) of all fixed assets as if they were available

for immediate sale. Bridges, highway crossing devices, ballast and culverts, as will be explained later, yield no positive NLV value in most cases because of high removal costs.

Fixed Asset Ownership

In performing this track-related NLV evaluation, RLBA assumed that CORP owns all the subject rail assets in fee simple.

Fixed Asset Inventory

To assess the physical condition of the track assets (given the limitations of viewing the track from publicly available positions), Mr. Gene A. Davis, P.E., an experienced railway engineer and former Assistant Division Engineer of Norfolk Southern, conducted a four-day inspection of the selected area by spot checking track conditions from road crossings and nearby highways as well as an aerial inspection via helicopter on April 14 through 17, 2008. Data concerning track condition and inventory obtained during that field inspection was used in developing this NLV report in addition to materials provided by the Port and RLBA databanks.

Steel. The most significant marketable materials reflected in this valuation were steel track components, assumed to be sold for railroad reuse or as steel mill scrap, depending upon condition. Generally, rail in the main track can be designated as relay, re-roll, or scrap, all of which have significant monetary value. Relay rail is the highest value, and consists of rail that can be re-used in other railroad applications. Industry practice is to avoid relay classification if rail is less than 90 pounds per yard or if it exhibits more than 1/4 inch wear. I did not classify any of the CORP rail assets as relay for several reasons. First, as shown in Attachment One to this Verified Statement, most of the rail on the line is fairly old with it being rolled in the 1950's and 1960's. Increased age leads to lesser quality due to wear and exposure to the elements. Second, my investigation revealed that a noticeable amount of the rail on the Line was second-hand (presumably from other Southern Pacific lines in the 1950's and 1960's) when it was originally installed. Third, my limited on-site inspection did not warrant classification of the rail as relay. It is possible that some of the Line's rail could actually be relay rail, but based on the limited information currently available, the most prudent action was to classify roughly 80% as re-roll and 20% as scrap

After relay, re-roll rail is the next highest value application. Reroll rail is rolled into new non-rail products. Rail not suitable for reroll because of excessive side head wear, excessive metal flow, holes mid-rail, short length or attached asphalt or concrete is suitable only as scrap. Reroller rail brings higher dealer prices than scrap. I estimated a greater percentage of CORP-owned rail would be classified as reroller than that of scrap; however those figures might merit adjustment after a physical inspection of the track. Scrap is divided into two categories: rail and other track material (OTM) such as joint bars, tie plates, rail anchors, nuts, bolts, washers and spikes. OTM commands a higher price than rail because it avoids the extra effort required by mills to cut rail into sections suitable for melting. Attachment Three displays the values assigned to each rail and OTM classification.

All 119.87 miles of main and side track rail was believed to be constructed with 85, 90, 110, 112, 113, 115, 131, 132 or 136 pounds per yard weight to American Railway Engineering Association (AREA) and American Society of Civil Engineers (ASCE) specifications. (See Attachment One for manufacture dates and locations of each rail type.) The following grading was based upon RLBA estimates and information I gathered during my field inspection. Rail contained within sidings was assumed to be 90 pounds per yard while industry track rail was assumed to be 85 pounds per yard. Rail classifications are detailed in Attachment Three. Attachments Four and Five provide data concerning yard track and siding rail and turnout inventories respectively.

I assumed turnouts to be consistent with the adjacent location rail size according to the track chart. Five of the fifty main and industry track turnouts on the subject CORP-owned lines were classified as relay quality since they were of 115 or greater pounds per yard rail and switch components. All turnouts were assumed to be hand throw and main track switches were assumed to be a #10 turnout with a rail-bound manganese (RBM) frog. Turnouts shown on the track chart diverging from sidings were assumed to be of 90 pounds per yard rail and components. Industry track turnouts branching off siding leads were assumed to be constructed of 85 pounds per yard rail and components. For a complete list of turnout information, please refer to Attachment Five.

All double shoulder tie plates used on 136, 132, 131, 115, 113, 112 and 110 pound rail were classified as relay, even if the rail they supported was classified as scrap because they can still be sold in the relay market. Joint bars and rail anchors were assumed to be sold as scrap. CWR was assumed to contain about five percent of the number of joint

bars as regular jointed rail when turnouts are present. All other track material (OTM) such as nuts, bolts, washers and spikes were valued as scrap.

Ties. Because tie installation costs often approach tie material costs, only recently installed ties are suitable for rail reuse. The cost to sort, handle, transport and inventory ties is high, and in comparison with the wholesale prices they command, generally yield only a low net liquidation value. Normally, RLBA samples blocks of 100 ties at varied locations (usually about every five miles) throughout the valuation limits to determine tie condition. In this case, given the criteria limiting access to the track structure, I used the FRA class of track to estimate tie conditions. Using FRA Class 2 track standards, each 39 foot segment (equivalent to a normal rail length) must contain nine effective ties to remain in that track class. Most normal rail lengths of 39 feet contain a total of about twenty-three ties. I estimated that of those twenty-three ties, four would be of relay quality (eighteen percent), fourteen (or about 60 percent) would be classified as landscape and five (twenty two percent) would be classified as scrap. In other words, five of the nine effective ties would likely be classified as landscape quality only. During inspection, ties appeared to be consistent with the assumptions made above but could be refined at a later date if a more in-depth inspection were allowed. The vast majority of the ties most likely could not be sold for reuse in railroad applications. To maintain FRA Class 2 tracks standards, overall tie condition would need to be at least in fair condition.

Ballast. No value, net of the cost of sale, was attributed to the ballast. Some sales to townships or private individuals for roadway or farm road gravel would be possible but those were assumed to be of limited magnitude and approximate removal costs.

Other Track Assets. Traditionally, no net liquidation value is assigned to signals and communications facilities, highway crossing signals, highway crossing panels, bridges, or culverts on the line in the calculation of the NLV by RLBA and its experts. Highway crossing signals generally have little or no alternative use value. Use by even a short-line railroad to replace a damaged signal is unlikely; typically, no inventory is kept on-hand and new replacements are ordered from standard suppliers for immediate installation. Marketing costs to inform railroads of second-hand availability and handling costs likely would exceed an amount that could be recovered through sale. Signal materials scrap value likely would approach liquidation costs, resulting in no net impact on the NLV determination. Likewise, there is no ready market in which to sell used highway crossing panels so they are not included in NLV calculations. Bridge and culvert removal costs and proceeds traditionally approximate each other, therefore have no net effect on

the NLV and so are typically omitted from NLV calculations. However, in the case of the CORP Coos Bay Line, the net cost of removing two swing span bridges is included in the NLV calculation due to a Coast Guard requirement that the bridges be removed

Inventory Adjustment Reflection of Wear and Recovery Reductions

Due to material age, condition and the economics of expedited removal procedures, it was determined that not all railroad assets in the existing right-of-way would be recovered. Instead, liquidation of the property was assumed to yield the following recovery rates, based on the theoretical weight of new rail:

- 97 percent of rail;
- 97 percent of tie plates;
- 95 percent of joint bars;
- 97 percent of scrap turnout material and
- 80 percent of rail anchors, bolts, spikes, washers and other scrap materials.

The recovery rate assumption as to scrap and reroll rail reflects a three percent reduction applied to gross rail weight as an adjustment recognizing average rail wear. Fit tie plates were assumed sold by unit; therefore no weight reduction was assumed. However, five percent of OTM gross weight (with regards to joint bars) was judged likely to be lost as a result of the removal process. Finally, 20 percent of anchors, bolts, spikes, washers and other materials were estimated as rusted or lost during salvage operations, leaving only 80 percent to be salvaged as scrap.

Application of Market Value Unit Prices

The GLV and NLV estimates were based on the application of actual unit market prices as at April 18, 2008, as supplied by specifically identified market participants and displayed in Table 2 on the next page.

It was assumed that the seller would use its own personnel and/or contract out efforts to remove, organize and sell released materials as opposed to a single bulk transaction to a rail or scrap broker at an in-place price. However, used crossties were assumed sold in bulk to a broker at a net wholesale price reflecting removal by the broker.

Table 2

Unit Market Prices
April 18, 2008

Track Asset	Unit Price	
	Per Component	Per Net Ton
Fit Tie Plates Double Shoulder (7-3/4 x 14)	\$8.00	
Fit Tie Plates Double Shoulder (7-1/2 x 13)	7.00	
Fit Tie Plates Double Shoulder (7-1/2 x 12)	6.50	
Steel		
Reroll		600
Scrap		450
OTM, Scrap		550
Ties		
Relay	15.00	
Landscape	6.50	
Scrap	(2.50)	

Sources: American Metal Market, L B Foster and RLBA estimates.

Comments on a few key prices follow.

I determined that reroller rail and railroad scrap loaded in railcars in the Eugene, OR area and delivered to Chicago scrap rail and OTM user mills would command \$600 per net ton for reroller rail, \$550 per net ton for miscellaneous OTM (other track materials including joint bars, tie plates, spikes and bolts) and \$450 per net ton for railroad rail in 33 or 39 foot sections. Changes in the scrap steel market (which is notoriously volatile) would directly affect the value of these materials.

I also found that the net wholesale value would be \$15.00 per relay tie and \$6.50 per landscape tie. Remaining ties were classified as scrap, with a deduction of \$2.50 each, reflecting the cost of proper disposal.

Liquidation Expenses

Two fundamental assumptions were employed in development of expenses to be netted against gross liquidation values:

- 1) costs associated with removal, sorting and transporting railroad materials were assumed to reflect a deliberate and efficient liquidation and
- 2) restoration expenses were included where required in connection with highway crossings, bridge removal, and other remediation measures as described on the next page.

Removal Expenses

Based upon RLBA's extensive experience, the cost of taking up track, including disassembly, sorting, stacking and loading of materials for shipment and disposing of ties is roughly \$14,000 per mile where rail was classified as relay (in this case none) and \$12,000 per mile where classified as re-roll or scrap.¹ Turnout removal was estimated at \$500 for fit turnouts and \$400 for scrap turnouts.

Restoration Expenses

As a condition of service termination and non-rail reuse of the real property, governments frequently require correction of some existing conditions that might cause the public sector to incur future expense. Such regulations affect the subject NLV determination in three principal asset categories: 1) bridges and culverts, 2) highway crossings and 3) structures. Another expense area in the case of the Coos Bay Line is that associated with the closure of tunnels, which is believed necessary due to the danger and liability issues associated with unsealed, abandoned, and decaying railroad tunnels. Different methods of closure exist including sealing the tunnel portals with small stone (mixed in with larger rock) or building barricades; however for purposes of this valuation, RLBA estimated that all tunnel openings would have a sufficient amount of rock and small stone dumped in each portal to prevent any access.

RLBA assumed that, for most Line bridges, the cost to remove bridge superstructures would approximate liquidation proceeds, resulting in no impact on NLV, with the exception of the two swing span bridges over the Siuslaw River (MP 716.4 near Cushman) and the Umpqua River (MP 739.63 near Gardiner Junction). I learned from Port representative Martin Callery that the Coast Guard would definitely require (at a minimum) the swing span portions of those two bridges to be removed. Further documentation from the Coast Guard (in particular, a letter dated June 23, 2008 from Mr. Austin Pratt, Chief, Bridge Section (dpw) By direction of the District Commander copy attached as Attachment 6) has verified those assertions and leads RLBA to believe that the entire bridge structure

¹ My rail removal cost estimate of \$12,000 per mile is a preliminary figure only, and is subject to change based on the actual condition of the Coos Bay Line. That is, salvage operations may be much more expensive than estimated here due to problems experienced in trying to get through tunnels in a state of deterioration. If tunnel conditions are sufficiently hazardous or impassable, salvage operations may require measures such as construction of access roads, preliminary tunnel stabilization, or even forgoing certain sections of rail as uneconomic to salvage

including that contained within the flood plain would be required to be removed from the respective rivers².

According to the track chart furnished to RLBA, the swing span bridge over the Suislaw River is about 3,405 feet long with 768 feet constructed of metal spans (supported by concrete piers) and the other 2,637 feet of timber construction. The bridge over the Umpqua River totals 1,627 feet long with the greatest portion of spans being constructed of steel (1,507 feet) and the remainder constructed of timber (120 feet). Steel spans are usually supported by concrete piers which would also have to be removed down to the bottom of the streambed. To accomplish bridge removal (after the necessary permitting³ had been accomplished and testing for lead-based paint on the steel spans), CORP or its agent would be required to:

- mobilize a workforce (or contractor) qualified in bridge work/removal;
- design, procure and construct a cofferdam system;
- remove rail from the bridge deck;
- remove steel spans by use of a crane lifting the span off its supports (if small enough) or by floating out truss spans over the river;
- remove timber spans (may have to be done after steel span removal or may be accomplished simultaneously depending on weather conditions and steel span access;
- demolish the steel spans and transport them to market;
- construct cofferdams around the piers by driving sheet piles around a support system usually with a crane mounted on a barge;
- dewater the cofferdams;
- remove concrete or stone piers down to the streambed, again by a crane mounted on a barge;
- remove the sheet pile, allowing the cofferdam to fill with water;
- remove the cofferdam support system around former pier locations;
- remove timber bents with a hydraulic saw (if underwater) or regular chainsaw (if on dry ground);
- remove and transport timber members and
- demobilize the workforce.

² RLBA believes that a third swing span bridge near Coos Bay, though outside the valuation limits, is owned by the Port and if the line were abandoned, UP would bear the cost of that bridge removal.

³ RLBA was furnished a permitting cost estimate by David Evans and Associates, Inc. estimating the permitting costs to approach \$412,024 – Attachment 7

Other smaller concrete piers act as firebreaks in the timber construction areas and would have to be removed in a similar fashion, though removal would likely be less complicated.

Timber bents and spans are sometimes outside the main channel and would require removal as well, though that removal is a much simpler process and therefore most likely less costly. Although timber materials are more easily removed from bridge structures, those same timber members usually garner little or no value on the open market unless in extremely good condition.

As such, I estimated that a negative net effect of \$3,086,000 would result from the removal of the Siuslaw River Bridge and \$4,443,000 for the removal of the Umpqua River Bridge. Estimated costs associated with the two swing spans are very preliminary and require further refinement in the event of liquidation. While removal expense associated with other bridge locations likely could exceed liquidation proceeds, because some bridges may be constructed in environmentally sensitive areas, it is not unusual for bridges and culverts to be left in place in the event the line is abandoned or converted to a trail. Most State Department of Transportation (DOT) agencies request that bridges be left in place in the event of future trail use and RLBA believes that Oregon DOT would follow suit for bridges other than those over the Siuslaw and Umpqua Rivers. Accordingly, such a disposition would yield the same NLV as that assumed in the estimate – zero. Likewise, supporting and sub-structures can remain in place as well, thereby generating neither proceeds nor expenses.

For tunnel remediation, RLBA estimated that it would require about \$10,000 per tunnel to fill both portals with rock and stone sufficient to seal the ends.

At-grade, highway-rail crossings must be considered in any abandonment or salvage operation. In virtually every physical abandonment situation, all tracks in roadways and all crossing protection devices must be removed and pavement restored as a condition of service termination. The removal of track materials from pavement and restoration of pavement was estimated at \$1,500 per public crossing and \$250 per private crossing. Removal of crossing protection devices was estimated to equate to salvage value.

The only minor structure (building) noted during the inspection of the CORP-owned line was near Reedsport and was estimated to be donated to local entities, therefore resulting in no NLV effect.

Preliminary Track Liquidation Value

The Preliminary Track Liquidation Value was equal to GLV less liquidation expenses.

Marketing, Administrative and Transportation Expenses

Based upon RLBA's experience, I have determined that the cost to administer the liquidation of the tracks and OTM and to market the assets so as to achieve retail prices is approximately fifteen percent of retail GLV (excluding transportation) regarding relay steel materials and five percent of GLV re scrap, reroller and non-steel materials. Transportation of reroller and scrap steel materials was assumed to be shipped by rail to Chicago to maximize income, net of carload transportation costs. Relay materials were estimated to be shipped by rail to achieve market prices as far away as Chicago, Illinois.

To achieve the highest GLV, relay and scrap materials were estimated to be shipped (via rail) to markets that would achieve the maximum amounts possible. While the resulting GLV is greater by shipping those potentially longer distances, greater transportation expenses must also be reflected. Relay quality tie plates were estimated to be shipped as far away as Chicago, IL to achieve maximum value on the relay market. In the case of scrap materials (reroller, scrap rail and OTM), my estimates reflect transportation to Chicago to achieve the maximum value possible. In my attempt to achieve maximum GLV, additional transportation expenses must be and are reflected in my calculations by estimating \$5,745 per rail car (average of \$4,605 and \$6,884 found on the UP website) for shipment between Eugene, OR and Chicago, IL⁴.

Railroad Rail Market

The predominant component of railroad track asset value is the rail itself. The rail market consists of four primary products: new rail and the three previously described grades of used rail: relay, reroller and scrap. Since the CORP-owned track was entirely comprised of second-hand rail, the discussion which follows is limited to the used rail markets. The NLV depends not only on the experienced wear of the rail but also on the situation in those markets.

⁴ UP website (www.up.com)

Relay Rail

Rail replaced because of wear or defects on a busy or fast main track is eminently suitable for installation on slower speed or lighter traffic lines. At the slow speeds operated in yards, few broken rails result in derailments. In turn, welded replacement rail installed on secondary lines is superior to the turn of the century rail still in use in some yards. The weight (tonnage) of relay rail installed consistently exceed the weight of new rail installed because rail removed from a main line and installed on a branch line frequently generates an additional rail cascade to yard tracks. At each step, however, a portion of the rail is scrapped, usually resulting in short lengths of rail (from cuts made at road crossings and switches) or rail with excessive curve wear.

Through the cascading process, relay rail is generated by installation of new rail (or other relay rail). In addition, some abandonments generate relay rail and worn sections are usually scrapped. While most relay material generated by a railroad is used on its own lines, there is a very active commercial relay market; several brokers supply material to regional and short line railroads and shipper-owned spurs, which neither require nor can justify the cost of new rail.

At lower levels of remaining useful life, rail becomes unattractive for sale in the relay market because the expenses of marketing, transportation and installation on a regional or short line railroad would constitute an excessive share of total value.

Most rail relay programs include welding the rail before installation. Welding significantly reduces maintenance expenses incurred in the joint area associated with surfacing and bolt tightening. In addition, by removing the location of greatest rail wear, rail life is extended.

Reroller and Scrap Rail

Rail is a premium scrap grade because it is hard steel with known chemistry. While the scrap steel market includes many grades, used rail enters the scrap market as reroller and as charging material (heavy melting scrap) for furnaces. Reroller is the designation attached to clean lengths of rail that can be rerolled into new products (construction rebars, fence posts, etc.). Scrap material is required in charging both integrated mills and in mini-mill electric furnaces. The mini-mill demand for scrap is expected to remain

strong. While most mills will accommodate rails up to five feet in length, some buyers prefer shorter lengths of two or three feet.

User Categories

The primary categories of rail users are Class I (large), regional, short-line railroads and industrial plants. Class I railroads primarily purchase new rail and generate relay rail internally with light weight rail sold as scrap.

Use of relay rail by weight depends on specific railroad practice but, in general, on Class I railroads, 112 pounds per yard and heavier will be reinstalled on secondary lines if within wear limits, otherwise it will be installed in yard trackage. Good relay rail is required in yard turnouts. Rail between 100 and 112 pounds per yard is suitable in yard and industry trackage, though if generated in abundance in any one year it may be sold to the second-hand market. Rail sections less than 100 pounds per yard are generally scrapped when taken up by Class I railroads.

Although none of the rail contained within this valuation was classified as relay, regional railroads are a market for second-hand rail and demand for repair rail has propelled second-hand prices on medium and heavy rail to a high value proportionate to prices of new rail with respect to remaining life as indicated by rail wear. This anomaly results because at typical regional railroad annual traffic levels of three to five million gross tons (MGT), half-worn rail may last another 50 - 80 years and so is a relative bargain at \$700-\$800 per ton compared with new rail at over \$1,000 per ton.

From the distinct economic perspective of regional railroads, by contrast with Class I railroads, paying one-half to three-quarters the price of new rail for half-worn rail can provide savings because replacement expenditures are years away. Rail weighing 115 pounds per yard or greater is preferred for replacement. Rail designated 132RE or greater (RE designation representing rail that adheres to AREA specifications) would be considered if the costs, including shipping and other track materials, were the same or less than a 115RE section. Similar economics drive the decision of Class I railroads to cascade worn rail, with little, in-place, economic life to another line on the system with lower traffic density rather than continue wearing the rail down to scrap condition at its original location.

Short-line railroads use any rail from new, 136RE to second-hand, 85 pounds per yard rail, depending on traffic volume and financial strength. Generally, 100 pounds per yard or heavier is preferred but some lines still install less than 100 pound rail (to replace even lighter weights). If predominant traffic is carried in 100 ton cars, 100 pounds per yard is a minimum standard although some western railroads in dryer climates, and hence better subgrade conditions, use a 90 pounds per yard section. (The markets for relay quality 90 and 100 pounds per yard rail are still available but appear to be more regionalized, resulting in decreasing value due to the shift of the railroad industry toward being able to handle even greater axle loads.) Only a few short lines, generally those owned by the primary company they serve, can finance new rail purchases.

Industrial users can use any weight rail but prefer 100 pounds per yard or heavier section. A nearly universal specification by civil engineering firms of 115RE rail (instead of 115RE or heavier) on new sidetrack construction has driven the relay price per ton of that section higher than most other sections. The high volume of 115RE rail installed in mainline tracks during the 1950's and 1960's followed by a shift to heavier 119, 132, 133 and 136RE rail has lead to a scarcity of available 115RE repair rail. During the last few years, the relative bargain of 119 and 132RE rail has been recognized and those prices also have risen to match that of 115RE at least on a lineal foot basis. Some of the rail in this valuation was of widely used sections (112, 115, 132 and 136RE) which can be found on every major railroad in the country and is in great demand as relay rail on short-line railroads.

QUALIFICATIONS TO ESTIMATE

The findings of this cost estimate are subject to several qualifications and limiting conditions which are stated as follows:

The physical inspection was limited to publically available locations such as at-grade, highway-rail crossings and an aerial inspection via helicopter.

It was assumed that all rail valued was manufactured according to AREA and ASCE recommended practices and that the rail assets are in full compliance with all FRA standards.

Further, RLBA assumes full compliance with all applicable Federal, state and local

regulations and laws.

RLBA takes no responsibility for changes in market conditions which may occur after the date of valuation or for the inability of the rail owner to identify a qualified purchaser.

With regards to the rail valuation, RLBA has not conducted any title search or verification of legal ownership and assumes no responsibility for legal descriptions or titles. RLBA has conducted this rail valuation under the assumption that the rail described herein was owned by CORP free and clear of any liens and encumbrances.

RLBA takes no responsibility for changes in track structure under portions of the railroad that were covered by material obstructing physical inspection or areas not inspected due to physical barriers such as fences.

RLBA was not asked to and did not conduct any environmental analysis as part of its assignment and expresses no opinion with respect to any environmental regulation or requirement.

CERTIFICATION

I, Gene A. Davis, P.E. of R.L. Banks & Associates, Inc., whose qualifications are found in Attachment 8 to this Exhibit 6, do hereby certify that to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, unbiased, professional analyses, opinions and conclusions.

I have no specified or unspecified present or prospective interest in the properties that are the subject of this report and I have no personal interest or bias with respect to the parties involved.

My compensation was not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result or the occurrence of a subsequent event.

I have made a personal inspection limited to publicly available areas of the property or reviewed the data that was the subject of this report.

No one, other than staff under my supervision, provided significant professional assistance to the person signing this report.

Verification

I, Gene A. Davis, P.E., verify under penalty of perjury that I am the same Gene A. Davis, P.E. whose statement of Qualifications appears in Exhibit 6 of this verified statement and that I, being duly sworn, deposes and says that I have read the contents of this foregoing statement and know the contents and facts asserted therein are true and correct as stated. Further, I certify that I am qualified and authorized to file this statement.

Gene A. Davis, P.E.

Gene A. Davis, P.E.

State: Tennessee
County: Rhea

Subscribed and sworn to before this 22nd day of June, 2008.

Phyllis L. Bekemeier
Notary Public



My Commission Expires 5/23/12

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track:						
652.11	655.15	132	1976	CWR	Yes	3.04
655.15	656.00	112	1960	Jointed	Yes	0.85
656.00	663.75	113	1960	Jointed	Yes	7.75
663.75	664.05	110	1948	Jointed	Yes	0.30
664.05	665.00	113	1961	Jointed	Yes	0.95
665.00	665.10	112	1957	Jointed	Yes	0.10
665.10	665.30	113	1947	Jointed	Yes	0.20
665.30	665.55	132	1968	Jointed	Yes	0.25
665.55	666.15	113	1961	Jointed	Yes	0.60
666.15	666.30	132	1968	Jointed	Yes	0.15
666.30	666.70	113	1961	Jointed	Yes	0.40
666.70	666.90	113	1976	CWR	Yes	0.20
666.90	667.25	112	1950	Jointed	Yes	0.35
667.25	667.50	132	1968	Jointed	Yes	0.25
667.50	668.05	113	1968	Jointed	Yes	0.55
668.05	668.20	112	1954	Jointed	Yes	0.15
668.20	668.30	132	1955	Jointed	Yes	0.10
668.30	668.70	136	1969	CWR	Yes	0.40
668.70	668.80	132	1955	Jointed	Yes	0.10
668.80	669.35	112	1977	CWR	Yes	0.55
669.35	669.60	136	1967	CWR	Yes	0.25
669.60	670.10	113	1970	CWR	Yes	0.50
670.10	670.60	110	1952	Jointed	Yes	0.50
670.60	670.75	112	1950	Jointed	Yes	0.15
670.75	670.90	113	1960	Jointed	Yes	0.15
670.90	671.10	112	1954	Jointed	Yes	0.20
671.10	671.50	113	1961	Jointed	Yes	0.40
671.50	671.85	132	1955	Jointed	Yes	0.35
671.85	672.40	112	1977	CWR	Yes	0.55
672.40	673.40	113	1961	Jointed	Yes	1.00

**Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch**

Milepost		Rail			Control	
East	West	Section	Rolled	Type	Cooled	Miles
Main Track (continued):						
673 40	673.65	112	1977	CWR	Yes	0.25
673 65	673.75	136	1961	Jointed	Yes	0 10
673 75	674.10	110	1954	Jointed	Yes	0 35
674.10	674.55	113	1961	Jointed	Yes	0 45
674.55	674.90	112	1955	Jointed	Yes	0 35
674 90	675.40	113	1961	Jointed	Yes	0.50
675.40	676.05	112	1954	Jointed	Yes	0 65
676 05	676 25	113	1960	Jointed	Yes	0.20
676 25	676.55	112	1954	Jointed	Yes	0 30
676 55	676.85	113	1960	Jointed	Yes	0.30
676 85	677.50	112	1954	Jointed	Yes	0.65
677 50	677 75	136	1970	CWR	Yes	0 25
677 75	678.10	112	1977	Jointed	Yes	0.35
678 10	679 25	113	1960	Jointed	Yes	1.15
679 25	679 75	112	1955	Jointed	Yes	0.50
679 75	680 10	112	1970	CWR	Yes	0.35
680.10	680.35	113	1955	Jointed	Yes	0.25
680.35	680 70	136	1970	CWR	Yes	0.35
680.70	681.00	112	1957	CWR	Yes	0.30
681.00	681.10	112	1961	Jointed	Yes	0.10
681.10	681.30	136	1970	CWR	Yes	0.20
681.30	681 80	132	1961	Jointed	Yes	0.50
681.80	682.00	113	1961	Jointed	Yes	0 20
682.00	682 30	136	1970	Jointed	Yes	0.30
682.30	683.15	113	1961	CWR	Yes	0 85
683.15	683.25	113	1961	Jointed	Yes	0.10
683 25	683.35	112	1965	Jointed	Yes	0.10
683.35	683.50	113	1961	Jointed	Yes	0.15
683.50	683 95	113	1960	CWR	Yes	0.45
683 95	684.55	112	1955	Jointed	Yes	0.60

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track (continued):						
684.55	684.95	132	1954	Jointed	Yes	0.40
684.95	685.50	113	1961	Jointed	Yes	0.55
685.50	685.95	112	1965	Jointed	Yes	0.45
685.95	686.15	136	1965	CWR	Yes	0.20
686.15	686.30	110	1949	Jointed	Yes	0.15
686.30	686.75	113	1964	Jointed	Yes	0.45
686.75	686.90	112	1964	Jointed	Yes	0.15
686.90	688.00	113	1961	Jointed	Yes	1.10
688.00	689.25	112	1952	Jointed	Yes	1.25
689.25	690.00	113	1960	CWR	Yes	0.75
690.00	690.95	136	1970	CWR	Yes	0.95
690.95	691.20	112	1951	Jointed	Yes	0.25
691.20	691.40	132	1956	Jointed	Yes	0.20
691.40	692.15	112	1954	Jointed	Yes	0.75
692.15	693.10	132	1956	Jointed	Yes	0.95
693.10	694.00	112	1964	Jointed	Yes	0.90
694.00	694.40	112	1947	Jointed	Yes	0.40
694.40	694.55	110	1948	Jointed	Yes	0.15
694.55	694.70	113	1977	Jointed	Yes	0.15
694.70	694.85	112	1970	Jointed	Yes	0.15
694.85	694.95	113	1977	Jointed	Yes	0.10
694.95	695.15	132	1956	Jointed	Yes	0.20
695.15	695.55	136	1970	CWR	Yes	0.40
695.55	695.85	132	1956	Jointed	Yes	0.30
695.85	696.10	136	1962	CWR	Yes	0.25
696.10	696.50	112	1965	Jointed	Yes	0.40
696.50	696.90	136	1969	CWR	Yes	0.40
696.90	697.60	113	1960	Jointed	Yes	0.70
697.60	697.70	112	1956	Jointed	Yes	0.10
697.70	697.85	112	1954	Jointed	Yes	0.15

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track (continued):						
697.85	698.25	112	1961	Jointed	Yes	0.40
698.25	698.40	136	1960	Jointed	Yes	0.15
698.40	698.85	112	1955	Jointed	Yes	0.45
698.85	699.25	113	1970	CWR	Yes	0.40
699.25	699.45	113	1967	Jointed	Yes	0.20
699.45	700.10	112	1955	Jointed	Yes	0.65
700.10	700.20	113	1960	Jointed	Yes	0.10
700.20	700.40	112	1954	Jointed	Yes	0.20
700.40	700.55	113	1960	Jointed	Yes	0.15
700.55	701.50	112	1954	Jointed	Yes	0.95
701.50	701.85	113	1960	Jointed	Yes	0.35
701.85	702.05	112	1949	Jointed	Yes	0.20
702.05	702.30	113	1961	Jointed	Yes	0.25
702.30	703.30	112	1954	Jointed	Yes	1.00
703.30	703.45	113	1961	Jointed	Yes	0.15
703.45	703.70	112	1952	Jointed	Yes	0.25
703.70	704.15	113	1961	CWR	Yes	0.45
704.15	704.35	132	1969	CWR	Yes	0.20
704.35	704.90	112	1954	Jointed	Yes	0.55
704.90	705.05	113	1961	Jointed	Yes	0.15
705.05	705.10	110	1958	Jointed	Yes	0.05
705.10	705.60	113	1961	Jointed	Yes	0.50
705.60	706.00	112	1952	Jointed	Yes	0.40
706.00	706.10	113	1973	Jointed	Yes	0.10
706.10	707.35	113	1961	Jointed	Yes	1.25
707.35	707.50	112	1954	Jointed	Yes	0.15
707.50	708.10	113	1961	Jointed	Yes	0.60
708.10	708.25	112	1954	Jointed	Yes	0.15
708.25	708.45	113	1954	Jointed	Yes	0.20
708.45	709.10	115	1977	CWR	Yes	0.65

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track (continued):						
709.10	709.40	112	1955	Jointed	Yes	0.30
709.40	709.60	110	1956	Jointed	Yes	0.20
709.60	710.05	113	1961	Jointed	Yes	0.45
710.05	710.35	113	1954	CWR	Yes	0.30
710.35	710.40	110	1948	Jointed	Yes	0.05
710.40	711.25	113	1961	Jointed	Yes	0.85
711.25	711.45	112	1952	Jointed	Yes	0.20
711.45	712.15	113	1961	Jointed	Yes	0.70
712.15	712.40	112	1952	Jointed	Yes	0.25
712.40	712.80	110	1956	Jointed	Yes	0.40
712.80	713.15	113	1961	Jointed	Yes	0.35
713.15	713.30	112	1954	Jointed	Yes	0.15
713.30	713.45	113	1961	Jointed	Yes	0.15
713.45	713.95	112	1955	Jointed	Yes	0.50
713.95	714.25	113	1961	Jointed	Yes	0.30
714.25	714.55	112	1955	Jointed	Yes	0.30
714.55	714.65	113	1957	Jointed	Yes	0.10
714.65	714.70	112	1957	Jointed	Yes	0.05
714.70	714.90	113	1957	Jointed	Yes	0.20
714.90	714.95	112	1957	Jointed	Yes	0.05
714.95	715.30	113	1957	Jointed	Yes	0.35
715.30	715.65	112	1954	Jointed	Yes	0.35
715.65	716.10	113	1961	Jointed	Yes	0.45
716.10	716.35	112	1954	Jointed	Yes	0.25
716.35	717.10	113	1956	CWR	Yes	0.75
717.10	717.35	112	1954	Jointed	Yes	0.25
717.35	717.80	113	1961	Jointed	Yes	0.45
717.80	717.95	136	1965	CWR	Yes	0.15
717.95	718.60	112	1954	Jointed	Yes	0.65
718.60	718.75	113	1961	Jointed	Yes	0.15

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	
East	West	Section	Rolled	Type	Cooled	Miles
Main Track (continued):						
718 75	718 90	112	1954	Jointed	Yes	0 15
718 90	719.30	113	1961	Jointed	Yes	0.40
719 30	719.55	131	1968	Jointed	Yes	0.25
719 55	719 70	112	1949	Jointed	Yes	0 15
719.70	720.35	136	1969	CWR	Yes	0.65
720.35	720.50	132	1956	Jointed	Yes	0.15
720 50	720 70	112	1952	Jointed	Yes	0 20
720 70	721 30	136	1970	Jointed	Yes	0.60
721 30	721 45	132	1976	Jointed	Yes	0 15
721 45	721 75	132	1969	CWR	Yes	0.30
721 75	722 45	112	1954	Jointed	Yes	0.70
722.45	722 95	113	1961	Jointed	Yes	0 50
722.95	723.55	112	1954	Jointed	Yes	0.60
723.55	723.80	113	1960	Jointed	Yes	0 25
723 80	723 95	132	1969	CWR	Yes	0 15
723 95	724.15	110	1944	Jointed	Yes	0.20
724.15	724 50	113	1970	Jointed	Yes	0.35
724.50	724.80	136	1970	CWR	Yes	0.30
724.80	724.90	132	1969	CWR	Yes	0.10
724.90	725.00	110	1961	Jointed	Yes	0.10
725.00	725.30	113	1961	Jointed	Yes	0.30
725.30	725 60	112	1952	Jointed	Yes	0 30
725.60	725.70	113	1960	Jointed	Yes	0.10
725.70	726.10	132	1970	CWR	Yes	0.40
726.10	726.30	112	1952	Jointed	Yes	0.20
726.30	726 50	132	1966	Jointed	Yes	0.20
726.50	726.55	113	1961	Jointed	Yes	0.05
726 55	726 70	112	1952	Jointed	Yes	0 15
726.70	726 95	136	1986	CWR	Yes	0.25
726.95	727.10	132	1969	CWR	Yes	0.15
727.10	727.55	113	1957	Jointed	Yes	0.45

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track (continued):						
727.55	727.90	136	1969	CWR	Yes	0.35
727.90	728.05	113	1970	CWR	Yes	0.15
728.05	728.15	112	1955	Jointed	Yes	0.10
728.15	728.70	136	1969	CWR	Yes	0.55
728.70	728.75	113	1960	Jointed	Yes	0.05
728.75	729.25	112	1952	Jointed	Yes	0.50
729.25	729.50	113	1961	Jointed	Yes	0.25
729.50	730.00	136	1969	CWR	Yes	0.50
730.00	730.50	132	1956	Jointed	Yes	0.50
730.50	731.00	112	1949	CWR	Yes	0.50
731.00	731.30	113	1961	Jointed	Yes	0.30
731.30	731.60	112	1954	Jointed	Yes	0.30
731.60	732.10	113	1961	Jointed	Yes	0.50
732.10	732.50	112	1952	Jointed	Yes	0.40
732.50	732.80	113	1960	Jointed	Yes	0.30
732.80	733.00	112	1954	Jointed	Yes	0.20
733.00	733.20	113	1961	Jointed	Yes	0.20
733.20	733.40	112	1970	Jointed	Yes	0.20
733.40	733.85	132	1956	CWR	Yes	0.45
733.85	734.20	136	1970	CWR	Yes	0.35
734.20	734.75	112	1969	Jointed	Yes	0.55
734.75	735.00	113	1961	Jointed	Yes	0.25
735.00	735.05	112	1955	Jointed	Yes	0.05
735.05	735.15	113	1961	Jointed	Yes	0.10
735.15	735.75	112	1954	Jointed	Yes	0.60
735.75	735.95	113	1960	Jointed	Yes	0.20
735.95	737.10	112	1954	Jointed	Yes	1.15
737.10	737.50	136	1969	CWR	Yes	0.40
737.50	737.80	132	1959	Jointed	Yes	0.30
737.80	738.15	112	1954	Jointed	Yes	0.35

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track (continued):						
738.15	738.30	132	1959	Jointed	Yes	0.15
738.30	738.85	136	1969	CWR	Yes	0.55
738.85	739.10	113	1959	Jointed	Yes	0.25
739.10	739.60	132	1959	Jointed	Yes	0.50
739.60	740.00	113	1961	Jointed	Yes	0.40
740.00	740.05	112	1957	Jointed	Yes	0.05
740.05	740.20	113	1957	Jointed	Yes	0.15
740.20	740.25	112	1957	Jointed	Yes	0.05
740.25	740.30	113	1957	Jointed	Yes	0.05
740.30	740.45	112	1954	Jointed	Yes	0.15
740.45	740.50	113	1972	Jointed	Yes	0.05
740.50	740.55	112	1954	Jointed	Yes	0.05
740.55	740.60	113	1973	Jointed	Yes	0.05
740.60	740.75	112	1954	Jointed	Yes	0.15
740.75	740.85	132	1961	CWR	Yes	0.10
740.85	741.10	112	1954	Jointed	Yes	0.25
741.10	741.40	113	1959	Jointed	Yes	0.30
741.40	741.75	132	1959	Jointed	Yes	0.35
741.75	741.95	113	1959	Jointed	Yes	0.20
741.95	742.60	112	1954	Jointed	Yes	0.65
742.60	742.70	132	1976	Jointed	Yes	0.10
742.70	742.75	112	1976	Jointed	Yes	0.05
742.75	743.10	132	1959	Jointed	Yes	0.35
743.10	743.45	136	1978	CWR	Yes	0.35
743.45	743.65	110	1956	Jointed	Yes	0.20
743.65	744.05	113	1956	Jointed	Yes	0.40
744.05	744.40	112	1970	CWR	Yes	0.35
744.40	744.65	113	1959	Jointed	Yes	0.25
744.65	745.50	113	1978	CWR	Yes	0.85
745.50	745.60	110	1950	Jointed	Yes	0.10

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track (continued):						
745 60	746.40	132	1970	CWR	Yes	0.80
746 40	746 70	112	1952	Jointed	Yes	0 30
746 70	746 90	113	1959	Jointed	Yes	0.20
746 90	747 10	112	1954	Jointed	Yes	0.20
747.10	747.35	113	1959	Jointed	Yes	0.25
747.35	747.55	112	1978	CWR	Yes	0.20
747.55	748 25	113	1959	Jointed	Yes	0.70
748.25	749 30	112	1954	Jointed	Yes	1 05
749.30	749.50	110	1950	Jointed	Yes	0.20
749.50	749 75	112	1954	Jointed	Yes	0 25
749 75	749.85	113	1959	Jointed	Yes	0.10
749 85	750.15	136	1960	CWR	Yes	0.30
750.15	750.30	112	1961	Jointed	Yes	0 15
750.30	750.40	113	1959	Jointed	Yes	0.10
750 40	750.90	113	1969	CWR	Yes	0 50
750.90	751.15	113	1966	Jointed	Yes	0 25
751 15	751.50	112	1961	Jointed	Yes	0.35
751.50	752.50	113	1959	Jointed	Yes	1.00
752 50	752 75	112	1962	Jointed	Yes	0.25
752 75	753 50	113	1969	CWR	Yes	0.75
753 50	753 70	112	1954	Jointed	Yes	0.20
753.70	753.80	113	1954	Jointed	Yes	0.10
753 80	754 20	112	1961	Jointed	Yes	0.40
754 20	754 45	113	1959	Jointed	Yes	0.25
754 45	754 60	112	1959	Jointed	Yes	0.15
754 60	757 35	113	1959	Jointed	Yes	2 75
757.35	757 55	132	1947	Jointed	Yes	0.20
757.55	757.90	113	1959	Jointed	Yes	0.35
757.90	758.00	132	1959	Jointed	Yes	0.10
758.00	758.10	112	1954	Jointed	Yes	0 10

Attachment One
Summary of Rail Evaluated
Central Oregon & Pacific Railroad - Coos Bay Branch

Milepost		Rail			Control	Miles
East	West	Section	Rolled	Type	Cooled	
Main Track (continued):						
758.10	758.60	132	1956	Jointed	Yes	0.50
758.60	759.40	113	1969	Jointed	Yes	0.80
759.40	759.70	112	1954	Jointed	Yes	0.30
759.70	761.10	113	1959	Jointed	Yes	1.40
761.10	761.90	112	1954	Jointed	Yes	0.80
761.90	762.10	132	1954	Jointed	Yes	0.20
762.10	762.35	113	1959	Jointed	Yes	0.25
762.35	762.50	112	1954	Jointed	Yes	0.15
762.50	763.13	113	1959	Jointed	Yes	<u>0.63</u>
Main Track Subtotal						111.02
Yard Tracks and Sidings:						
0.0	6.00	90	No info	Jointed	No	6.00
0.0	2.85	85	No info	Jointed	No	<u>2.85</u>
YT & Siding Subtotal						<u>8.85</u>
Total Miles						119.87

Source RLBA

Attachment Two
Net Liquidation Value of Track Assets
Of the Central Oregon & Pacific Railroad - Coos Bay Branch
Between Danebo and Cordes, Oregon
As of April 18, 2008

	<u>Unit(s)</u>	<u>Unit Cost</u>	<u>Total</u>	<u>Grand Total</u>
Track Nominal Value				
Relay Railroad Materials			\$4,650,600	
Scrap and Reroll Materials (net of transportation)			14,861,000	
Ties and Non-steel Materials			<u>2,297,500</u>	
Gross Liquidation Value				\$21,809,100
Preparation Cost Adjustments				
Rail & OTM Removal - Fit (miles)	0.0	\$14,000	0	
Rail & OTM Removal - Scrap (miles)	119.9	12,000	(1,438,500)	
Turnout Removal - Fit (each)	5	500	(2,500)	
Turnout Removal - Scrap (each)	45	400	<u>(18,000)</u>	
Total Adjustments				(1,459,000)
Restoration Cost Adjustments				
Bridge Removal Cost (Siuslaw and Umpqua Rivers)			(7,529,000)	
Tunnel Closure Expense	9	10,000	(90,000)	
Highway Crossing - Public (each)	41	1,500	(61,500)	
Highway Crossing - Private (each)	27	250	<u>(6,800)</u>	
Total Adjustments				(7,687,300)
Preliminary Track Liquidation Value				<u>\$12,662,800</u>
Administrative and Marketing Expense				
Relay Materials - 15 percent			(697,600)	
Scrap Materials - 5 percent			(743,100)	
Transportation Expense				
Relay Steel Materials - To Chicago, IL	137	5,745	(787,100)	
Scrap Steel Materials - To Chicago, IL	267	5,745	(1,533,900)	
Total Estimated Expense				(3,761,700)
Net Liquidation Value				<u>\$8,901,100</u>

(nominal value decrease)

Source: Attachment Three; RLBA estimate.

**Attachment Three
Gross Liquidation Value of Track Assets
Of the Central Oregon & Pacific Railroad - Coos Bay Branch
Between Danebo and Cordes, Oregon
As of April 18, 2008**

Miles		Re-Useable				Scrap and Reroll						
Fit	Scrap	Description	Condition	Quantity per mile	Unit	Total	Percent	Unit	Total	Value (a)	Value (b)	Grand Total (a+b)
RAIL:												
7 60		136 RE	Reroll	239 4	Ton	1,819		\$600	\$1,058,900			1,058,900
1 90		136 RE	Scrap	239 4	Ton	455		450	198,500			198,500
10 55		132 RE	Reroll	232 3	Ton	2,451		600	1,426,600			1,426,600
2 64		132 RE	Scrap	232 3	Ton	613		450	267,500			267,500
0 20		131 RE	Reroll	230 6	Ton	46		600	26,800			26,800
0 05		131 RE	Scrap	230 6	Ton	12		450	5,000			5,000
0 52		115 RE	Reroll	202 4	Ton	105		600	61,300			61,300
0 13		115 RE	Scrap	202 4	Ton	28		450	11,500			11,500
39 62		113 HF	Reroll	198 9	Ton	7,881		600	4,586,900			4,586,900
9 91		113 HF	Scrap	198 9	Ton	1,970		450	860,000			860,000
27 96		112 RE	Reroll	197 1	Ton	5,511		600	3,207,400			3,207,400
6 99		112 RE	Scrap	197 1	Ton	1,378		450	601,400			601,400
2 36		110 RE	Reroll	193 6	Ton	457		600	265,900			265,900
0 59		110 RE	Scrap	193 6	Ton	114		450	49,900			49,900
4 80		90 RA	Reroll	158 4	Ton	761		600	442,700			442,700
1 20		90 RA	Scrap	158 4	Ton	190		450	83,000			83,000
1 43		85 Assorted	Reroll	149 6	Ton	213		600	124,100			124,100
		85 Assorted	Scrap	149 6	Ton	213		450	93,100			93,100
0 00	119 87	TOTAL RAIL								\$13,370,500		\$13,370,500
										\$0		

Attachment Three
Gross Liquidation Value of Track Assets
Of the Central Oregon & Pacific Railroad - Coos Bay Branch
Between Danebo and Cordes, Oregon
As of April 18, 2008

Miles		Quantity per mile				Re-Useable			Scrap and Reroll			
Fit	Scrap	Description	Condition	Unit	Total	Percent	Value	Unit	Percent	Unit	Total	Grand Total (a+b)
OTHER TRACK MATERIAL												
0 00	119 87	Ties	Relay	Each	3,168	Each	379,758	18 %	\$15 00	\$1,025,300	60 %	\$6 50 (2 50) \$1,481,100 (208,900)
0 00	119 87	Ties	Landscape	Each	3,168	Each	379,758				22	
0 00	119 87	Ties	Scrap	Each	3,168	Each	379,758					
0 00	22 94	Tie Plates 7 3/4 - 14 DS	Relay	Each	6,336	Each	145,348	97	8 00	1,127,900		
0 00	35 60	Tie Plates 7 1/2 - 13 DS	Relay	Each	6,336	Each	225,562	97	7 00	1,531,600		
0 00	49 53	Tie Plates 7 1/2 - 12 DS	Relay	Each	6,336	Each	313,822	97	6 50	1,978,600		
0 00	2 95	Tie Plates 7 1/2 - 11 SS	Scrap	Ton	71 1	Ton	210				97	
0 00	6 00	Tie Plates 90# SS	Scrap	Ton	53 1	Ton	319				97	
0 00	2 85	Tie Plates 85# SS	Scrap	Ton	53 1	Ton	151				97	
	1 57	Jt Bars 136#	Scrap	Ton	10 5	Ton	16				95	
	7 78	Jt Bars 132#	Scrap	Ton	10 5	Ton	82				95	
	0 25	Jt Bars 131#	Scrap	Ton	10 5	Ton	3				95	
	0 03	Jt Bars 115#	Scrap	Ton	9 5	Ton	0				95	
	42 98	Jt Bars 113#	Scrap	Ton	9 5	Ton	409				95	
	32 05	Jt Bars 112#	Scrap	Ton	9 5	Ton	305				95	
	2 95	Jt Bars 110#	Scrap	Ton	9 5	Ton	28				95	
	6 00	Jt Bars 90#	Scrap	Ton	8 9	Ton	53				95	
	2 85	Jt Bars 85#	Scrap	Ton	6 9	Ton	20				95	
	119 87	Rail Anchors	Scrap	Ton	3 7	Ton	449				80	
0 00	119 87	Spikes	Scrap	Ton	5 1	Ton	607				80	
0 00	119 87	Bolts & Washers	Scrap	Ton	1 4	Ton	170				80	
TOTAL OTHER TRACK MATERIAL										\$5,663,400		
TURNOUTS:												
5		Fit Turnouts	Fit	Each	1	Each	5	100 %	\$2,500	\$12,500	97 %	\$12,500
5	45	Scrap Turnouts	Scrap	Ton	5	Ton	225					
TOTAL TURNOUTS										\$12,500		
GRAND TOTAL										\$5,675,900		
										\$16,133,200		\$21,809,100

Notes Dollar amounts are rounded to the nearest hundred, tons to the nearest tenth, units to the nearest integer
136, 132, 115, 113 AND 112 pound CWR is assumed to have five percent of the joint bars as regular jointed rail

Source Vendors and RLBA estimates

**Attachment Four
Yard Tracks and Sidings Summary
Central Oregon & Pacific Railroad - Coos Bay Branch**

		<u>Mileage (by Rail Weight)</u>	
		<u>90</u>	<u>85</u>
MP	660.5 Veneta Siding	0 40	
	665 3 Noti Siding	0.20	
	665 3 Noti Industry Track		0 10
	668 3 Vaughn Lead Track	0 60	
	685 0 Richardson Siding (see note below)		
	697 8 Siuslaw Industry Track (American Laminate)		0 10
	698 1 Siuslaw Industry Track # 2		0 10
	705 3 Mapleton Siding	0 96	
	705 3 Mapleton Industry Track # 1		0 75
	709.0 Beck Siding	0.20	
	709 0 Beck Industry Track		0 40
	715 0 Wendson Siding	0.93	
	716 3 Cushman Siding	0 20	
	721 3 Canary Industry Track		0 10
	728 0 Tunnel 17 Spur Track	0 30	
	732 4 Kroll Industry Track		0 10
	734 4 Tunnel 18 Spur Track	0 20	
	738.8 Gardiner Siding	0.35	
	738 8 Gardiner Industry Track # 1		0 50
	738 8 Gardiner Industry Track Siding		0 30
	740 4 Reedsport Siding	0 54	
	740 4 Reedsport Industry Track # 1		0 10
	745 0 Tunnel 19 Spur Track		0.20
	752 1 Lakeside Industry Track (see note below)		
	759 3 Hauser Siding	0 60	
	763 0 Cordes Siding	<u>0 53</u>	
	763 0 Cordes House Track		<u>0 10</u>
Subtotals =		6.00	2 85
Grand Total (All Yard Tracks & Sidings) =		8.85	Miles

Notes Richardson Siding not seen during helicopter ride or ground inspection (believed removed)
 Lakeside Industry Track not seen during helicopter ride or ground inspection (believed removed)

Source RLBA

Attachment Five
Summary of Turnouts
Central Oregon & Pacific Railroad - Coos Bay Branch

Location		Condition	Rail Weight	Frog		Switch Points		Switch Stand	Comments
Pre	MP Suf	Relay Scrap		Type	Size (#)	Plane	Sampson Lead		
660 5		X	113	RBM	10			X	Veneta Siding (5606)
665 3		X	113	RBM	10			X	E/E Noti Siding (5608)
665 3		X	113	RBM	10			X	W/E Noti Siding (5608)
665 3		X	113	RBM	10			X	Noti Industry Track (5608)
668 3		X	132	RBM	10			X	Vaughn Lead Track (5610)
668 3		X	90	RBM	8			X	E/E Vaughn Runaround Track (5611)
668 3		X	90	RBM	8			X	W/E Vaughn Runaround Track (5612)
668 3		X	90	RBM	8			X	Vaughn Industry Track (5614)
668 3		X	90	RBM	8			X	Vaughn Industry Track (5616)
668 3		X	90	RBM	8			X	Vaughn Industry Track (5617)
668 3		X	90	RBM	8			X	Vaughn Industry Track (5618)
685 0		X	113	RBM	10			X	Richardson Siding (believed removed)
697 8		X	112	RBM	10			X	Siuslaw Industry Track - American Laminale (5621)
698 1		X	132	RBM	10			X	Siuslaw Industry Track # 2 (5622)
705 3		X	110	RBM	10			X	E/E Mapleton Siding (5628)
705 3		X	113	RBM	10			X	Mapleton Industry Track # 1 (5629)
705 3		X	90	RBM	10			X	Mapleton X-over (E/E)
705 3		X	113	RBM	10			X	Mapleton X-over (W/E)
705 3		X	112	RBM	10			X	W/E Mapleton Siding (5628)
709 0		X	115	RBM	10			X	E/E Beck Siding (5631)
709 0		X	115	RBM	10			X	W/E Beck Siding (5631)
709 4		X	112	RBM	10			X	Beck Industry Track (5632)
715 0		X	112	RBM	10			X	E/E Wendson Siding (5634)
715 0		X	112	RBM	10			X	W/E Wendson Siding (5634)
716 3		X	113	RBM	10			X	E/E Cushman Siding (5636)

Attachment Five
Summary of Turnouts
Central Oregon & Pacific Railroad - Coos Bay Branch

Location		Condition		Rail Weight	Frog		Switch Points		Switch Stand		Comments
Pre	MP	Suf	Relay Scrap		Type	Size (#)	Plane	Sampson Lead	Manual	Power	
	716 3		X	112	RBM	10			X		W/E Cushman Siding (5636)
	721 3		X	136	RBM	10			X		Canary Industry Track
	728 0		X	113	RBM	10			X		Tunnel 17 Spur Track
	732 4		X	112	RBM	10			X		Kroll Industry Track (5644)
	734 5		X	112	RBM	10			X		Tunnel 18 Spur Track
	738 8		X	110	RBM	10			X		E/E Gardiner Siding (5648)
	738 8		X	90	RBM	10			X		Gardiner Industry Track # 1 E/E (5649)
	738 8		X	85	RBM	8			X		Gardiner Industry Track X-over (E/E)
	738 8		X	85	RBM	8			X		Gardiner Industry Track X-over (W/E)
	738 8		X	90	RBM	10			X		Gardiner Industry Track # 1 W/E (5649)
	738 8		X	113	RBM	10			X		W/E Gardiner Siding (5648)
	740 4		X	113	RBM	10			X		E/E Reedsport Siding (5652)
	740 4		X	90	RBM	10			X		Reedsport Industry Track # 1 (5655)
	740 4		X	90	RBM	10			X		Reedsport Siding X-over (E/E)
	740 4		X	112	RBM	10			X		Reedsport Siding X-over (W/E)
	740 4		X	112	RBM	10			X		W/E Reedsport Siding (5652)
	744 9		X	113	RBM	10			X		Tunnel 19 Spur Track
	752 1		X	113	RBM	10			X		Lakeside Industry Track - believed removed (5662)
	752 1		X	85	RBM	10			X		Lakeside Industry Track - believed removed (5663)
	759 3		X	113	RBM	10			X		E/E Hauser Siding
	759 3		X	112	RBM	10			X		W/E Hauser Siding
	763 0		X	113	RBM	10			X		E/E Cordes Siding
	763 0		X	90	RBM	10			X		Cordes House Track
	763 0		X	90	RBM	10			X		Cordes Industry Track
	763 0		X	112	RBM	10			X		W/E Cordes Siding

Source RLBA

U.S. Department of
Homeland Security

United States
Coast Guard



Commander
Thirteenth Coast Guard District

915 Second Avenue
Seattle, WA 98174-1067
Staff Symbol: dpw
Phone: (206) 220-7270
Fax: (206) 220-7266

16591
June 23, 2008

Mr. Michael F. Gaul
Deputy Executive Director
Port of Coos Bay
125 West Central Avenue
P.O. Box 1215
Coos Bay, OR 97420-0311

Dear Mr. Gaul:

We have the authority to require that bridges or causeways are removed when the owners discontinue the use of these structures for transportation purposes. The authority is found in 33 U.S. Code 502(a). Furthermore, case law has supported our authority to order the removal of abandoned structures. For example, case law has established that "A bridge across a navigable stream is an obstruction to navigation tolerated only because of necessity and the convenience of commerce on land..." It is current Coast Guard policy to seek removal of all abandoned bridges that cross navigable waters. The three structures named in your recent letter qualify for removal, if land traffic use is abandoned.

If this does not fully answer the question in your letter of June 19, 2008, please call me at (206)220-7282.

Sincerely,

A handwritten signature in black ink that reads "Austin Pratt".

Austin Pratt
Chief, Bridge Section (dpw)
By direction of the District Commander



DAVID EVANS
AND ASSOCIATES INC

MEMORANDUM

DATE: June 30, 2008
TO: Mike Gaul
FROM: Dana Siegfried
SUBJECT: Permitting Cost Estimate
PROJECT: Potential Rail Bridge Removal

Mike,

As requested, we have based our estimate on the Coos Bay Railroad Bridge only. We understand that there are other bridges that would potentially be removed. Some costs might be shared if the bridges were removed simultaneously, but some costs would be separately attributable to each project.

The following permits would be needed for removal of the railroad bridge

Coast Guard – Rivers and Harbors Section 9, ensures navigability during removal

Corps of Engineers – Clean Water Act Section 404, determines a broad range of public interest factors

Department of State Lands – Fill and Removal Act, determines a broad range of public interest factors

Department of Environmental Quality – Clean water Act Section 401, determines whether the project meets state water quality guidelines

Department of Environmental Quality – Clean Water Act Section 402, ensures construction activities over 1 acre do not result in excessive turbidity

Department of Land Conservation and Development – Coastal Zone Management Act, determines whether the project complies with the CZMA and Coos Bay Estuary Management Plan

Lead Agency – National Environmental Policy Act ensures that the full range of environmental effects is considered. I would anticipate the STB as the lead agency with the Corps, and possibly others as cooperating agencies. Our cost estimates assume that an Environmental Assessment would be required rather than an EIS. If an EIS is required, the costs would be greater.

State Historic Preservation Office – Historic Preservation Act, ensures that culturally significant historical and archaeological resources are preserved and/or mitigated.

US Fish and Wildlife and National Marine Fisheries – Endangered Species Act Section 7, determine effects on listed fish, wildlife and plants; requires Biological Assessment.

The agencies have also been requiring environmental monitoring during construction over water to ensure compliance with the permits. For this project, I would anticipate one site visit per week for one year.

Mike, the major issue will be water quality because of the nasty things that can be in the paint. Please make sure that the demolition contract budgets for full containment at all times. The cost estimate follows Levels 1, 2, and 3 could represent planners, scientists and/or engineers. Please call me if you have any questions.

D:\RRbridge.dema.doc

PERMITTING BUDGET - REMOVAL OF COOS BAY RAILROAD BRIDGE

Project Number

Project Name

Project Budget

Sub/Non-Labor

PROJECT TASKS	Sr PM	Level 3	Level 2	Level 1	CAD/Graphics	Admin	HOURS	FEE
	\$195.00	\$154.38	\$113.75	\$81.25	\$72.31	\$60.13		
Coast Guard	24	12	40				76	\$11,083
Corps	40	40	80	40	40	20	260	\$30,420
DSL	40	40	80	40	40	20	260	\$30,420
DEQ 1	24	24	80	40	40	20	228	\$24,830
DEQ 2	8	12	40				60	\$7,963
DLCD	12	20	40				72	\$9,978
NEPA	120	160	120	320	80	120	920	\$100,750
SHPO	20	40	80		20	20	180	\$21,824
USFWS, NMFS	40	80		80	24	20	244	\$29,588
Env Monitoring	40			624			664	\$58,500
Project Management	240					160	400	\$56,420

608 428 560 1144 244 380
 \$118,560 \$66,073 \$63,700 \$92,950 \$17,644 \$22,848

Total Estimated Personnel Hours

3364

Total Estimated Labor Cost

\$381,774

\$381,774

Estimated Expenses

Supplies - @ cost
 Auto travel @ \$ 585 per mile (2008 rate)
 Reproduction and Deliveries
 Lodging, Meals, Car Rental, Air and other travel
 Subcontractor 1

Est. Base Cost:

2500 \$2,750
 \$9,000.00 \$9,900
 8000 \$8,800
 8000 \$8,800

Total Estimated Expenses

\$27,500 \$30,250

s \natural\forms\budtempl.xls

7/1/2008

10 57 AM

Total Estimated Project Cost

\$412,024

Gene A. Davis, P.E. Director, Transportation Engineering

Education

MBA, Georgia Southern University, 1997

BS, Civil Engineering, Tennessee Technological University, 1983

Professional Registrations and Affiliations

Registered Professional Civil Engineer

American Railway Engineering and Maintenance-of-Way Association, member since 1996

AREMA Member of Technical Committee 12 (Rail Transit) and 18 (Light Density & Short Line Railways)

Years of Transportation Experience

23

Qualifications

Mr. Davis joined RLBA after 18 years of experience with Norfolk Southern Corporation during which he held positions with increasing responsibility within the Engineering Department spanning management and engineering of railroad track structure, bridge and building inspection, condition assessment, maintenance, rehabilitation, design and construction as well as railroad operations.

Relevant Project Experience

- **Kansas City Southern** Physically inspected, inventoried, assessed the condition of and valued 19 miles of In-track rail assets near Vicksburg, MS. Calculated the net liquidated value (NLV) in connection with a notice of intent to file an Offer of Financial Assistance in reaction to an abandonment exemption proceeding filed before the Surface Transportation Board as STB Docket No. AB-103 (Sub-No. 21X). The offer was made by the one remaining shipper on the underutilized line to maintain rail access.
- **WATCO Companies** Inventoried, assessed condition and estimated the desktop net liquidation value of owned and leased track structure of properties including the Kansas and Oklahoma Railroad, South Kansas & Oklahoma Railroad, Eastern Idaho Railroad and the Timber Rock Railroad totalling about 1,573-miles in the states of Colorado, Idaho, Kansas, Louisiana, Oklahoma and Texas.
- **SF&L Railroad** Inventoried, physically inspected, assessed condition and valued railroad right-of-way between Peoria and La Harpe, IL. A net liquidation value was placed on the track structure
- **Iowa Northern Railway Company** Inventoried, physically inspected, assessed condition and valued railroad right-of-way between Cedar Rapids and Waterloo, IA and between Cedar Falls and Manly, IA. Net liquidation values were placed on the physical assets of both segments before and after track rehabilitation which were utilized in a FRA RRIF application.
- **Rocky Mount and Western Railroad Company, Inc.** Inventoried and estimated the desktop net liquidation value of existing Rocky Mount and Western Railroad Co., Inc. track structure, bounded by Momeyer and Spring Hope, totaling over five miles, assumed to be in scrap condition, to be utilized in an Offer of Financial Assistance by the State of North Carolina.
- **Florida Department of Transportation** Assisted a FDOT in its negotiation with CSX to institute new commuter rail service by valuing approximately 70 miles of the freight railroad's main line infrastructure.

Gene A. Davis, P.E.

- **State of Washington Department of Transportation** Inventoried, physically inspected, assessed condition and valued portions of the Palouse River and Coulee City Railroad between Cheney, WA and Coulee City, WA and between Marshall, WA and Hooper Junction, WA as well as all diverging routes in Idaho and Washington, totaling 347-miles and provided a point-by-point rebuttal to comments made by a review appraiser. Net liquidation values were placed on the physical assets of six, separate sub-segments as well as the whole.
- **North Carolina Department of Transportation** Inventoried, assessed condition and estimated the desktop net liquidation value of three segments of CSX railroad right-of-way, bounded by Ridgeway and Hamlet, NC including the diverging line segment between Apex and Durham, NC totally 192 miles.
- **Los Angeles Department of Water and Power** Inventoried, assessed condition and estimated the desktop net liquidation value of the track structure contained within the boundaries of Cobre and McGill Junction, NV railroad right-of-way re the Nevada Northern Railway totally about 133 miles.
- **The City of West Sacramento Redevelopment Agency** Inventoried, physically inspected, assessed condition and estimated the net liquidation value of the track structure in a segment of Yolo Shortline Railroad Company railroad right-of-way between West Sacramento and Clarksburg, CA.
- **The Transportation Agency of Monterey County** Inventoried, physically inspected, assessed condition and valued Union Pacific Railroad Monterey Branch Line between Castroville and Pacific Grove, CA. NLV's were placed on the physical assets of six sub-segments and the entire branch.
- **Lee County, FL** In the first of two assignments, inventoried, physically inspected, assessed condition and estimated the net liquidation value of the track structure in a segment of Seminole Gulf Railway L.P. railroad right-of-way near Fort Myers, FL totaling about 1.4 miles. Then utilizing the previously generated net liquidation value report of the track structure, along with a review of other pertinent documents, provided a point-by-point rebuttal via a Verified Statement submitted to the Surface Transportation Board in support of an adverse abandonment of the subject line.

Norfolk Southern Corporation Work Experience

- **Assistant Division Engineer-Bridges (Pocahontas Division)** Territorial responsibility covered trackage in Charleston and Bluefield, West Virginia, Norton, Virginia and Columbus and Portsmouth, Ohio. Coordinated and facilitated new construction, inspection, and maintenance of drainage structures including bridges and culverts. Coordinated remedial repairs to tunnel structures including portal upgrades. Solicited bids for repairs by contractors and performed repairs to roadway buildings, using company forces. The 1,300 miles of his territory included over 24 miles of various bridge types, 8,000 culverts of varying construction types, 20 miles of tunnels and 16 miles of slide fences.
- **Bridge and Building Supervisor (Georgia Division)** Territory spanned 500 miles including Savannah, Augusta and Macon, Georgia. Performed inspections, supervised maintenance repairs and new construction by company forces of drainage structures including bridges and culverts.
- **Track Supervisor (Lake and Pocahontas Divisions)** Lake Division territory encompassed trackage in Columbus, Delaware, Bucyrus, Bellevue and Sandusky, OH. Pocahontas Division territory included Welch, WV and Richlands, VA. Performed FRA inspections and accomplished remedial repairs to track structure via routine maintenance and rail, tie/surfacing and surfacing work. Coordinated contract services including rail grinding and undercutting. On the Lake Division, responsible for over 110 miles including Sandusky Yard and two smaller yards. Pocahontas Division responsibilities included over 36 miles of double and triple track mainline and 44 miles of single track mainline including Auville Yard.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 7

**The Verified Statement of Jay DeVoe, along with the supporting
documentation, is found in Volumes II and III.**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 8

Published Tuesday July 1 2008 10:51 AM PDT

Serving the South Coast of Oregon

Coos Bay, Oregon

[Print Page](#)**Rail line thefts bring arrests**

By Alexander Rich and Jessica Muscar, Staff Writers

Tuesday July 1 2008 10:51 AM PDT

Coos Bay police arrested two men Monday after someone reported they were ripping up the railroad in town and then redeeming the metal at a Coos Bay salvage yard

According to a Coos Bay Police Department press release, at approximately 11:02 a.m., officers received a report of men taking Central Oregon & Pacific Railroad property from behind a building at the end of Hall Avenue. Officers stopped a Toyota 4Runner on the east side of Coal Bank Slough and searched the vehicle. They found a couple hundred pounds of metal railroad materials, including ties, plates and bolts.

Officers arrested Jonathon Handy, 21, of Coos Bay, and Nathaniel Jarrett, 19, of Lakeside, on charges of first-degree criminal trespassing and second-degree theft. Police took them to Coos County jail, where they were booked and later released on their own recognizance.

The investigation is ongoing, said police spokeswoman Helen Thompson. So far, police have learned the suspects had redeemed about 2 tons of metal at Shinglehouse Auto & Salvage, Thompson said.

A Shinglehouse employee said steel is redeemable at their business at \$200 a ton.

General Manager Veronica Shinglehouse would not confirm if Handy and Jarrett redeemed metal at her business, though she said they keep an eye out for stolen property.

"Off and on we have people who bring us stolen goods. We've weeded out most of them, because we do work with the police departments, and we keep pretty good records of everything, so when it does happen they get caught pretty easy," Shinglehouse said.

People who turn in scrap metal have to provide personal and vehicle information before receiving money, she added.

This is not the only incident involving people attempting to pull up the CORP rail line.

According to a Coos County Sheriff's Office press release, three different Coos Bay men attempted to salvage railroad rails near the intersection of Delmar Road and state Highway 42 in the Greenacres area. A deputy found the men, who said they thought it was OK to take the materials because the railroad company planned to abandon the line. The men hadn't started to tear up the lines, so they just received a warning.

-- CLOSE WINDOW --

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 9

Published Monday, July 7, 2008 12:19 PM PDT

Serving the South Coast of Oregon

Coos Bay, Oregon



The World

[Print Page](#)

Metal thefts pose problems for railroad

By Alexander Rich, Staff Writer

Monday, July 7, 2008 12:19 PM PDT

The Central Oregon & Pacific Railroad is facing a new problem as it prepares to abandon the Coos Bay rail line, and that could complicate plans to re-open it.

When CORP closed the line in September 2007, it cited tunnel safety concerns. Since the closure, Oregon International Port of Coos Bay personnel have found stretches of track covered with sand and downed trees.

Now, reports of people trying to steal railroad metal have cropped up in police logs. The theft reports follow the announcement CORP plans to abandon 94 miles of line from near Eugene to Coos Bay's North Spit. The Coquille branch — which is owned by Union Pacific, leased to CORP and would be abandoned as well — has been site to most of the vandalism reported in Coos County.

Patrick Kerr, CORP's manager of marketing and sales, said he traveled along the line last week putting up postings about the abandonment. The police reports were the first instance where he learned about any problems, though he said he wasn't surprised.

Kerr said he is not sure if any the line has been damaged to the point where it would be impossible for an engine to cross. The railroad does not patrol the tracks.

"We don't have our own police force," he said. "We rely on local law enforcement."

Theft from railroads is a nationwide problem, said Martin Callery, director of communications and freight mobility. He recently read about rail lines being unbolted in Boston. And those were active routes.

"This is happening, unfortunately, everywhere," Callery said.

Kerr said he hopes local salvage yards would not accept any railroad scrap metal without CORP approval.

"It is still railroad property," he said.

Local salvage yard owners have said they keep close track of who they purchase metal from. State law requires that people selling metals, such as copper and aluminum, must have their picture taken, produce valid ID and provide a description of their vehicles. This information, as well as the date and time of a transaction, is available to police agencies, said Steve Schneiderman, owner of Marshfield Bargain House.

Kerr said even CORP can't pull up the rail line without first getting approval from the U.S. Surface Transportation Board.

"STB will not allow us to do that, so we can't allow others to touch them either," he said.

CORP representatives have indicated they will file a formal application to abandon the line to the STB on July 14, or thereabout.

The Port of Coos Bay has expressed an interest in purchasing the line, signing a letter of credit for \$12.5 million. It now must come up with a plan to demonstrate its ability to own and operate it.

Callery said port personnel cannot patrol the line because that would be considered trespassing, though vandalism is a concern given the possibility the port will take over the line.

"It would be that much more that would have to be repaired, replaced or rehabilitated," he said

Staff Writer Alexander Rich covers Port of Coos Bay issues for The World. He can be reached by calling 269-1222, ext 234; or by e-mailing to arich@theworldlink.com.

-- CLOSE WINDOW --

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

VERIFIED STATEMENT OF MARTIN CALLERY

Exhibit 10

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

VERIFIED STATEMENT OF MARTIN CALLERY

1. My name is Martin Callery. I am the Director of Communications & Freight Mobility for the Oregon International Port of Coos Bay ("Port"), which is located in Coos Bay, Oregon. I am qualified and authorized to offer this Verified Statement on behalf of the Port in the above-captioned proceeding. My testimony concerns the discussions that the Port has had with potential operators for the Coos Bay Line should the Port be successful in acquiring the Line from the Central Oregon & Pacific Railroad ("CORP"). I previously provided testimony to the Surface Transportation Board in a Verified Statement for the Port's Reply in the "Show Cause" Proceeding, Docket 35130 (filed June 3, 2008).

2. I joined the Port in July 1992 as Director of Marketing. I have a Bachelor of Arts in Journalism/Mass Communications from the University of Texas at El Paso, and have completed Master's level course work in Marketing Management. I also taught communications courses at UT El Paso for several years in the early '80s. In July 1993, my position was expanded to include all Port communications. I am responsible for promoting the Port's North Bay Marine Industrial Park, directing marketing and advertising for the Port's Charleston Marina Complex, working with public agencies and private industry in economic development efforts,

and promoting maritime trade and commerce in the Port of Coos Bay. I also coordinate activities in the Coos County Foreign-Trade Zone No 132. In November 2005, my position was expanded to include transportation issues and projects. At the state-wide level, I serve on the Oregon Freight Advisory Committee, I am a regional representative on the South West Area Committee on Transportation, I served on the ConnectOregon I Consensus Committee and I am a member of the Oregon Rail Users League (ORULE).

3. The Port has engaged in exploratory discussions with several established, short line operators in order to select a rail common carrier to provide service over the Line. I have been personally contacted by or have contacted the following entities which have all expressed an interest in providing operations on the Line¹:

- Portland & Western Railroad, Inc., a wholly owned subsidiary of Genesee and Wyoming, Inc.
- John Darling, with over 43 years in the railroad industry, including short line start-ups;
- RailServe, based in Atlanta, Georgia
- Dan Lovelady, former General Manager of CORP, and
- Yreka Western Railroad Company based in Yreka, California and provides short line connection to UP via CORP at Montague, California.

All of the entities have expressed an interest in providing service over the Line, as a replacement for CORP. However, it would be premature to have any of these entities enter into a contract with the Port because of the unique situation involving this Line and their need to conduct appropriate due diligence on the Line, including: its customer base; potential traffic volumes; equipment requirements; anticipated operations and service levels; and its present condition, including the tunnels and bridges. Furthermore, since the Line has been subject to years of deferred maintenance with the majority of the Line out of service for the last nine months, it

¹ The Port was also contacted by Watco Companies and OmniTRAX, Inc. earlier in the process and they have asked to be included in any bid requests.

would be difficult to firm up a contract to operate the Line without the Port or these entities being able to see the full condition first hand

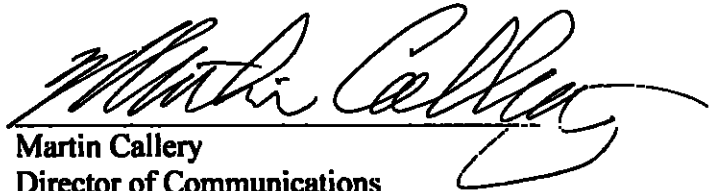
4. The Port anticipates that it would engage in a competitive bidding process to select an operator for the Line. The Port anticipates beginning the bidding process shortly and since a significant portion of the Line is out of service and needs rehabilitation, the Port believes that it can have a contract operator in place either before the Board rules on the feeder application or shortly thereafter.

5. The Port recognizes that there are two shippers between Vaughn and Danebo that are on an active portion of the Line. Accordingly, the Port has been engaged in discussions with persons or entities that could step in immediately and provide operations either directly for the Port or as an interim contract operator. As shown in the attached letter from Dan Lovelady, the former General Manager of CORP, the Port has been in discussions with Mr. Lovelady regarding his ability to step in and provide the expertise needed for immediate operations. The expertise and specific knowledge that Mr. Lovelady has with the Coos Bay Line make him the strongest candidate to date to provide immediate operations to the operating portion of the Line and start-up and re-development expertise going forward.

6. The Port is committed to providing service its self or via a contract operator that will be selected in consultation with the shippers, the Oregon Department of Transportation and other relevant stakeholders. The Port will provide service consistent with the business plan and in consultation with the needs of the shippers.

VERIFICATION

I, Martin Callery, verify under penalty of perjury that the foregoing is true and correct based on my knowledge, information and belief. Further, I certify that I am qualified and authorized to file this Verified Statement.



Martin Callery
Director of Communications
& Freight Mobility
Oregon International Port of Coos Bay

Dated: July 7, 2008

July 7, 2008

**Mr. Martin Callery
Director of Communications & Freight Mobility
Oregon International Port of Coos Bay
125 Central Avenue, Suite 300
Coos Bay, OR 97420**

RE: Coos Bay Line of the Central Oregon & Pacific Railroad, Inc.

Dear Martin:

It has been a pleasure speaking with you and Jeff about the Port of Coos Bay interest in acquiring and plans to put the Central Oregon & Pacific Railroad's Coos Bay Line back into service. This letter is to confirm my interest in assisting the Port of Coos Bay with rehabilitating and restoring service on the Coos Bay Line. As you know, I have been working in the shortline railroad business for nearly 40 years and I was the General Manager of CORP from 2001-2005.

I grew up in McCloud, California near Mount Shasta and started my railroad career with the McCloud River Railroad in 1969. I worked for the McCloud River Railroad for 23 years leaving there as VP General Manager of Operations when the Railroad was sold. In 1992, I went to the Eastern Alabama Railway which was a subsidiary of Kyle Railways. In 1994, I was promoted to run Kyle Railways' largest shortline, the Kyle Railroad. The Kyle Railroad at that time consisted of 1200 miles of track, 120 employees, and 35 locomotives.

In 1997, Kyle Railways was sold to StatesRail. About that time, StatesRail was the successful bidder of the former BN line which created the Alabama & Gulf Coast Railway. I became the first General Manager of the Alabama & Gulf Coast Railway and was responsible for the entire start-up operations. In January 2001, I was promoted within StatesRail to be the Chief Operating Officer for StatesRail with responsibility for nine shortline railroads. At the end of 2001, RailAmerica acquired StatesRail. After the acquisition, I was provided my choice of railroads to run for RailAmerica and I chose to move back out west and run the CORP. I served as the General Manager of CORP from 2001-2005.

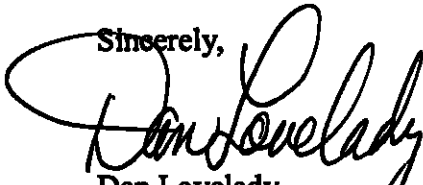
I voluntarily left CORP in 2006 to become the General Manager of the City of Prineville Railway which is the oldest continuously operated municipal shortline in the U.S. Prineville's railroad had no customers at that time and I was brought in to help save the railroad and help the economic development of the area. We have succeeded in rebuilding the Prineville Railway and it is nearing profitability again. I have assisted the Prineville Railway in obtaining two Connect Oregon grants and we are building a multi-modal transload, warehouse and distribution center to further assist in expanding the railroad's business and providing rail opportunities for all of Central and Eastern Oregon.

My contract with Prineville expires on December 28, 2008 and I would love the opportunity to return to the south coast of Oregon and help re-build the Coos Bay Line. I have maintained a good relationship with CORP and many of the former workers which I believe would be helpful

in rehabilitating the Vaughn to Cordes portion and in providing immediate service on the Danebo to Vaughn portion of the Coos Bay Line. I also have strong working relationships with BNSF Railway, Union Pacific Railroad and Portland and Western Railway which will also be beneficial to the Coos Bay Line particularly because of the integral connections that the Coos Bay Line has with UP.

Please let me know if there is any way that I can assist you in your efforts. I look forward to speaking with you more about this exciting opportunity.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Lovelady". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail.

Dan Lovelady
1174 NE Steins Pillar Drive
Prineville, OR 97754

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 12

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 11



Swanson Group, Inc.

PO Box 250 • 2695 Glendale Valley Road • Glendale, OR 97442 • Phone. (541) 832-1121 • Fax (541) 832-1139

June 27, 2008

Ms Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S W.
Washington, D C. 20423-0001

RE STB Finance Docket No 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc*

Dear Secretary Quinlan:

I am the President of Swanson Group, Inc., the managing member of Swanson Group Mfg. LLC (collectively the "Swanson Group") and I am writing with regard to the Feeder Line Application being filed by the Oregon International Port of Coos Bay ("the Port"). Swanson Group supports the Port's effort to acquire the Coos Bay Line from the Central Oregon and Pacific Railroad Company ("CORP") under the Feeder Line Statute.

Swanson Group has been a shipper on the Coos Bay Line for approximately 35 years. Swanson Group is a family owned forest products company, with five primary manufacturing facilities in Western Oregon. We currently employ approximately 900 people. All of our facilities are dependent on stable, predictable transportation services.

Swanson Group's Noti sawmill (the "Swanson Sawmill") is located on the Line at Noti, OR which was not included in the CORP embargo. However, due to a continuous lack of reliable service provided by the CORP, in recent years, the Swanson Sawmill has shipped very little by way of direct rail (Swanson Sawmill direct rail shipments by year: 2006-830 cars, 2007-667 cars, 2008-4 cars).

The Swanson Sawmill is sited on only 12 acres, meaning we have very little room for the storage of our finished products (i.e. we require consistent daily shipping service). Specifically, in 2004 we held several meetings with the CORP, explaining our situation and needed service. We informed the CORP that in order to continuously operate our plant we required one switch per day of 5 cars, 5 days per week, with one double switch (i.e. approximately 1200 cars per year). Despite verbal assurances, CORP continuously failed to meet this need, forcing us into the costly dilemma of shutting down our facility or finding alternative shipping options. For instance, in 2004, we were forced to utilize expensive lumber barging to ship a significant volume of our product. Not wanting to continuously face this situation we invested in lumber trucks and alternative loading sites. These more reliable, yet costly alternatives have allowed us to focus on our day-to-day business instead of worrying about constant shipping delays. In the future, we

Dimension Lumber

Lumber Sales. (541) 832-1218
Lumber Sales (541) 832-1222
Lumber Sales (541) 832-1241
Sales Fax (541) 832-1232

Stud Lumber

Stud Sales. (541) 832-1145
Stud Fax (541) 832-1235

Veneer & Plywood

Veneer Sales: (541) 832-1130
Plywood Sales. (541) 832-1175
Veneer & Plywood Fax (541) 832-1177

hope that a new operator will be able to overcome the operational problems that have plagued CORP. Even if the operator could not meet our switch demand as outlined above, we would very likely use the line on a lesser schedule (3 switches/week 720 cars/year) if the service was reliable and predictable. Of course under any scenario our usage of the line would be predicated on economics.

Because CORP's rail service has been, and is now inadequate to meet the needs of the Swanson Sawmill, I support the Feeder Line Application submitted by the Oregon International Port of Coos Bay.

Sincerely,

A handwritten signature in black ink, reading "Steven Swanson". The signature is fluid and cursive, with the first name "Steven" and last name "Swanson" clearly legible.

Steven D. Swanson
President, Swanson Group, Inc., the
Managing member of Swanson Group Mfg LLC



July 1, 2008

Ms. Anne K. Quinlan, Esq
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

Dear Secretary Quinlan:

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc.*

I am the Traffic Manager - Rail of Roseburg Forest Products and I am writing with regard to the Feeder Line Application being filed by the Oregon International Port of Coos Bay ("the Port"). My name is Andrew E. Jeffers, I am Traffic Manager - Rail for Roseburg Forest Products Company. In my current position, I am in charge of all rail shipments for Roseburg and have held this position since 1996.

Roseburg supports the Port's effort to acquire the Coos Bay Line from the Central Oregon and Pacific Railroad Company ("CORP") under the Feeder Line Statute.

Roseburg Forest Products has been a shipper on the Coos Bay Line for approximately 30 years. We are a significant manufacturer of lumber, plywood, particleboard, and engineered wood products. We have six mills located in Southern Oregon; one in Northern California; one in Missoula, MT; two in South Carolina; one in Georgia; and three in Mississippi. We ship over 18,000 outbound rail cars per year. Seven of our mills are located on the Central Oregon & Pacific Railroad and we originate approximately 40 to 50 railcars per day from these facilities. In addition, we bring carloads of logs and other intermediate products inbound to our facilities for use in production of finished goods. Roseburg employs approximately 4000 people and the majority of these people work in Oregon. Our manufacturing facilities are strategically located so we are as close as possible to the raw material sources for our products. These areas also happen to be in sparsely populated rural areas. Our finished goods are mostly consumed in large urban areas throughout the United States. Geographically, we are at a great distance from our markets and we depend on rail to allow us to reach these markets and maintain the greatest economics of scale.

Until CORP embargoed the Coos Bay Branch Line on September 21 of this year, Coquille was receiving approximately 65% of its inbound raw material by rail. In addition, about 75% of our outbound shipments were moving via rail on an annual basis. CORP's cessation of operations has forced Roseburg to use trucks which has resulted in significantly higher freight charges. This freight differential has affected our ability to compete in the marketplace and has put Coquille at risk of closure.

Since 1996, Roseburg has seen CORP service on the Coos Bay Line deteriorate. We have also seen CORP's car loadings on this line drop significantly as a result of mill closures.

P O Box 1088
Roseburg, OR 97470
PH 541 679 3311
TF 800 548 5275
FX 541 679 2540
www.Roseburg.com

Page 2

STB Finance Docket No. 35160

July 1, 2008

It had become standard practice to try and keep about one week's supply of empty cars on-hand at Coos Bay just so our mill could have a consistent car supply. We ship on both the Coos Bay Line and on the Siskiyou Line from Dillard and Riddle. Occasionally, you run short of cars on both lines. Providing empty car orders are filled and the car supply pipeline is full, one can expect to be current at Dillard within 2-3 days. Given the same scenario on the Coos Bay Line, it would take you well over 7 days to get current. When you start running this far behind, customers start cancelling orders or requesting new terms of sales. Many times we were forced to convert shipments to truck or find an alternate loading site. When you start manipulating orders like this, your projected car supply needs go out the window and you often times end up with a huge surplus of equipment on-hand at Coos Bay.

Track conditions on the line had deteriorated to the point where it was taking two days for empty cars to move from Eugene, OR to Coos Bay then another day to run the empties to our mill at Coquille. Our loads were getting the same service, in addition, loads would get placed into a siding and left for several days. We used to get a lot of pushback from our customers about booking loads from Coquille, given the time it was taking to get the loads moved to Eugene and interchanged to the UP. We had one person devoting at least one hour each day tracking the shipments from Coquille to ensure the cars were moving to Eugene. We would also check for any shipments sitting in sidings, and we would coordinate with CORP to pick up the loads and get them moving to Eugene.

Track conditions like this can often bring about unexpected line closures. Line closures were another common occurrence on the Coos Bay line. These closures would often occur with no notice and last anywhere from several days to several months. While we learned to accept these occurrences as inevitable and could adapt relatively quickly, it was none the less very costly to do so and that adversely affected our profitability.

It is my understanding that CORP's current shutdown of rail service was caused by a failure of CORP to maintain its track and the tunnels and not because a sudden geological event. Accordingly, CORP's rail service is inadequate.

Because CORP's rail service has been and is now inadequate to meet the needs of Roseburg Forest Products, I support the Feeder Line Application submitted by the Oregon International Port of Coos Bay.

Sincerely,

ROSEBURG FOREST PRODUCTS



Andrew E. Jeffers

Traffic Manager - Rail - Roseburg Forest Products

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 13



Allyn C Ford
President

July 1, 2008

Ms Anne K. Quinlan, Esq
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D C. 20423-0001

Dear Secretary Quinlan:

**RE: STB Finance Docket No. 35160, Oregon International Port of Coos Bay – Feeder Line
Application – Coos Bay Line of the Central & Oregon Railroad, Inc.**

I am a shipper on the Coos Bay Line currently owned by the Central Oregon and Pacific Railroad Company ("CORP")

Roseburg Forest Products has been a shipper on the Coos Bay Line for approximately 30 years. We are a significant manufacturer of lumber, plywood, particleboard, and engineered wood products. We have six mills located in Southern Oregon; one in Northern California; one in Missoula, MT; two in South Carolina; one in Georgia; and three in Mississippi. We ship over 18,000 outbound rail cars per year. Seven of our mills are located on the Central Oregon & Pacific Railroad, and we originate approximately 40 to 50 railcars per day from these facilities. In addition, we bring carloads of logs and other intermediate products inbound to our facilities for use in production of finished goods. Roseburg employs approximately 4000 people and the majority of these people work in Oregon. Our manufacturing facilities are strategically located so we are as close as possible to the raw material sources for our products. These areas also happen to be in sparsely populated rural areas. Our finished goods are mostly consumed in large urban areas throughout the United States. Geographically, we are at a great distance from our markets and we depend on rail to allow us to reach these markets and maintain the greatest economies of scale.

CORP's rail service gradually deteriorated over the last few years until the complete cessation of service in September 2007. CORP's service is inadequate to meet the rail transportation needs of my company. We support the feeder application being filed by the Oregon International Port of Coos Bay.

Sincerely,

ROSEBURG FOREST PRODUCTS

Allyn Ford
President & CEO

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 14



Georgia-Pacific LLC

**55 Park Place, 12th Floor
Atlanta, Georgia 30303
(404) 652-7804
(404) 749-2666 fax
rtpugh@gapac.com**

**Robert T. Pugh
Vice President
Transportation & Logistics**

July 7, 2008

**Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001**

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central Oregon & Pacific Railroad, Inc.*

Dear Secretary Quinlan:

Georgia-Pacific West, Inc. owns and operates a lumber mill in Coos Bay, OR which produces approximately 250 MBF of lumber annually. Rail service was once provided by the Coos Bay Line currently owned by the Central Oregon & Pacific Railroad, Inc.

The Central Oregon & Pacific Railroad's rail service gradually deteriorated over the last few years until the complete cessation of service in September 2007. We support the Feeder Line application being filed by the Oregon International Port of Coos Bay with the understanding further details of the Port's plans will be disclosed at a later time.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. T. Pugh'.

R. T. Pugh

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 15



135 American Bridge Way
Reedsport, OR 97467
Phone 541-271-1100
Fax 541-271-1572

July 3rd, 2008

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc.*

Dear Secretary Quinlan:

I am the Plant Manager of American Bridge Manufacturing in Reedsport, Oregon, and I am writing with regard to the Feeder Line Application being filed by the Oregon International Port of Coos Bay ("the Port"). American Bridge Manufacturing supports the Port's effort to acquire the Coos Bay Line from the Central Oregon and Pacific Railroad Company ("CORP") under the Feeder Line Statute.

American Bridge Manufacturing has been a shipper on the Coos Bay Line for approximately 4 years. We predominately receive structural steel plate and shapes from mills east of the Mississippi river for use in manufacturing structural steel bridges and complex fabricated products. Our strongest market to date has been railroad bridges throughout the Northern Midwest and Western United States. Many of these projects have had the final components shipped directly to the jobsite by rail.

Until CORP embargoed the Coos Bay Line on September 21, 2007, our plant on this line shipped approximately 95% of its inbound traffic and 40% of its outbound traffic by rail on an annual basis. CORP's cessation of operations has forced the company to use trucks and has put the company in danger of going out of business.

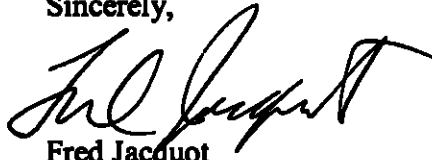
Beginning around October of 2006, CORP's rail service over the line deteriorated dramatically. For example, in October of 2006, a tunnel collapse on the line stranded several railcars of outgoing material in our yard. Assurances given by CORP led us to believe the issue would be resolved within 10 days, prompting us to hold the cars in our yard in anticipation of their eventual release. However, repairs were not completed as quickly as promised, and we had to transload this material to trucks for shipment to the project. CORP has refused to assist us with the costs incurred responding to that collapse.

After the referenced tunnel collapse, we had several issues with receiving cars needed to ship material to a job site in Nevada. This material had special loading needs that required all load and idler cars be delivered as a unit, to allow us to load and ship in a timely manner. Throughout the project, not once did we receive the cars as ordered. This uncertainty in car delivery and the accumulating demurrage charges prompted us to switch to truck shipping for this project.

In addition to the service issues mentioned above, it is my understanding that CORP's current shutdown of rail service was caused by a failure of CORP to maintain its track and the tunnels and not because of a sudden geological event. Accordingly, CORP's rail service is inadequate.

Because CORP's rail service has been, and is now inadequate to meet the needs of American Bridge Manufacturing I support the Feeder Line Application submitted by the Oregon International Port of Coos Bay.

Sincerely,

A handwritten signature in black ink, appearing to read 'Fred Jacquot', written over a horizontal line.

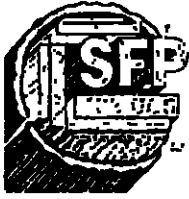
Fred Jacquot
Plant Manager
American Bridge Manufacturing

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 16



SOUTHPORT FOREST PRODUCTS, LLC
SOUTHPORT LUMBER CO., LLC

June 20, 2008

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 L Street, S.W.
Washington D.C. 20423-0001

RE: STB Finance Docket No. 35160, Oregon International Port of Coos Bay – Feeder
Line Application Coos Bay Line of the Central & Oregon Railroad, Inc.

Dear Secretary Quinlan:

I am a shipper on the Coos Bay Line currently owned by the Central Oregon and Pacific
Railroad Company ("CORP")

Southport owns and operates a saw mill that produces lumber, chips and by-products such
as hog fuel. We have 65 employees and move approximately 400 carloads a year.

CORP's rail service gradually deteriorated over the last few years until the complete
cessation of service in September 2007 and CORP's service is inadequate to meet the rail
transportation needs of my company. We support the feeder application being filed by
the Oregon International Port of Coos Bay.

Sincerely,

Jason W. Smith
Manager/Member

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 17

07-07-08
Ferrellgas
1750 Chappell Parkway
North Bend, Oregon 97459

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay
Feeder Line Application – Coos Bay Line of the Central & Oregon
Railroad, Inc.*

Dear Secretary Quinlan:

I am a shipper on the Coos Bay Line currently owned by the Central Oregon and Pacific Railroad Company ("CORP").

We are currently suffering hardship to bring in product at the best price to take care of our customer base. We currently have to have product shipped in by truck which costs Ferrellgas and its customers more money on every gallon bought and sold. Ferrellgas currently has on staff 25 employees to take care of the Coos Bay area which in compasses areas outside of Coos Bay as well. Ferrellgas would currently have 50 rail cars of Propane shipped in and out per year. Ferrellgas is currently receiving help from a Eugene Oregon plant to help with deliveries which is taking work out of our hands in Coos Bay.

CORP's rail service gradually deteriorated over the last few years until the complete cessation of service in September 2007 and CORP's service is inadequate to meet the rail transportation needs of my company. We support the feeder application being filed by the Oregon International Port of Coos Bay.

Sincerely,



Eric Nelson
Operations Manager
Ferrellgas Coos Bay, OR

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 18

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

June 30, 2008

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc*

Dear Secretary Quinlan:

I am General Traffic Manager of Rosboro Lumber Company ("Rosboro") headquartered in Springfield, Oregon. and I have 40 years experience in transportation management. I am writing with regard to the Feeder Line Application being filed by the Oregon International Port of Coos Bay ("the Port"). Rosboro supports the Port's acquisition of the Coos Bay Line from the Central Oregon and Pacific Railroad Company ("CORP") under the Feeder Line Statute.

In October, 2005, Rosboro purchased a glue laminated beam (glulam) manufacturing plant in Vaughn, Oregon. Until February 2008, when we temporarily closed this plant due to weak forest products markets, we shipped our products over CORP's Coos Bay line to the UP Railroad in Eugene for line haul to customers in all regions of the United States. In addition to our Vaughn plant, Rosboro owns another glulam plant located in Springfield, Oregon on Union Pacific and is the largest producer of glulam beams in North America. We also produce lumber and plywood at two additional mills located in Springfield, Oregon and manufacture custom doors in Bellingham, Washington. We employ more than 400 people and, when we reopen the Vaughn mill, will add another 100 employees. We make approximately 1000 carload shipments each year from Springfield to destinations located in most states in the nation, and we will ship another 200 carloads per year from Vaughn when we reopen that plant.

Our Vaughn mill is located on the portion of CORP's line that was not included in the embargo. However, following its embargo, CORP's rail service over the line deteriorated substantially, evidenced by slow delivery of empty cars for loading and delayed pickup of loads for transportation. CORP's rail service is inadequate to meet our needs, and I support the Feeder Line Application submitted by the Oregon International Port of Coos Bay.

Sincerely,



Dennis Williams
General Traffic Manager

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 19



COOS HEAD FOREST PRODUCTS

PO BOX 750 • COOS BAY, OREGON 97420-0143
PHONE (541) 751-0088 • FAX (541) 751-0908

July 1, 2008

Coos Head Forest Products
P.O. Box 750
Coos Bay, OR 97420

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington D.C. 20423-0001

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay - Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc.*

Dear Secretary Quinlan:

I am a shipper on the Coos Bay Line currently owned by the Central Oregon and Pacific Railroad Company ("CORP")

Coos Head Forest Products is a wholesale distributor of commodity building products and Wood Preserver serving the eleven western states. Our 140 employees produce many different products and depends on competitive transportation that only rail can provide. We cannot reach our market competitively without rail.

CORP's rail service gradually deteriorated over the last few years until the complete cessation of service in September 2007 and CORP's service is inadequate to meet the rail transportation needs of my company. We support the feeder application being filed by the Oregon International Port of Coos Bay

Sincerely

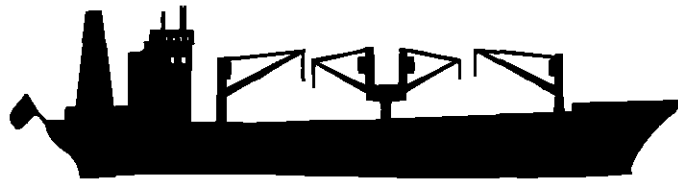
Patrick Ball
Coos Head Forest Products

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 20



COOS BAY DOCKS

A Division of Knutson Towboat Company

P.O. BOX 277
(541) 267-2196

COOS BAY, OR 97420
FAX (541) 269-5376

July 7, 2008

Coos Bay Docks
P O. Box 277
Coos Bay, OR 97420

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W
Washington D C 20423-0001

RE: STB Finance Docket No 35160, *Oregon International Port of Coos Bay - Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc.*

Dear Secretary Quinlan:

I am a shipper on the Coos Bay Line currently owned by the Central Oregon and Pacific Railroad Company ("CORP")

CORP's rail service gradually deteriorated over the last few years until the complete cessation of service in September 2007 and CORP's service is inadequate to meet the rail transportation needs of my company. We support the feeder application being filed by the Oregon International Port of Coos Bay.

Sincerely,

A handwritten signature in black ink that reads "Derek Davisson".

Derek Davisson
Coos Bay Docks

- - - - -

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 21



OCEAN TERMINALS CO.

P.O. Box 748 • North Bend, Oregon 97459
Phone (541) 756-5187 • Fax (541) 756-2941

July 7, 2008

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application - Coos Bay Line of the Central & Oregon Railroad, Inc.*

Dear Secretary Quinlan:

We are a shipper on the Coos Bay Line currently owned by the Central Oregon and Pacific Railroad Company ("CORP").

In the past, we've received large spools of paper and logs and shipped out logs and bark by rail from our spur connecting to the CORP service.

CORP's rail service gradually deteriorated over the last few years until the complete cessation of service in September 2007 and CORP's service is inadequate to meet the rail transportation needs of our company. We support the feeder application being filed by the Oregon International Port of Coos Bay.

Sincerely,

Pat Goll
Log Yard Manager

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 22

July 8, 2008

Swanson Brothers Lumber Company, Inc.
P.O. Box 309
Noti, OR 97461

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc.*

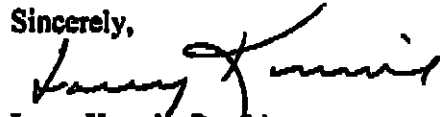
Dear Secretary Quinlan:

I am a shipper on the Coos Bay Line currently owned by the Central Oregon and Pacific Railroad Company ("CORP").

Swanson Brothers Lumber currently ships about 4-6 rail cars per month from our mill in Noti, Oregon on the CORP rail line. We are a low-volume specialty lumber company. Most of shipments go to California, with the rest going to Arizona and other places.

Rail service provided by CORP has always been poor and CORP's service is inadequate to meet the rail transportation needs of my company. Currently, it takes CORP 1-2 weeks to respond to a car order, and another 1-2 weeks to pick up loaded cars. We desire improved rail service and support the feeder application being filed by the Oregon International Port of Coos Bay.

Sincerely,



Larry Konnie, President
Swanson Brothers Lumber Company, Inc.

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 23



**OREGON RESOURCES
CORPORATION**

July 1, 2008

Ms Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W
Washington, D C 20423-0001

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc.*

Dear Secretary Quinlan:

I am the President of Oregon Resources Corporation and I am writing with regard to the Feeder Line Application being filed by the Oregon International Port of Coos Bay ("the Port"). Oregon Resources Corporation supports the Port's effort to acquire the Coos Bay Line from the Central Oregon and Pacific Railroad Company ("CORP") under the Feeder Line Statute.

The rail line is an integral part of our business plan in opening our Mineral Sands operation in 2009. We plan to ship 500 to 600 rail cars of mineral product from our plant in Coos Bay to the Mid West and East Coast markets. If the rail line does not reopen, we will have to rely on trucking a majority of our product which could significantly increase our operating expenses.

The impact of losing the rail service has already been felt and could lead to long-term business closures. Oregon Resources Corporation continues to support the dedicated efforts of the Oregon International Port of Coos Bay in developing needed transportation infrastructure in the southwestern Oregon region to assist in job creation and economic revitalization for our communities.

We support the feeder application being filed by the Oregon International Port of Coos Bay.

Sincerely,

Cheryl L. Wilson
President

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 24



PORT OF SIUSLAW

Serving Western Lane County and The Central Oregon Coast

Creating quality jobs and businesses through the development and application of Port facilities, resources and unique capabilities.

7 July 2008

Ms. Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W.
Washington, D.C. 20423-0001

RE: STB Finance Docket No. 35160, *Oregon International Port of Coos Bay – Feeder Line Application – Coos Bay Line of the Central & Oregon Railroad, Inc.*

Dear Secretary Quinlan:

I am the Port Manager at the Port of Siuslaw and I am writing with regard to the Feeder Line Application being filed by the Oregon International Port of Coos Bay ("the Port"). The Port of Siuslaw supports the Port's effort to acquire the Coos Bay Line from the Central Oregon and Pacific Railroad Company ("CORP") under the Feeder Line Statute.

The Port of Siuslaw's district includes a significant portion of territory that was covered by CORP. Until the downturn in the timber industry, this rail line served corporate entities such as Champion International and Davidson Industries in Cushman, Mapleton, Swisshome and Deadwood. Today, there are fallow industrial sites that can be served by rail service in these areas. With active rail service, the Port can assist current and future entities in developing these sites to drive economic development within the Port district.

It is my understanding that CORP's current shutdown of rail service was caused by a failure of CORP to maintain its track and the tunnels and not because of a sudden geological event. Accordingly, CORP's rail service is inadequate to serve business customers of the present or the future.

Because CORP's rail service has been, and is now inadequate to meet the future needs of Port of Siuslaw district businesses, I support the Feeder Line Application submitted by the Oregon International Port of Coos Bay.

Sincerely,

Mark Freeman
Port Manager

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 35160

**OREGON INTERNATIONAL PORT OF COOS BAY
—FEEDER LINE APPLICATION—
COOS BAY LINE
OF THE CENTRAL OREGON & PACIFIC RAILROAD, INC.**

Exhibit 25

Thursday, January 10 2008

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NEWS[Comment on Article](#) | [Return to Index](#) **CORP to close railroad link between Cal/Oregon**

Sunday, December 16, 2007 9 19 AM PST

Coos Bay shippers won't be alone in their struggles to ship products by rail. Advertisement

The Central Oregon & Pacific Railroad sent a letter Thursday to shippers on the railroad's Siskiyou Subdivision that within a month it is cutting train service into California

"CORP has a business problem," the letter began. "We lose money operating over the Siskiyou Subdivision."

It was from CORP's manager of marketing sales, Tom Hawksworth, who's based out of Roseburg. Effective Jan 15, no trains will carry cargo south of Ashland. Instead, companies that want to ship cargo by rail to California will see their products loaded on rail cars bound for Eugene. From Eugene, they would head to Klamath Falls and into California.

The railroad's customers in Northern California who rely on rail cars originating or terminating in Weed, Calif., will see service cut to two days a week

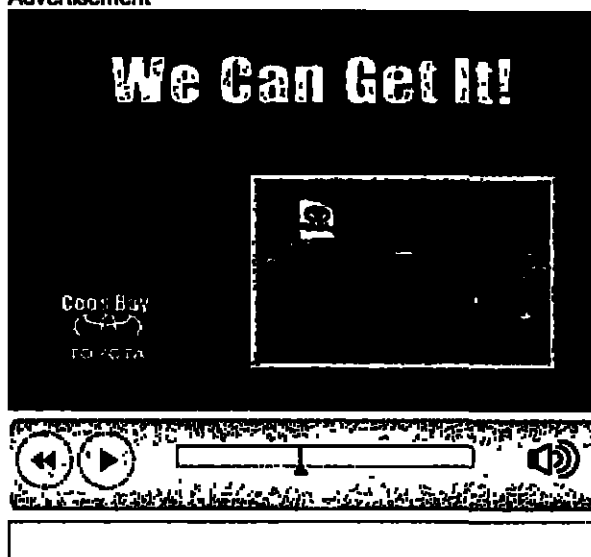
If the company fails to make its goals in that region by increasing volume or rates, service will end April 15, Hawksworth's letter said.

The announcement follows the closure of the 120-mile Coos Bay rail line in late September

In response to that decision, shippers from the South Coast and Southern Oregon organized two weeks ago to form the Coos-Siskiyou Shippers Coalition. The organization is working to have a stronger voice in economic issues in Southwest Oregon

CORP said in the letter that railroad officials will schedule a meeting in the future with shippers to discuss this latest announcement

— City Editor Elise Hamner

**Comments****ANDY**

wrote on Dec 17, 2007 7 28 AM

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