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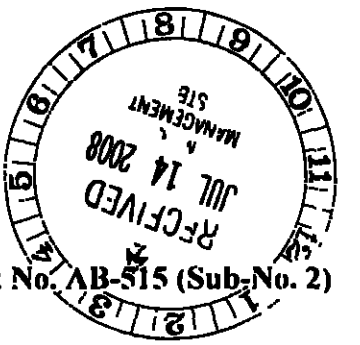


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| **Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line)** | ) | **Docket No. AB-515 (Sub-No. 2)** |

# APPLICATION OF CENTRAL OREGON & PACIFIC RAILROAD, INC. FOR AUTHORITY TO ABANDON RAILROAD LINES AND DISCONTINUE RAIL SERVICE

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## APPLICATION AND EXHIBITS
VOLUME 1 OF 3

**Scott G. Williams**
**Senior Vice President and**
***General Counsel***
**RailAmerica, Inc.**
**5300 Broken Sound Boulevard N.W.**
**Boca Raton, Florida 33487**
**(561) 994-6015**

**Terence M. Hynes**
**Paul A. Hemmersbaugh**
**Matthew J. Warren**
**Sidley Austin LLP**
**1501 K Street, N.W.**
**Washington, D.C. 20005**
**(202) 736-8000**

***Counsel for Central Oregon & Pacific Railroad, Inc.***

**Dated: July 14, 2008**

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## TABLE OF CONTENTS

**Page**

I. INTRODUCTION . . . . . 1

II SUMMARY OF EVIDENCE . . . . . 5

A. The Coos Bay Subdivision Generates Significant Avoidable Losses . . . . . 5

B Significant Tunnel Repairs Are Necessary to Restore Service on the Coos Bay Subdivision . . . . . 8

C. Shippers Who Used the Coos Bay Subdivision Have Reasonable Transportation Alternatives. . . . . 10

D The Combination of Ongoing Operating Losses and Significant Tunnel Rehabilitation Costs Justifies Abandonment and Discontinuance. . . . . 11

III. INFORMATION REQUIRED BY 49 C.F.R. § 1152.22. . . . . 13

A. § 1152.22(a): General Information . . . . . 13

B. § 1152.22(b) Present physical condition of the line including any operating restrictions and estimate of deferred maintenance and rehabilitation costs . . . . . 15

C § 1152.22(c). Description of the service provided on the line during the Base Year . . . . . 16

D. § 1152.22(d): Revenue and Cost Data. . . . . 19

E § 1152.22(e) Rural and Community Impact . . . . . 20

I. § 1152.22(f): Environmental Impact . . . . . 25

G. § 1152.22(g): Passenger Service . . . . . 25

H § 1152.22(h): Additional Information . . . . . .25

I § 1152.22(i) Draft Federal Register Notice . . . . . .25

J. § 1152.24(b) Service, Publication, and Posting of Notice of Intent. . . . . .25

K § 1152.24(c) Service of Application . . . . . 25

CONCLUSION . . . . . 26

## I. INTRODUCTION

The Central Oregon & Pacific Railroad, Inc. ("CORP") respectfully submits this Application seeking authority under 49 U S C § 10903 for CORP's abandonment of, and discontinuance of service on, a line of railroad known as the Coos Bay Subdivision, which consists of (1) the Coos Bay Branch (which is owned by CORP), and (2) the Coquille Branch and LPN Branch (which are leased by CORP).[1] Specifically, this Application seeks authority for CORP to abandon the Coos Bay Branch between Milepost 669.0 near Vaughn, OR and Milepost 763 13 near Cordes, OR, a distance of 94 13 miles in Coos, Douglas and Lane Counties, OR (the "Abandonment Segment"). CORP also seeks authority to discontinue service over those segments of the Coos Bay Subdivision that are leased by it, including (1) the Coquille Branch between Milepost 763.13 near Cordes, OR and Milepost 785 5 near Coquille, OR, a distance of 23 37 miles, which is leased from Union Pacific Railroad Company ("UP")[2], and (2) the LPN Branch between CORP Milepost 738.8 and LPN Branch Milepost 2.0, which is leased from Longview, Portland & Northern Railway Company ("LPN") (collectively, the "Discontinuance Segment").[3]

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[1] CORP's Coos Bay Subdivision consists of the Abandonment Segment, the Discontinuance Segment, and the line between Vaughn and Eugene, OR CORP does not propose to abandon its line between Vaughn and Eugene, OR Nevertheless, for convenience, the Abandonment Segment and the Discontinuance Segment are referred to collectively in this Application as the "Coos Bay Subdivision."

[2] In 2001 CORP discontinued service over the section of the Coquille Branch between Mileposts 785.5 and 786.5. *See Central Oregon & Pacific R R , Inc —Discontinuance Exemption –in Coos County, OR*, STB Docket No. AB-515 (Sub-No. 1X) (served Oct. 27, 2000).

[3] CORP is also discontinuing service over the 3 5-mile Port of Coos Bay North Spit Rail Spur, which diverges from Roseburg Forest Products' North Spit Rail Spur at CORP Milepost 763.20 at Cordes, OR The Board does not have jurisdiction over CORP's discontinuance of service over this spur track. *See* 49 U.S.C. § 10906.

Under the governing statute, an application to abandon or discontinue service over a rail line should be granted where "the present or future public convenience and necessity require or permit the abandonment or discontinuance." 49 U.S.C § 10903(d). *see, e g , Union Pac R R Co Abandonment in Lancaster & Gage Ctys , NE, and Marshall Cty , KS*, STB Docket No AB-33 (Sub-No 140) The Board implements this standard by "balanc[ing] the potential harm to affected shippers and communities against the present and future burden that continued operation could impose on the railroad and on interstate commerce " *Id* (citing *Colorado v United States*, 271 U S 153 (1926))

In this case, the balance weighs decidedly in favor of approving the Application. CORP has incurred massive losses from operation of the Coos Bay Subdivision In the twelve months prior to the embargo of the Coos Bay Subdivision in September 2007,[1] the line generated an avoidable operating loss of approximately $[ ] million. *See* Exh 1 and V S Baranowski Traffic on the line has declined by 11 percent since 2006 and by 37 percent since 2003 V S Williams at 3 The decision by a major shipper, Weyerhaeuser Corporation, to close its paper manufacturing facility at Cordes, OR in 2004 resulted in the loss of approximately 3.000 carloads of rail traffic per year on the line. Traffic volume on the line has continued to exhibit a downward trend, with total volumes of 5,193 carloads in 2005, 5,363 carloads in 2006 and 4,018 carloads in 2007 (through the date of the embargo) This downward trend in rail shipments has

[1] Because no traffic has moved over the Coos Bay Subdivision since it was embargoed in September 2007, for the purposes of this Application CORP defined the Base Year as the twelve-month period before the line was embargoed—*i e* , September 2006 through August 2007 In similar situations where an embargo preceded the abandonment application the Board has used a 12 month period before the embargo as the base year *See Boston & Maine Corp — Abandonment in Essex Cty , MA & Rockingham Cty , NH*, Docket No AB-32 (Sub-No 90) (Oct. 3, 2001), *Idaho No & Pac R R Co —Abandonment Exemption—in Wallowa & Union Ctys , OR*, Docket No AB-433X (Mar 12, 1997) (rejecting carrier's proposed base year because it included time when line was embargoed).

occurred for most of the shippers on the Coos Bay Subdivision. V.S. Williams at 3. CORP is unaware of any potential new source of rail traffic that would come close to offsetting these substantial traffic losses.

Nor can CORP offset the loss of business by increasing rates on the remaining traffic that uses the line. As witness Lundberg explains, the vast majority of the traffic that moves over the Coos Bay Subdivision is handled by CORP for the account of UP. CORP does not have the right to set rates for, or to impose surcharges on, that traffic; rather, CORP receives a flat "Handling Carrier Charge" for each loaded car that it handles on UP's behalf. Annual adjustments to the Handling Carrier Charge are limited to [ ] [ ]. Thus, unlike most railroads, CORP cannot take pricing actions to enhance its revenues from most of the traffic that it handles on the Coos Bay Subdivision. The Handling Carrier Charge that CORP receives has not kept up with increases in CORP's costs in recent years. *See* Exhibit 1: V.S. Baranowski at 15.

To make matters worse, the Coos Bay Subdivision is currently embargoed and cannot be reopened without a major capital expenditure to repair the tunnels on the line (which are nearly a century old). In the absence of any realistic prospects for reversing the large operating losses incurred by CORP in operating the Coos Bay Subdivision, such an investment -- estimated to be $2.9 million in the first 6-12 months and an additional $3.8 million within 12-48 months – cannot be economically justified. V.S. Lundberg at 5-6 and Attachment 1. Spending millions of dollars to reopen a line over which CORP is experiencing such large operating losses would divert funds that could otherwise be used to address the capital needs of other portions of CORP's system. In short, requiring CORP to restore service and to continue operating the Coos Bay Subdivision would impose a heavy economic burden on CORP and on interstate commerce.

Conversely, the potential harm to shippers from the proposed abandonment and discontinuance of service is limited Almost 97% of the traffic on the Coos Bay Subdivision consists of lumber and forest products. V.S Williams at 5 and Attachment C Railroads face "vigorous and pervasive intermodal competition" from motor carriers for those commodities. *See Rail General Exemption Authority—Lumber or Wood Products*, Ex Parte No 346 (Sub-No. 325), 7 I.C C 2d 673, 676 (1991) As witness Williams shows, shifting the traffic handled by the Coos Bay Subdivision to direct truck service (for shipments up to 300 miles) or truck-rail transload service (for shipments moving longer distances) would increase shippers' costs by an average of 11 percent This increased expense pales in comparison to the massive losses that CORP would incur to rehabilitate the tunnels and to resume operations on the line In any event, the Board need not hypothesize about whether such modal alternatives to CORP rail service are feasible – shippers on the Coos Bay Subdivision are actually exercising those transportation options today. The Board has made clear that the fact that a proposed abandonment might cause shippers "some inconvenience and added expense" is not sufficient "to outweigh the detriment to the public interest of continued operation of uneconomic and excess facilities " *Grand Trunk W R R , Inc - Abandonment—in Macomb & Oakland Cty s , MI*, STB Docket No AB-31 (Sub-No. 33) (Dec. 23. 1998); *see also Union Pac R R Co Abandonment—in Lancaster & Gage Ctys , NE, and Marshall Cty , KS*, STB Docket No. AB-33 (Sub-No 140) (same), *Boston & Maine Corp –Abandonment in Hartford & New Haven Ctys , CT*, STB Docket No AB-32 (Sub-No 83) (Apr 22, 1998) (same) Here, the fact that some shippers may have to pay more for motor transportation than for rail service is not sufficient reason to force CORP to continue to provide rail service at a substantial and continuing loss

## II. SUMMARY OF EVIDENCE

### A. The Coos Bay Subdivision Generates Significant Avoidable Losses

The Coos Bay Subdivision generated an avoidable loss of approximately $1 3 million during the Base Year. This operating loss is the product of several factors, including the decline in traffic on the Coos Bay Subdivision since 2004, the high cost of operating and maintaining a rail line in the rugged terrain where the Coos Bay Subdivision is located, and CORP's lack of pricing authority over traffic moving on the line. In 2002 and 2003 the Coos Bay Subdivision was marginally profitable, generating positive operating income of approximately $[ ] in 2002 and $[ ] in 2003. However, in 2004, a major shipper on the line, Weyerhaeuser Corporation, ceased operations at its paper manufacturing facility at Cordes, OR The closure of that plant, which historically generated approximately 3,000 carloads of rail business annually, caused a precipitous decline in the total volume of traffic moving over the Coos Bay Subdivision, from 7,574 carloads in 2003 to 5,408 carloads in 2004. *See* V.S. Lundberg at 4 Traffic volume on the line has continued to exhibit a downward trend, with total volumes of 5,193 carloads in 2005, 5,363 carloads in 2006 and 4,018 carloads in 2007 (through the date of the embargo).[5] *See* Williams V S at 3 The total number of carloads moving over the line during the Base Year (September 1, 2006 August 31, 2007), the latest twelve-month period during which the line was open, was 4,773 carloads. This represents a decline of 11 percent since 2006, and 37 percent since 2003

[5] The small increase in traffic from 2005 to 2006 was attributable to new business from Southport Forest Products, which began shipping traffic from a facility located on the newly-constructed North Spit Spur in late 2005 *See* V S. Williams at 3. However, traffic from Southport Forest Products declined in the Base Year. In any event, the modest traffic generated by the North Spit Spur project has not been nearly enough to offset the loss of Weyerhaeuser's business

As witness Williams shows, the downward trend in rail shipments has affected most of the shippers on the Coos Bay Subdivision. Georgia Pacific Corporation, by far the largest shipper on the line, shipped [ ] cars during 2005, but only [ ] cars in 2006 and [ ] cars during the Base Year. The traffic of Roseburg Forest Products increased somewhat from [ ] cars to [ ] from 2005 to 2006, but declined to [ ] cars during the Base Year *See* V.S Williams at 3 and Attachment B. Rail shipments by each of the other customers that shipped more than 100 cars in 2005 fell precipitously. American Bridge Manufacturing Corporation's traffic declined from [ ] cars in 2005 to only [ ] cars during 2006 and [ ] cars during the Base Year. Durawood Treating Company's traffic declined from [ ] cars in 2005 to [ ] cars in 2006 and [ ] cars during the Base Year Thomas & Sons, which shipped [ ] carloads in 2005, shipped only [ ] car in each of 2006 and the Base Year yet that single car ranked Thomas & Sons as one of the lines "top ten shippers" in the Base Year In short, the Coos Bay Subdivision has experienced a substantial and ongoing decline in traffic across virtually all customers

Based upon current circumstances, it does not appear likely that CORP can attract sufficient new business from other sources to offset these traffic losses. The two largest rail shippers on the Coos Bay Subdivision, Georgia Pacific and Roseburg Forest Products, collectively account for approximately [ ] percent of all rail shipments moving over the line in the Base Year *See* V.S. Williams, Attachment B. Only one other customer ([ ]) currently ships more than 100 carloads per year Nor does the Coos Bay Subdivision enjoy significant traffic diversification from a commodity standpoint To the contrary, lumber and forest products account for almost 97 percent of all traffic that moved over the Coos Bay Subdivision during the Base Year *See id* at Attachment C Further, rail traffic on the Coos Bay Subdivision is highly concentrated at two stations, Coos Bay and Coquille, both of which are

located near the southern end of the line Indeed, in 2007, 96 percent of all carloads moving over the line originated or terminated at Coos Bay or Coquille *See id.* at Attachment D. Other stations along the 118.5 miles of rail lines that are the subject of this Application generate little, if any, sustained rail traffic In 2007 traffic originated or terminated at stations other than Coos Bay or Coquille totaled only 147 cars, or less than 3 cars per week. *See id* CORP is not aware of any potential source of new rail traffic in the foreseeable future that would enable CORP to operate the line profitability.

CORP cannot offset the loss of business over the past several years by increasing rates on other traffic that uses the line. The rail lines operated by CORP were acquired from UP's predecessor, the Southern Pacific Transportation Company ("SP") in 1994 At the time of the acquisition, CORP was owned by shortline operator RailTex, Inc ("Railtex") Railtex was acquired by RailAmerica in January 2002. Under the terms of a "Cooperative Marketing Agreement" entered into between CORP and SP in connection with the line sale transaction, CORP handles most traffic moving over the Coos Bay Subdivision as a "handling carrier" for UP Under this arrangement, traffic moves under a UP waybill, and UP has sole authority to determine the rates for the traffic (including the portion of the movement over CORP's lines). CORP receives from UP a "Handling Carrier Charge" (currently $[ ] per car) for each loaded car that it handles over the Coos Bay Subdivision on UP's behalf. *See* V.S. Lundberg, Attachment 3, Eighth Amendment The Handling Carrier Charge is adjusted annually by an amount equal to [

] In addition, CORP receives a fuel adjustment from UP on traffic moving for UP's account. The Cooperative Marketing Agreement does not give CORP any right to increase rates, or to assess surcharges, on traffic that it handles in conjunction with UP Nor does that

arrangement provide for negotiation of the fuel adjustment. Rather, UP unilaterally modifies the fuel adjustment from time to time. Any increase in the Carrier Handling Charge (other than the annual adjustment based on [ ]) is likewise solely within the discretion of UP. The annual adjustments in the Handling Carrier Charge and fuel payments that CORP has received in recent years have not been sufficient to keep pace with rising operating expenses, particularly in an economic environment of dwindling traffic volumes. Indeed, as Exhibit 1 graphically demonstrates, the [ ] cap on the annual adjustment to the Handling Carrier Charge is likely to result in increasing losses from operations on the Coos Bay Subdivision even if traffic were to increase significantly. As shown on Exhibit 1, based upon the RCAF-A, operating expenses would increase by [ ] percent between the Base Year and the Forecast Year. However, under the terms of its arrangement with UP, CORP's freight revenues would increase by only [ ]percent during the same period. As a result, even though witness Baranowski (conservatively) assumed that traffic would grow by nearly 600 cars (or 12 percent) from the Base Year to the Forecast Year, the avoidable loss would increase from approximately $[ ] million in the Base Year to $[ ] million in the Forecast Year. *See* Application Exh. 1, V.S. Baranowski at 15.

### B. Significant Tunnel Repairs Are Necessary to Restore Service on the Coos Bay Subdivision.

The viability of the Coos Bay Subdivision is further impaired by the deterioration of several timber-lined tunnels on the line.[6] In October 2006, a joint inspection of the Coos Bay Subdivision by the Federal Railroad Administration ("FRA") and the Oregon Department of Transportation ("ODOT") revealed significant deterioration in Tunnel No. 15 (located near

[6] Any attempt to portray the current condition of the tunnels as the result of alleged "neglect" by CORP ignores the fact that the tunnels are nearly a century old, and that they did not receive substantial investment from CORP's predecessors, including RailTex and SP.

Milepost 721). CORP engaged a contractor to perform repairs to the tunnel However, while those repairs were being performed in November 2006, Tunnel No 15 collapsed, resulting in the temporary closure of the tunnel and increasing the cost of repairs (initially estimated to cost $350,000 - $400,000) to approximately $1 7 million. V.S. Lundberg.

In March 2007, CORP engaged Shannon & Wilson, Inc., a geotechnical and environmental services firm, to evaluate the condition of all nine tunnels on the Coos Bay Subdivision Shannon & Wilson inspected the tunnels during March and April 2007, and reported their findings to CORP's engineers on July 16, 2007 *See* V S Lundberg, Attachment 1 (Shannon & Wilson Report). Shannon & Wilson identified "severe liner and/or rock deterioration and instability" in Tunnel Nos 13, 15 and 18 *See id.* at 3 Shannon & Wilson recommended that certain short-term repairs ("Level 1 and Level 2 repairs") to Tunnel Nos. 13, 15 and 18 be performed within 12 months *Id* at 2. 6 Shannon & Wilson advised that "[i]n our opinion, the repairs recommended for tunnel sections that were classified as Repair Level 1 and 2 in our July 2007 report, are necessary to continue relatively safe train passage " *See id*. September 21, 2007 Supplement at 2 (emphasis added). The estimated cost of such immediate repairs is approximately $2,861,000 Shannon & Wilson also recommended that CORP perform more extensive repairs to the tunnels on the Coos Bay Subdivision within 12-48 months ("Level 3, 4 and 5 repairs"). The total cost of all tunnel work recommended by the Shannon & Wilson report is approximately $6.7 million *Id* at 11, Estimated Construction Cost Summary An independent inspection by FRA shortly after the embargo went into effect "substantially validate|d| the findings documented in the Shannon and Wilson report " FRA concluded that "[t]hese tunnels are hazardous to train traffic and maintenance operations " *See* V.S. Lundberg, Attachment 3, I RA Report (emphasis added)

The minimum cost of $2.9 million for repairs that are required within 6-12 months represents a rehabilitation cost that must be considered by the Board in analyzing the economic burden on CORP from continued operations. *See* Exhibit 1

### C. Shippers Who Used the Coos Bay Subdivision Have Reasonable Transportation Alternatives.

The few shippers who used rail service on the Coos Bay Subdivision at the time of the embargo have access to other transportation options. The Verified Statement of John Williams details Mr. Williams' analysis of the transportation options available to shippers on the Coos Bay Subdivision following the proposed abandonment and discontinuance of service. Mr. Williams concluded that virtually all of the traffic that CORP handled over the Coos Bay Subdivision can readily be diverted either to direct truck service or to truck-rail transload service. The Board itself has recognized that lumber, plywood, and other forest products—which constitute almost 97% of the traffic on the Coos Bay Subdivision—are subject to "vigorous and pervasive intermodal competition" from motor carriers. *See Rail General Exemption Authority—Lumber or Wood Products*, Ex Parte No. 346 (Sub-No. 325), 7 I.C.C. 2d 673, 676 (1991). Indeed, most of the shippers who used CORP's rail service on the Coos Bay Subdivision prior to the embargo appear to be utilizing direct truck service or truck-rail transload services today. Mr. Williams estimated that the cost of using either truck service or truck-rail transloading service would, on average, be approximately 11 percent higher than the cost that Coos Bay Subdivision shippers would pay for CORP-UP rail service if such service were available today.

As the Board recently stated, the fact that a shipper's transportation costs might increase as a result of an abandonment is no reason to force a railroad to continue "rail service [that] cannot be provided except at a substantial loss." *Union Pac. R.R. Co. – Abandonment — in Carver & Scott Counties, MN*, STB Docket No. AB-33 (Sub-No. 255) (served April 1, 2008)

(approving abandonment in spite of shipper's claim that abandonment would increase its shipping costs by $1 6 million, reasoning that "[t]here is no reason that this cost should be borne by [the railroad] rather than [the shipper], which is the user of this transportation service"), *see also Boston & Me Corp - Abandonment - in Hartford & New Haven Counties, CT*, STB Docket No AB-32 (Sub-No 23) (service date April 22, 1998) (approving abandonment where a protesting shipper claimed 25% increase in costs from trucking)

### D. The Combination of Ongoing Operating Losses and Significant Tunnel Rehabilitation Costs Justifies Abandonment and Discontinuance.

Given the substantial losses incurred by CORP in operating the Coos Bay Subdivision, an investment by CORP of at least $2.9 million in the short-term (and an additional $3.8 million in the longer term – *see* V S Lundberg at 5) to rehabilitate tunnels on the Coos Bay Subdivision cannot be economically justified [7] As the testimony of witness Baranowski shows, the avoidable loss from operations on the Coos Bay Subdivision - even before the cost of tunnel repairs is taken into account – was approximately $[ ] million in the Base Year and would be $[ ] million in the Forecast Year. With operating losses of that magnitude, and no opportunity for CORP to increase its revenues by raising rates or attracting substantial new business to the line, there is no realistic prospect that CORP would be able to earn any return on such an investment [8] Pouring millions of dollars into the Coos Bay Subdivision would also divert funds that could otherwise be available to address the capital needs of other portions of CORP's system

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[7] If rehabilitation activity caused one or more tunnels to collapse, as occurred during the repairs to Tunnel No 15 in 2006, the cost of performing even short-term repairs to the tunnels would be substantially higher than the $2.9 million estimated by Shannon & Wilson

[8] UP, the carrier for whose account CORP handles most of the traffic on the line, agrees that the line " has generated insufficient traffic to support reinvestment in the line " *See* Exhibit 4, Letter dated April 29, 2008 from J Michael Hemmer to Hon Charles D Nottingham, at 2

Abandonment and discontinuance of service are plainly appropriate in these circumstances. It is well settled that a railroad "cannot legitimately be required to expend money to rehabilitate a line where it will lose money on the operation." *Michael H. Meyer, Trustee v. N. Coast R.R. Auth. d/b/a N.W. Pac. R.R.*, STB Fin. Docket No. 34337 (served July 27, 2005) (citing *Chi. & N.W. Transp. Co. v. Kalo Brick & Tile Co.*, 450 U.S. 311, 325 (1981)); *see, e.g., Brooks-Scanlon Co. v. R.R. Comm'n of La.*, 251 U.S. 396, 399 (1920) (Holmes, J.) ("A carrier cannot be compelled to carry on even a branch of business at a loss. . . ."); *Purcell v. United States*, 315 U.S. 381, 385 (1942) (if costs "cannot be justified in terms of the reasonably predictable revenues, . . . the expenditures are wasteful" and contrary to "a stated purpose of the Transportation Act"); *Gibbons v. United States*, 660 F.2d 1227, 1233 (7th Cir. 1981) ("[A] railroad cannot be compelled to continue unprofitable operations indefinitely.") Indeed, the Supreme Court has held that "to compel [a railroad] to go on at a loss" would effect an unconstitutional taking of property. *R.R. Comm'n of Tex. v. E. Tex. R. Co.*, 264 U.S. 79, 85 (1924).

Here, CORP chose to seek abandonment and discontinuance authority as a last resort, only after its efforts to work with other stakeholders on a solution that would ensure the long-term viability of the Coos Bay Subdivision were unsuccessful. Prior to making the decision to seek abandonment authority, CORP met with shippers, Oregon legislators, the Port of Coos Bay and ODOT to solicit their participation in a cooperative effort to address the capital needs of the Coos Bay Subdivision and the ongoing losses from operations over the line. CORP's efforts to promote a public/private partnership solution to the problems facing the Coos Bay Subdivision are described in detail in CORP's May 12, 2008 Response to the Board's Order to Show Cause in Finance Docket No. 35130, *Central Oregon & Pacific Railroad, Inc. – Coos Bay Rail Line*

As CORP's Response to the Board's Order to Show Cause indicated, its efforts to build a coalition to address the long-term viability of the Coos Bay Subdivision were not successful. Accordingly, CORP made a decision in late April 2008 to seek to abandon the Coos Bay Subdivision [9]

## III. INFORMATION REQUIRED BY 49 C.F.R. § 1152.22

In support of this Application and in conformance with the Board's regulations, CORP provides the information below, which has been organized to parallel the requirements of 49 C F R § 1152 22·

### A. § 1152.22(a): General Information

#### 1. § 1152.22(a)(1): Exact name of Applicant

Central Oregon and Pacific Railroad, Inc.

#### 2. § 1152.22(a)(2): Whether Applicant is a common carrier by railroad subject to 49 U.S.C. Subtitle IV, chapter 105

CORP is a common carrier by railroad subject to 49 U.S.C Subtitle IV, chapter 105

#### 3. § 1152.22(a)(3): Relief sought

CORP seeks authority to abandon the portions of the Coos Bay Subdivision owned by CORP and to discontinue rail service over the portions of the COOS Bay Subdivision that are leased by CORP Specifically, CORP is seeking authority to abandon the Coos Bay Branch between Milepost 669 0 near Vaughn, OR and Milepost 763.13 near Cordes, OR, in Coos,

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[9] After the close of business on Friday, July 11, 2008, CORP was served with a copy of a Feeder Line Application filed by the Oregon International Port of Coos Bay pursuant to 49 U S C. § 10907 CORP has not had an opportunity to study that application in detail However, it is ironic that the Port, which declined CORP's requests that it participate in a partnership to preserve service on the Coos Bay Subdivision by contributing $4 6 million over five years, now asks the Board to force CORP to sell the Coos Bay Subdivision (including the segment that CORP does not propose to abandon) to the Port for approximately $8.9 million (less than half of the constitutional minimum value of the line)

Douglas, and Lane Counties, Oregon. CORP is seeking authority to discontinue service over (1) the Coquille Branch between Milepost 763.13 near Cordes, OR and Milepost 785 5 near Coquille, OR, in Coos County, OR, and (2) the LPN Branch between CORP Milepost 738 8 and LPN Branch Milepost 2 0, in Douglas County, OR.

**4. § 1152.22(a)(4): Detailed map of the subject line**

A map showing the exact location of the rail line to be abandoned and over which service is to be discontinued, and its relation to other rail lines in the area, highways, water routes, and population centers is attached as Exhibit 2.

**5. § 1152.22(a)(5): Reference to inclusion of the rail line to be abandoned or over which service is to be discontinued on the carrier's system diagram map**

The Coos Bay Subdivision was designated in Category 1 on CORP's system diagram map as of May 8, 2008 A copy of the system diagram map and line description which accompanied the system diagram map are attached as Exhibit 3.

**6. § 1152.22(a)(6): Detailed statement of reasons for filing application**

CORP seeks to abandon and discontinue service over the Coos Bay Subdivision because the present and prospective revenues from traffic handled via the line cannot support the ongoing cost of maintaining and operating the line As shown in Exhibit 1 and the Verified Statement of Michael Baranowski, the Coos Bay Subdivision has been operating at a substantial loss and will continue to be operated at a loss in the future In part these continuing operating losses are a function of declining traffic on the line over the last several years The Verified Statement of John Williams describes both the limited number of rail shippers served by the Coos Bay Subdivision and the downward trend in rail usage by those shippers in recent years It is unlikely

that traffic on the line will grow to a level that can sustain profitable operations by CORP in the foreseeable future

Moreover, the significant tunnel rehabilitation costs detailed by Shannon & Wilson in its report on the condition of tunnels on the Coos Bay Subdivision sharply highlighted the need for a long-term solution to the financial problems of the Coos Bay Subdivision *See* V.S. Lundberg, Attachment 1 After CORP was unable to create a public-private partnership to ensure a viable future for the Coos Bay Subdivision, CORP decided to seek authority to abandon and discontinue service The Verified Statement of Paul Lundberg discusses the reasons underlying CORP's decision to seek abandonment and discontinuance authority in greater detail

**7. § 1152.22(a)(7): Name, title, and address of representative of applicant to whom correspondence should be sent**

Any correspondence regarding the proposed abandonment and discontinuance should be sent to CORP's representative at the following address.

Terence M Hynes
Sidley Austin LLP
1501 K Street, NW
Washington, DC 20005
Telephone 202-736-8000
Fax 202-736-8711

**8. § 1152.22(a)(8): List of all U.S. Postal Service ZIP Codes that the line traverses**

The Coos Bay Subdivision traverses ZIP Codes 97420, 97423, 97439, 97441, 97449, 97453, 97459, 97461, 97467, 97480, 97487, 97490, and 97493

**B. § 1152.22(B): Present physical condition of the line including any operating restrictions and estimate of deferred maintenance and rehabilitation costs**

The Coos Bay Subdivision has been embargoed since September 21, 2007 due to hazardous conditions in tunnels on the line The approximate cost of tunnel rehabilitation that would be immediately required to restore the Coos Bay Subdivision to safe operating condition

is $2,860,785. *See* V. S. Lundberg, Attachment 1. An additional $3,818,961 in tunnel repairs will be necessary within four years, for a total of $6,679,746 in necessary tunnel maintenance. *See id.*

At a minimum, the $2,860,785 of immediate tunnel work required to restore the line to safe operating condition should be included as a rehabilitation cost for subsidy purposes. *See CSX Transp., Inc.—Discontinuance at Memphis, in Shelby, TN*, Docket No. AB-55 (Sub-No. 618) (Oct. 28, 2002) (holding that 100% of necessary rehabilitation costs should be included in subsidy year and rejecting shippers' claim that rehabilitation costs should be amortized over several years). Although CORP has taken the conservative approach of not including other tunnel repair costs in its subsidy calculation, the need for future tunnel repairs is further reason to grant CORP authority to abandon and discontinue service on the line.

### C. § 1152.22(C): Description of the service provided on the line during the Base Year

#### 1. § 1152.22(c)(1): Number of Trains Operated and Their Frequency

During the Base Year CORP operated North Hauler and North Switcher trains responsible for service at the north end of the line between Eugene and Mapleton, and South Hauler and South Switcher trains responsible for service from Mapleton to Coquille. The total of all trains operating on the line during the Base Year was 814, for an average of less than 16 trains per week.

#### 2. § 1152.22(c)(2): Miles of track operated

During the Base Year CORP operated on all 118.5 miles of the lines proposed for abandonment and/or discontinuance of service.

### 3. § 1152.22(c)(3): Average number of locomotive units operated

The majority of CORP's train service on the Coos Bay Subdivision—including its service to stations between Coquille and Cordes—was provided by a train with a single SW-1500 locomotive. A small number of CORP train operating on the line—including its service to stations between Hauser and Gardiner Junction—were powered by two GP-38 locomotives

### 4. § 1152.22(c)(4): Total tonnage and carloads by each commodity group on the line

The vast majority of the shipments on the Coos Bay Subdivision consisted of lumber and forest products During the Base Year, 4,476 of the 4,773 carloads consisted of lumber and forest products Table 1 sets forth the total tonnage and carloads during the Base Year by commodity

**Base Year Shipments by Commodity**
**Table 1**

| Commodity | Carloads | Tonnage |
|---|---|---|
| Lumber and forest products | 4,476 | 419,461 |
| Metal Products | 107 | 12,201 |
| Scrap Products | 71 | 6,065 |
| Petroleum products | 56 | 4,182 |
| Farm products | 21 | 1,785 |
| Other commodities | 60 | Various |

### 5. § 1152.22(c)(5): Overhead or bridge traffic by carload commodity group that will not be retained by the carrier

There has been no overhead or bridge traffic over the Coos Bay Subdivision

### 6. § 1152.22(c)(6): Average crew size

The average crew size for CORP trains operating over the Coos Bay Subdivision during the Base Year was two crew members per train

### 7. § 1152.22(c)(7): Level of maintenance

During the Base Year and in prior years CORP invested considerable time and money in maintaining the Coos Bay Subdivision The rugged terrain in which the Coos Bay Subdivision is located necessitated maintenance expenses well above those for ordinary track Between 2003 and 2007, CORP spent an average of 28 percent of its annual gross freight revenues earned on traffic moving over the Coos Bay Subdivision for normal track, bridge and crossing maintenance In 2006 CORP spent $934,000—32 percent of gross freight revenues generated by traffic on the line—to maintain tracks, bridges, and crossings on the line This percentage is more than double the prevailing level of maintenance spending in the railroad industry- in 2006, the aggregate expenditure by Class I carriers for all "Ways and Structures" expenses represented just 13 10% of their aggregate gross operating revenues for 2006 [10]

CORP's ordinary maintenance expenses during the Base Year included regular maintenance of track and crossings During the Base Year CORP performed weekly track inspections on the Coos Bay Subdivision CORP would perform general maintenance on the three drawbridges on the Coos Bay Subdivision, and those drawbridges would be annually inspected by a certified inspector. Switch circuit tests would be performed on the draw bridges at Reedsport and North Bend four times a year Twice a year a spray truck would operate down the Coos Bay Subdivision to control brush and other vegetation. Active grade crossing signals on the Coos Bay Subdivision would be subject to monthly, quarterly and annual inspections. A four-year test and ten-year test would also be performed on grade crossings on the Coos Bay

[10] *See Class I Railroad Annual Report (R-1)*, Sched 210, Line 13 (Total Railway Operating Revenue) and Sched 410, Line 151 (Total Way and Structures) as filed with the STB by each Class I railroad for 2005 and 2006 (at http //www stb.dot gov/stb/industry/econ_reports html).

Subdivision In addition, the four track side warning detectors on the Coos Bay Subdivision would be tested every two months

CORP also incurred extraordinary maintenance expense during the Base Year to repair tunnels on the Coos Bay Subdivision In November 2006, CORP incurred approximately $1 7 million in repair costs for Tunnel No 15 As discussed above, significant additional tunnel repairs would be necessary to restore the Coos Bay Subdivision to safe operating condition

**8. § 1152.22(c)(8): Any important changes in train service undertaken in the 2 calendar years immediately preceding the filing of the Application.**

None.

**9. § 1152.22(c)(9): Reasons for decline in traffic, if any**

Traffic on the line dropped precipitously in 2004 when a major shipper, Weyerhaeuser Corporation, ceased operations at its paper manufacturing facility at Cordes, OR. Before 2004, Weyerhaeuser's Cordes facility accounted for approximately 3,000 annual carloads of traffic. The closure of that plant resulted in a sharp decline in traffic on the line, from 7,574 carloads in 2003 to 5,408 carloads in 2004. As the Verified Statement of John Williams demonstrates, there has been a continued downward trend in traffic across virtually all customers and commodity groups.

**D. § 1152.22(D): Revenue and Cost Data**

**1. § 1152.22(d)(1): Computation of the revenues attributable and avoidable costs for the line to be abandoned for the Base Year**

See Exhibit 1 and the Verified Statement of Michael Baranowski

**2. § 1152.22(d)(2): Estimate of future revenues attributable, avoidable costs and reasonable return on the value for the line to be abandoned, for the Forecast Year**

See Exhibit 1 and the Verified Statement of Michael Baranowski

### 3. § 1152.22(d)(3): Estimated Subsidy Payment for Base Year

See Exhibit 1 and the Verified Statement of Michael Baranowski As Exhibit 1 shows, the estimated subsidy payment for the Base Year is $[ ]

## E. § 1152.22(e): Rural and Community Impact

### 1. § 1152.22(e)(1): Name and population of each community in which a station on the line is located

The name and population of each county and incorporated municipality in which a station on the Coos Bay Subdivision is located are as follows:

**Population of Communities on Coos Bay Subdivision**
**Table 2**

| | 2007 Estimated Population[11] | 2000 Census Population[12] |
|---|---|---|
| | **COUNTIES** | |
| Coos County, OR | 63,050 | 62,788 |
| Douglas County, OR | 104,675 | 100,399 |
| Lane County, OR | 343,140 | 322,977 |
| | **CITIES** | |
| Coos Bay, OR | 16,210 | 15,372 |
| Coquille, OR | 4,215 | 4,184 |
| Lakeside, OR | 1,545 | 1,421 |
| North Bend, OR | 9,830 | 9,544 |
| Reedsport, OR | 4,305 | 4,378 |

### 2. § 1152.22(e)(2): Identification of significant users by name, address, principal commodity, and tonnage and carloads for each of the 2 calendar years preceding to filing of the application, for that part of the current year for which information is available, and for the Base Year

Table 3 identifies the Significant Users of the Coos Bay Subdivision as defined by 49 C.F.R. § 1152.2(l) and their respective carloads and tons shipped and received for calendar year 2006. Because the data maintained by CORP in the normal course of business do not

[11] Source: Portland State University Population Research Center. 2007 Oregon Population Report, *available at* http://www.pdx.edu/media/p/r/PRC_2007_Population_Report2_rev.pdf

[12] Source: 2000 U.S. Census

include complete tonnage data for 2006 and 2007, tonnage data for those years has been estimated based on carload totals Tables 4 and 5 identify significant users for 2007 and the Base Year, respectively. Because the Coos Bay Subdivision has been embargoed, no traffic has moved over the line during calendar year 2008

**Significant Users for 2006**
**Table 3**

| Shipper | Principal Commodity | 2006 Carloads | 2006 Tons |
|---|---|---|---|
| Georgia Pacific Corp<br>1400 SE Butler Bridge Rd<br>Toledo, OR 97391-1900 | Lumber and forest products | | |
| Roseburg Forest Products<br>P O. Box 1088<br>Roseburg, OR 97470 | Lumber and forest products | | |
| Southport Forest Products<br>P.O. Box 298<br>Coos Bay, OR 97420 | Lumber and forest products | | |
| X-Interchange Corp.<br>11300 Tomahawk Creek Parkway<br>Suite 110<br>Leawood, Kansas 66211 | Scrap iron or steel | | |
| Durawood Treating Co<br>P O Box 750<br>Coos Bay, OR 97420 | Lumber and forest products | | |
| American Bridge Manufacturing Co.<br>135 American Bridge Way<br>Reedsport, OR 97467 | Metal beams, girders, and plate iors | | |
| Amerigas<br>425 Virginia St<br>North Bend, OR 97459 | Propane and I iquefied Petroleum | | |
| Grange Coop Supply (Cenex)<br>89 Alder Street<br>Central Point, OR 97502 | Shelled Corn | | |
| Westwood Lumber Co<br>P O Box 217<br>Saginaw, OR 97472 | Lumber and forest products | | |
| Coos Head Forest Products<br>69015 Hauser Depot Road<br>North Bend, OR 97459 | Lumber and forest products | | |

**Significant Users for 2007**
**Table 4**

| Shipper | Principal Commodity | 2007 Carloads | 2007 Tons |
|---|---|---|---|
| Georgia Pacific Corp.<br>1400 SE Butler Bridge Rd<br>Toledo, OR 97391-1900 | Lumber and forest products | | |
| Roseburg Forest Products<br>P O Box 1088<br>Roseburg, OR 97470 | Lumber and forest products | | |
| Southport Forest Products<br>P.O Box 298<br>Coos Bay, OR 97420 | Lumber and forest products | | |
| Durawood Treating Co.<br>P O Box 750<br>Coos Bay, OR 97420 | Lumber and forest products | | |
| American Bridge Manufacturing Co<br>135 American Bridge Way<br>Reedsport, OR 97467 | Metal beams, girders, and plate iors | | |
| Amerigas<br>425 Virginia St.<br>North Bend, OR 97459 | Propane and Liquefied Petroleum | | |
| Danish Dairy<br>94912 Hwy. 42 S.<br>Coquille, OR 97423 | Shelled Corn | | |
| X-Interchange Corp.<br>11300 Tomahawk Creek Parkway<br>Suite 110<br>Leawood, Kansas 66211 | Scrap iron or steel | | |
| South Coast Lumber Company<br>P.O. Box 670<br>Brookings, OR 97415 | Lumber and forest products | | |
| Coos Head Forest Products<br>69015 Hauser Depot Road<br>North Bend, OR 97459 | Lumber and forest products | | |

**Significant Users for Base Year**
**Table 5**

| Shipper | Principal Commodity | Base Year Carloads | Base Year Tons |
|---|---|---|---|
| Georgia Pacific Corp.<br>1400 SE Butler Bridge Rd<br>Toledo, OR 97391-1900 | Lumber and forest products | | |
| Roseburg Forest Products<br>P O Box 1088<br>Roseburg, OR 97470 | Lumber and forest products | | |
| Southport Forest Products<br>P.O. Box 298<br>Coos Bay, OR 97420 | Lumber and forest products | | |
| Durawood Treating Co.<br>P.O. Box 750<br>Coos Bay, OR 97420 | Lumber and forest products | | |
| X-Interchange Corp<br>11300 Tomahawk Creek Parkway<br>Suite 110<br>Leawood, Kansas 66211 | Scrap iron or steel | | |
| American Bridge Manufacturing Co<br>135 American Bridge Way<br>Reedsport, OR 97467 | Metal beams, girders, and plate iors | | |
| Amerigas<br>425 Virginia St<br>North Bend, OR 97459 | Propane and Liquefied Petroleum | | |
| Ferrellgas<br>2300 NE Stephens<br>Roseburg, OR 97470 | Propane and Liquefied Petroleum | | |
| Thomas & Sons<br>840 South Front Street<br>Coos Bay, OR 97420 | Lumber | | |

### 3. § 1152.22(c)(3): General description of the alternate sources of transportation service available (rail, motor, water, air) and the highway network in the proximate area

The area served by the Coos Bay Subdivision has ready access to alternate sources of transportation service, including the interstate highway network, truck-rail transloading service, and water transportation

**Local Highway Network:** Between Coquille and Canary, the Coos Bay Subdivision parallels U.S. Highway 101. At Cushman, the line turns in an easterly direction, generally following the course of Oregon Highway 126. Oregon Highway 126 (which intersects U S Highway 101 at Florence) provides highway access to Eugene, OR and U.S. Interstate 5 In addition, Oregon Highway 38 (which intersects U S Highway 101 at Reedsport) and Oregon Highway 42 (which passes through Coquille) provide direct access to I-5

**Nearby Rail Transportation Service:** If the abandonment and discontinuance of service is approved, local shippers will have access to the national rail network via rail-truck transloading points on CORP's lines at Roseburg, Green, and Dillard, and on the lines of CORP, UP and PNWR/BNSF at Eugene. Approximately 96 percent of all carloads that moved over the Coos Bay Subdivision during 2007 originated or terminated at either Coos Bay or Coquille Coos Bay and Coquille are 118 and 135 miles, respectively, from Eugene, OR Coquille (the origin of Roseburg Forest Products' traffic) is 61 highway miles from Roseburg's facility at Dillard, OR. Eugene can be reached by truck from both Coos Bay and Coquille via the US-101 Coast Route and Oregon State Highway 126 Highway routes are likewise available for truck shipments from Reedsport (via Scottsburg, OR) or Coquille (via Myrtle Point, OR) to CORP's transload facility at Green, OR or to the Roseburg plant at Dillard, OR.

**Water Transportation Service:** The area is served by water transportation at the Oregon International Port of Coos Bay The three largest customers served by CORP on the Coos Bay Subdivision—Georgia Pacific, Southport Forest Products, and Roseburg Forest Products—each maintain terminal facilities at the Port of Coos Bay for barge service *See* http //www portofcoosbay com/terminals.htm.

**4. § 1152.22(e)(4): Statement of whether the properties proposed to be abandoned are appropriate for use for other public purposes.**

CORP does not believe that the right-of-way is suitable for public use There is little or no likelihood that the rail corridor is needed for a transit or highway corridor However, the right-of-way could be used for a unique land and water based recreational trail

**F. § 1152.22(f): Environmental Impact**

The Environmental Report required by 49 C.F R § 1105.7 and the Historic Report required by 49 C F R. § 1105 8 were submitted on June 24, 2008. A copy is attached as Exhibit 4.

**G. § 1152.22(g): Passenger Service**

There is no passenger service on the Coos Bay Subdivision

**H. § 1152.22(h): Additional Information**

CORP has submitted with this Application the Verified Statements of Marc Bader, Michael Baranowski, Pat Chapman, Paul Lundberg, Charles Rex and John Williams.

**I. § 1152.22(i): Draft Federal Register Notice**

The draft notice is attached as Exhibit 5

**J. § 1152.24(b) Service, Publication, and Posting of Notice of Intent**

Attached as Exhibit 6 is an affidavit stating that CORP has posted, published and served on the appropriate parties a notice of its intent to abandon and/or discontinue service on the Coos Bay Subdivision, in accordance with 49 C F R § 1152 20.

**K. § 1152.24(e): Service of Application**

Attached as Exhibit 7 is a Certificate of Service stating that CORP has complied with the requirements of 49 C F.R § 1152 24(e) regarding service of the Application.

## CONCLUSION

For the reasons set forth in this Application and in the accompanying Verified Statements and Exhibits, CORP respectfully requests that the Board authorize the abandonment of and discontinuance of service over the Coos Bay Subdivision

Respectfully submitted,

Scott G Williams
Senior Vice President and
General Counsel
RailAmerica, Inc
5300 Broken Sound Boulevard N W
Boca Raton, Florida 33487
(561) 994-6015

Terence M Hynes
Paul A Hemmersbaugh
Matthew J. Warren
Sidley Austin LLP
1501 K Street, N W.
Washington, D C. 20005
(202) 736-8000

*Counsel for Central Oregon & Pacific Railroad, Inc*

Dated: July 14, 2008

**VERIFICATION**
**49 C.F.R. 1152.22(j)**

I, Paul Lundberg, make oath and say that I am Senior Vice President - Strategic Relations of RailAmerica, Inc. and that I also serve as Vice President of Central Oregon & Pacific Railroad, Inc.; that I have been authorized by the Applicant to verify and file with the Surface Transportation Board the foregoing application in STB AB-515 (Sub-No 2); that I have carefully examined all of the statements in the Application as well as the exhibits attached thereto and made a part thereof; that I have knowledge of the facts and matters relied upon in the Application, and that all representations set for the therein are true and correct to the best of my knowledge, information and belief.

Paul Lundberg

Subscribed and sworn to before me
this 10th day of July 2008.

Notary Public

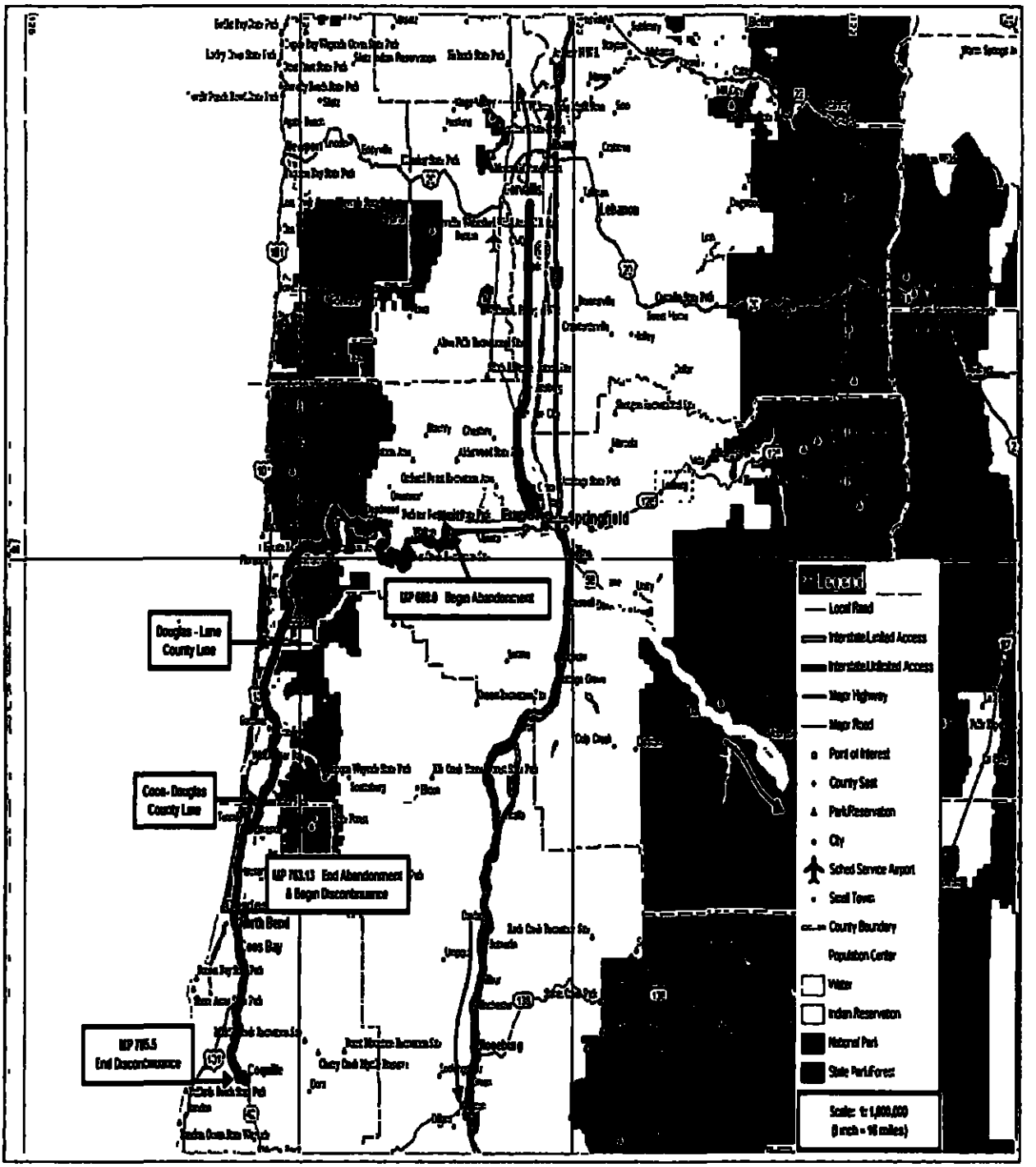
JENNIFER L. TAYLOR

My Commission Expires June 26, 2009

Notary Public State of Florida
Jennifer L Taylor
My Commission DD434993
Expires 6/26/2009

# EXHIBIT 1

# EXHIBIT 2




CORP – Coos Bay Line Proposed Abandonment - MP 669 0 to MP 763 13

CORP – Proposed Discontinuance MP 763 13 to MP 785 5

CORP – Siskiyou Line

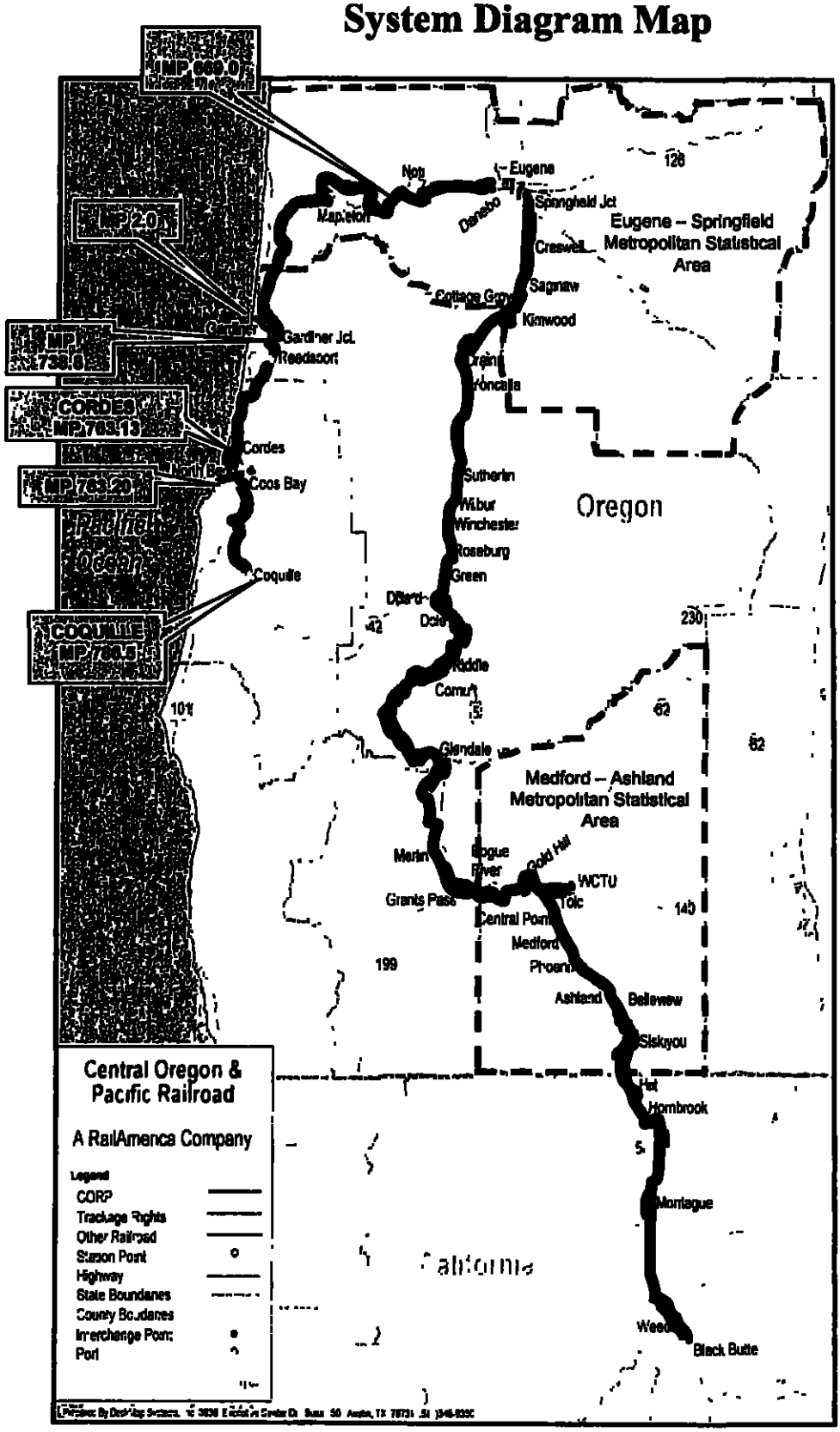
Union Pacific

Portland & Western

**Scale: 1 inch = 16 miles**

# EXHIBIT 3

# Central Oregon & Pacific Railroad
## System Diagram Map




CORP Category 1
(Coos Bay Subdivision Milepost 669.0 to Coquille Milepost 788.5 LPN Milepost 20.5 to Milepost 738.0 and Port of Coos Bay North Spit Rail Spur Milepost 763.20)

CORP Category 5

MAY 8 2008
RECEIVED

## CENTRAL OREGON & PACIFIC RAILROAD, INC.
## DESCRIPTION OF LINES IN CATEGORY 1 OF SYSTEM DIAGRAM MAP

The Central Oregon & Pacific Railroad, Inc. ("CORP") provides notice that a 116 6 mile long portion of the Coos Bay Subdivision, approximately 2 miles of trackage between Gardiner Junction and the west end of trestle number two between Bolen Island and Gardiner, OR, and approximately 3.5 miles of the Port of Coos Bay North Spit Rail Spur diverging from Roseburg Forest Products' North Spit Rail Spur at CORP Milepost 763.20 at Cordes, OR will be placed in Category 1

(a) **Carrier's designation:** CORP designates the Line as the Coos Bay Subdivision.

(b) **State or states in which each line is located:** The Line is located in Oregon

(c) **County or counties in which each line is located:** The Line is located within Coos, Douglas and Lane Counties.

(d) **Mileposts delineating each line:** The proposed abandonment or discontinuance of service would begin at Milepost 669.0 up to and including Milepost 785 6, and CORP Milepost 738.8 and LPN Milepost 2 0.

- Owned portion-Coos Bay Branch from Milepost 669.0 to Milepost 763 13
- Leased portion-Coquille Branch from Milepost 763.13 to Milepost 786.5
- Leased portion LPN Branch from CORP Milepost 738.8 to LPN Milepost 2.0
- Leased portion of Port of Coos Bay North Spit Rail Spur diverging from Roseburg Forest Products' North Spit Rail Spur at CORP Milepost 763 20

(e) **Agency or terminal stations located on each line or portion of line with milepost designations:**

| Station | Milepost |
|---|---|
| Coquille | 785 6 |
| Chrome | 781.2 |
| Hayden | 773.1 |
| McCormac | 770.5 |
| Coos Bay | 768.9 |
| North Bend | 765 6 |
| Cordes | 763.0 |
| Hauser | 759 3 |
| Lakeside | 752.1 |
| Reedsport | 740.4 |
| Gardiner Jct. | 738.8 |
| Kroll | 732 8 |
| Canary | 721.3 |
| Cushman | 716 0 |
| Wendson | 715.0 |

| | |
|---|---|
| Beck | 709.0 |
| Mapleton | 705.3 |
| Tide | 699.2 |
| Suislaw | 697.8 |
| Swisshome | 697.1 |
| Richardson | 685.0 |

CORP shall furnish a copy of its System Diagram Map and this Description to any interested person upon reasonable request. Please contact CORP's counsel, Terence M Hynes, Sidley Austin LLP, 1501 K. Street, NW, Washington, DC 20005 (202) 736-8000 or thynes@sidley.com

# EXHIBIT 4

**COMBINED ENVIRONMENTAL AND HISTORIC REPORT**
(49 C F R 1105 7 and 1105 8)

Docket No. AB-515 (Sub-No. 2)

CENTRAL OREGON & PACIFIC RAILROAD, INC —ABANDONMENT AND DISCONTINUANCE—IN COOS, DOUGLAS AND LANE COUNTIES, OR (COQUILLE TO VAUGHN)

Dated June 24. 2008

## ENVIRONMENTAL REPORT

(1) **Proposed Action and Alternatives**. Describe the proposed action, including commodities transported, the planned disposition (if any) of any rail line and other structures that may be involved, and any possible changes in current operations or maintenance practices Also describe any reasonable alternatives to the proposed action Include a readable, detailed map and drawings clearly delineating the project

The Central Oregon & Pacific Railroad, Inc. ("CORP") will file an abandonment application seeking authority to abandon and discontinue service over approximately 119 5 miles of its Coos Bay Subdivision in Coos, Douglas and Lane Counties, OR

The Application will seek authority to abandon the portions of the Coos Bay Subdivision that are owned by CORP, namely the Coos Bay Branch between Milepost 669 0 near Vaughn, OR and Milepost 763.13 near Cordes, OR, a distance of 94 13 miles in Coos, Douglas and Lane Counties, OR (the "Abandonment Line"). The portion of the line proposed for abandonment includes the stations of Richardson (MP 685 0); Swisshome (MP 697.1), Suislaw (MP 697 8), Tide (MP 699.2), Mapleton (MP 705 3), Beck (MP 709 0); Wendson (MP 715 0), Cushman (MP 716.0); Canary (MP 721 3), Kroll (MP 732 8), Gardiner Junction (MP 738.8), Reedsport (MP 740 4), Lakeside (MP 752 1); Hauser (MP 759 3); and Cordes (MP 763 0)

The Application also will seek authority to discontinue service over the portions of the Coos Bay Subdivision that are leased by CORP, including (1) the Coquille Branch extending between Milepost 763.13 near Cordes, OR and Milepost 786 5 near Coquille, OR, a distance of

23.37 miles in Coos County, OR, which is leased from Union Pacific Railroad Company ("UP"): and (2) the LPN Branch extending between CORP Milepost 738.8 and LPN Branch Milepost 2 0. a distance of 2 0 miles in Douglas County, OR, which is leased from Longview, Portland & Northern Railway Company ("LPN") (collectively, the "Discontinuance Line").[1] The Coquille Branch includes the stations of North Bend (MP 765.6). Coos Bay (MP 768.9). McCormac (MP 770 5), Hayden (MP 773.1), Chrome (MP 781 2); and Coquille (MP 785 6) The LPN Branch includes the station of Gardiner Junction (MP 738 8)

CORP embargoed the Line on September 21, 2007 due to serious safety concerns with three tunnels on the Line The Line was properly embargoed under Embargo Number CORP000107, issued pursuant to the AAR Embargo and Permit System

Upon receipt of abandonment and discontinuance of service authority, CORP's common carrier obligation to operate over the Line will terminate. Unless the Abandonment Line is acquired pursuant to the feeder line statute (49 U S C § 10907 and 49 C.F.R § 1151), the offer of financial assistance procedures (49 U S C § 10904 and 49 C.F.R § 1152 27) or for trail use (16 U S C § 1247(d) and 49 C F.R § 1152.29), CORP will salvage the track and materials on the Abandonment Line and dispose of the underlying real estate. CORP will also discontinue rail service over the Discontinuance Lines The future use and disposition of the Discontinuance Lines will be the responsibility of the owners of those lines

The only alternative to the proposed abandonment and discontinuance of service would be for CORP to continue to operate the Line Traffic on the Line has declined significantly in recent years CORP handled 7,574 cars on the Line during 2003 However, in 2004, a major shipper on the Line (Weyerhaeuser Corporation) ceased operations at its paper manufacturing

[1] The Abandonment Line and the Discontinuance Line are referred to collectively hereinafter as the "Line "

facility at Cordes, OR As a result, traffic on the Line declined to 5,408 cars in 2004, 5,193 cars in 2005, 5,363 cars in 2006 and 4,018 cars in 2007 (prior to the embargo). The Line suffers a substantial avoidable loss, incurs significant opportunity costs, and would require a major capital investment to repair the tunnels and rehabilitate the Line for safe operations Even prior to the embargo, the level of traffic on the Line did not justify the ongoing cost of operating and maintaining the Line (much less the extraordinary expense of repairing the tunnels) Nor has the revenue from the Line provided CORP a reasonable return on its investment in the Line Making the further capital investment required to repair the tunnels and restore service on the Line would not be a prudent use of carrier resources

A map of the proposed abandonment and discontinuance of service is attached hereto as Exhibit 1

(2) **Transportation System.** Describe the effects of the proposed action on regional or local transportation systems and patterns. Estimate the amount of traffic (passenger or freight) that will be diverted to other transportation systems or modes as a result of the proposed action.

There has been no rail passenger service over the Line in decades, so the proposed abandonment and discontinuance of service will not have any impact on passengers The volume of freight traffic on the Line has varied over the last several years Table 1 shows the total number of loaded rail cars that moved over the Line during each of the last three years:

**TABLE 1**
**Loaded Cars Moving On The Line**

| Year | Loaded Cars |
|---|---|
| 2005 | 5.193 carloads |
| 2006 | 5,363 carloads |
| 2007 | 4,018 carloads |

CORP will base its estimate of the environmental impact of the proposed abandonment on the traffic that moved over the Line between September 2006 and August 2007—the twelve-

month period before the line was embargoed (the "Base Year") A total of 4,707 loaded rail cars moved over the Line during the Base Year Table 2 provides information regarding the traffic that moved over the Line during the Base Year, including the commodities and the stations at which the traffic originated (or terminated)

**TABLE 2**
**Traffic Moving on the Line in the Base Year[2]**

| Station | Commodity | Cars Originated | Cars Terminated |
|---|---|---|---|
| Reedsport | Scrap iron & steel, Iron rails, beams, and girders | 83 | 11 |
| Hauser | Lumber and Forest products, Gypsum board and paneling | 74 | 2 |
| North Bend | Propane and liquified petroleum | 53 | 6 |
| Coos Bay | Lumber and Forest products, Shelled Corn; Gypsum board and paneling | 2966 | 299 |
| McCormac | Lumber and Forest products | 0 | 6 |
| Coquille | Lumber and Forest Products, Assorted Other Commodities | 991 | 78 |

To be conservative, CORP assumes for purposes of this analysis that all of the traffic that previously moved over the Line would be diverted to other modes, and that the volume of such traffic would be equal to the volume handled over the Line in the Base Year CORP cannot determine with precision whether all of the traffic would be diverted to truck, or whether some might be diverted to water carriage Given the commodities involved (predominantly forest products) and the proximity of certain key traffic origins to the Port of Coos Bay, water transportation may be a viable option for some shippers. Nevertheless, CORP takes a

[2] Because of incomplete data, Table 2 does not include all the 4,707 carloads that moved over the Line during the Base Year

conservative approach and bases this analysis on the assumption that all of the rail traffic previously handled by CORP would be diverted to truck.

According to the Oregon Department of Transportation mileage calculator ("ORDOT MC"), the highway distance from Coos Bay to the nearest railroad transload facility (at Roseburg, OR) is 95 miles However, CORP has observed that a substantial portion of traffic is currently being transloaded at Eugene, OR, a distance of 116 miles from Coos Bay Consistent with its conservative approach, CORP assumes for purposes of this analysis that all rail traffic would move over the road to/from a transload facility at Eugene, OR. For simplification, CORP assumes that all rail traffic originates at Coos Bay As Table 2 demonstrates, approximately two-thirds of all of the traffic on the Line originated or terminated at Coos Bay. While some stations on the Line (such as Reedsport and Hauser) are closer to Eugene than Coos Bay, while other stations on the Line (such as Coquille) are farther from Eugene than Coos Bay, Coos Bay is a logical and conservative origin point for purposes of this analysis.

Traffic moving by truck between Coos Bay and Eugene (or points in between) would traverse US Highway 101 and/or Oregon Highway 126. Based upon annual diversion of 4,707 carloads of rail traffic, and a conversion ratio of four trucks per rail car as used by SEA in prior proceedings (*see e g . San Joaquin Valley Railroad Company–Abandonment Exemption–in Tulare County, CA*, STB Docket No AB-398 (Sub-No. 8X), Environmental Assessment served April 28. 2008, at 2) the proposed abandonment and discontinuance would result in an increase of approximately 18,828 truckloads per year moving over those highways

Even these conservative estimates (which likely overstate the actual increase in truck volume) would have minimal impact on highway traffic Using 2006 traffic volumes from the Oregon Department of Transportation, the lowest-volume segment of the highway route between

Coos Bay and Eugene is on U S. Highway 101 at the Lane-Douglas County line, which has average traffic of 4,000 vehicles per day (approximately 1,460,000 per year). *See* Oregon Department of Transportation, 2006 Traffic Volume on State Highways, at 48, *available at* http://www.oregon.gov/ODOT/TD/TDATA/tsm/docs/2006_TVT.pdf An increase of 18,828 truckloads represents only a 1.3% increase in annual traffic.

(3) **Land Use.** (i) Based on consultation with local and/or regional planning agencies and/or a review of the official planning documents prepared by such agencies, state whether the proposed action is consistent with existing land use plans. Describe any inconsistencies (ii) Based on consultation with the U.S. Soil Conversation Service, state the effect of the proposed action on any prime agricultural land. (iii) If the action affects land or water uses within a designated coastal zone, include the coastal zone information required by 1105 9 (iv) If the proposed action is an abandonment, state whether or not the right-of-way is suitable for alternative public use under 49 U.S C § 10905 and explain why

(i) CORP considers the proposed abandonment and discontinuance of service to be not inconsistent with existing land use plans. The land adjoining the Line is mainly rural in character CORP contacted Coos, Douglas and Lane Counties, OR, and the cities of Coquille, Coos Bay, North Bend, Lakeside, Reedsport and Florence, OR, by letters dated June 24, 2008 *See* Exhibit 2 As of this date, no response has been received from those government entities. A copy of this Environmental Report has been mailed to the appropriate local and state agencies for their information and further comment

(ii) CORP notified the United States Department of Agriculture ("USDA") Natural Resources Conservation Service (the agency succeeding to the responsibilities of the Soil Conservation Service) of the proposed abandonment and discontinuance of service by letter dated June 24, 2008, and requested assistance in identifying any potential effects on prime agricultural land *See* Exhibit 2 No response has been received from USDA to date A copy of this Environmental Report is being provided to USDA for its information and further comment.

(iii) The Line does pass through the Oregon Coastal Zone. CORP notified the Oregon Department of Land Conservation and Development ("ORDLCD") of the proposed abandonment and discontinuance of service by letter dated June 24, 2008, and requested assistance in identifying any potential effects on the Oregon Coastal Zone *See* Exhibit 2 No response has been received to date. A copy of this Environmental Report is being provided to the ORDLCD for its information and further comment CORP is willing to adapt its salvage plan for the Line as necessary to comply with the Oregon Coastal Management Program CORP intends to salvage the Line, but CORP will not develop any of its underlying right-of-way CORP will comply with any consistency certification necessary under governing law.

(iv) CORP does not believe that the right-of-way is suitable for public use There is little or no likelihood that the rail corridor is needed for a transit or highway corridor. The right-of-way could be used for a unique land and water based recreational trail

(4) **Energy.** (i) Describe the effect of the proposed action on transportation of energy resources (ii) Describe the effect of the proposed action on recyclable commodities (iii) State whether the proposed action will result in an increase or decrease in overall energy efficiency and explain why (iv) If the proposed action will cause diversions from rail to motor carriage of more than. (A) 1,000 rail carloads a year, or (B) an average of 50 rail carloads per mile per year for any part of the affected line, quantify the resulting net change in energy consumption and show the data and methodology used to arrive at the figure given

(i) The proposed abandonment and discontinuance of service will have no effect on the transportation of energy resources Forest products account for more than 95% of the rail traffic on the Line, and the Line does not handle any coal traffic

(ii) The proposed abandonment and discontinuance of service will not have a material effect on the transportation of recyclable commodities The only recyclable commodities that moved over the Line during the Base Year consisted of 40 cars of scrap metal.

(iii) If the traffic that previously moved over the Line is diverted to truck, the proposed abandonment and discontinuance of service will result in an increase in energy usage, because trucks are generally less fuel efficient than railroads

(iv) If the traffic that previously moved over the Line is diverted to truck, the proposed abandonment and discontinuance of service will result in the diversion of more than 1,000 rail carloads per year to motor carriage The increased energy consumption is estimated to be 516,351 gallons of diesel fuel The data and calculations used to arrive at this result are based on trucks operating one way loaded with 100% empty return, and fuel consumption for loaded and empty trucks of 4.5 and 6.5 miles per gallon, respectively. *Norfolk Southern Railway Company–Discontinuance of Service Exemption–in Stanly County. North Carolina*, STB Docket No AB-290 (Sub-No 254X); *Yadkin Railroad Company–Discontinuance of Service Exemption–in Stanly County, North Carolina*, STB Docket No. AB-290 (Sub-No. 274X); *Winston-Salem Southbound Railway Company–Discontinuance of Service Exemption–in Stanly County, North Carolina*, STB Docket No AB-149 (Sub-No 2X) (STB served June 12, 2006), Environmental Assessment at 4 However, because the vast majority of the traffic moved over the Line consists of lumber and other forest products, including inter-plant shipments for certain customers, it is likely that a significant number of truck shipments could be aligned in two-way movements (thereby reducing the number of empty return movements)

Based upon the foregoing conservative assumptions, the 4,707 rail carloads from the base year would be diverted to 18,828 loaded trucks and 18,828 empty trucks The loaded trucks would consume 485,344 gallons based on 18,828 truckloads times 116 miles divided by 4 5 miles per gallon The empty trucks would consume 336,007 gallons based on 18,828 truckloads

times 116 miles divided by 6 5 miles per gallon The total fuel to be consumed in trucking the traffic from the Line to Eugene would be 821,351 gallons of diesel fuel.

CORP consumed approximately 305,000 gallons of diesel fuel in the base year handling the 4,707 carloads on the Line The difference between the fuel consumed by CORP and to be consumed by trucks would be an additional 516,351 gallons of diesel fuel.

(5) Air. (i) If the proposed action will result in either: (A) An increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal, or (B) an increase in rail yard activity of at lease 100 percent (measured by carload activity), or (C) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment, quantify the anticipated effect on air emissions For a proposal under 49 U S C. § 10901 (or § 10505) to construct a new line or reinstitute service over a previously abandoned line, only the eight train a day provision in sub-section (5)(i)(A) will apply (ii) If the proposed action affects a class I or nonattainment area under the Clean Air Act, and will result in either: (A) an increase in rail traffic of at least 50 percent (measured in gross ton miles annually) or an increase of at least three trains a day on any segment of rail line, (B) an increase in rail yard activity of at least 20 percent (measured by carload activity), or (C) an average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on a given road segment, then state whether any expected increased emissions are within the parameters established by the State Implementation Plan However, for a rail construction under 49 U.S C § 10901 (or 49 U S C § 10505), or a case involving the reinstitution of service over a previously abandoned line, only the three train a day threshold in this item shall apply (iii) If transportation of ozone depleting materials (such as nitrogen oxide and freon) is contemplated, identify the materials and quantity, the frequency of service, safety practices (including any speed restrictions), the applicant's safety record (to the extent available) on derailments, accidents and spills; contingency plans to deal with accidental spills, and the likelihood of an accidental release of ozone depleting materials in the event of a collision or derailment

(i) The proposed abandonment and discontinuance of service is likely to result in an increase of more than 50 vehicles a day on certain road segments, including US Highway 101 and/or Oregon State Highway 126 The estimated 18,828 additional loaded trucks, operating six days a week translates to approximately 60 trucks per day, or approximately 2.5 trucks per hour Conservatively including 18,828 empty trucks as well would produce total additional highway traffic of 120 trucks per day, or 5 per hour Because of the generally rural nature of the area that would be affected by additional truck traffic, CORP believes that any increase in emissions over

those emissions currently resulting from railroad operations would be within the parameters established by the State Implementation Plan Any air emissions associated with salvage operations would be temporary and would not have a significant impact on air quality

(ii) The Line proposed for abandonment and discontinuance of service is not in a nonattainment area. The Environmental Protection Agency does not list any geographic area in which the Line is located as a nonattainment area for 1-Hour Ozone, 8-Hour Ozone, Carbon Monoxide, Nitrogen Dioxide, Sulfur Dioxide. Particulate Matter PM-10, Particulate Matter PM-2 5 or Lead The counties of Coos, Douglas and Lane each are currently listed as attainment areas for all priority pollutants In any event, because of the generally rural nature of the area that would be affected by additional truck traffic, CORP believes that any increase in emissions over those emissions currently resulting from railroad operations will be within the parameters established by the State Implementation Plan. CORP contacted the Oregon Department of Environmental Quality ("ORDEQ") and the United States Environmental Protection Agency ("USEPA") by letters dated June 24, 2008 *See* Exhibit 2 To date, no response has been received A copy of this Environmental Report has been supplied to the ORDEQ and USEPA for their information and comment

(iii) The proposed abandonment and discontinuance of service will not affect the transportation of ozone depleting materials, because the traffic handled by CORP on the Line does not include such commodities

**(6) Noise.** If any of the thresholds identified in item (5)(i) of this section are surpassed, state whether the proposed action will cause: (i) an incremental increase in noise levels of three decibels Ldn or more, or (ii) an increase to a noise level of 65 decibels Ldn or greater If so, identify sensitive receptors (e g , schools, libraries, hospitals, residences, retirement communities, and nursing homes) in the project area, and quantify the noise increase for these receptors if the thresholds are surpassed

CORP has considered noise impacts associated with the potential increase in truck traffic on affected road segments, including US Highway 101 and/or Oregon State Highway 126. The Board considers noise impacts to be potentially significant only where noise levels would increase by at least 3 decibels (dBA) and the resulting noise level experienced would be 65 dBA or greater. 49 C F R §1105 7(e)(5)(i)(C) and (6). CORP has determined that, even under the conservative assumptions stated above, the increase in projected truck traffic would result in a change of less than 3 dBA on road segments where truck traffic is expected to be routed Using 2006 traffic volumes from the Oregon Department of Transportation,[3] CORP determined that the lowest 2006 traffic volume (where the projected increase in traffic volume would be expected to have the greatest noise impact) on the affected roads is on U S 101 at Lane-Douglas County line. At that point, Oregon DOT reports a traffic volume of 4000 vehicles per day CORP calculated the increase in Day Night Average Noise Level ("DNL") using the following equation: Change in DNL (dBA) = 10log (projected traffic volume/existing truck volume) *See Norfolk Southern Railway Company, Pan Am Railways, Inc et al - Joint Control and Operating/Pooling Agreements-Pan Am Southern LLC*, FD35147 – *Environmental Appendix* (June 6, 2008). Assuming a 60 truck per day increase, the projected DNL is 0.065 dBA, well below the 3 dBA significance level CORP contacted the ORDEQ and the USEPA by letters dated June 24, 2008 *See* Exhibit 2 To date, no response has been received. A copy of this Environmental Report has been supplied to the ORDEQ and USEPA for their information and comment.

[3] *See* http://www.oregon.gov/ODOT/TD/TDATA/tsm/docs/2006_TVT.pdf

(7) **Safety**. (i) Describe any effects of the proposed action on public health and safety (including vehicle delay time at railroad grade crossings) (ii) If hazardous materials are expected to be transported, identify: the materials and quantity; the frequency of service, whether chemicals are being transported that, if mixed, could react to form more hazardous compounds; safety practices (including any speed restrictions), the applicant's safety record (to the extent available) on derailments, accidents and hazardous spills, the contingency plans to deal with accidental spills, and the likelihood of an accidental release of hazardous materials (iii) If there are any known hazardous waste sites or sites where there have been known hazardous materials spills on the right-of-way, identify the location of those sites and the types of hazardous materials involved

(i) The proposed abandonment and discontinuance of service will not have a detrimental effect on public health and safety To the contrary, the proposed abandonment will eliminate 77 private rail crossings, all with passive controls, nine public crossings with passive controls, and eight public crossings with either flashers or gates and flashers As a result of the proposed discontinuance of service, CORP will also stop operating over 47 private crossings, all with passive warning devices, 17 public crossings with passive warning devices, and seven public crossings with either flashers or gates and flashers. Accordingly, the proposed action will reduce, rather than increase, vehicle delay time at railroad grade crossings

(ii) The proposed abandonment and discontinuance of service will not have a material effect on the transportation of hazardous materials In the Base Year, CORP handled only 14 cars of propane over the Line.

(iii) On May 15, 2008, at milepost 727 7, near Ada, OR, the CORP Roadmaster discovered that someone had vandalized a transformer and that oil had been released. The site was cleaned and the contaminated soil was removed by a contractor CORP is not aware of any other hazardous material waste sites or sites where known hazardous material spills have occurred on or along the rail corridor of the Line

(8) **Biological Resources.** (i) Based on consultation with the U S Fish and Wildlife Service, state whether the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat, and if so, describe the effects (ii) State whether wildlife sanctuaries or refuges, National or State parks or forests will be affected, and describe any effects

(i) CORP does not believe that the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat CORP notified the U S Fish and Wildlife Service ("USF&WS") of the proposed abandonment by letter dated June 24, 2008, and requested assistance in determining whether the proposed abandonment and discontinuance of service will adversely affect endangered or threatened species or areas designated as a critical habitat *See* Exhibit 2 A copy of this Environmental Report has been supplied to the USF&WS for its information and further comment

(ii) The wildlife sanctuaries or refuges, National or State parks or forests that are adjacent to the Line are identified on the attached USGS maps CORP does not believe that any of those wildlife sanctuaries or refuges, National or State parks or forests will be adversely affected by the proposed abandonment and discontinuance of service The discontinuance of train operations along portions of the Line that are bounded by such resources will reduce the likelihood of adverse impacts on wildlife from train operations CORP intends to salvage the track and material from the Abandonment Line, but not the subsurface. In those areas where CORP seeks authority to discontinue service, it will not salvage any track or material and will not disturb any of the surrounding area. CORP notified the National Parks Service of the proposed abandonment and discontinuance of service by letter dated June 24, 2008, and requested assistance in identifying any potential effects on wildlife sanctuaries or refuges, National or State parks or forests *See* Exhibit 2. To date, no response to this request has been received A copy of this Environmental Report is being supplied to the National Park Service for its information and comment.

(9) **Water.** (i) Based on consultation with State water quality officials, state whether the proposed action is consistent with applicable Federal, State or local water quality standards Describe any inconsistencies. (ii) Based on consultation with the U.S. Army Corps of Engineers, state whether permits under section 404 of the Clean Water Act (33 U S C § 1344) are required for the proposed action and whether any designated wetlands or 100-year flood plains will be affected. Describe the effects (iii) State whether permits under section 402 of the Clean Water Act (33 U S C. § 1342) are required for the proposed action

(i) CORP is confident that the proposed abandonment and discontinuance of service will be consistent with all applicable water quality standards CORP contacted the ORDEQ and the USEPA by letters dated June 24, 2008 *See* Exhibit 2 To date, no response to this request has been received A copy of this Environmental Report has been supplied to the ORDEQ and USEPA for their information and comment

(ii) CORP does not believe that any permits under section 404 of the Clean Water Act are required for the proposed abandonment and discontinuance of service and that no designated wetlands or 100-year flood plains will be affected by the proposed abandonment and discontinuance of service Upon receiving abandonment authority, the right-of-way and existing public and private crossings will be used for access to remove the track and material from the Abandonment Line. No new access roads are contemplated. CORP does not intend to disturb any of the underlying roadbed or to perform any activities that would cause sedimentation or erosion of the soil, and does not anticipate any dredging or use of fill in the removal of the track material. Crossties and debris will be transported away from the Abandonment Line and will not be discarded along the right-of-way, nor will they be placed or left in streams or wetlands or along the banks of such waterways During track removal, appropriate measures will be taken to prevent or control spills from fuels, lubricants or any other pollutant materials from entering any waterways. CORP contacted the U S Army Corps of Engineers by letter dated June 24, 2008 and has received no response to date. *See* Exhibit 2 A copy of this Environmental Report has been supplied to the U.S. Army Corps of Engineers for its information and comment.

(iii) CORP does not believe that any permit under section 402 of the Clean Water Act would be required for the abandonment and discontinuance of service CORP contacted the ORDEQ and the USEPA by letter dated June 24, 2008 *See* Exhibit 2 A copy of this Environmental Report has been supplied to the ORDEQ and USEPA for their information and further comment

**(10) Proposed Mitigation.** Describe any actions that are proposed to mitigate adverse environmental impacts, indicating why the proposed mitigation is appropriate

CORP does not anticipate that the proposed abandonment and discontinuance of service would result in any adverse environmental impacts. Therefore, CORP does not believe that any mitigating actions will be necessary. CORP will, of course, adhere to any remedial actions suggested by the recipients of this Environmental Report, which are required by the Board

## HISTORIC REPORT

**1. A U.S.G.S. topographic map (or alternate map drawn to scale and sufficiently detailed to show buildings and other structures in the vicinity of the proposed action) showing the location of the proposed action, and the locations and approximate dimensions of railroad structures that are 50 years old or older and are part of the proposed action.**

U S Geological Survey Maps have been supplied to the Oregon Parks and Recreation Department ("ORPRD") *See* Exhibit 3 From the southern terminus of the Line at Milepost 763 13 near Cordes, OR to the northern terminus at Milepost 669 0 near Vaughn, OR, the USGS maps should be viewed in the following order Coquille, Coos Bay. North Bend, Lakeside, Winchester Bay, Reedsport, Fivemile Creek, Tahkenitch Creek, Florence, Mercer Lake, Tiernan, Mapleton, Greenleaf. Roman Nose Mountain, Clay Creek, Walton and Noti Along with the hard copy of the maps, CORP is filing with ORPRD and SEA the accompanying CD that will allow them to view the maps in greater detail.

**2. A written description of the right of way (including approximate widths, to the extent known), and the topography and urban and/or rural characteristics of the surrounding area.**

In general, the Line passes through rural areas The few urban areas along the Line are noted in the description The right-of-way is generally 100 feet wide, although subject to variation, with the track generally in the center of the right-of-way The Line is in a coastal area and as can be seen in the description runs along a number of rivers and other bodies of water

The Line begins at Milepost 786.5 near Cedar Point to the west of Coquille on the north bank of the Coquille River moving in an east-west direction From Milepost 786 5 to Milepost 763 13, the Line is owned by UP and operated by CORP pursuant to a lease West of Cedar Point, the Line turns north and essentially runs parallel to (and to the west of) Oregon Highway ("ORH") 42. To the west of the Line is Beaver Slough The Line is crossed by ORH 42, so that the railroad line is to the east of the highway

The Line continues to run parallel and to the east of ORH 42 and to the west of the Isthmus Slough The Line crosses Manning Gulch, Rogue Gulch, Wall Gulch and then Davis Slough Continuing in a northerly direction between ORH 42 on the west and the Isthmus Slough to the east, the Line crosses Shinglehouse Slough before passing through the town of Millington. OR. The Line then enters the town of Bunker Hill and crosses the Coalbank Slough before entering Coos Bay, OR The Line passes through the eastern part of Coos Bay and North Bend, OR to the west of a body of water known as Coos Bay At the northern end of North Bend, the Line crosses US Highway 101 and then crosses the Coos Bay

The portion of the Line owned by UP ends north of Coos Bay, at Milepost 763 13. The portion of the Line north of this point is owned by CORP Continuing north, the Line runs to the east of Oregon Dunes National Recreation Area ("ODNRA") and to the west of the North Slough. The Line then enters the ODNRA, with US Highway 101 located parallel to the east

The Line continues running in a northerly direction to the east of the Siuslaw National Forest and crosses Saunders Lake The Line at this point continues to the west of US Highway 101. The Line crosses Tenmile Creek and turns east, crossing US Highway 101 and passing through Lakeside, OR The Line then turns north again and runs along the west side of North Tenmile Lake and crosses a portion of the Lake The Line then runs along and crosses a portion of Blacks Arm in the William M. Tugman State Park At this point, the Line crosses from Coos County into Douglas County. The Line crosses Blacks Creek and travels along the eastern side of the Creek.

The Line enters Tunnel No 19 at milepost 746.41 and leaves the Tunnel at milepost 745 62 The Line continues north along Wind Creek and crosses Wind Creek several times The Line then turns east and crosses Scholfield Creek, traveling through marshes on the west side of Scholfield Creek. Turning in a northwesterly direction, the line again crosses Scholfield Creek before it enters Reedsport, OR and turns to the northeast From Reedsport, the Line crosses the Umpqua River

The Line then passes through East Gardiner, OR on the west side of the Smith River before veering off in a more northerly direction through the Siuslaw National Forest along the east side of Frantz Creek Turning in a northwesterly direction, the Line crosses Frantz Creek near Brenham, OR The Line enters Tunnel No. 18 at Milepost 734.77 and exits the Tunnel at Milepost 734.48. The Line travels north along the eastern shore of Tahkenitch Lake and then crosses Tahkenitch Lake and onto Isthmus Point The Line runs along the east bank of an arm of the lake and then crosses North Arm and travels along its western shore, crossing Catfish Cove

In a northeasterly direction, the Line passes to the east of Booth Arm and crosses Lane Creek Tunnel No 17 is located between Milepost 727 83 and Milepost 727 70 Upon exiting

Tunnel No 17, the Line turns north to cross Fiddle Creek at Ada Point, and then turns to the northeast along the eastern shore of Siltcoos Lake to the west of Ada Park The Line continues along Siltcoos Lake and turns to the east along the south shore of Miller Arm The Line enters a marsh and turns again to the northeast, crossing Carle Creek and running along the west side of Maple Creek The Line then turns northwest and enters Tunnel No 16, which is located between Milepost 721 64 and Milepost 721 52 The Line then enters Tunnel No 15 at Milepost 721 14 Exiting Tunnel No 15 at Milepost 720.73, the Line turns north as it continues through the Siuslaw National Forest, running along the east side of the South Inlet and then along the eastern shore of the South Slough Turning north, the Line crosses the South Slough and then at Cushman crosses the Siuslaw River over a drawbridge. The Line continues to run in a generally easterly direction on the north shore of the Siuslaw River past the Prosser Slough and Wendson The Line continues along the north of the Siuslaw River past the towns Betzen, Tiernan, Tide and Swisshome, OR in the Siuslaw National Forest Crossing Lake Creek, the Line continues along the north bank of the Siuslaw River The Line crosses a bend in the Siuslaw River twice near Milepost 694, remaining on the north shore. As the Siuslaw River turns to the south and west, the Line continues to run along the same side of the river, first on the east side and then the south because the river is headed west The river then turns east and the Line continues on the north shore of the river with the Linslaw County Park to the south

East of Linslaw, OR the Line crosses the Siuslaw River and continues along its southern shore As the Siuslaw River turns south again. the Line crosses it and moves east along Wildcat Creek At an elevation of about 400 feet, the Line continues east along the north side of Wildcat Creek. The Line enters Tunnel No 14 at Milepost 681.18 and exits that Tunnel at Milepost 681.09. The Line then follows the west bank of Wildcat Creek as the Line and creek both turn to

the north Turning east, past Walton, the Line continues on the north side of Wildcat Creek past Cram and Penn, OR

The Line enters Tunnel No 13 at Milepost 669.94. Exiting Tunnel No 13 at Milepost 669.47. the Line ends at Milepost 669.0, west of Vaughn, OR

Additional details regarding the Line can be found in the USGS Maps contained in Exhibit 3 (and the accompanying CD) and the track charts in Exhibit 5

**3. Good quality photographs (actual photographic prints, not photocopies) of railroad structures on the property that are 50 years old or older and of the immediately surrounding area.**

Photographs of the bridges on the Line that are 50 years old or older and a detailed description of the bridges are attached as Exhibit 4

**4. The date(s) of construction of the structure(s), and the date(s) and extent of any major alterations, to the extent such information is known.**

*See* Exhibit 4.

**5. A brief narrative history of carrier operations in the area, and an explanation of what, if any, changes are contemplated as a result of the proposed action.**

In 1906, the Southern Pacific Railroad ("SP") announced that it was planning to build a rail line from Eugene to Coos Bay, OR. Construction of the line by SP's subsidiary, the Willamette Pacific Railroad, was delayed until 1911, but the line to Coos County was finally completed in 1916 The railroad created Reedsport as a camp for railroad construction workers. Reedsport became a permanent town in 1912

CORP acquired the Abandonment Line, and leased the Discontinuance Line, from SP in 1994 and continuously operated the Line until it was embargoed on September 21, 2008

**6. A brief summary of documents in the carrier's possession, such as engineering drawings, that might be useful in documenting a structure that is found to be historic.**

CORP possesses the valuation maps of the Line, but is not aware of any other documentation regarding the Line in its possession

**7. An opinion (based on readily available information in the railroad's possession) as to whether the site and/or structures meet the criteria for listing on the National Register of Historic Places (36 C.F.R. 60.4), and whether there is a likelihood of archeological resources or any other previously unknown historic properties in the project area, and the basis for these opinions (including any consultations with the State Historic Preservation Office, local historical societies or universities).**

CORP believes that the bridges, tunnels and structures on the Line are neither unusual nor sufficiently noteworthy to warrant inclusion in the National Register of Historic Places To CORP's knowledge, there are no archeological resources or other railroad related historic properties in the project area

**8. A description (based on readily available information in the railroad's possession) of any known prior subsurface ground disturbance or fill, environmental conditions (naturally occurring or manmade) that might affect the archeological recovery of resources (such as swampy conditions or the presence of toxic waste), and the surrounding terrain.**

CORP is not aware of any existing subsurface ground disturbances or fills, or environmental conditions that might affect the archeological recovery of any potential resources

**9. Within 30 days of receipt of the historic report, the State Historic Preservation Officer may request the following additional information regarding specific non railroad owned properties or groups of properties immediately adjacent to the railroad right-of-way: photographs of specified properties that can be readily seen from the railroad right-of-way (or other public rights-of-way adjacent to the property) and a written description of any previously discovered archeological sites, identifying the location and type of the site (*i.e.* prehistoric or native American).**

CORP does not foresee the likelihood that any additional information will need to be supplied in connection with the proposed abandonment other than that information previously submitted. If such additional information is requested, CORP will promptly supply the necessary information (to the extent that it is in CORP's possession).

CORP contacted ORPRD *See* Exhibit 2 No response has been received. A copy of this Report has been mailed to ORPRD

# EXHIBIT 1–MAP

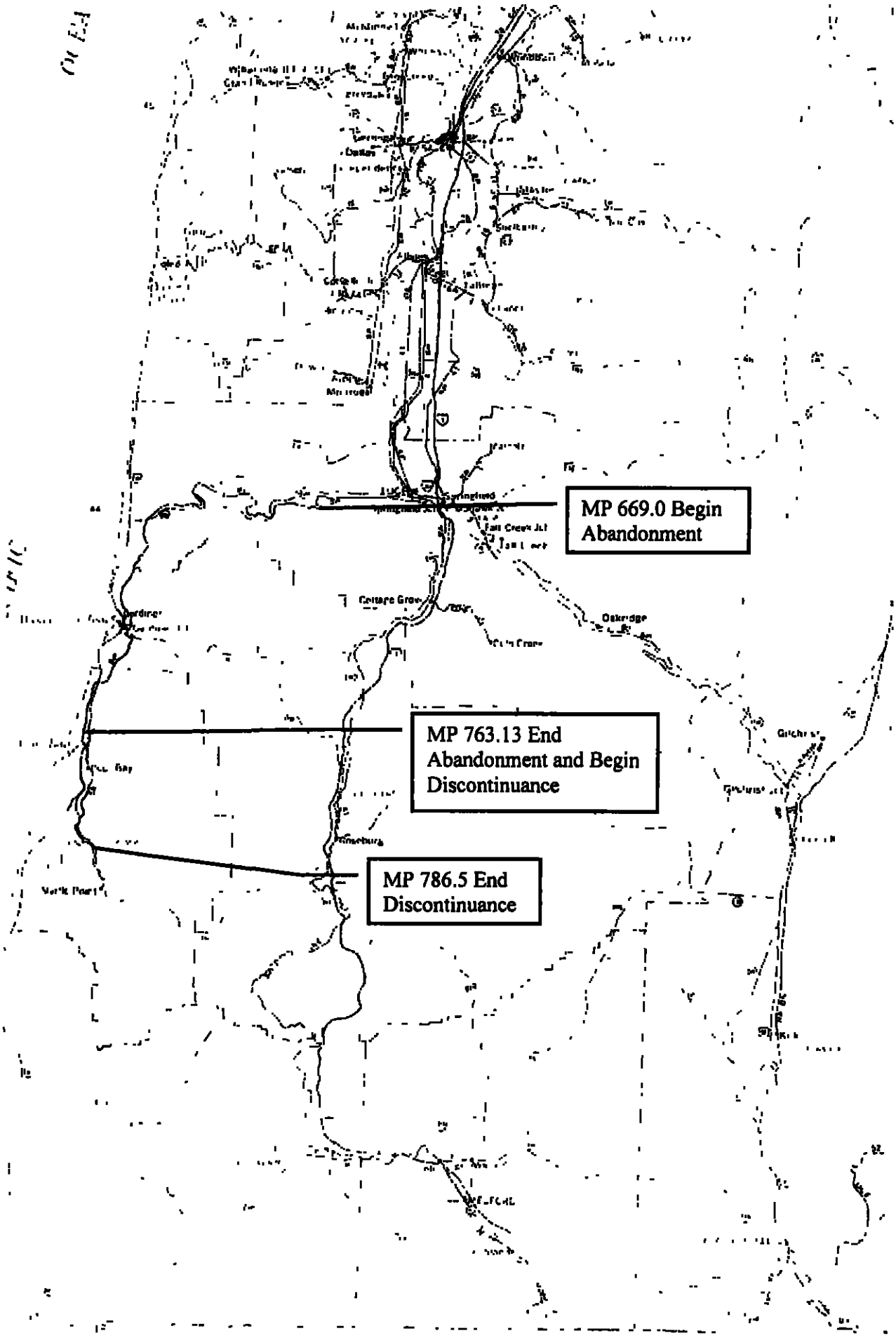

MP 669.0 Begin Abandonment
MP 763.13 End Abandonment and Begin Discontinuance
MP 786.5 End Discontinuance

Exhibit 1

# EXHIBIT 2—CONSULTATION LETTERS

SIDLEY AUSTIN LLP

SIDLEY AUSTIN LLP
1501 K STREET, N W
WASHINGTON, D C 20005
(202) 736 8000
(202) 736 8711 FAX

thynes@sidley com
(202) 736-8198

BEIJING
BRUSSELS
CHICAGO
DALLAS
FRANKFURT
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LONDON

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SINGAPORE
SYDNEY
TOKYO
WASHINGTON, D C

FOUNDED 1866

June 24, 2008

Natural Resources Conservation Service
U S Department of Agriculture
101 SW Main Street, Suite 1300
Portland, OR 97204-3221

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Sir/Madam

On or about July 14, 2008, we expect to be filing with the Surface Transportation Board ("STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc ("CORP") to abandon and discontinue service over approximately 119.5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR. CORP will seek to discontinue service over approximately 24 47 miles consisting of (1) about 22 47 miles between milepost 763 13 south of Cordes and milepost 785.6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company, and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738 8, and the end of the line at milepost 2.0, leased from Longview, Portland & Northern Railway Company

Attached is a Combined Environmental and Historic Report describing the proposed action and any expected environmental and historic effects, as well as a map (Exhibit 1) of the affected area We are providing this report so that you may review the information that will form the basis for the STB's independent environmental analysis of this proceeding. If any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Section of Environmental Analysis (SEA), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423, telephone 202-245-0295 and refer to the above Docket No AB-515 (Sub-No 2X).

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Sincerely,

Terence M Hynes
Counsel for Central Oregon & Pacific
Railroad, Inc and RailAmerica, Inc

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SIDLEY AUSTIN LLP

SIDLEY AUSTIN LLP
1501 K STREET, N W
WASHINGTON D C 20005
(202) 736 8000
(202) 736 8711 FAX

thynes@sidley com
(202) 736-8195

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June 24, 2008

U S Fish and Wildlife Service
Region 1
Eastside Federal Complex
911 NE 11th Avenue
Portland, OR 97232-4181

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Sir/Madam.

On or about July 14, 2008, we expect to be filing with the Surface Transportation Board ("STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc ("CORP") to abandon and discontinue service over approximately 119.5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR CORP will seek to discontinue service over approximately 24 47 miles consisting of (1) about 22 47 miles between milepost 763 13 south of Cordes and milepost 785.6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company; and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738 8, and the end of the line at milepost 2 0, leased from Longview, Portland & Northern Railway Company.

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June 24, 2008

National Park Service, Pacific West Region
One Jackson Center
1111 Jackson Street, Suite 700
Oakland, CA 94607

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas and Lane Counties, OR (Coquille to Vaughn)*

Dear Sir/Madam

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SIDLEY AUSTIN LLP
1501 K STREET, N W
WASHINGTON D C 20005
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June 24, 2008

Elin D Miller, Regional Administrator
U S Environmental Protection Agency
Regional Administrator's Office, RA-140
1200 Sixth Avenue, Suite 900
Seattle, WA 98101

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Mr Miller

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June 24, 2008

Colonel Thomas O'Donovan, District Engineer
U S Army Corps of Engineers, Portland District
P.O Box 2946
Portland, OR 97208-2946

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Colonel O'Donovan

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SIDLEY

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1501 K STREET N W
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June 24, 2008

NGS Information Services, NOAA, N/NGS12
National Geodetic Surgey SSMC-3, #9202
1315 East-West Highway
Silver Spring, MD 20910-3282

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

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June 24, 2008

Dick Pedersen, Interim Director
Oregon Department of Environmental Quality
811 SW Sixth Avenue
Portland, OR 97204-1390

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

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June 24, 2008

Oregon Coastal and Ocean Program Management
Department of Land Conservation and Development
800 Oregon Street, NE #18
Portland, OR 97223

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

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June 24, 2008

State Historic Preservation Office
Oregon Parks & Recreation Department
725 Summer Street, Suite C
Salem, OR 97301

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

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June 24, 2008

Matthew Garrett Director
Oregon Transportation Department
355 Capitol Street, N E
Salem, OR 97301-3870

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

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June 24, 2008

Coos County Board of Commissioners
250 N Baxter
Coquille, OR 97423

Re: Docket No. AB-515 (Sub-No. 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Sir/Madam

On or about July 14,.2008, we expect to be filing with the Surface Transportation Board ("STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc ("CORP") to abandon and discontinue service over approximately 119 5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR CORP will seek to discontinue service over approximately 24 47 miles consisting of (1) about 22 47 miles between milepost 763.13 south of Cordes and milepost 785 6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company, and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738 8, and the end of the line at milepost 2 0, leased from Longview, Portland & Northern Railway Company

Attached is a Combined Environmental and Historic Report describing the proposed action and any expected environmental and historic effects, as well as a map (Exhibit 1) of the affected area We are providing this report so that you may review the information that will form the basis for the STB's independent environmental analysis of this proceeding If any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Section of Environmental Analysis (SEA), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423, telephone 202-245-0295 and refer to the above Docket No AB-515 (Sub-No 2X)

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Sincerely,

Terence M Hynes
Counsel for Central Oregon & Pacific
Railroad, Inc and RailAmerica, Inc.

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SIDLEY AUSTIN LLP
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thynes@sidley com
(202) 736-8198

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June 24, 2008

Douglas County Board of Commissioners
1036 S.E Douglas Street
Roseburg, OR 97470

Re: Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Sir/Madam

On or about July 14, 2008, we expect to be filing with the Surface Transportation Board ("STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc. ("CORP") to abandon and discontinue service over approximately 119 5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR. CORP will seek to discontinue service over approximately 24 47 miles consisting of. (1) about 22 47 miles between milepost 763 13 south of Cordes and milepost 785 6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company, and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738 8, and the end of the line at milepost 2 0, leased from Longview, Portland & Northern Railway Company

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Counsel for Central Oregon & Pacific
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June 24, 2008

Lane County Board of Commissioners
125 East 8thAvenue
Eugene, OR 97401

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Sir/Madam

On or about July 14, 2008, we expect to be filing with the Surface Transportation Board ("STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc ("CORP") to abandon and discontinue service over approximately 119.5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR CORP will seek to discontinue service over approximately 24 47 miles consisting of (1) about 22 47 miles between milepost 763 13 south of Cordes and milepost 785 6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company, and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738 8, and the end of the line at milepost 2 0, leased from Longview, Portland & Northern Railway Company

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June 24, 2008

Jeff McKeown, Mayor
City of Coos Bay
500 Central Avenue
Coos Bay, OR 97420

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc. - Abandonment and Discontinuance - in Coos, Douglas and Lane Counties OR (Coquille to Vaughn)*

Dear Mayor McKeown

On or about July 14, 2008, we expect to be filing with the Surface Transportation Board ( 'STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc ("CORP") to abandon and discontinue service over approximately 119.5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR CORP will seek to discontinue service over approximately 24 47 miles consisting of (1) about 22 47 miles between milepost 763.13 south of Cordes and milepost 785 6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company, and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738 8, and the end of the line at milepost 2 0, leased from Longview, Portland & Northern Railway Company

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Sincerely,

Terence M. Hynes
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June 24, 2008

Steve Britton, Mayor
City of Coquille
851 N Central Boulevard
Coquille, OR 97423

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Mayor Britton

On or about July 14, 2008, we expect to be filing with the Surface Transportation Board ("STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc ("CORP") to abandon and discontinue service over approximately 119.5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR. CORP will seek to discontinue service over approximately 24 47 miles consisting of (1) about 22 47 miles between milepost 763.13 south of Cordes and milepost 785 6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company, and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738 8, and the end of the line at milepost 2 0, leased from Longview, Portland & Northern Railway Company

Attached is a Combined Environmental and Historic Report describing the proposed action and any expected environmental and historic effects, as well as a map (Exhibit 1) of the affected area. We are providing this report so that you may review the information that will form the basis for the STB's independent environmental analysis of this proceeding If any of the information is misleading or incorrect, if you believe that pertinent information is missing, or if you have any questions about the STB's environmental review process, please contact the Section of Environmental Analysis (SEA), Surface Transportation Board, 395 E Street, SW, Washington, DC 20423, telephone 202-245-0295 and refer to the above Docket No AB-515 (Sub-No 2X)

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Sincerely,

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June 24, 2008

Phil Brubaker, Mayor
City of Florence
P.O Box 2377
Florence, OR 97439

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Mayor Brubaker

On or about July 14, 2008, we expect to be filing with the Surface Transportation Board ("STB") an application seeking authority for Central Oregon and Pacific Railroad, Inc. ("CORP") to abandon and discontinue service over approximately 119 5 miles of its Coos Bay Subdivision in Coos, Douglas, and Lane Counties, OR CORP will seek to abandon a 94 13 mile segment between milepost 669 0 near Vaughn, OR, and milepost 763 13 south of Cordes, OR CORP will seek to discontinue service over approximately 24 47 miles consisting of (1) about 22 47 miles between milepost 763 13 south of Cordes and milepost 785 6 near Coquille, OR, over a line that is leased from the Union Pacific Railroad Company, and (2) the 2 0 mile LPN Branch between Gardiner Jct , milepost 738.8, and the end of the line at milepost 2.0, leased from Longview, Portland & Northern Railway Company

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June 24, 2008

City of Lakeside
P O Box L
Lakeside, OR 97449

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Sir/Madam

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June 24, 2008

Rick Wetherell, Mayor
City of North Bend
835 California Street
North Bend, OR 97459

Re Docket No AB-515 (Sub-No. 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Mayor Wetherell.

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(202) 736-8198

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June 24, 2008

Keith Tymchuk, Mayor
City of Reedsport
451 Winchester Avenue
Reedsport, OR 97467

Re Docket No AB-515 (Sub-No 2X), *Central Oregon & Pacific Railroad, Inc - Abandonment and Discontinuance - in Coos, Douglas, and Lane Counties, OR (Coquille to Vaughn)*

Dear Mayor Tymchuk

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# EXHIBIT 3 – USGS MAPS

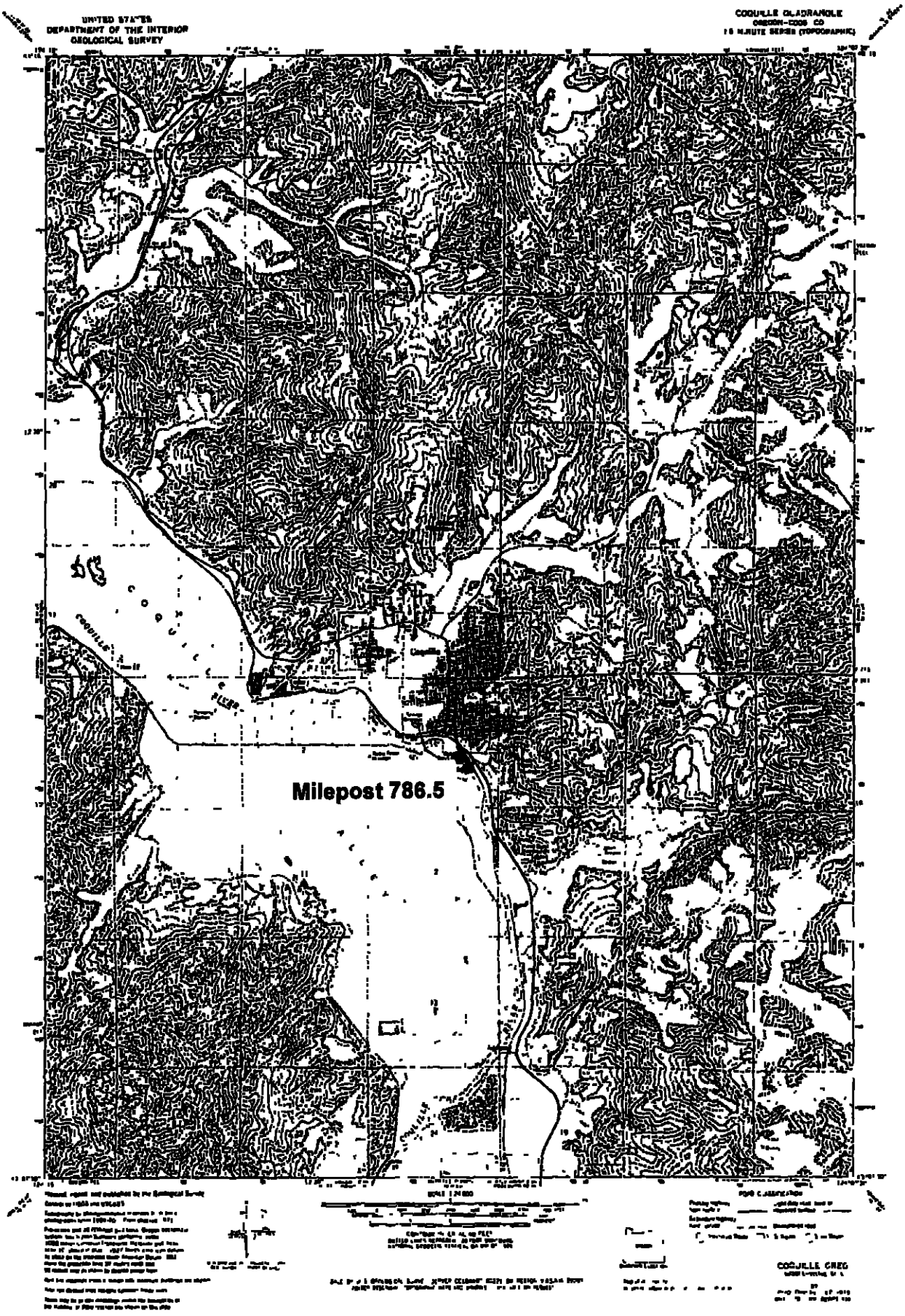
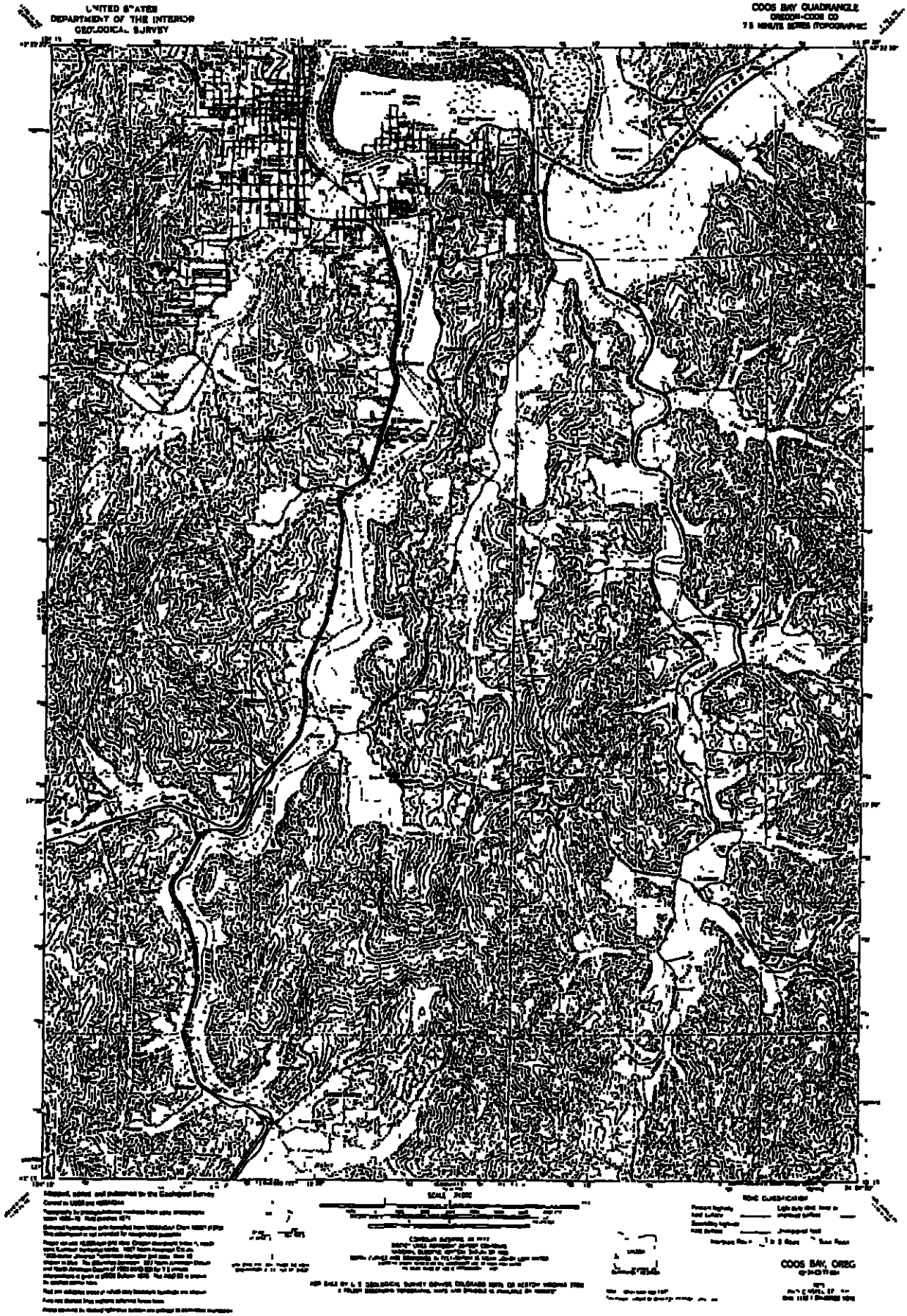



Exhibit 3 - Page 1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DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
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OREGON-COOS CO
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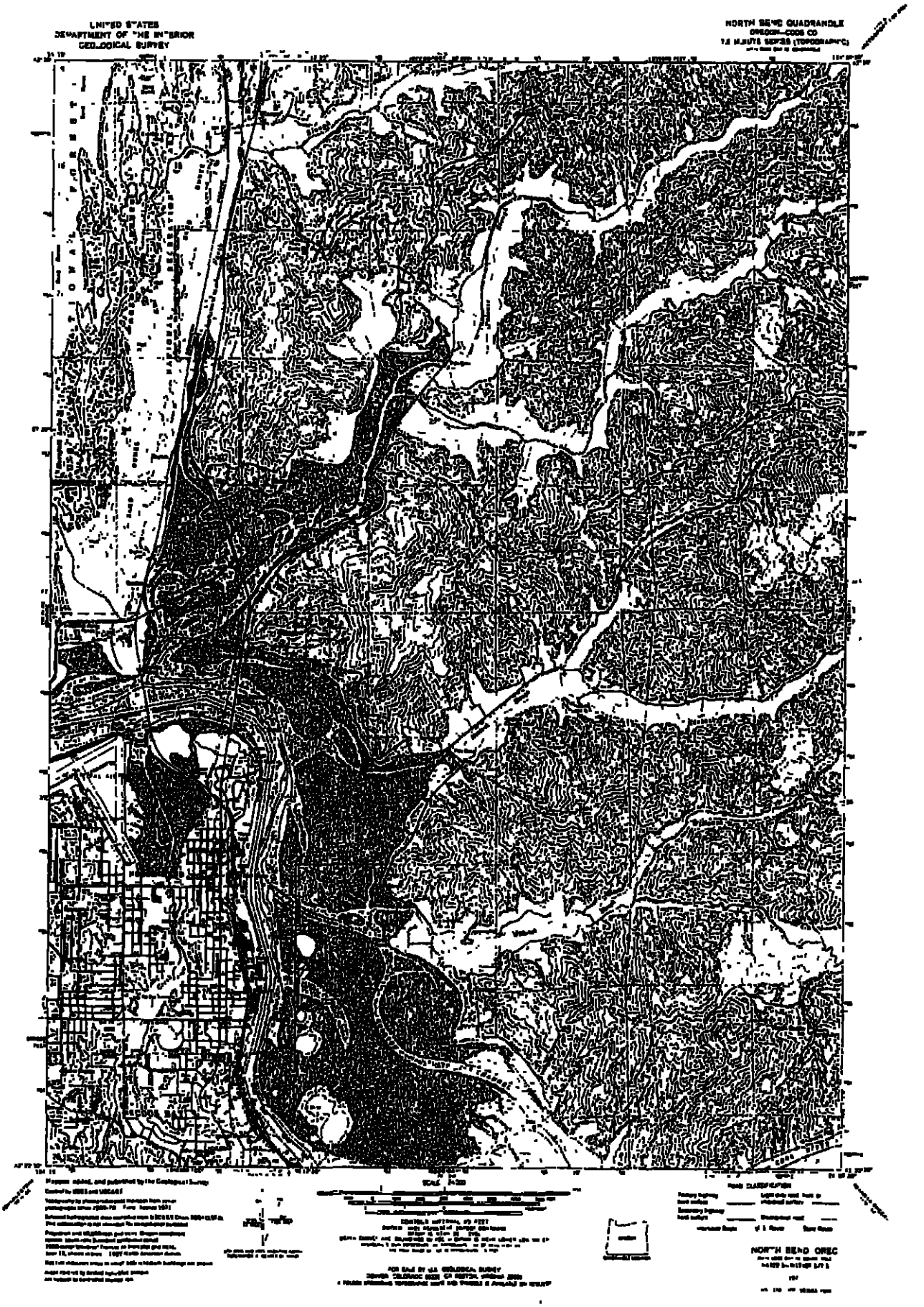
ROAD CLASSIFICATION
COOS BAY, OREG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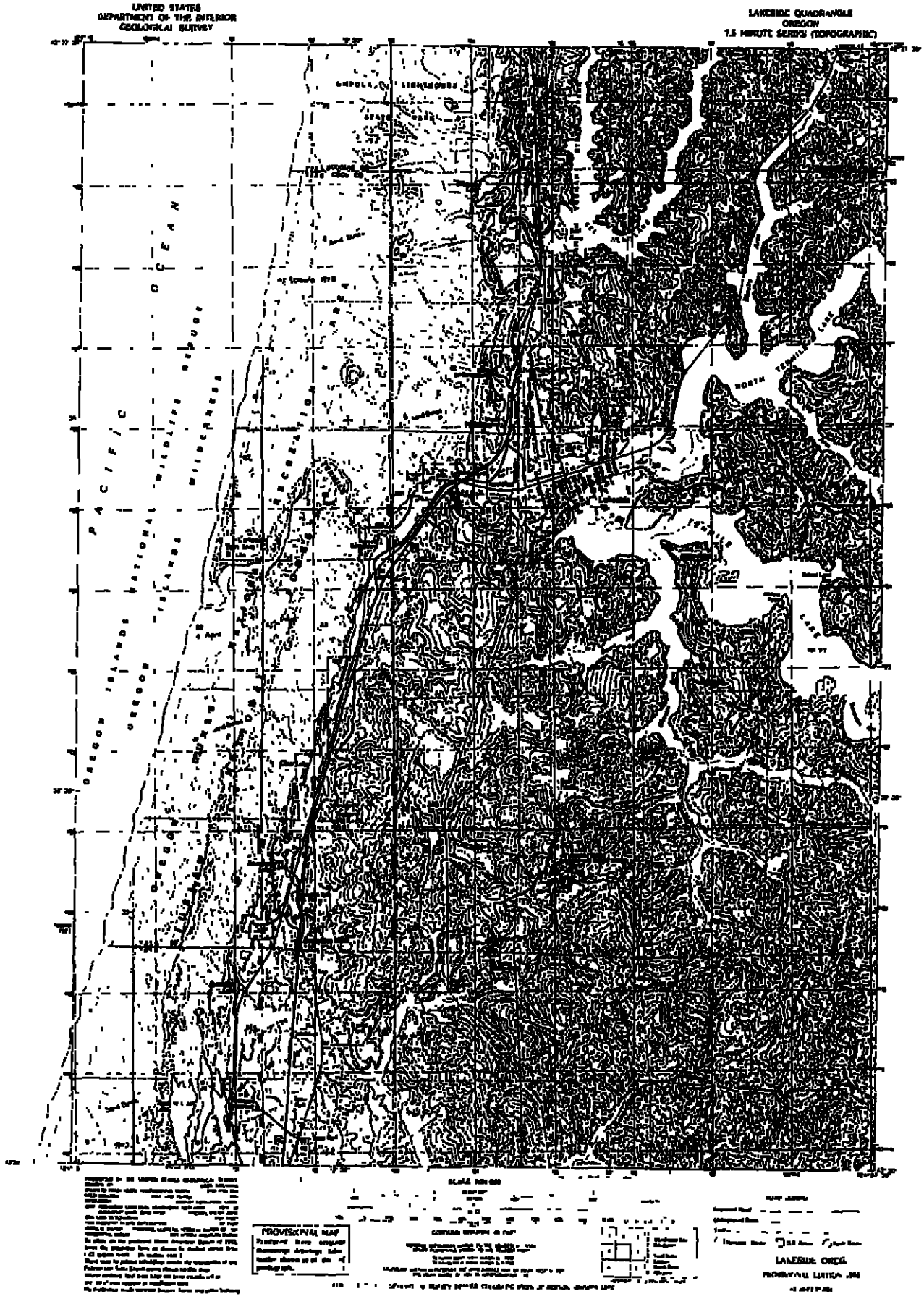
NORTH BEND QUADRANGLE
OREGON—COOS CO
7.5 MINUTE SERIES (TOPOGRAPHIC)
NORTH BEND OREG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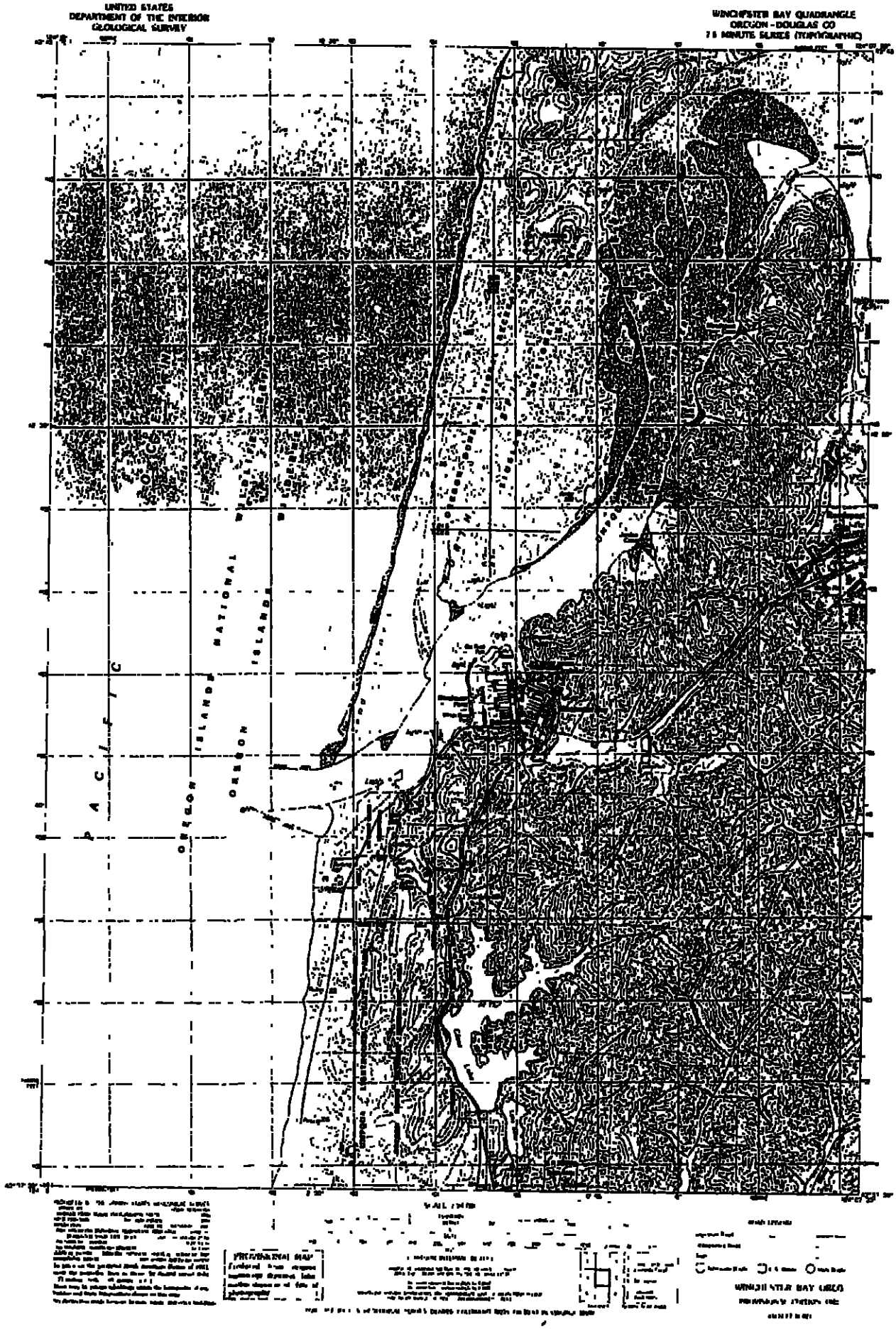
LANGLOIS QUADRANGLE
OREGON
7.5 MINUTE SERIES (TOPOGRAPHIC)
PACIFIC OCEAN
OREGON ISLANDS NATIONAL WILDLIFE REFUGE
NORTH TENMILE LAKE
LANGLOIS OREG.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WINCHESTER BAY QUADRANGLE
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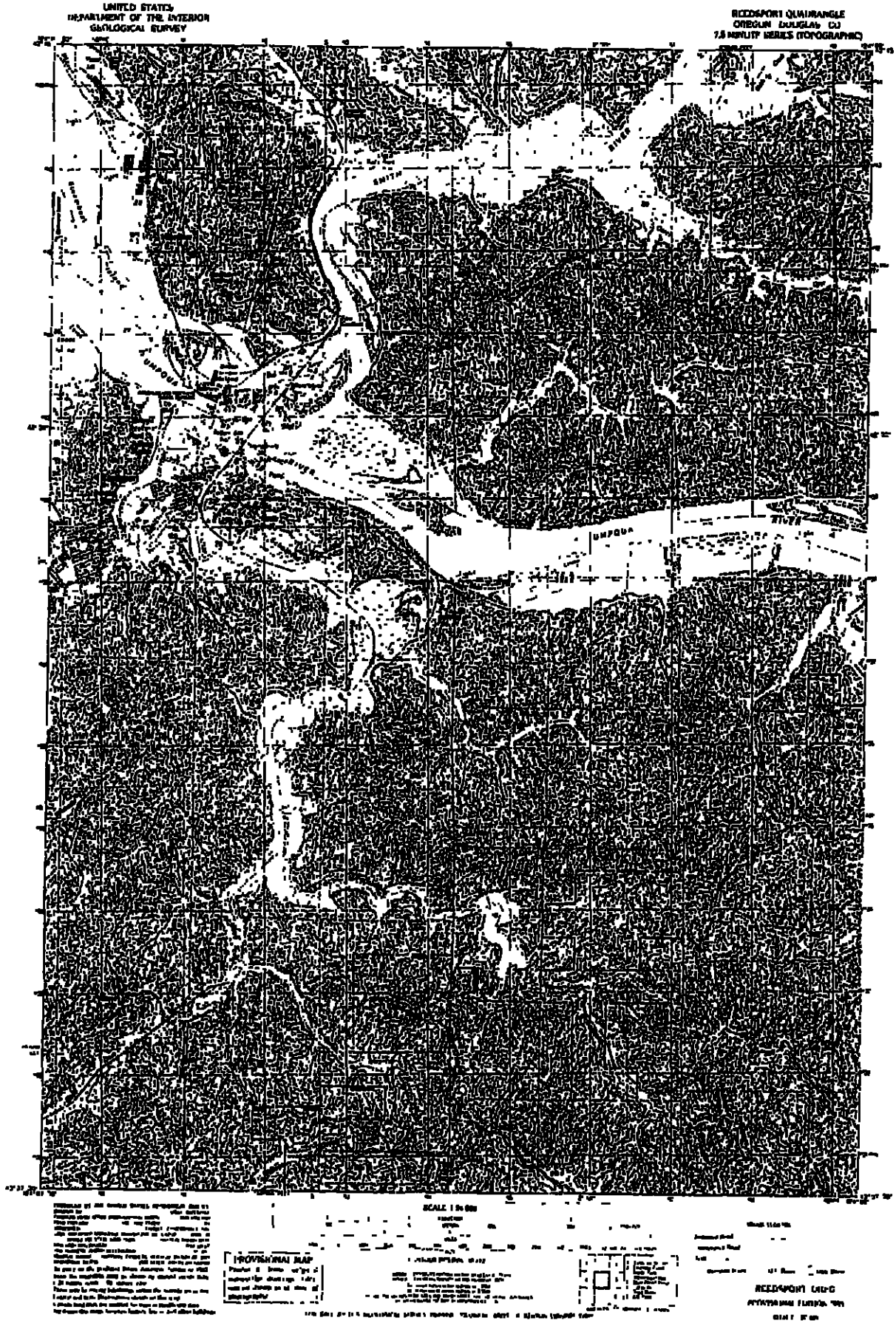
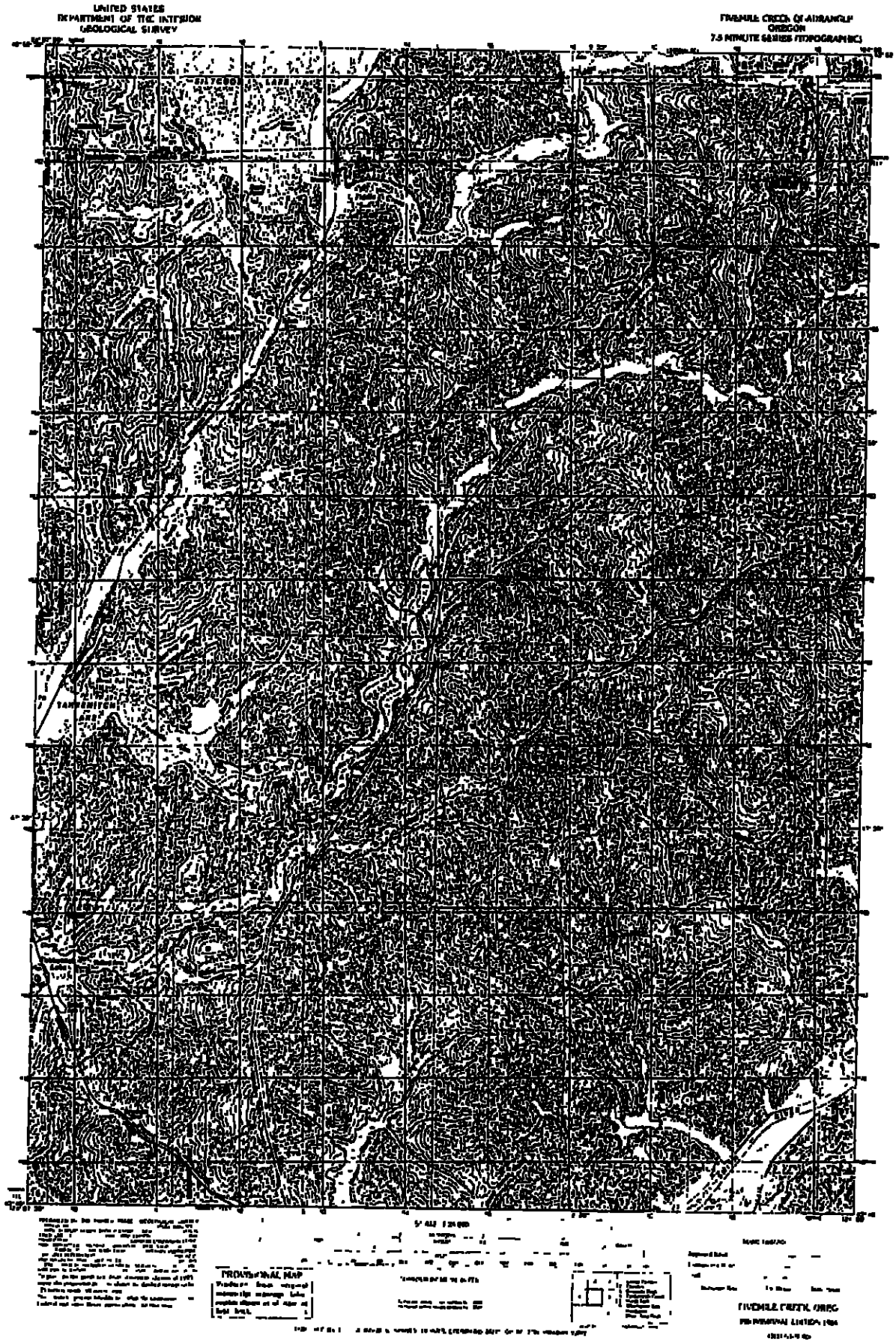
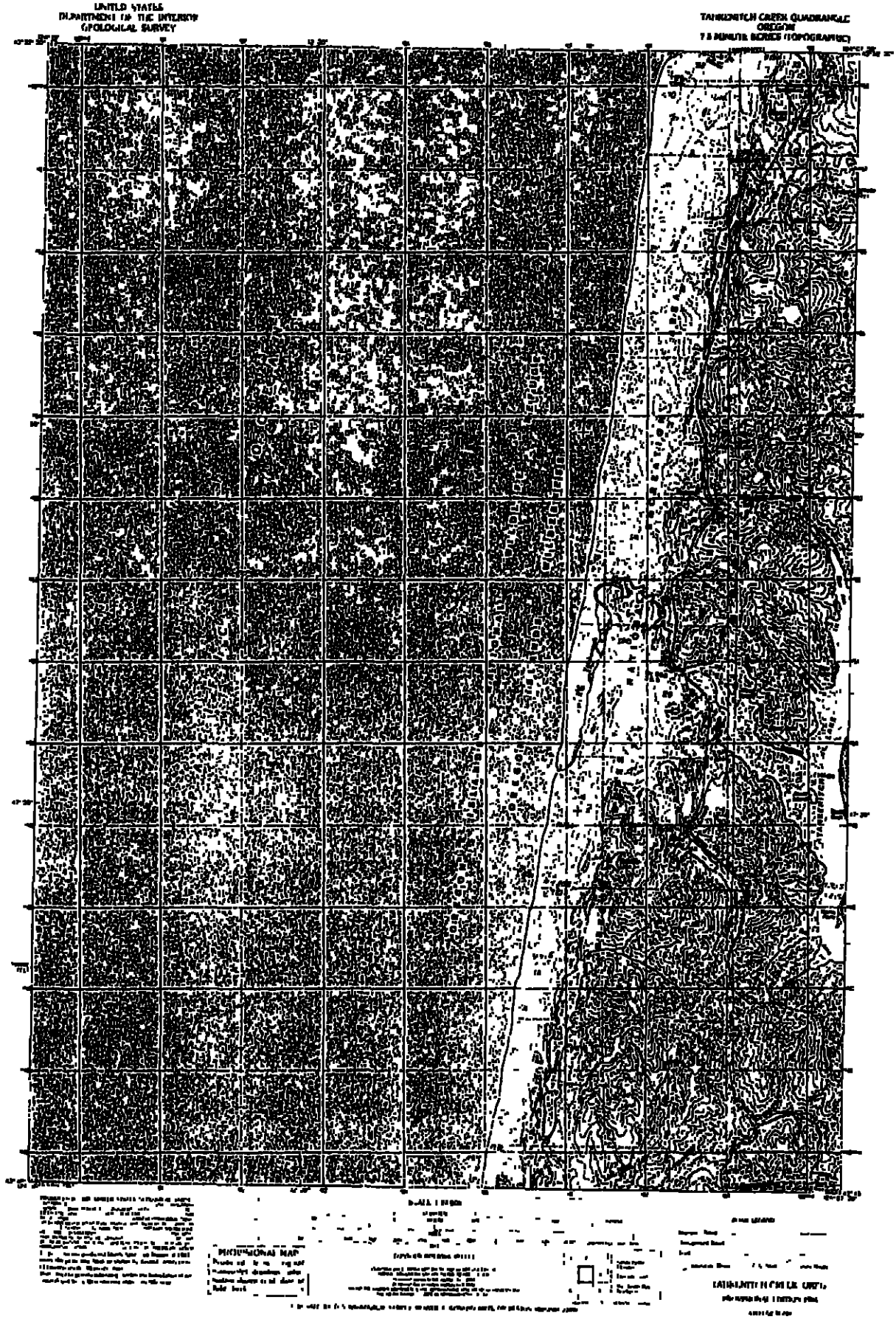
7.5 MINUTE SERIES (TOPOGRAPHIC)
PACIFIC OCEAN
OREGON ISLANDS NATIONAL WILDLIFE REFUGE
OREGON ISLANDS
WINCHESTER BAY (USGS)


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
REEDSPORT QUADRANGLE
OREGON (DOUGLAS CO.)
7.5 MINUTE SERIES (TOPOGRAPHIC)
UMPQUA
RIVER
SCALE 1:24 000
PROVISIONAL MAP
REEDSPORT (SE)


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
PROVISIONAL MAP


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
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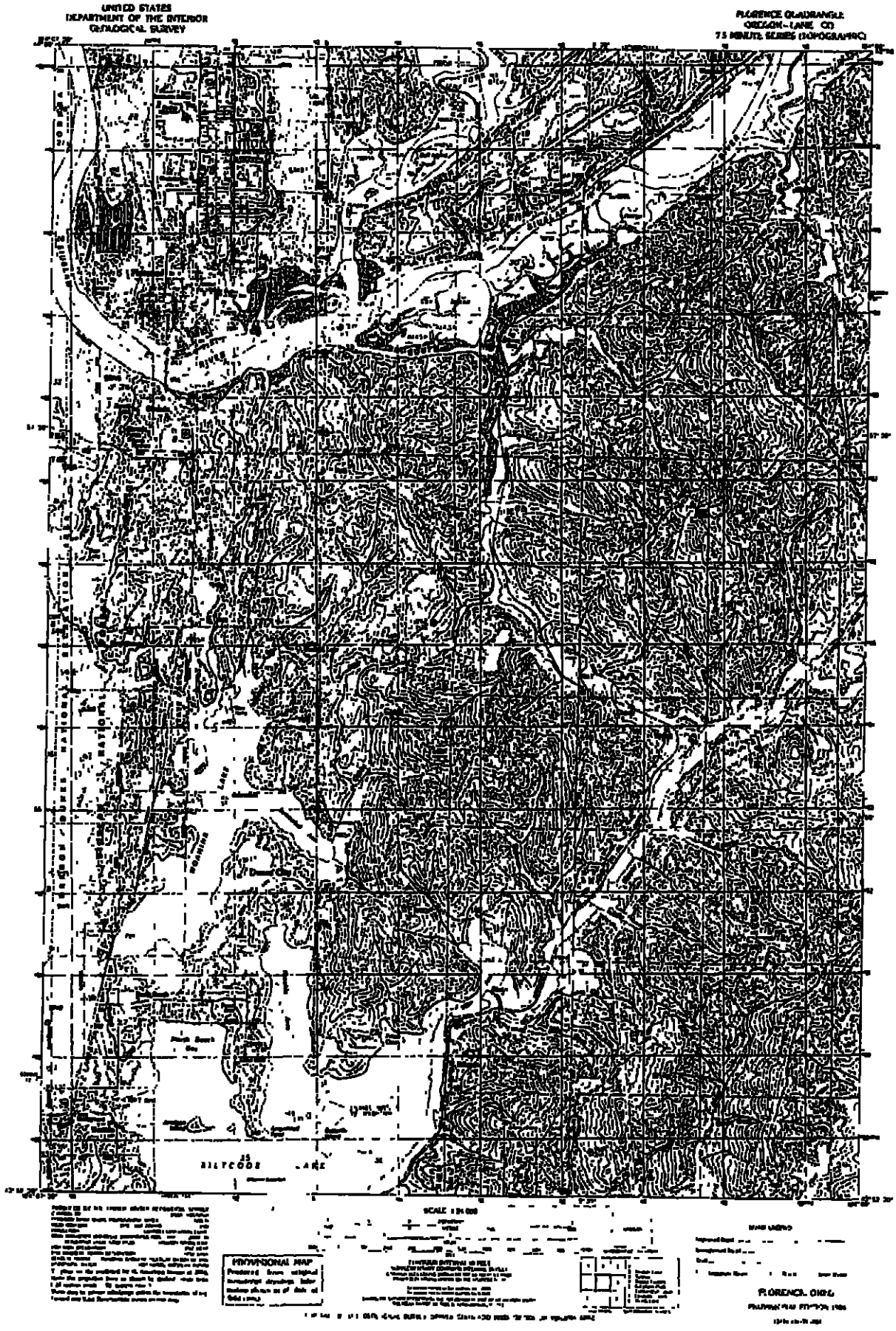
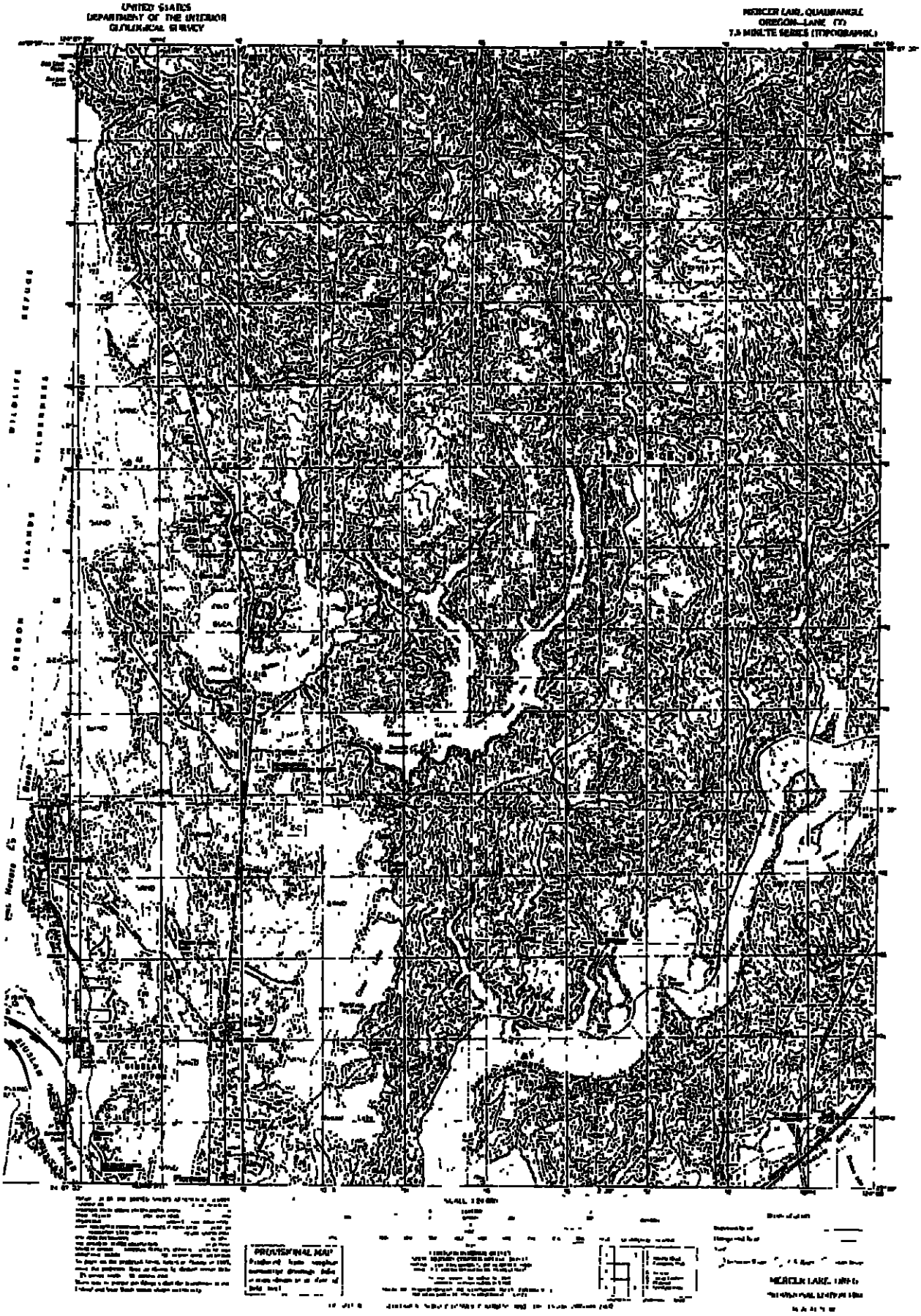
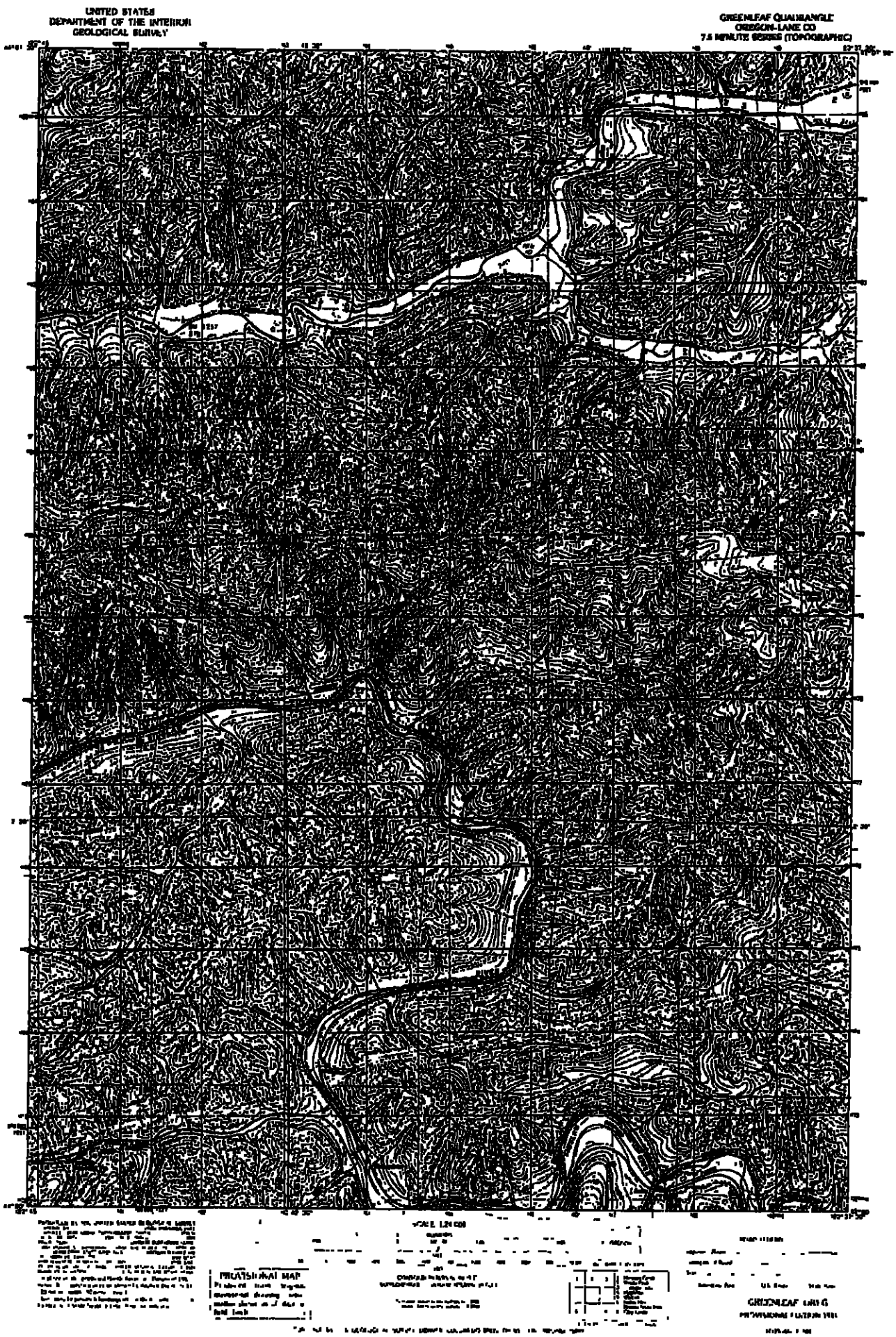
OREGON
7.5 MINUTE SERIES (TOPOGRAPHIC)

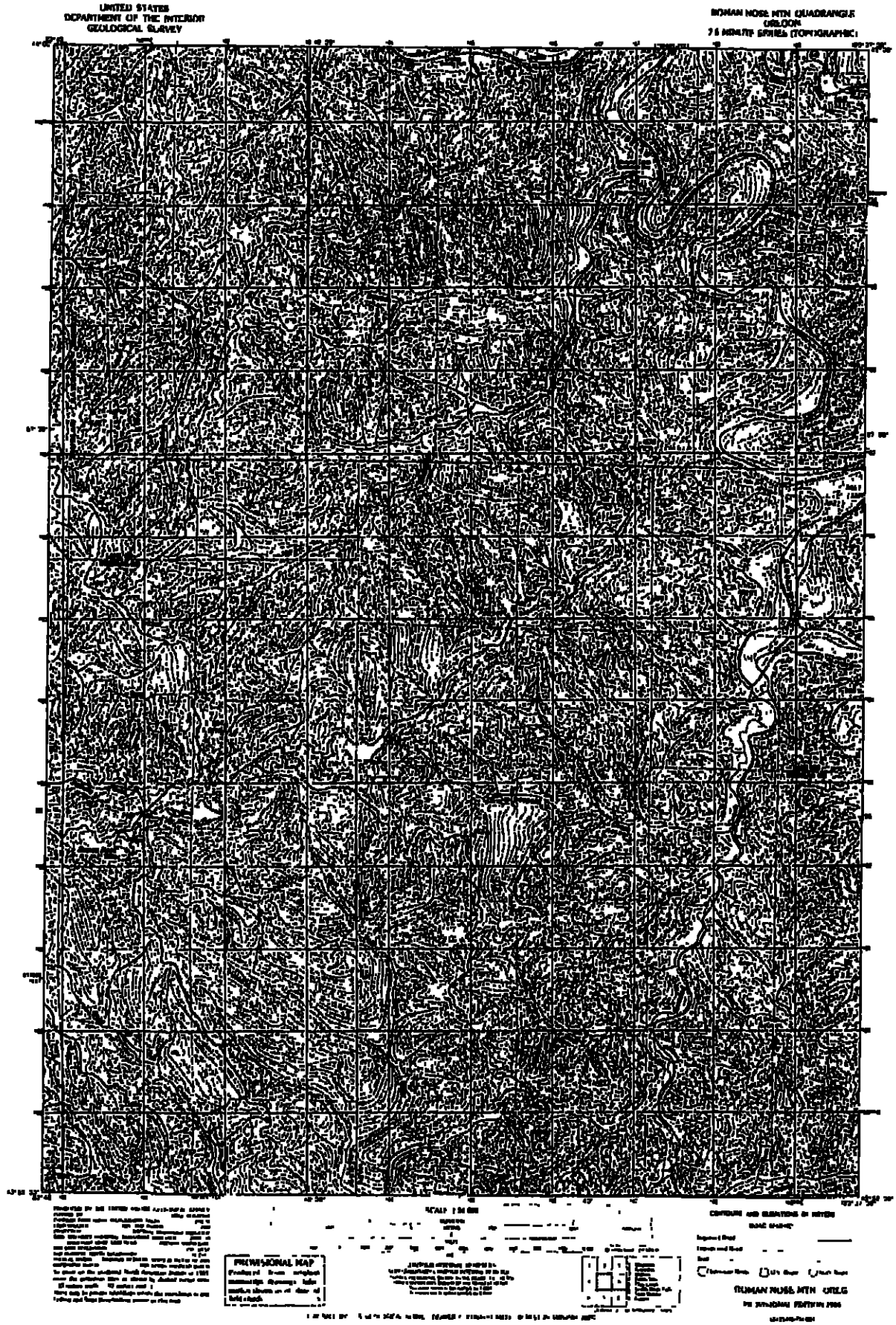

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
FLORENCE QUADRANGLE
OREGON - LANE CO
7.5 MINUTE SERIES (TOPOGRAPHIC)
SILTCOOS LAKE
SCALE 1:24 000
PROVISIONAL MAP
FLORENCE, OREG.


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
MERCER LAKE, QUADRANGLE
OREGON—LANE CO.
7.5 MINUTE SERIES (TOPOGRAPHIC)

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
TIERNAN QUADRANGLE
OREGON—LANE CO.
7.5 MINUTE SERIES (TOPOGRAPHIC)
SCALE 1:24 000
PROVISIONAL EDITION 1984

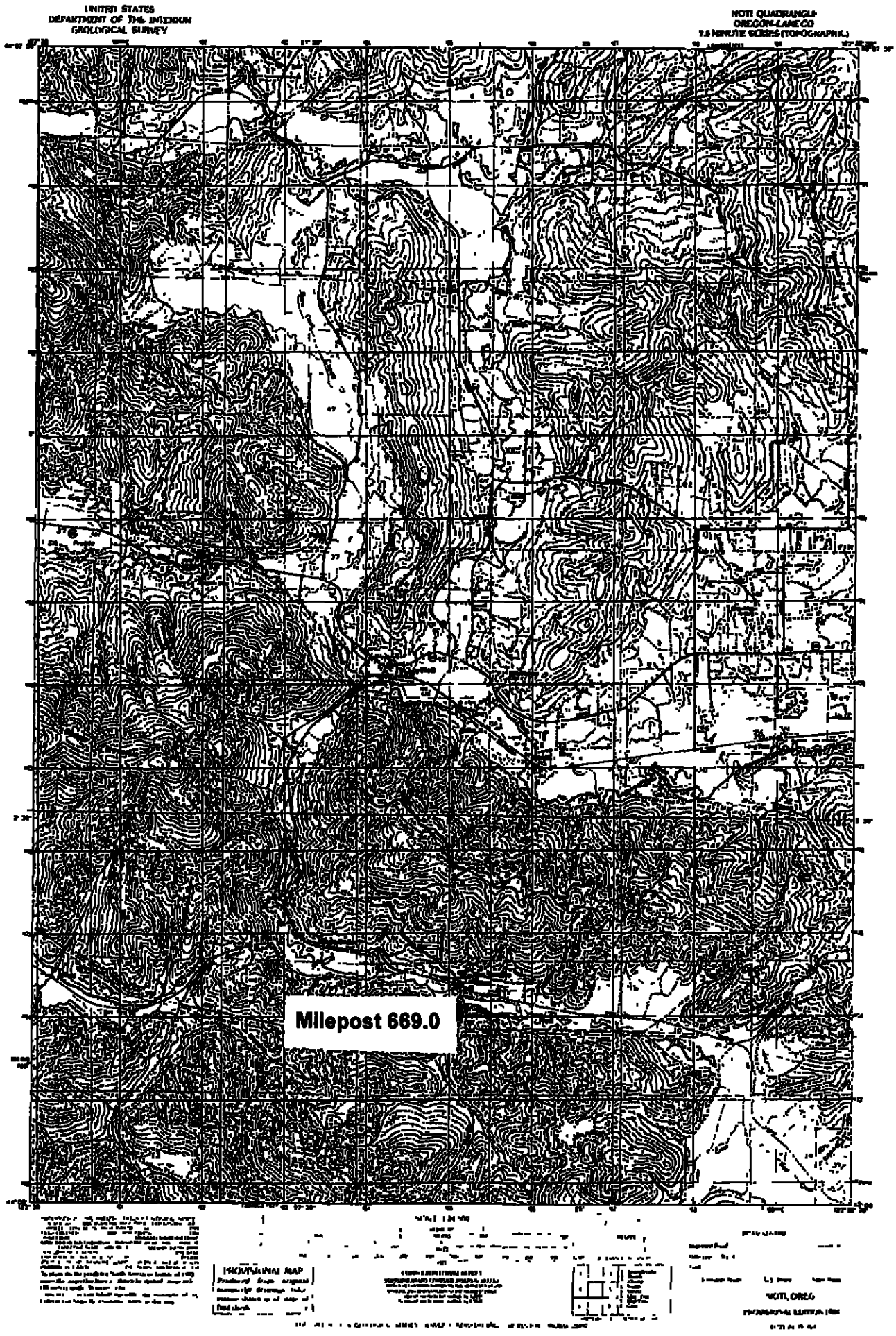
UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
MAPLETON QUADRANGLE
OREGON—LANE CO.
7.5 MINUTE SERIES (TOPOGRAPHIC)
PROVISIONAL MAP


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
GREENLEAF QUADRANGLE
OREGON-LANE CO
7.5 MINUTE SERIES (TOPOGRAPHIC)


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
ROMAN NOSE MTN QUADRANGLE
OREGON
7.5 MINUTE SERIES (TOPOGRAPHIC)
PROVISIONAL MAP
ROMAN NOSE MTN QUAD

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
CLAY CREEK QUADRANGLE
OREGON
7.5 MINUTE SERIES (TOPOGRAPHIC)
PROVISIONAL MAP
CLAY CREEK, OREG

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WALTON QUADRANGLE
OREGON—LANE CO
7.5 MINUTE SERIES (TOPOGRAPHIC)


UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
NOTI QUADRANGLE
OREGON-LANE CO
7.5 MINUTE SERIES (TOPOGRAPHIC)
Milepost 669.0
PROVISIONAL MAP
NOTI, OREG

# EXHIBIT 4 – BRIDGE PHOTOGRAPHS AND DESCRIPTIONS

# Central Oregon & Pacific Railroad
# BRIDGE LIST

**LINE: Coos Bay Subdivision**
**Eugene, OR - Couquille, OR**

| BRDG NO | LOCATION | ST | MILE POST | SEC NO | SPANS | TYPE | TIMBER/ STEEL BENTS | PIERS TIMBER | CONC/ STEEL PIERS | ABUT MENTS | YEAR CONST | SEC- TION LGTH | AVG LGTH SPAN | EST HGT MAX |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 671 89 | Vaughn | OR | 671 89 | 1 | 6 | ODPT | 7 | | | | | 90 0 | 15 0 | 20 0 |
| 674 03 | Vaughn | OR | 674 03 | 1 | 2 | ODPT | 3 | | | | | 30 0 | 15 0 | 9.0 |
| 676 23 | Vaughn | OR | 676 23 | 1 | 1 | STL | | | | 2 | 1913 | 61 0 | 61 0 | 16 0 |
| 677 05 | Vaughn | OR | 677 05 | 1 | 4 | STL | 5 | | | | | 60 0 | 15 0 | 5 0 |
| 677 80 | Vaughn | OR | 677 80 | 1 | 4 | ODPT | 5 | | | | | 51 0 | 14.3 | 10 0 |
| 677 80 | Vaughn | OR | 677 80 | 2 | 1 | TPG | | | 2 | | | 83 0 | 83 0 | 20 0 |
| 677 80 | Vaughn | OR | 677 80 | 3 | 3 | ODPT | 4 | | | | | 45 0 | 15 0 | 12 0 |
| 678 43 | Richardson | OR | 678.43 | 1 | 5 | ODPT | 6 | | | | | 72 0 | 14 5 | 12 0 |
| 678 43 | Richardson | OR | 678 43 | 2 | 1 | TPG | | | 2 | | | 123 0 | 123 0 | 16 0 |
| 678 43 | Richardson | OR | 678 43 | 3 | 3 | ODPT | 4 | | | | | 43 0 | 14.5 | 11 0 |
| 680 17 | Richardson | OR | 680.17 | 1 | 1 | Thru Truss | | | | 2 | | 150 0 | 150 0 | 20 0 |
| 680 46 | Richardson | OR | 680 46 | 1 | 1 | TPG | | | | 2 | 1913 | 102 0 | | 11.0 |
| 680 77 | Richardson | OR | 680 77 | 1 | 1 | TPG | | | | 2 | | 102.0 | 102 0 | 11 0 |
| 681 08 | Richardson | OR | 681 08 | 1 | 2 | TPG | | | 1 | 2 | 1913 | 156 0 | 156 0 | 8 0 |
| Tunnel 14 | Richardson | OR | 681 09 | 1 | | Tunnel | | | | | | 417 0 | | |
| 681 45 | Richardson | OR | 681.45 | 1 | 2 | DPG | | | 1 | 2 | | 223 0 | | 20.0 |

# Central Oregon & Pacific Railroad
# BRIDGE LIST

**LINE: Coos Bay Subdivision**
**Eugene, OR - Couquille, OR**

| BRDG NO | LOCATION | ST | MILE POST | SEC NO | SPANS | TYPE | TIMBER/ STEEL BENTS | PIERS TIMBER | CONC/ STEEL PIERS | ABUT MENTS | YEAR CONST | SEC- TION LGTH | AVG LGTH SPAN | EST HGT MAX |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 682 18 | Richardson | OR | 682 18 | 1 | 1 | TPG | | | 1 | 1 | | 201 0 | | 30 0 |
| 682 18 | Richardson | OR | 682 18 | 2 | 2 | DPG | | | 2 | 1 | | 50 0 | | 30 0 |
| 683 36 | Richardson | OR | 683 36 | 1 | 1 | TPG | | | 1 | 1 | | 155 0 | | 15 0 |
| 683 36 | Richardson | OR | 683 36 | 2 | 2 | Thru Truss | | | 2 | | | 200 0 | 100 0 | 15 0 |
| 683 36 | Richardson | OR | 683 36 | 3 | 1 | TPG | | | | 1 | | 120 0 | | 15 0 |
| 687 03 | Richardson | OR | 687 03 | 1 | 5 | ODPT | 6 | | | | 1935 | 58 0 | 15 0 | 16 0 |
| 687 88 | Richardson | OR | 687 88 | 1 | 6 | ODPT | 7 | | | | 1939 | 86 0 | 15 0 | 17 0 |
| 689 23 | Richardson | OR | 689 23 | 1 | 1 | BDPT | 2 | | | | | 15 0 | 15 0 | 4 0 |
| 690 47 | Richardson | OR | 690 47 | 1 | 1 | TPG | | | | 2 | | 61 0 | 61 0 | 6 0 |
| 690 85 | Richardson | OR | 690 85 | 1 | 2 | TPG | | | 1 | 1 | 1914 | 63 0 | | 20 0 |
| 690 85 | Richardson | OR | 690 85 | 2 | 1 | Thru Truss | | | 2 | | | 100 0 | 100 0 | 20 0 |
| 690 85 | Richardson | OR | 690 85 | 3 | 1 | TPG | | | | 1 | | | | 20 0 |
| 691 05 | Richardson | OR | 691 05 | 1 | 1 | DPG | | | 1 | 1 | | | | 15 0 |
| 691 05 | Richardson | OR | 691 05 | 2 | 2 | Thru Truss | | | 3 | | | 250 0 | 125 0 | 25 0 |
| 691 05 | Richardson | OR | 691 05 | 3 | 9 | ODPT | 10 | | | | 1934 | 138 0 | 15 3 | 20 0 |
| 691 38 | Richardson | OR | 691.38 | 1 | 1 | ODPT | 2 | | | | | 15 0 | 15 0 | 2 0 |
| 692 06 | Swisshome | OR | 692 06 | 1 | 1 | BDPT | 2 | | | | | 15 0 | 15 0 | 2 0 |
| 693.27 | Swisshome | OR | 693 27 | 1 | 5 | BDPT | 6 | | | | 1929 | 75 0 | 15 0 | 12 0 |
| 694 32 | Swisshome | OR | 694 32 | 1 | 10 | ODPT | 11 | | | | 1936 | 130 0 | 14 6 | 22 0 |
| 694 32 | Swisshome | OR | 694 32 | 2 | 1 | Thru Truss | | | 2 | | | 200 0 | 200 0 | 25 0 |
| 694 32 | Swisshome | OR | 694 32 | 3 | 6 | ODPT | 7 | | | | | 90 0 | 14 6 | 20 0 |
| 694 78 | Swisshome | OR | 694 78 | 1 | 2 | TFT | | | 1 | 2 | | 314 0 | | 15 0 |
| 694 78 | Swisshome | OR | 694 78 | 2 | 1 | Thru Truss | | | 2 | | | 150 0 | 150 0 | 20 0 |
| 694 78 | Swisshome | OR | 694 78 | 3 | | DPG | | | | | | 163 0 | | 15 0 |
| 694 98 | Swisshome | OR | 694 98 | 1 | 1 | ODFT | 2 | | | | | 15 0 | | 2 0 |
| 696 66 | Swisshome | OR | 696 66 | 1 | 5 | BDFT | 6 | | | | | 75 0 | | 15 0 |
| 696 66 | Swisshome | OR | 696 66 | 2 | 1 | Thru Truss | | | 2 | | | 150 0 | 150 0 | 20 0 |
| 696 66 | Swisshome | OR | 696 66 | 3 | 9 | ODPT | 10 | | | | | 138 0 | | 21 0 |
| 700 37 | Tide | OR | 700 37 | 1 | 8 | ODPT | 9 | | | | 1939 | 119 0 | | 19 0 |
| 702 65 | Mapleton | OR | 702 65 | 1 | 9 | ODPT/ODFT | 10 | | | | | 129 0 | | 18 0 |
| 702 95 | Mapleton | OR | 702 95 | 1 | 4 | ODPT | 5 | | | | | 60 0 | | 8 0 |
| 710 20 | Beck | OR | 710 20 | 1 | 7 | BDPT | 8 | | | | | 106 0 | | 15 0 |
| 711 37 | Beck | OR | 711 37 | 1 | 5 | BDPT | 6 | | | | | 75 0 | | 14 0 |
| 711 67 | Beck | OR | 711 67 | 1 | 5 | BDPT | 6 | | | | | 75 0 | | 14 0 |
| 712 16 | Wendson | OR | 712 16 | 1 | 4 | BDPT | 5 | | | | | 60 0 | | 14 0 |
| 712 80 | Wendson | OR | 712 80 | 1 | 4 | ODPT | 5 | | | | | 60 0 | | 9 0 |
| 716 4 | Cushman | OR | 716 40 | 1 | 1 | TPG | | 1 | | 1 | 1933 | 54 0 | 54 0 | 19 0 |
| 716 4 | Cushman | OR | 716 40 | 2 | 9 | ODPT | 10 | | | | | 115 0 | | 19 0 |
| 716 4 | Cushman | OR | 716 40 | 3 | 4 | Thru Truss | | | 5 | | 1933 | 686 0 | | 30 0 |
| 716 4 | Cushman | OR | 716 40 | 4 | 170 | ODPT/ODFT | 171 | | | | | 2522 0 | | 18 0 |
| 718 12 | Canary | OR | 718 12 | 1 | 1 | CONC | | | | 2 | | 30 0 | | 12 0 |
| 719 07 | Canary | OR | 719 07 | 1 | 7 | ODPT | 8 | | | | 1931 | 105 0 | | 24 0 |
| 719 21 | Canary | OR | 719 21 | 1 | 21 | ODPT | 22 | | | | | 312 0 | | 24 0 |
| Tunnel 15 | Canary | OR | 720 73 | 1 | | Tunnel | | | | | | 2143 0 | | |
| Tunnel 16 | Canary | OR | 721 52 | 1 | | Tunnel | | | | | | 617 0 | | |

# Central Oregon & Pacific Railroad
# BRIDGE LIST

**LINE: Coos Bay Subdivision**
**Eugene, OR - Couquille, OR**

| BRDG NO | LOCATION | ST | MILE POST | SEC NO | SPANS | TYPE | TIMBER/ STEEL BENTS | PIERS TIMBER | CONC/ STEEL PIERS | ABUT MENTS | YEAR CONST | SEC- TION LGTH | AVG LGTH SPAN | EST HGT MAX |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 724 22 | Kroll | OR | 724 22 | 1 | 4 | Concrete Tub | 5 | | | | | 120 0 | | 15 0 |
| 725 96 | Kroll | OR | 725 96 | 1 | 37 | ODPT | 38 | | | | 1975 | 577.0 | | 10 0 |
| 726 31 | Kroll | OR | 726 31 | 1 | 65 | ODPT | 66 | | | | 1973 | 990 0 | | 8 0 |
| 727 35 | Kroll | OR | 727 35 | 1 | 40 | CONC | 39 | | | 2 | | 1200 0 | | 16 0 |
| Tunnel 17 | Kroll | OR | 727 70 | 1 | | Tunnel | 103 | | | | | | | |
| 728 51 | Kroll | OR | 728 51 | 1 | 18 | ODPT | 19 | | | | 1930 | 520.0 | | 10 0 |
| 729 04 | Kroll | OR | 729 04 | 1 | 26 | ODPT | 27 | | | | 1936 | 580 0 | | 18 0 |
| 729 17 | Kroll | OR | 730 17 | 1 | 16 | Concrete Slab | 16 | | | 2 | 1981 | 472 0 | | 16 0 |
| 730 56 | Kroll | OR | 730 56 | 1 | 12 | ODPT | 13 | | | | | | | 10 0 |
| 730 56 | Kroll | OR | 730 56 | 2 | 4 | CONC | 5 | | | | | | | 10 0 |
| 730 56 | Kroll | OR | 730.56 | 3 | 19 | ODPT | 19 | | | | | | | 9 5 |
| 730 56 | Kroll | OR | 730 56 | 4 | 2 | STL | | | 3 | | | | | 10 0 |
| 730 56 | Kroll | OR | 730 56 | 5 | 35 | ODPT/OD FT | 36 | | | | | | | 9 5 |
| 731 65 | Kroll | OR | 731 65 | 1 | 63 | ODPT | 64 | | | | | 940 0 | | 9 0 |
| 731 65 | Kroll | OR | 731 65 | 2 | 1 | STL | | | | | | 102 0 | | 10 0 |
| 731 65 | Kroll | OR | 731 65 | 3 | 166 | ODPT/OD FT | 167 | | | | | 1242 0 | | 9 0 |
| 732 84 | Kroll | OR | 732 84 | 1 | 25 | ODPT/OD FT | 26 | | | | | 370 0 | | 8 0 |
| 732 84 | Kroll | OR | 732 84 | 2 | 1 | DPG | | 2 | | | | 28 0 | | 7 0 |
| 732 84 | Kroll | OR | 732 84 | 3 | 19 | ODPT/OD FT | 20 | | | | | 221 0 | | 9 0 |
| 733 88 | Kroll | OR | 733 88 | 1 | 35 | CONC | 34 | | | 2 | | 1126 0 | | 18 0 |
| 733 95 | Kroll | OR | 733 95 | 1 | 38 | CONC | | 37 | | 2 | | 1170 0 | | 20 0 |
| Tunnel 18 | Kroll | OR | 734 48 | 1 | | Tunnel | 152 | | | | | | | |
| 735 86 | Kroll | OR | 735 86 | 1 | 5 | ODPT | 6 | | | | 1931 | 80 0 | | 14 0 |
| 736 03 | Gardiner Jct | OR | 736 03 | 1 | 5 | ODPT | 6 | | | | 1926 | 50 0 | | 14 0 |
| 736 51 | Gardiner | OR | 736 51 | 1 | 3 | ODPT | 4 | | | | 1926 | 50 0 | | 9 0 |
| 737 33 | Gardiner | OR | 737 33 | 1 | 6 | BDPT | 7 | | | | | 90 0 | | 13 0 |
| 738 70 Main | Reedsport | OR | 738 70 | 1 | 2 | ODPT | 3 | | | | | 30 0 | | 7 5 |
| 738 70 Siding | Reedsport | OR | 738 70 | 1 | 2 | ODPT | 3 | | | | | 30 0 | | 7 5 |
| 738 94 | Gardiner JCT | OR | 738 94 | 1 | 27 | ODPT/OD FT | 28 | | | | | 350 0 | | 13 0 |
| 739 14 | Gardiner | OR | 739 14 | 1 | 25 | ODPT | 26 | | | | | 37 0 | | 18 0 |
| 739 14 | Gardiner | OR | 739 14 | 2 | 1 | TPG | | | 2 | | | 50 0 | | |
| 739 14 | Gardiner | OR | 739 14 | 3 | 11 | ODPT/OD FT | 12 | | | | | 160 0 | | 13 0 |
| 739 43 | Reedsport | OR | 739 43 | 1 | 18 | ODPT | 19 | | | | | 283 0 | | 15 0 |
| 739 43 | Reedsport | OR | 739 43 | 2 | 1 | TPG | | | 2 | | | 92 0 | | |
| 739 43 | Reedsport | OR | 739 43 | 3 | 8 | ODPT/OD FT | 8 | | | | | 117 0 | | 15 0 |
| 739 68 | Reedsport | OR | 739 68 | 1 | 4 | ODPT | 5 | | | | | 80 0 | | 16 0 |
| 739 68 | Reedsport | OR | 739 68 | 2 | 11 | Thru Truss | | | 12 | | | 1598 0 | | 30 0 |
| 739 68 | Reedsport | OR | 739 68 | 3 | 4 | ODPT | 5 | | | | | 80 0 | | 16 0 |
| 740 25 Main | Reedsport | OR | 740 25 | 1 | 4 | ODPT | 5 | | | | | 61 0 | | 7 0 |
| 740 84 | Reedsport | OR | 740 84 | 1 | 16 | CONC | 15 | | | 2 | | 430 0 | 30 0 | 16 0 |
| 741 35 | Reedsport | OR | 741 35 | 1 | 4 | ODPT/OD FT | 5 | | | | | 50 0 | | 9 0 |

# Central Oregon & Pacific Railroad
# BRIDGE LIST

**LINE: Coos Bay Subdivision**
**Eugene, OR - Couquille, OR**

| BRDG NO | LOCATION | ST | MILE POST | SEC NO | SPANS | TYPE | TIMBER/ STEEL BENTS | PIERS TIMBER | CONC/ STEEL PIERS | ABUT MENTS | YEAR CONST | SEC- TION LGTH | AVG LGTH SPAN | EST HGT MAX |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 741 74 | Reedsport | OR | 741 74 | 1 | 3 | ODPT/OD FT | 4 | | | | | 45 0 | | 9 0 |
| 742 05 | Reedsport | OR | 742.05 | 1 | 3 | ODFT | 4 | | | | | 45 0 | | 8 5 |
| 742 24 | Reedsport | OR | 742 24 | 1 | 8 | ODPT | 9 | | | | 1928 | 125 0 | | 12 0 |
| 742 72 | Reedsport | OR | 742 72 | 1 | 9 | ODPT/OD FT | 10 | | | | | 137 0 | | 11 0 |
| 742 95 | Reedsport | OR | 742 98 | 1 | 4 | ODPT | 5 | | | | | 60 0 | | 8 0 |
| 743 20 | Reedsport | OR | 743 20 | 1 | 3 | BDPT | 4 | | | | | 45 0 | | 8 0 |
| 743 73 | Reedsport | OR | 743 73 | 1 | 9 | ODPT | 10 | | | | 1934 | 135 0 | | 11 5 |
| 743 88 | Reedsport | OR | 743 88 | 1 | 8 | ODPT | 9 | | | | 1934 | 120 0 | | 12 0 |
| 743 97 | Reedsport | OR | 743 97 | 1 | 7 | ODPT | 8 | | | | 1937 | 103 0 | | 12 0 |
| 744 24 | Reedsport | OR | 744 24 | 1 | 5 | BDPT | 6 | | | | 1929 | 75 0 | | 11 0 |
| 744 44 | Reedsport | OR | 744 44 | 1 | 5 | BDPT | 6 | | | | | 75 0 | | 10 0 |
| 744 70 | Reedsport | OR | 744 70 | 1 | 5 | BDPT | 6 | | | | 1925 | 75 0 | | 11 0 |
| 744 83 | Reedsport | OR | 744 83 | 1 | 5 | BDPT | 6 | | | | 1929 | 75 0 | | 9 0 |
| Tunnel 19 | Reedsport | OR | 745 62 | 1 | | Tunnel | | | | | | | | |
| 748 06 | Lakeside | OR | 748 06 | 1 | 6 | BDPT | 7 | | | | 1931 | 90 0 | | 7 5 |
| 748.44 | Lakeside | OR | 748 44 | 1 | 2 | BDPT | 3 | | | | 1930 | 30 0 | | 3 5 |
| 748 68 | Lakeside | OR | 748 68 | 1 | 5 | ODFT | 6 | | | | | 75 0 | | 7 5 |
| 749 89 | Lakeside | OR | 749 89 | 1 | 31 | CONC | 30 | | | 2 | | 923 0 | | 14 0 |
| Tunnel 20 | Lakeside | OR | 750 12 | 1 | | Tunnel | | | | | | | | |
| 750 46 | Lakeside | OR | 750 46 | 1 | 66 | ODFT | 66 | | | | | 94 0 | | 8 5 |
| 750 46 | Lakeside | OR | 750 46 | 2 | 1 | DPG | | 2 | | | | 80 0 | 80 0 | 3 0 |
| 750 46 | Lakeside | OR | 750 46 | 3 | 54 | ODFT | 55 | | | | | 505 0 | | 8 5 |
| 751 02 | Lakeside | OR | 751 02 | 1 | 20 | ODPT/OD FT | 21 | | | | | 315 0 | | 8 5 |
| Tunnel 21 | Lakeside | OR | 751 23 | 1 | | Tunnel | | | | | | | | |
| 752 99 | Lakeside | OR | 752 99 | 1 | 12 | ODPT | 13 | | | | | 80 0 | | 15 0 |
| 753 48 | Lakeside | OR | 753 48 | 1 | 7 | ODPT | 8 | | | | | 105 0 | | 16 0 |
| 753 97 | Lakeside | OR | 753 97 | 1 | 1 | TPG | | | | 2 | | | | 16 0 |
| 755 63 | Lakeside | OR | 755 63 | 1 | 5 | ODPT | 6 | | | | | 75 0 | | 7 5 |
| 756 13 | Hauser | OR | 756 13 | 1 | 5 | ODFT | 6 | | | | | 75 0 | | 10 0 |
| 756 55 | Hauser | OR | 756 55 | 1 | 5 | ODPT/OD FT | 6 | | | | | 75 0 | | 2 0 |
| 757 37 | Hauser | OR | 757 37 | 1 | 5 | ODFT | 6 | | | | | 75 0 | | 8 0 |
| 761 13 | North Bend | OR | 761 13 | 1 | 3 | WSB | 4 | | | | | 45 0 | | 6 0 |
| 761 53 | North Bend | OR | 761 53 | 1 | 3 | WSB | 4 | | | | | 45 0 | | 8 0 |

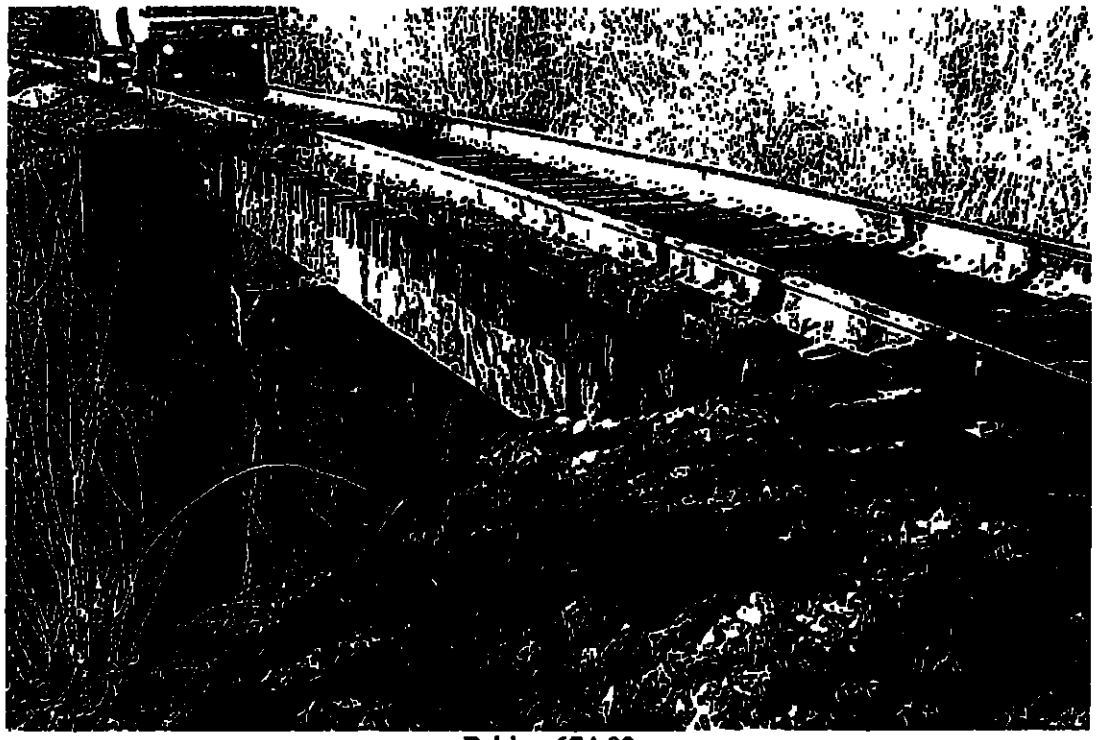
# Central Oregon & Pacific Railroad
# BRIDGE LIST

**LINE: Coos Bay Subdivision**
**Eugene, OR - Couquille, OR**

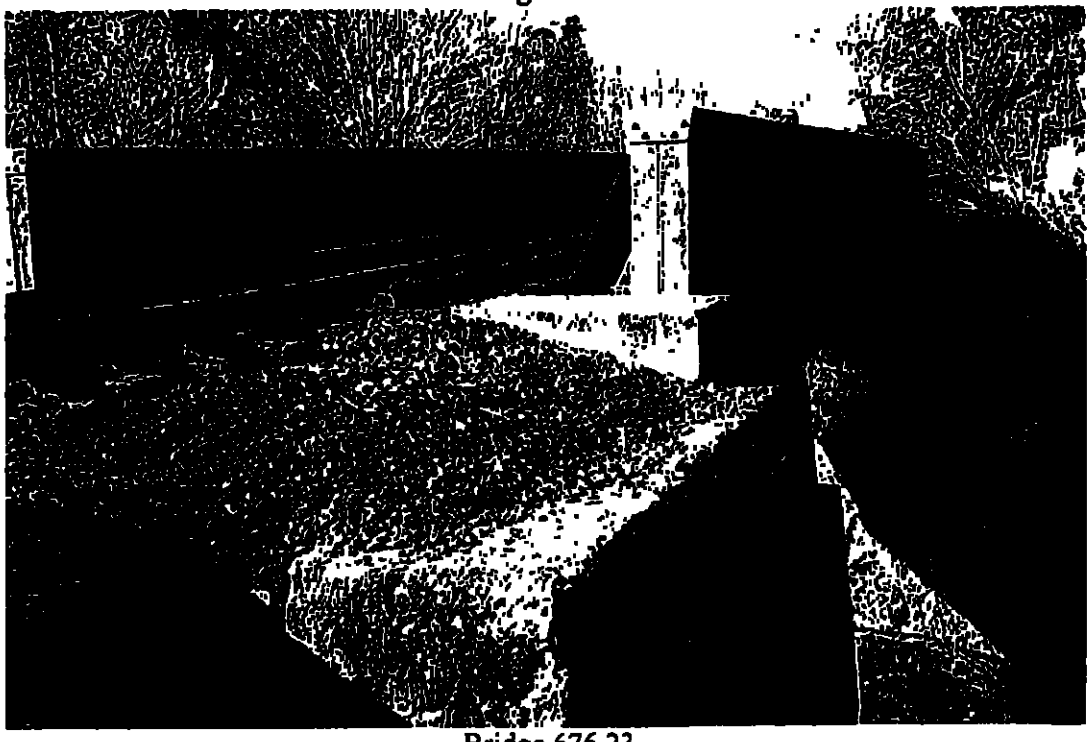
| BRDG NO | LOCATION | ST | MILE POST | SEC NO | SPANS | TYPE | TIMBER/ STEEL BENTS | PIERS TIMBER | CONC/ STEEL PIERS | ABUT MENTS | YEAR CONST | SEC- TION LGTH | AVG LGTH SPAN | EST HGT MAX |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 763 55 | North Bend | OR | 763 55 | 1 | 21 | BDPT | 22 | | | | | 320 0 | | 16 0 |
| 763 55 | North Bend | OR | 763 55 | 2 | 12 | Thru Truss | | | 13 | | | 2213 0 | | 16 0 |
| 763 55 | North Bend | OR | 763 55 | 3 | 37 | BDPT | 38 | | | | | 555 0 | 14 5 | 16 0 |
| 769 11 | Coos Bay | OR | 769 11 | 1 | 13 | ODPT | 14 | | | | | 68 0 | | 9 0 |
| 769 11 | Coos Bay | OR | 769 11 | 2 | 3 | DPG | | | 4 | | | 102 0 | | 9 0 |
| 769 11 | Coos Bay | OR | 769 11 | 3 | 7 | ODPT | 8 | | | | | 87 0 | | 12 0 |
| 771 76 | Coos Bay | OR | 771 76 | 1 | 6 | ODPT | 7 | | | | 1930 | 90 0 | | 10 0 |
| 773 94 | Hayden | OR | 773 94 | I | 3 | ODPT | 4 | | | | | 45 0 | | 12 0 |
| 774 8 | Hayden | OR | 774 80 | I | | CONC | 2 | | | 2 | | 90 0 | | |
| 776 56 | Hayden | OR | 776 56 | 1 | 3 | ODPT | 4 | | | | | 45 0 | | 8 0 |
| 777 03 | Hayden | OR | 777 03 | I | 2 | ODPT | 3 | | | | | 24 0 | | 8 0 |
| 779 80 | Couquille | OR | 779 80 | 1 | 4 | ODPT | 5 | | | | | 60 0 | | 8 0 |
| 782 35 | Couquille | OR | 782 35 | 1 | 3 | ODPT | 4 | | | | 1938 | 45 0 | | 8 0 |
| 782 53 | Couquille | OR | 782 53 | 1 | 4 | ODPT | 5 | | | | 1938 | 60 0 | | 10 0 |
| 785 26 | Couquille | OR | 785 26 | I | 4 | ODPT | 5 | | | | | 60 0 | | 12 0 |
| 785 33 | Couquille | OR | 785 33 | 1 | 4 | ODPT | 5 | | | | 1938 | 60 0 | | 10 0 |
| 785 96 | Couquille | OR | 785 96 | 1 | 26 | ODPT | 23 | | | | 1935 | | | 10 0 |

# CORP Owned Bridges– Coos Bay Sub MP 669.0 – MP 763.13

Bridge 671.89

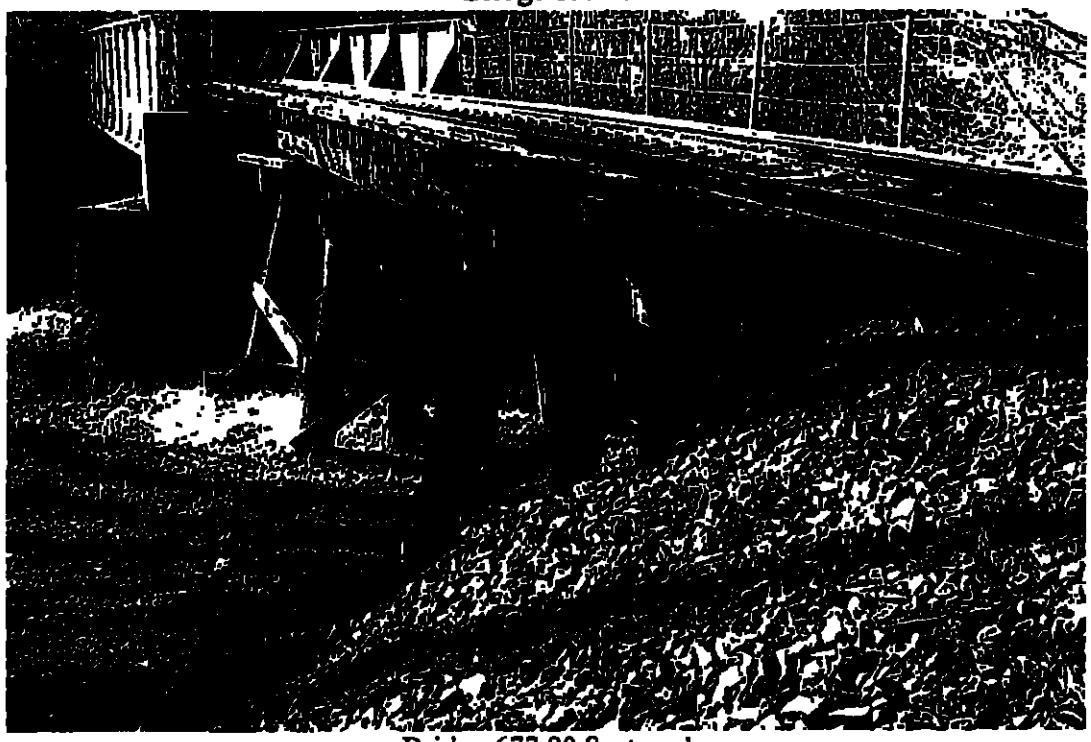


Bridge 674.03

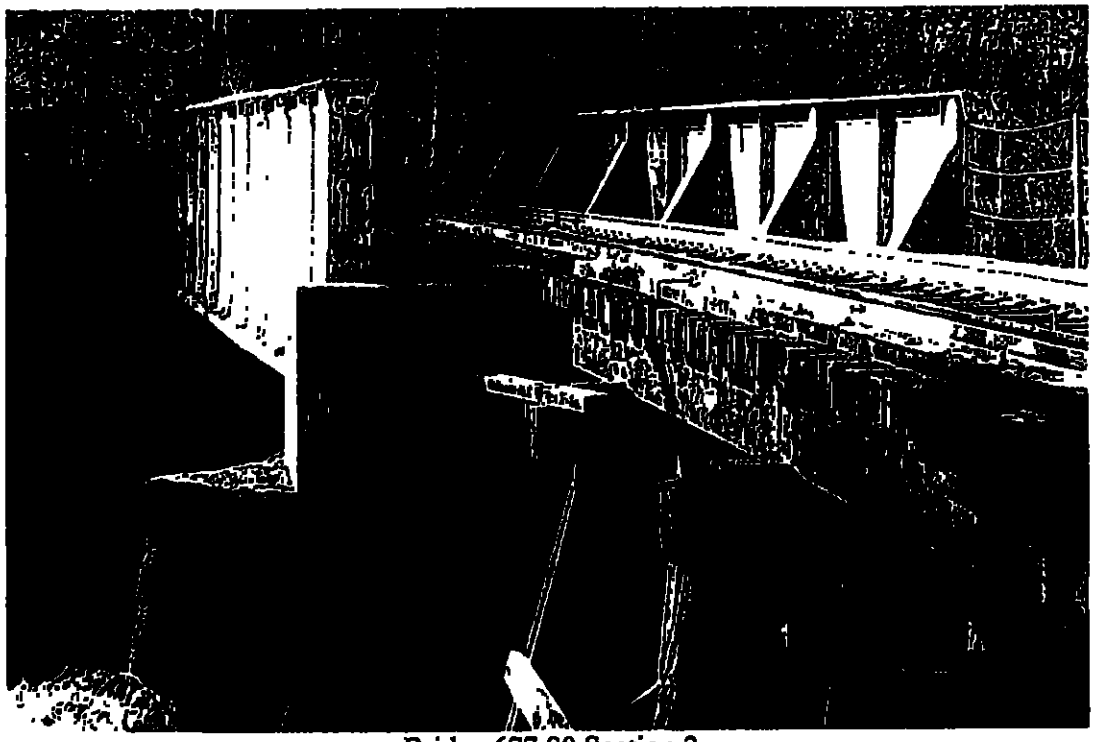


Bridge 676.23

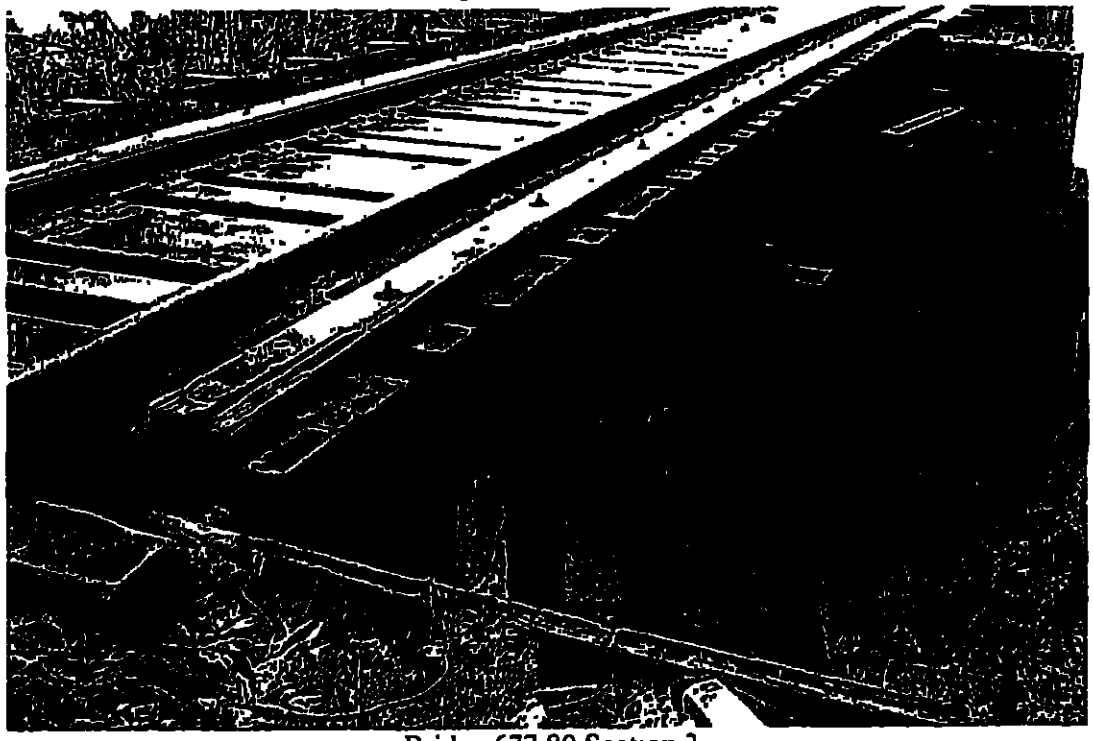
Bridge 677.05



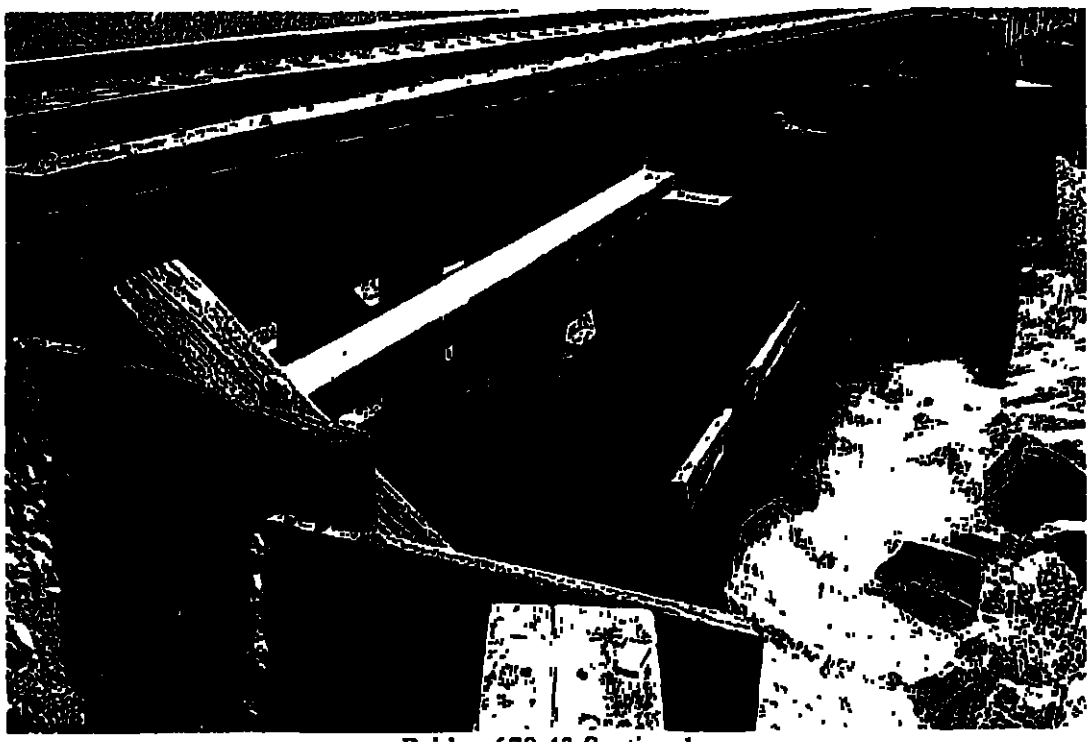
Bridge 677 80 Section 1



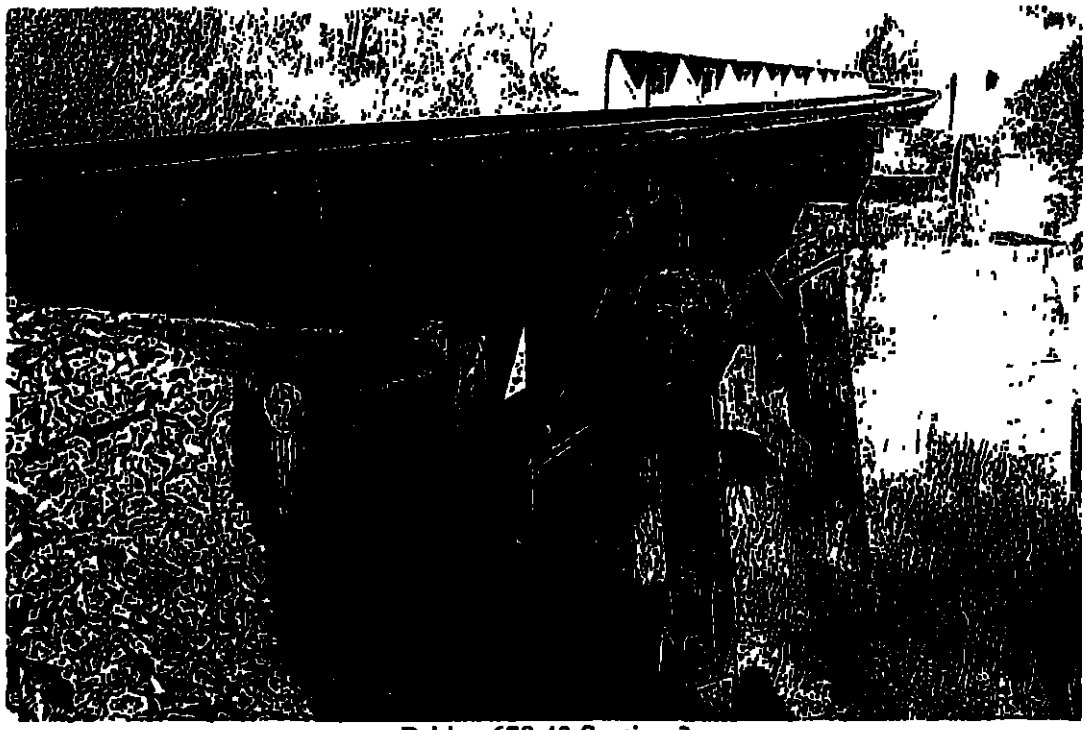
Bridge 677.80 Section 2



Bridge 677.80 Section 3



Bridge 678.43 Section 1



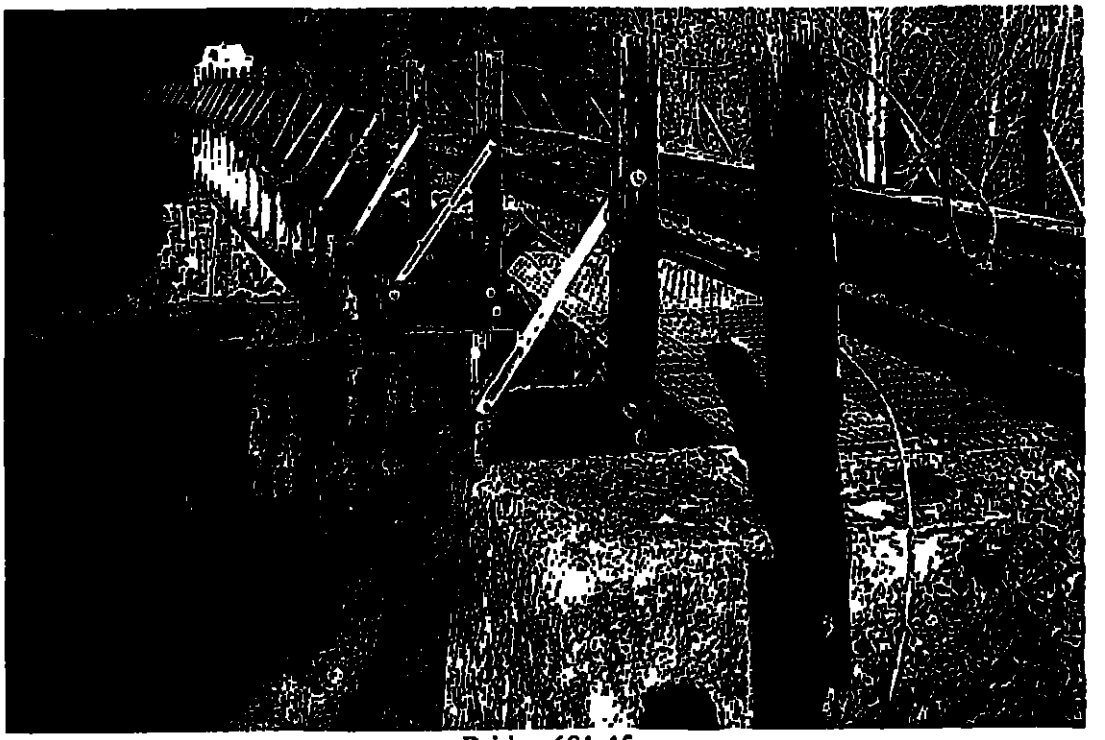
Bridge 678 43 Section 3

Bridge 680.17

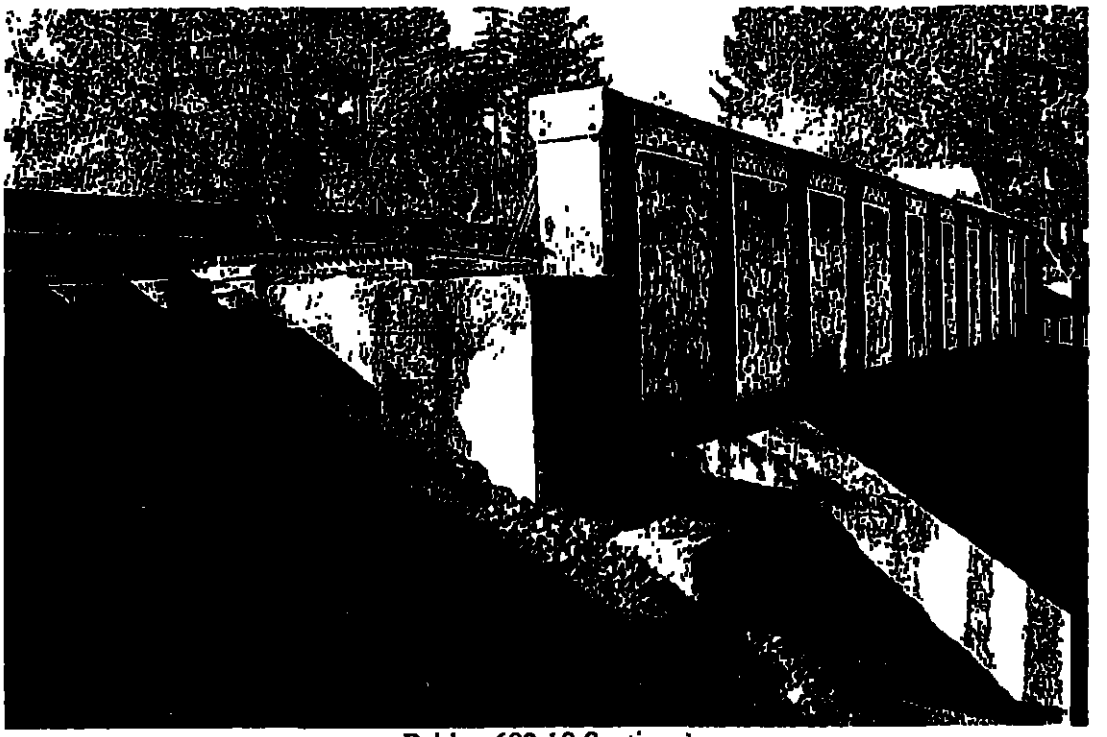
Bridge 680.46

Bridge 680.77

Bridge 681.08

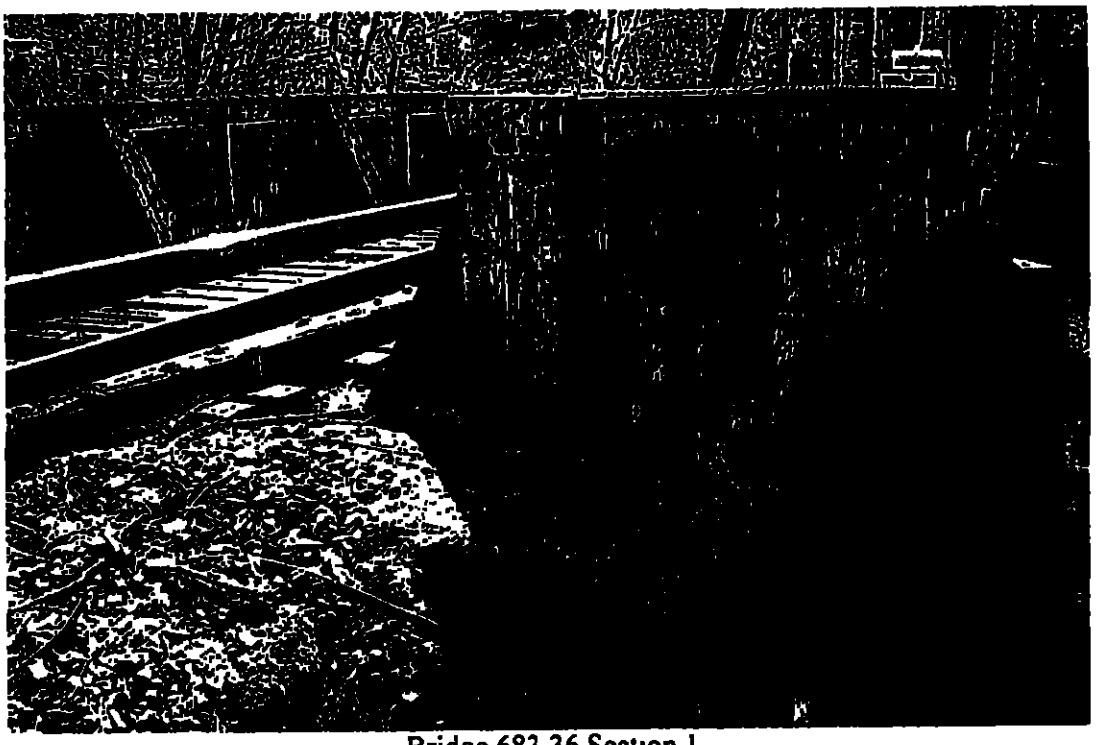


Bridge 681 45



Bridge 682 18 Section 1

Bridge 682.18 Section 2



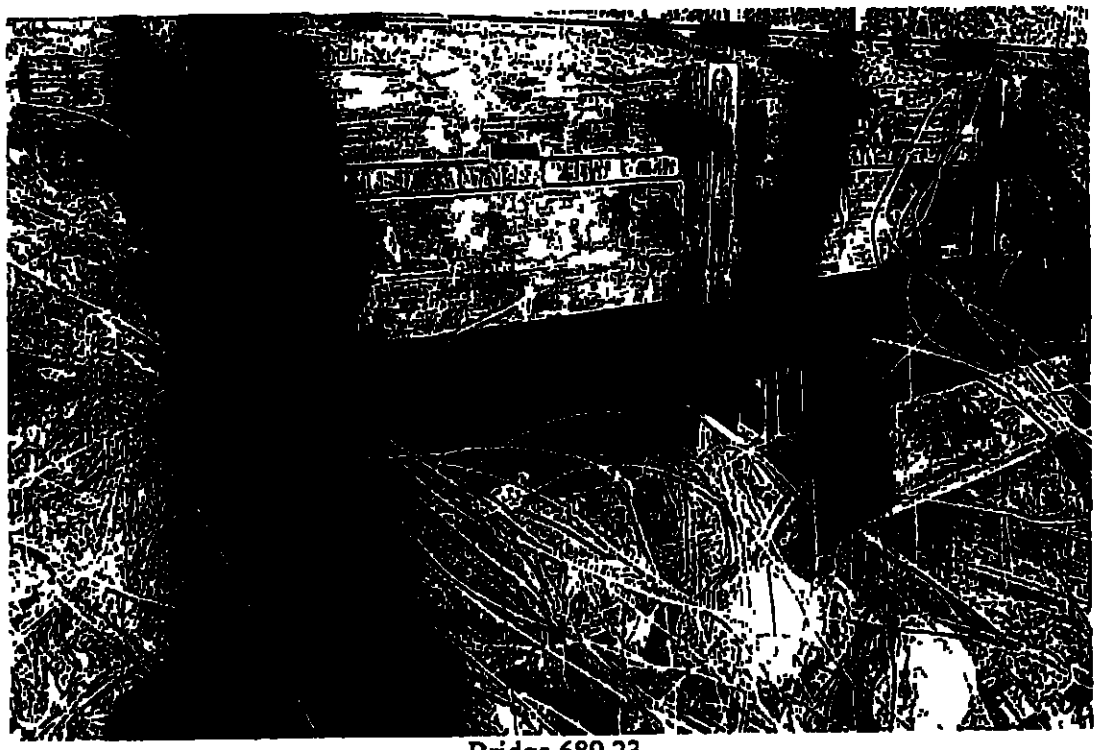
Bridge 683.36 Section 1

Bridge 683.36 Section 2

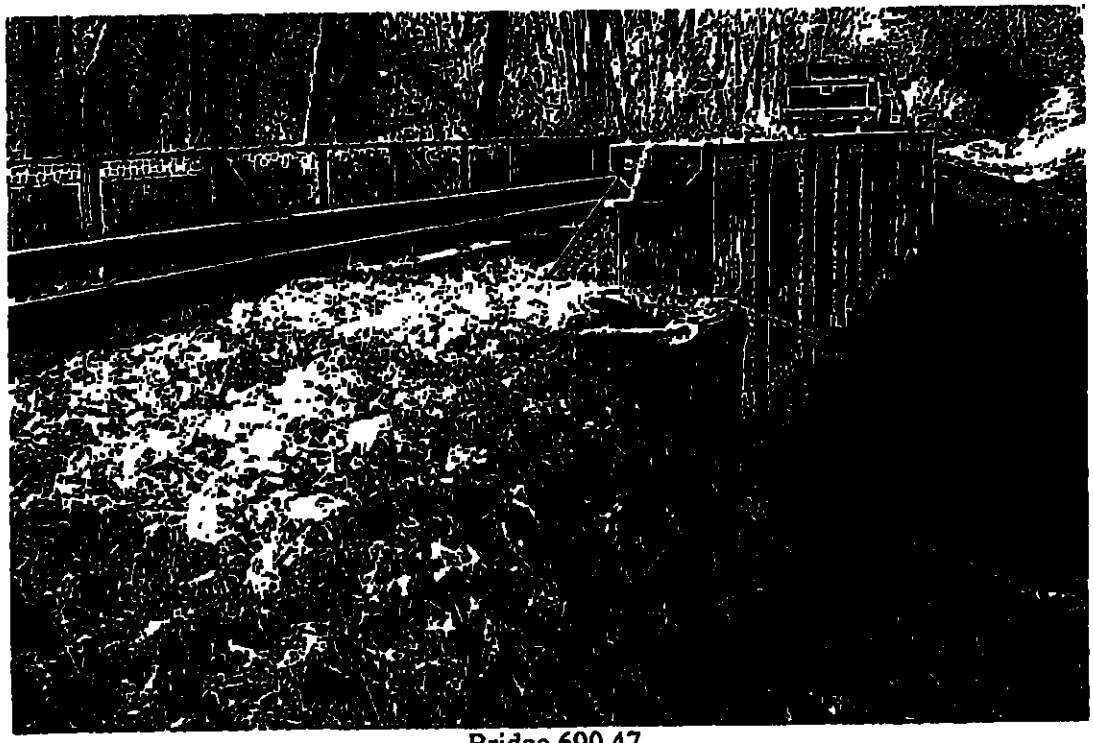
Bridge 683.36 Section 3

Bridge 687.03

Bridge 687.88



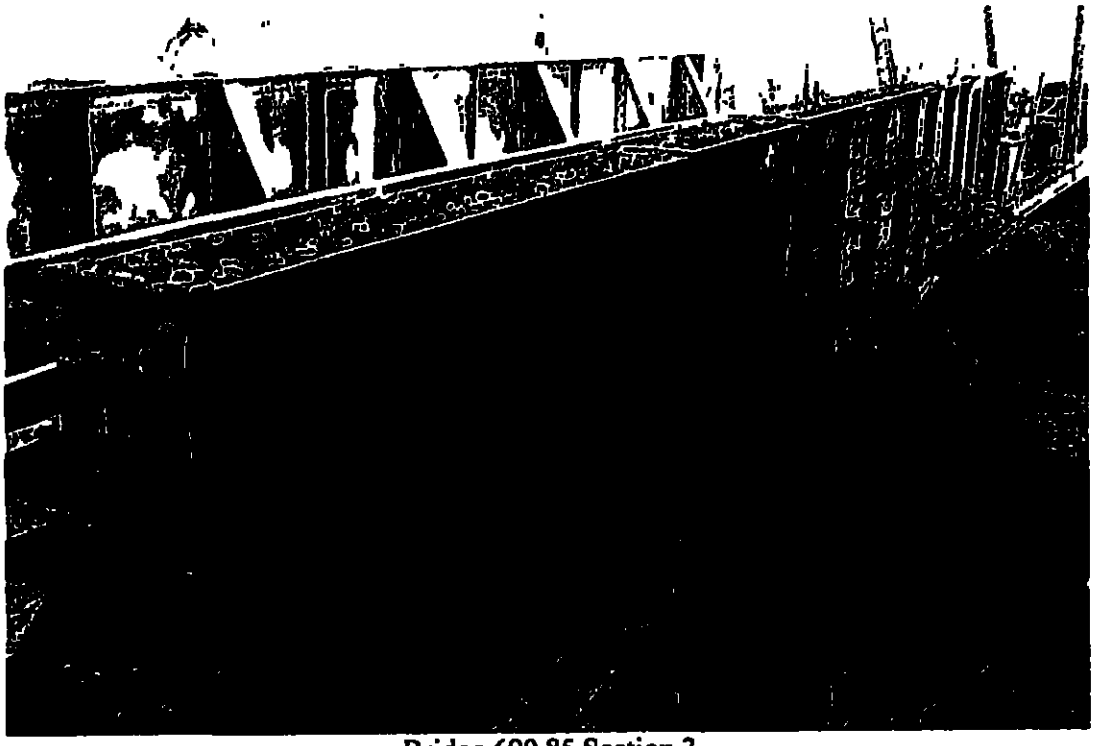
Bridge 689.23



Bridge 690.47

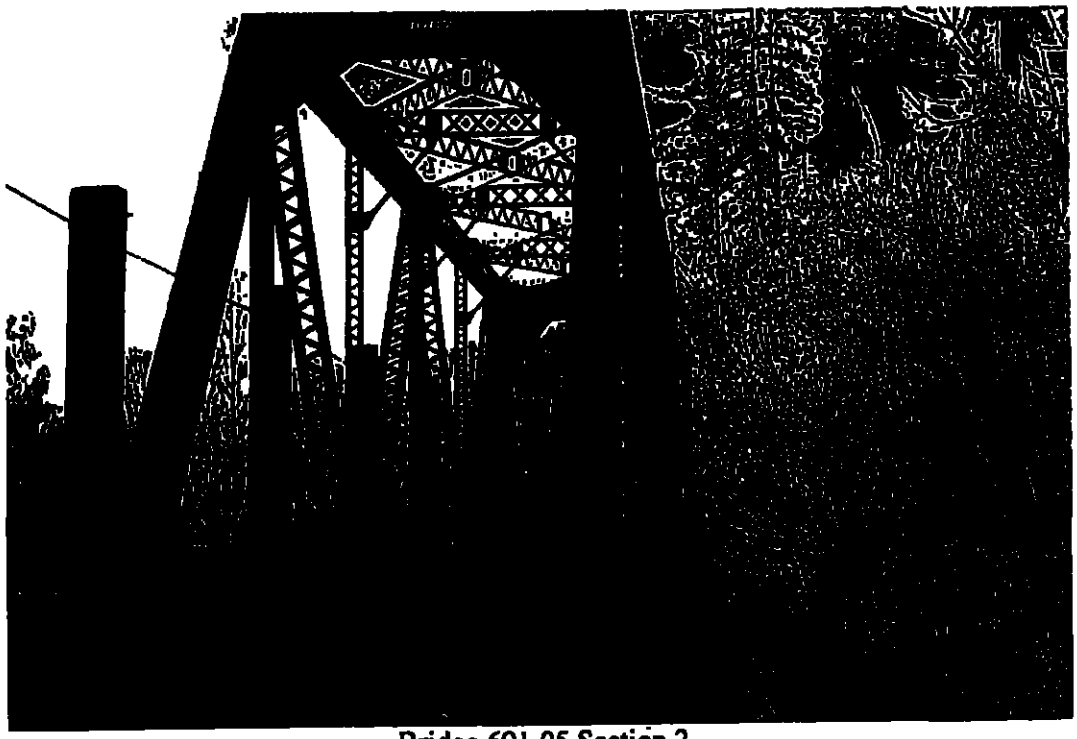
Bridge 690.85 Section 1

Bridge 690 85 Section 2



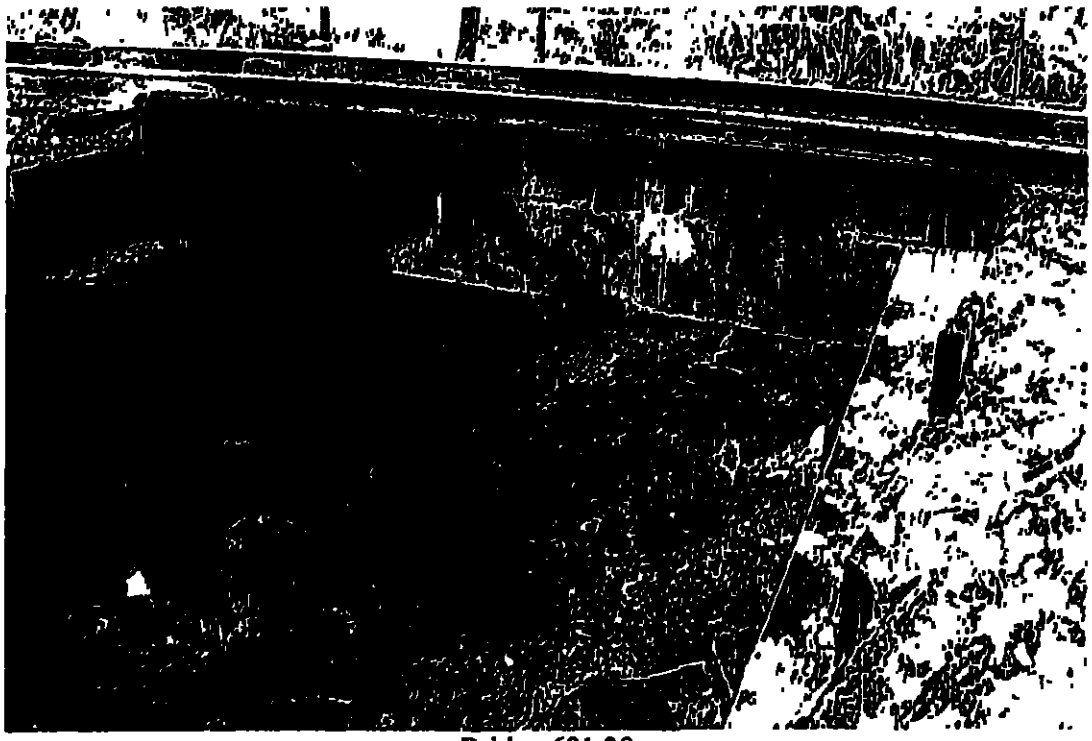
Bridge 690.85 Section 3

Bridge 691 05 Section 1



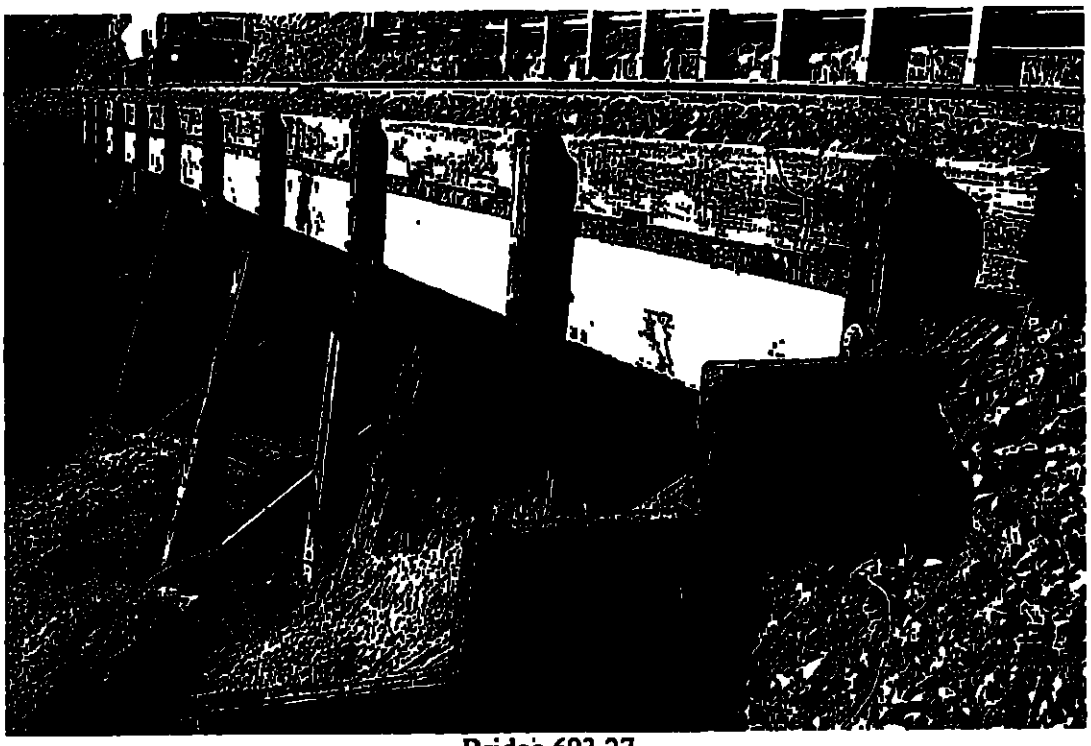
Bridge 691.05 Section 2

Bridge 691.05 Section 3



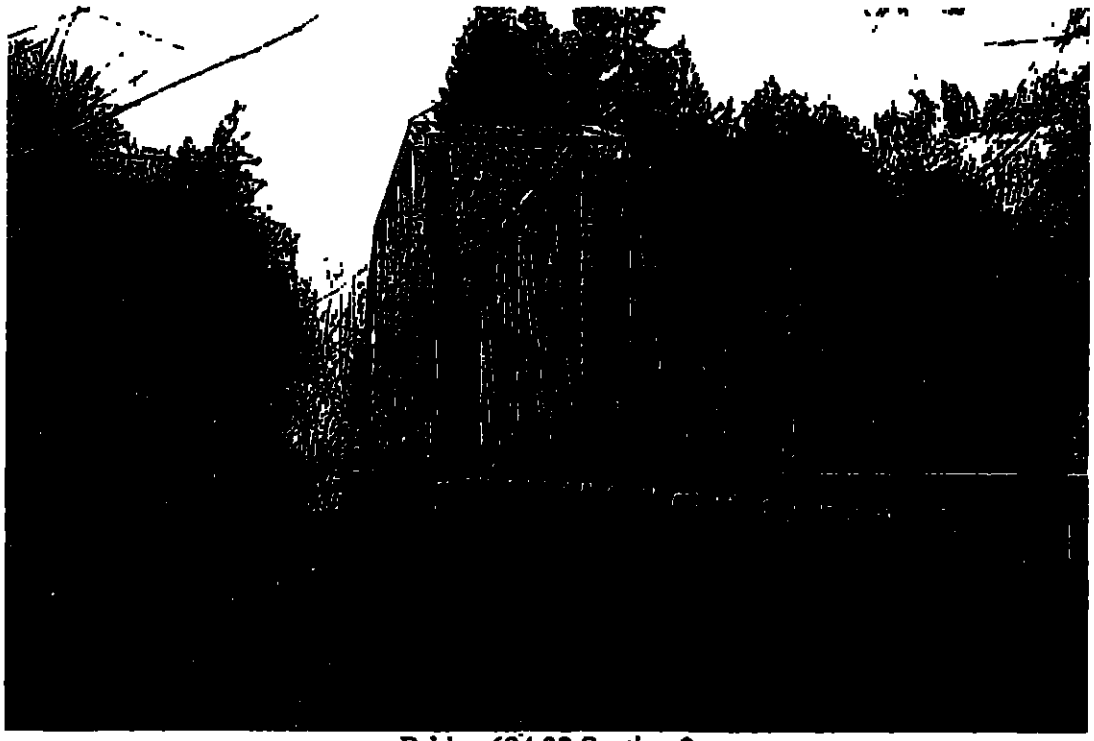
Bridge 691.38

Bridge 692.06



Bridge 693.27

Bridge 694.32 Section 1

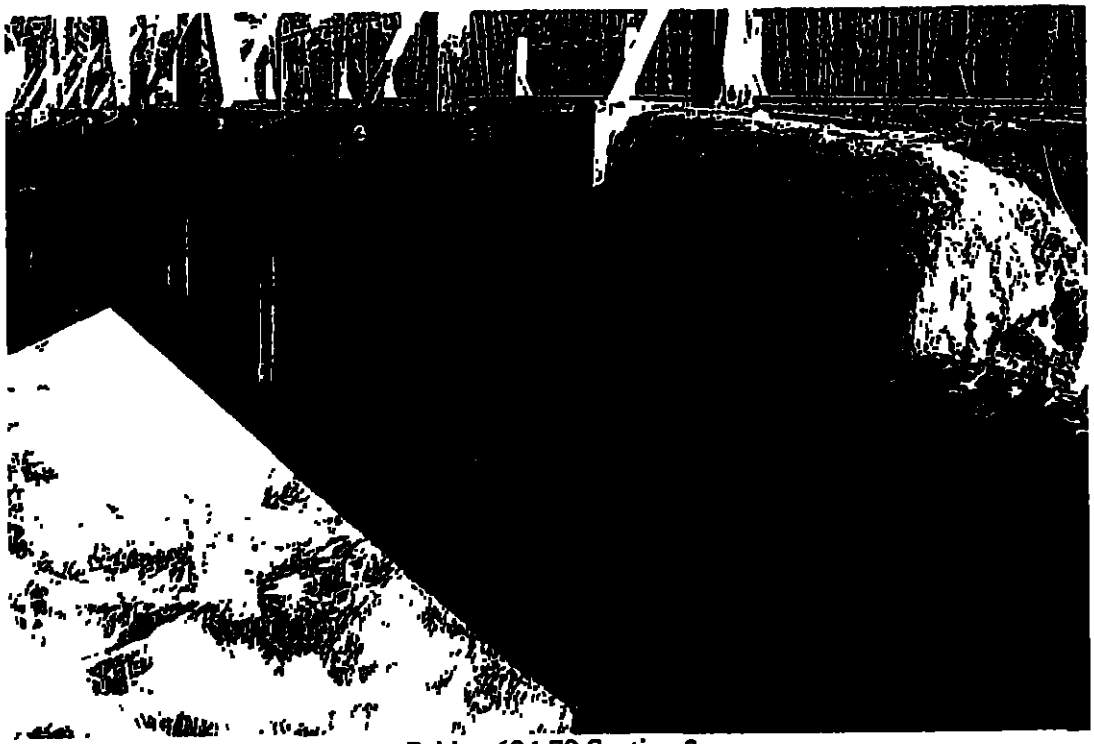


Bridge 694.32 Section 2

Bridge 694.32 Section 3

Bridge 694.78 Section 1

Bridge 694.78 Section 2

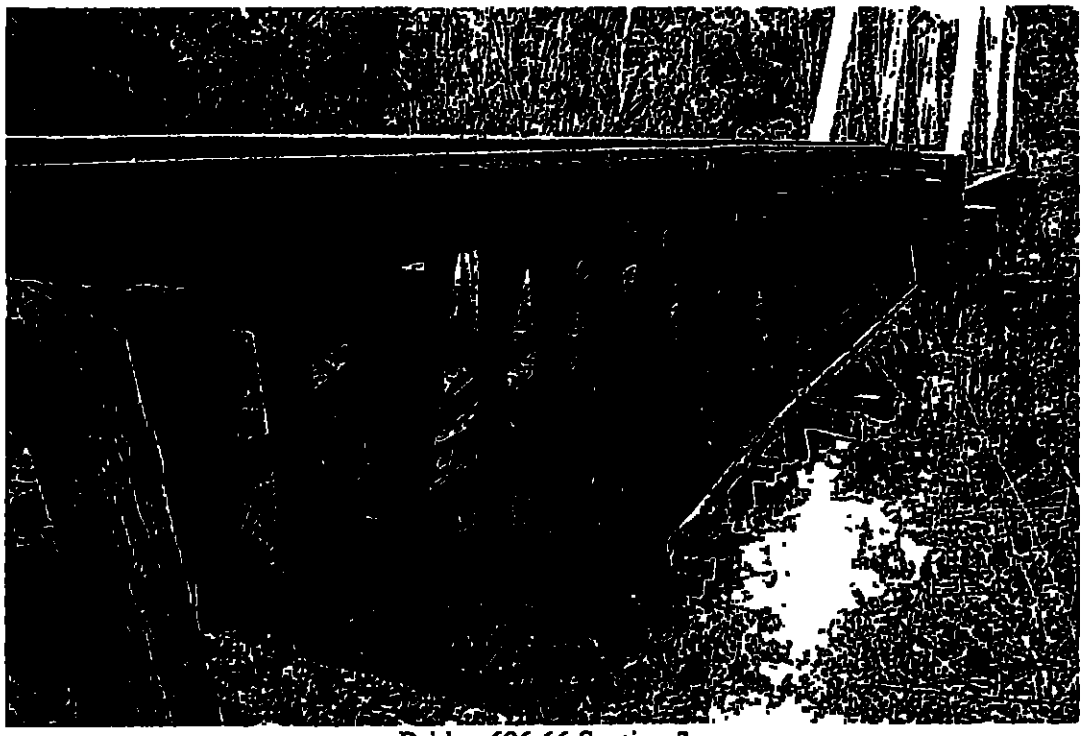


Bridge 694.78 Section 3

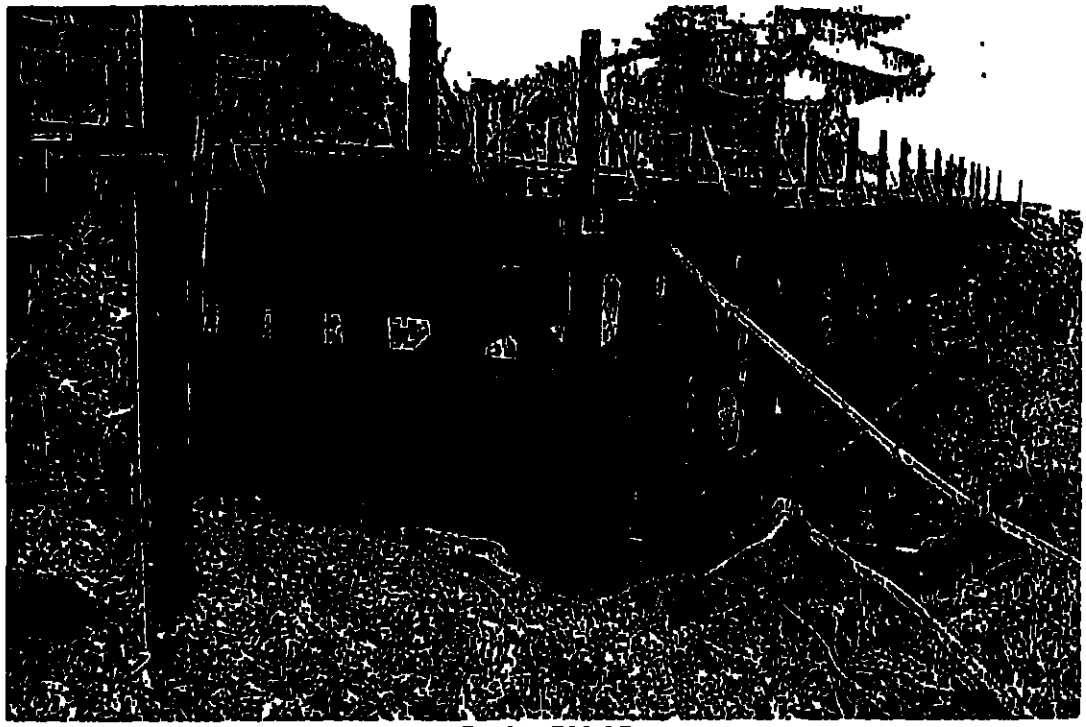
Bridge 694.98

Bridge 696.66 Section 1

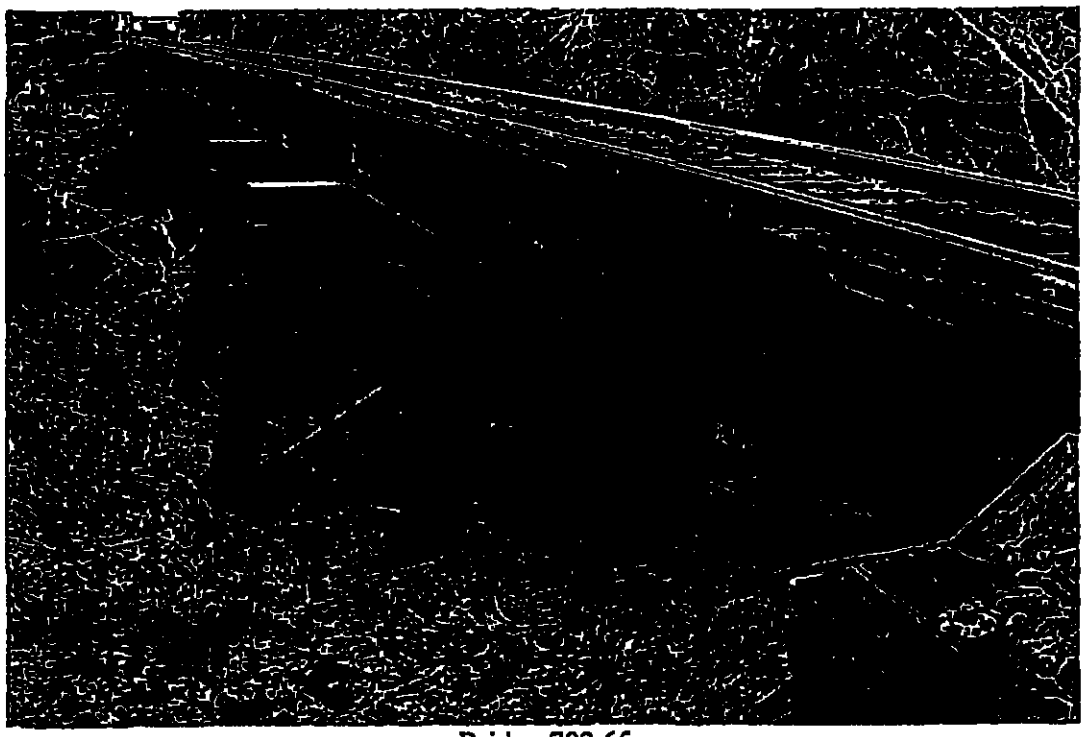
Bridge 696.66 Section 2



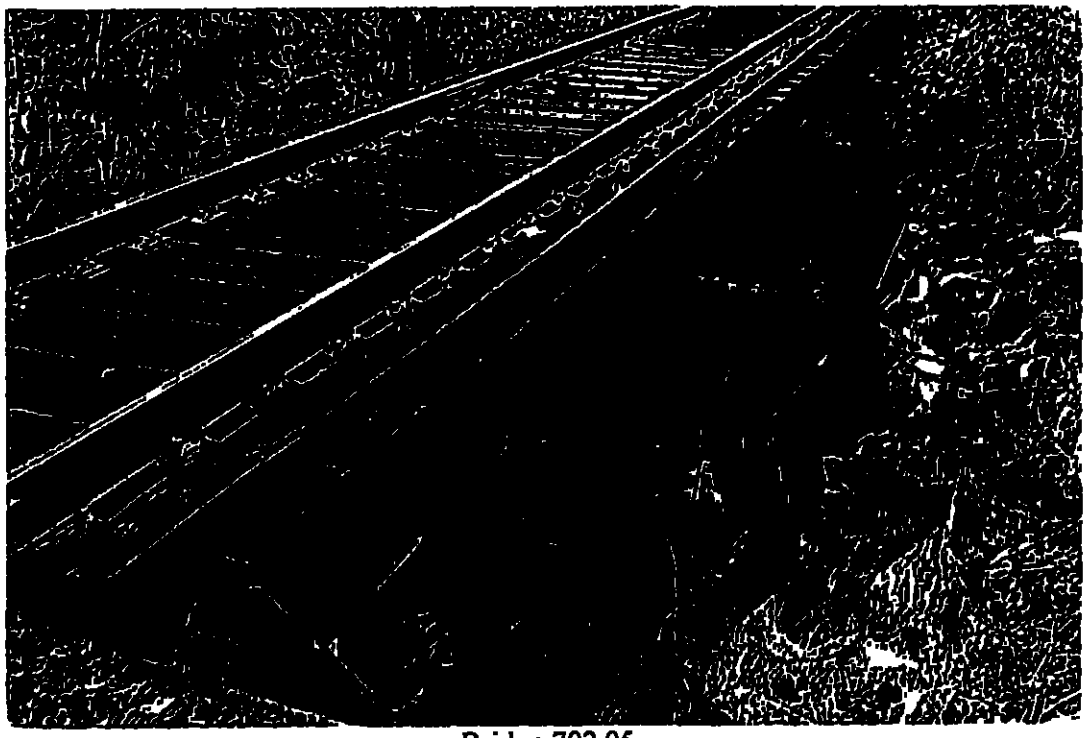
Bridge 696.66 Section 3



Bridge 700.37

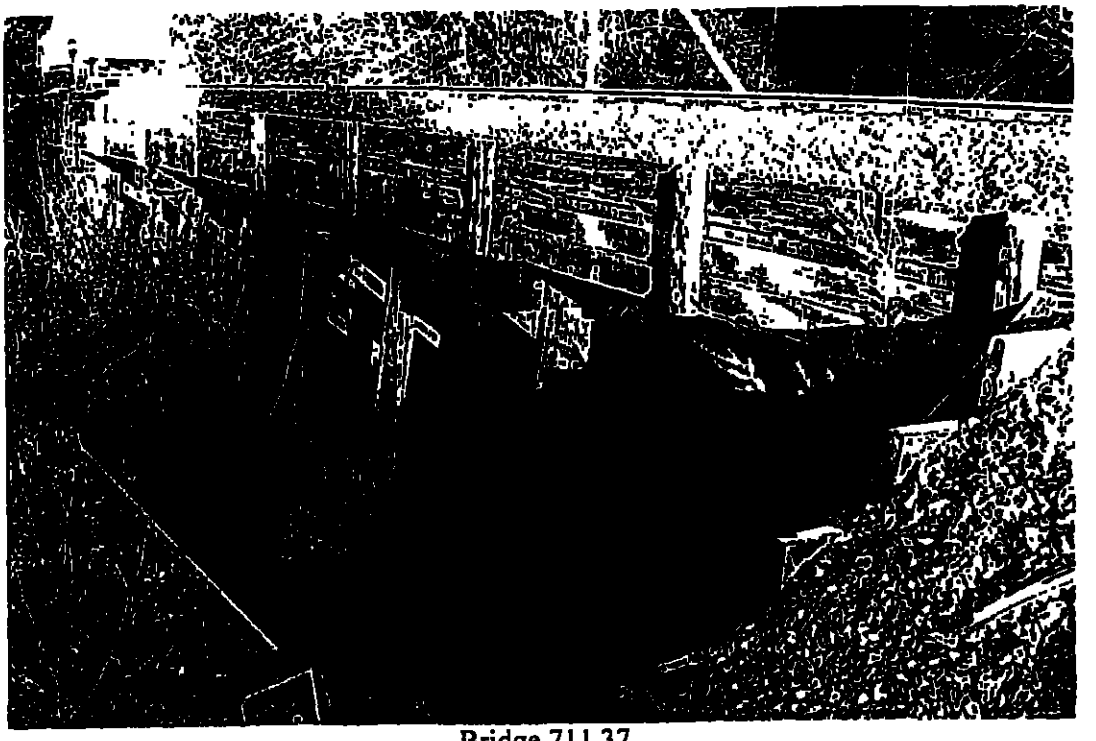


Bridge 702 65



Bridge 702.95

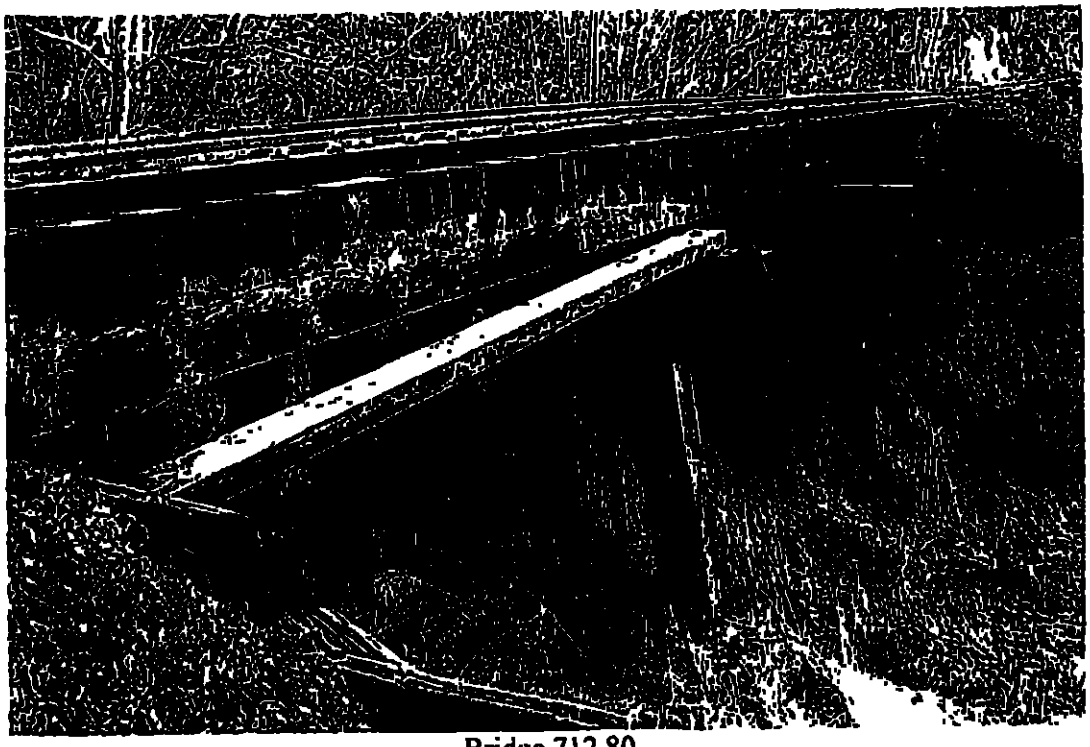
Bridge 710.20



Bridge 711.37

Bridge 711.67

Bridge 712 16



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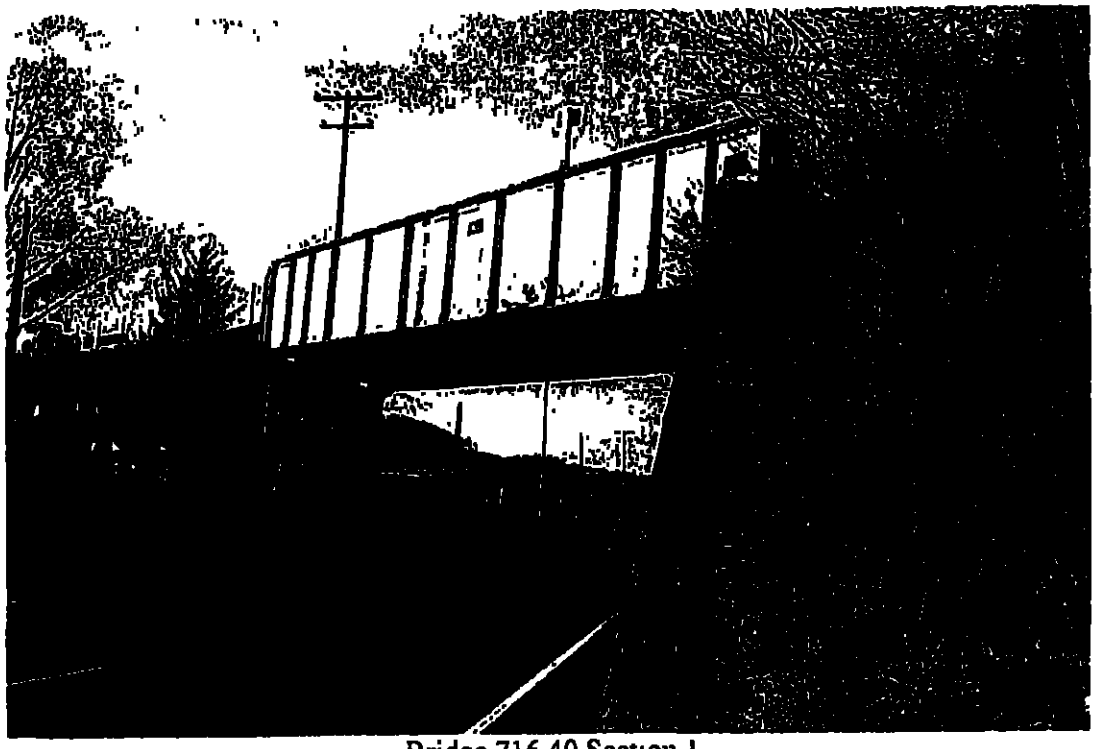
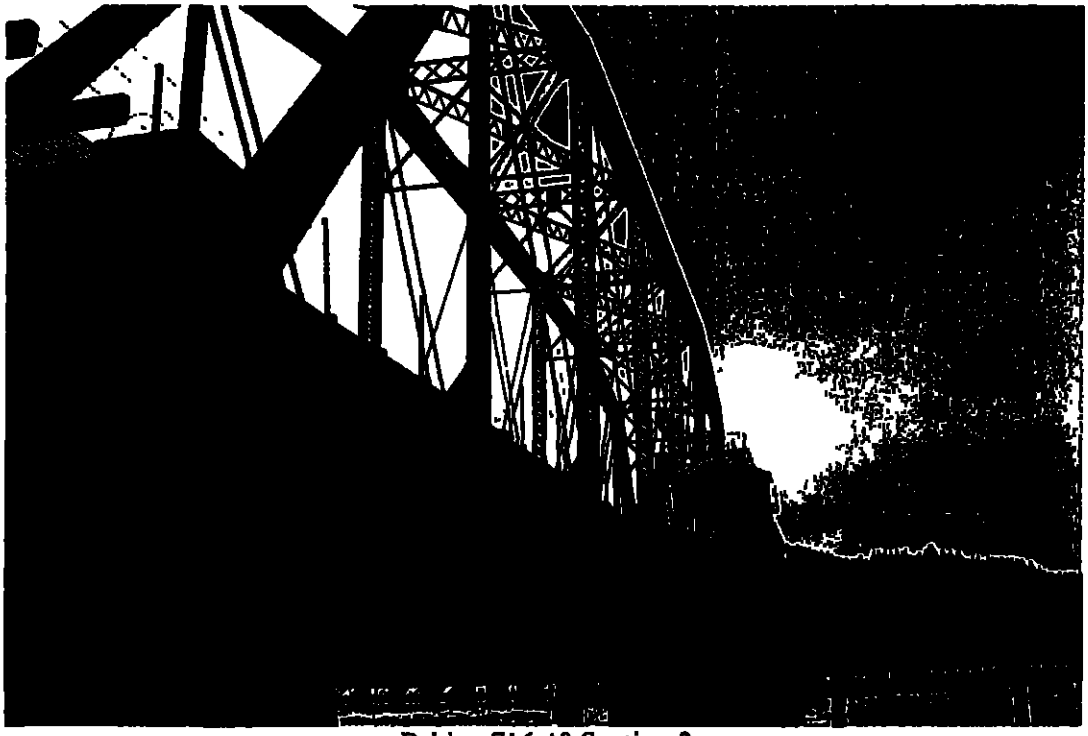


Bridge 716.40 Section 1

Bridge 716.40 Section 2



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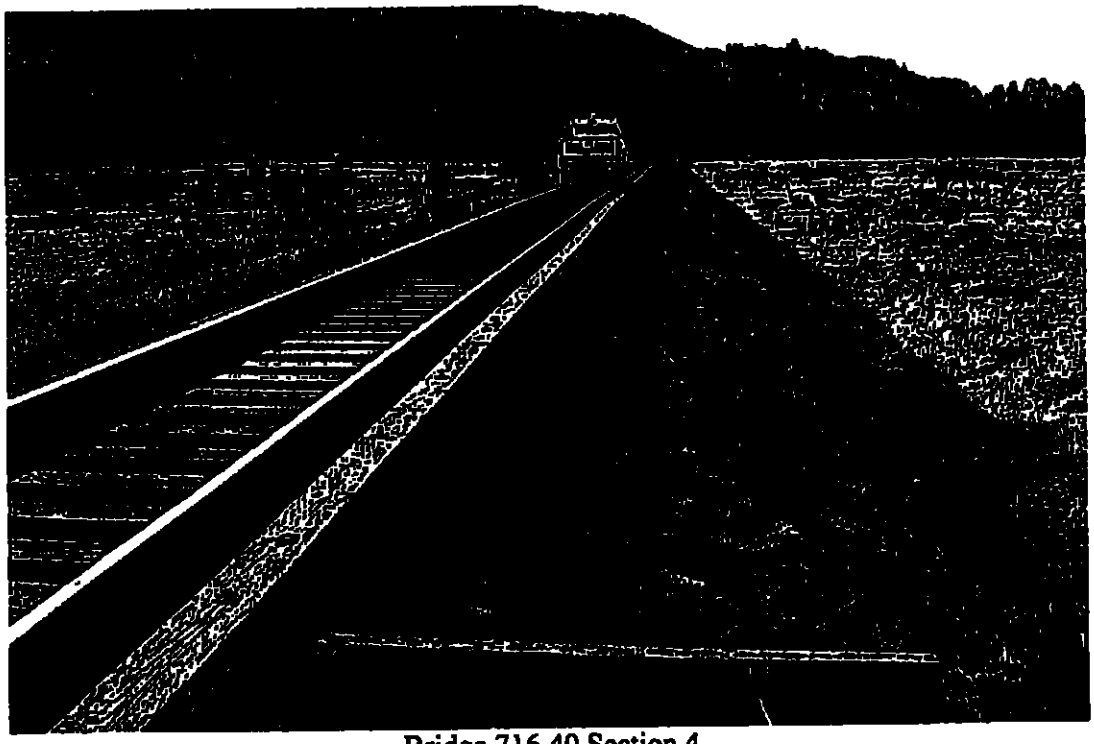

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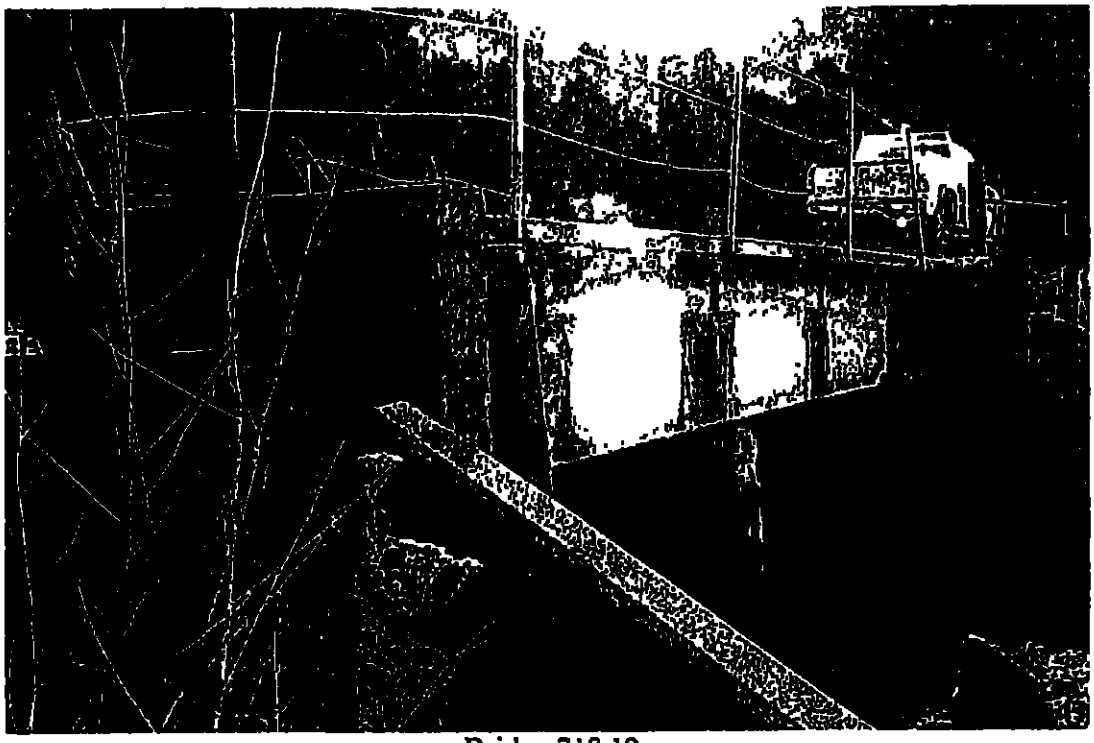
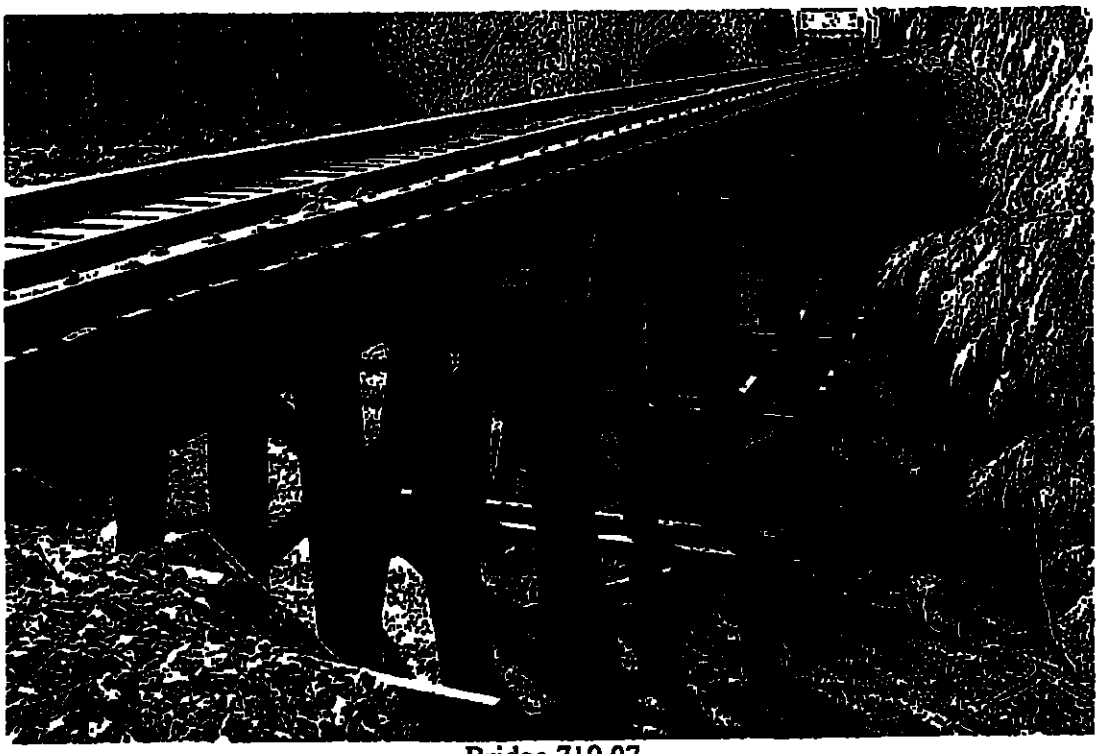
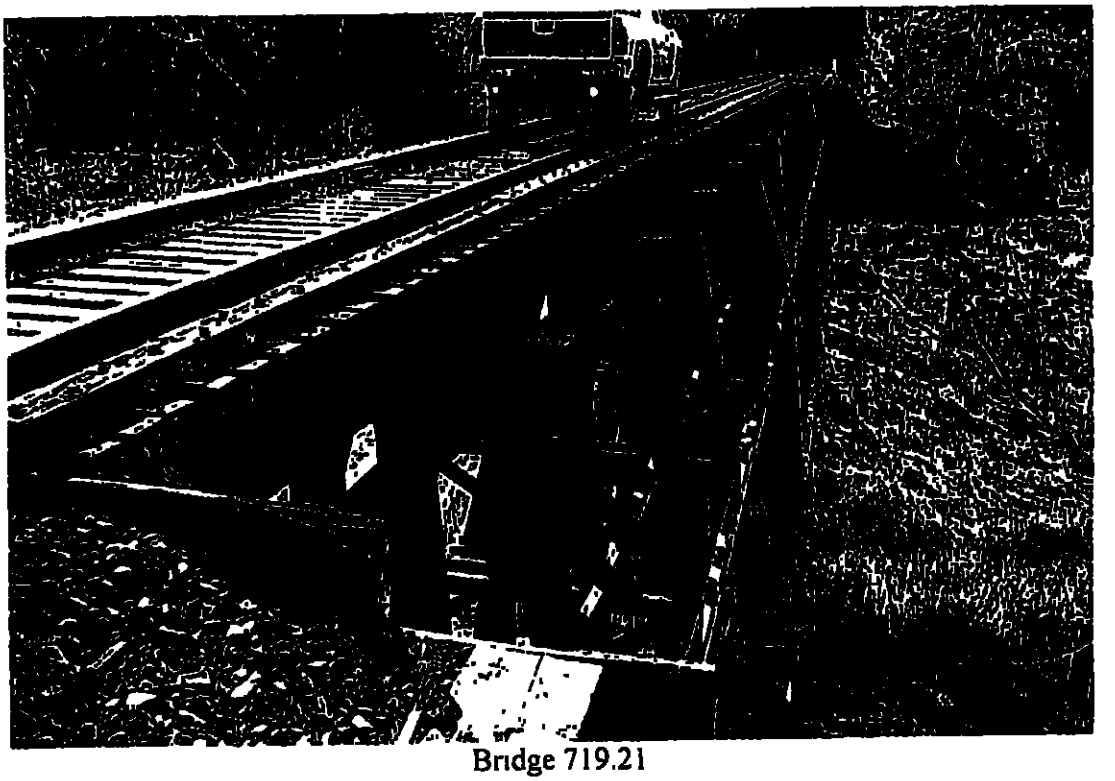


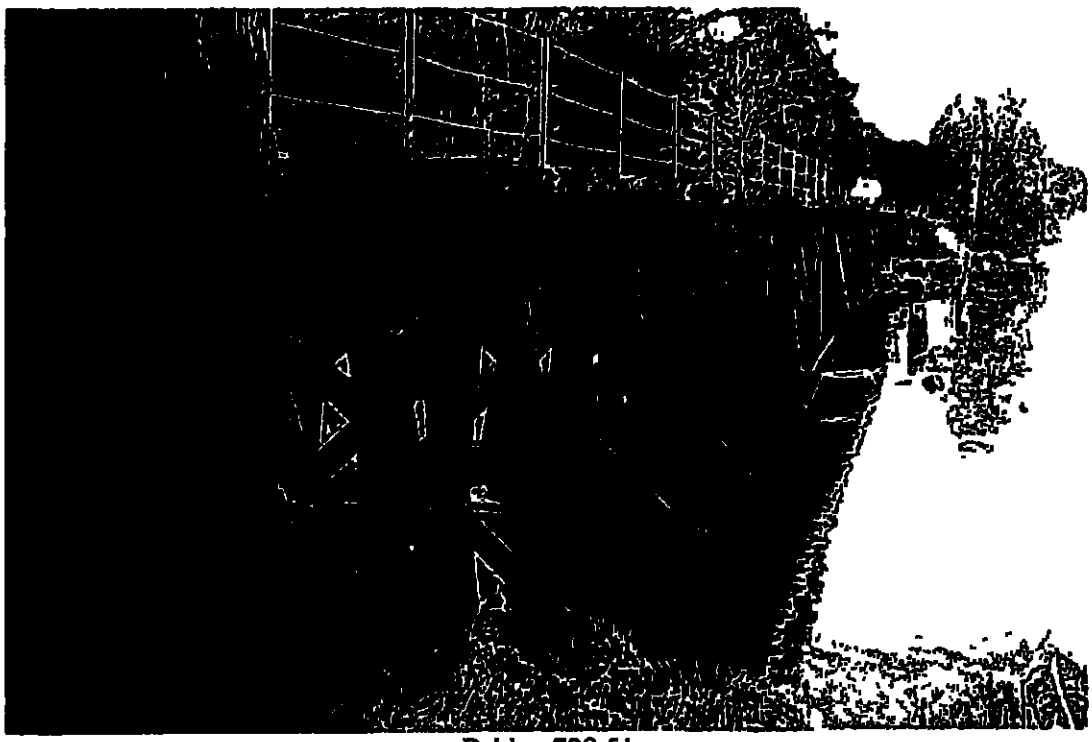
Bridge 718 12



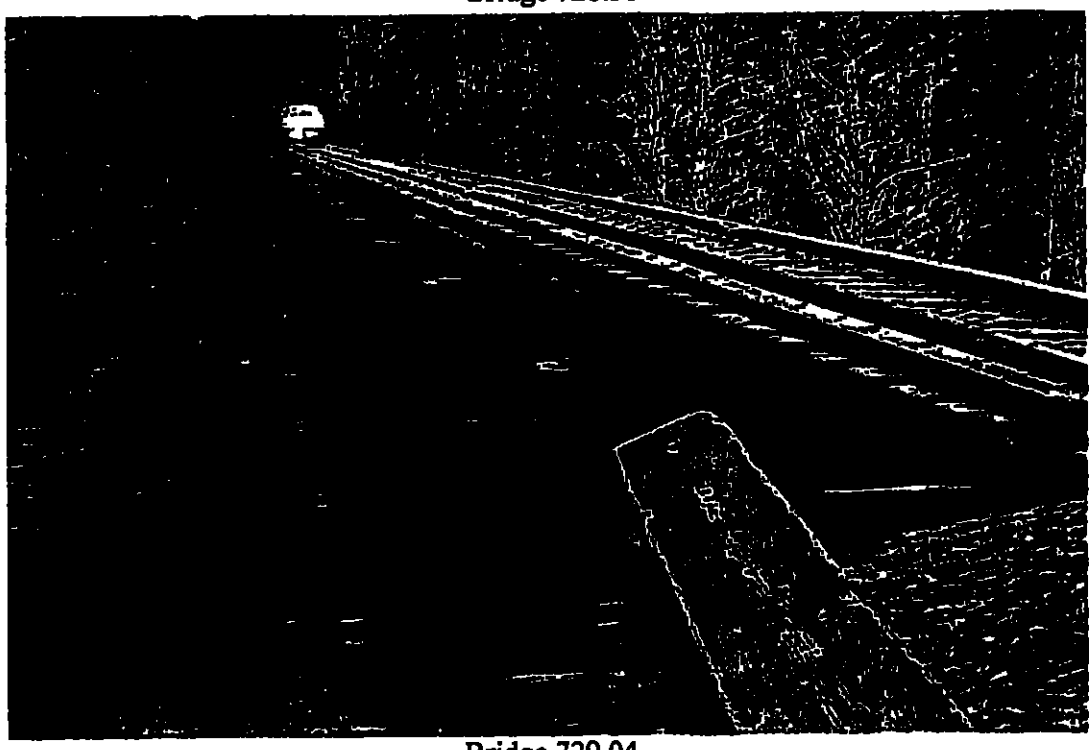
Bridge 719.07



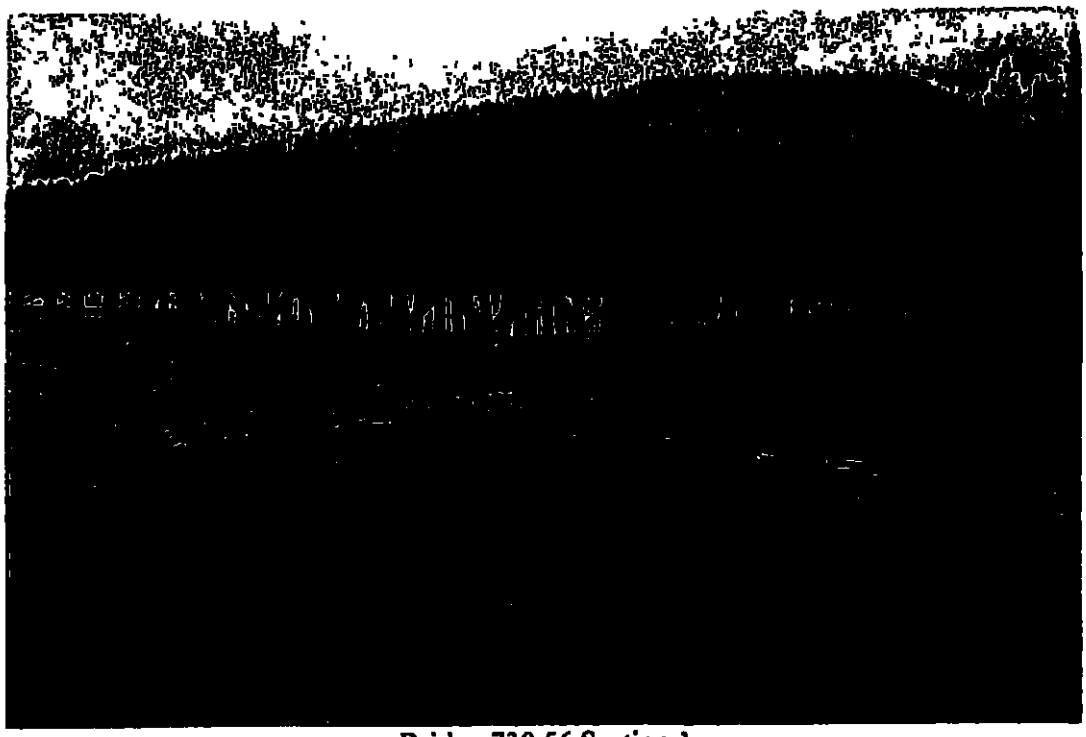
Bridge 719.21



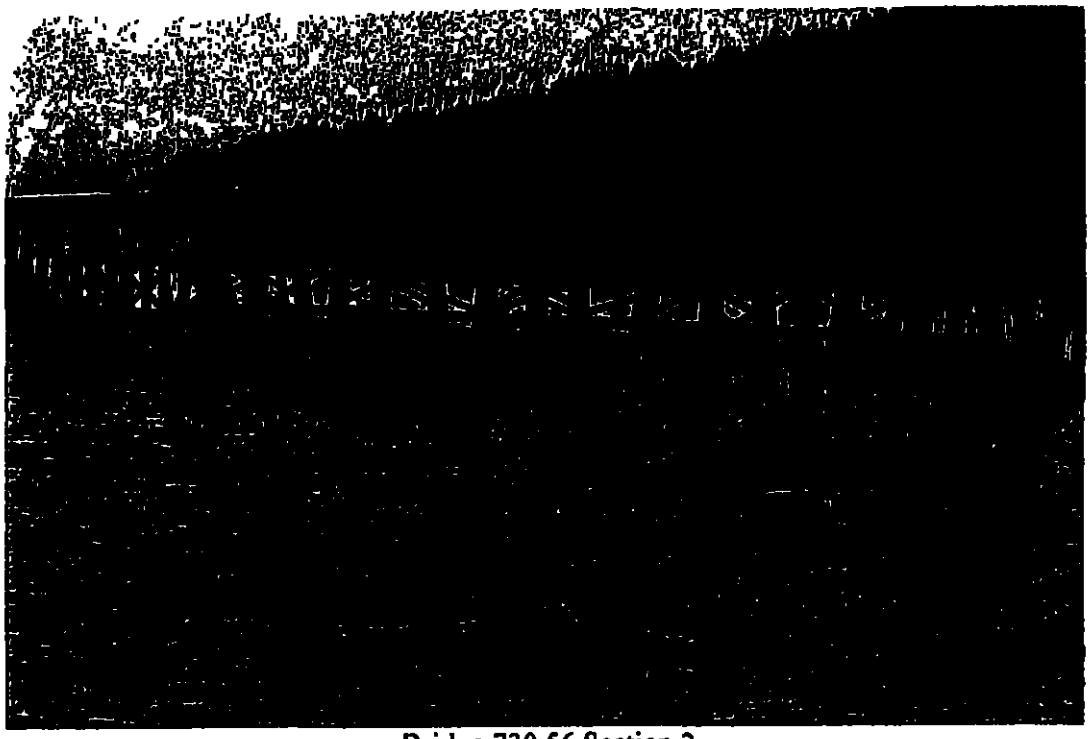
Bridge 728.51



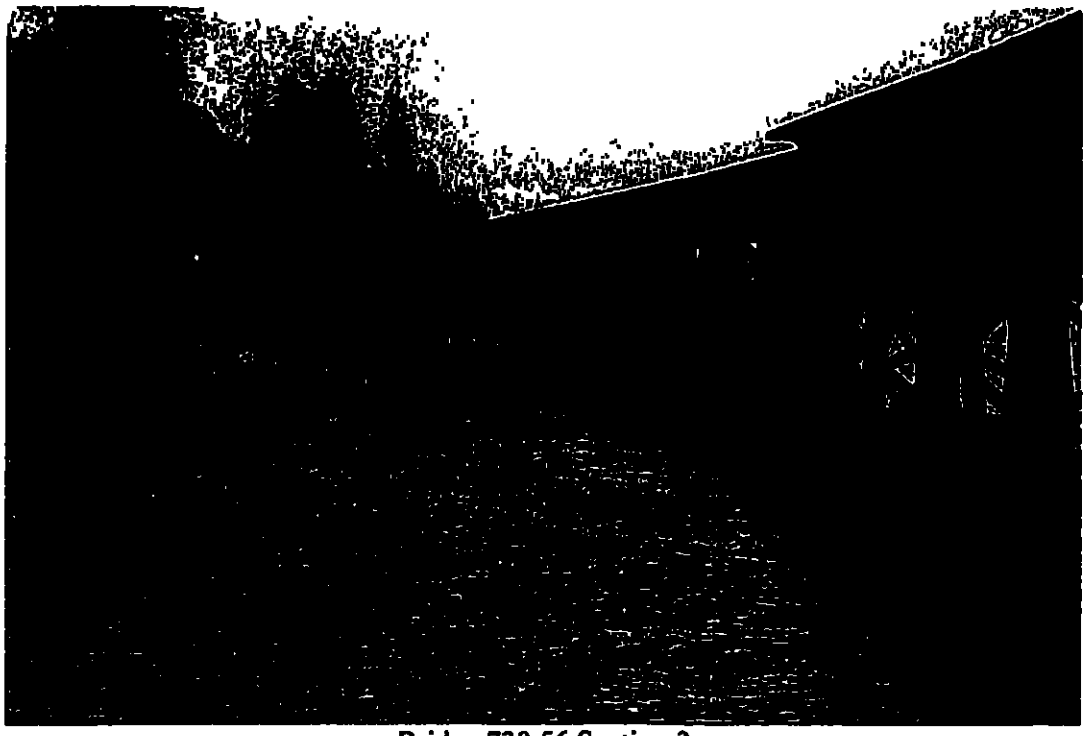
Bridge 729 04



Bridge 730.56 Section 1

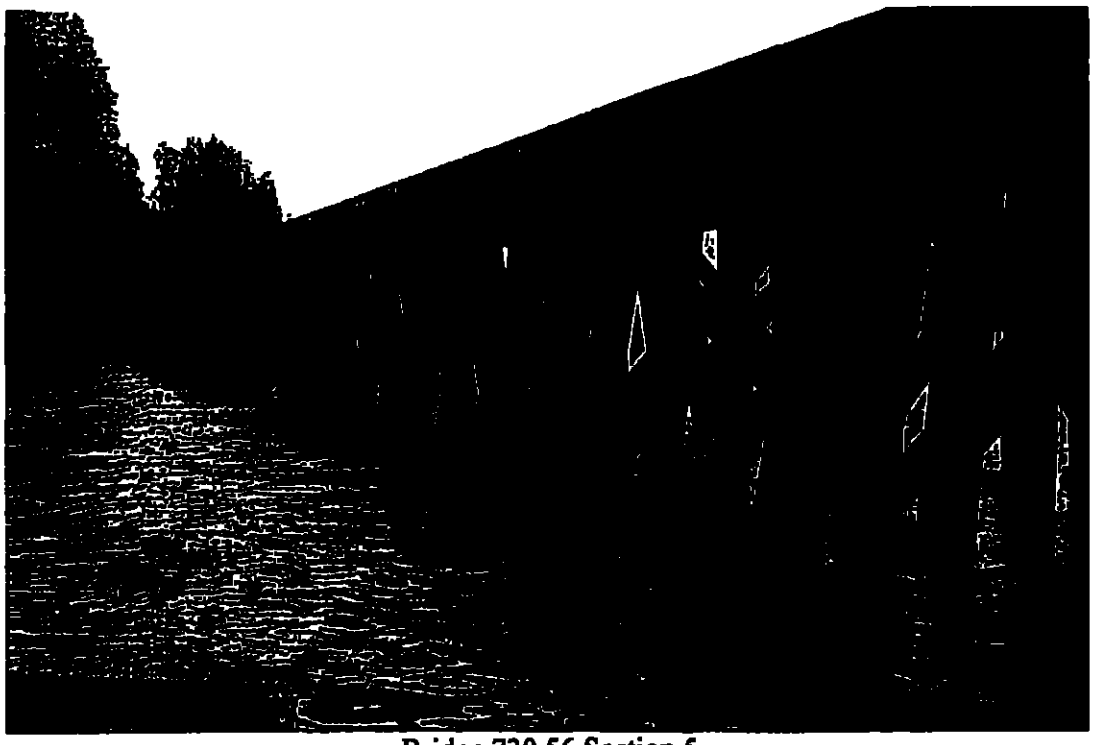


Bridge 730.56 Section 2

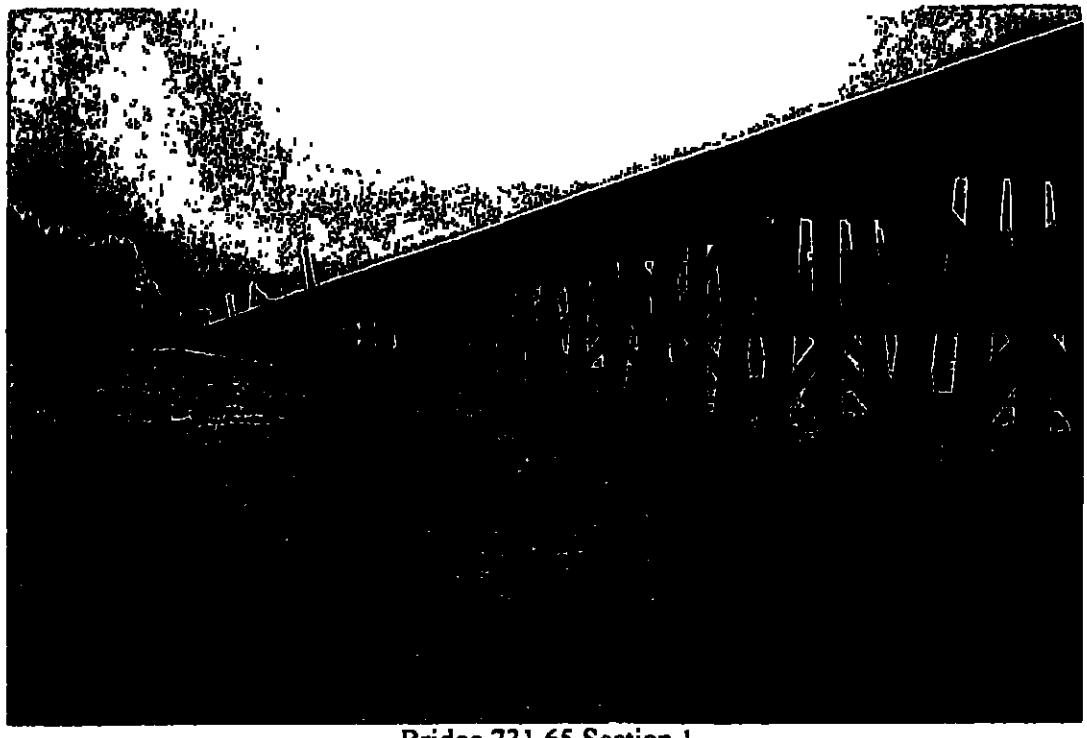


Bridge 730.56 Section 3

Bridge 730.56 Section 4



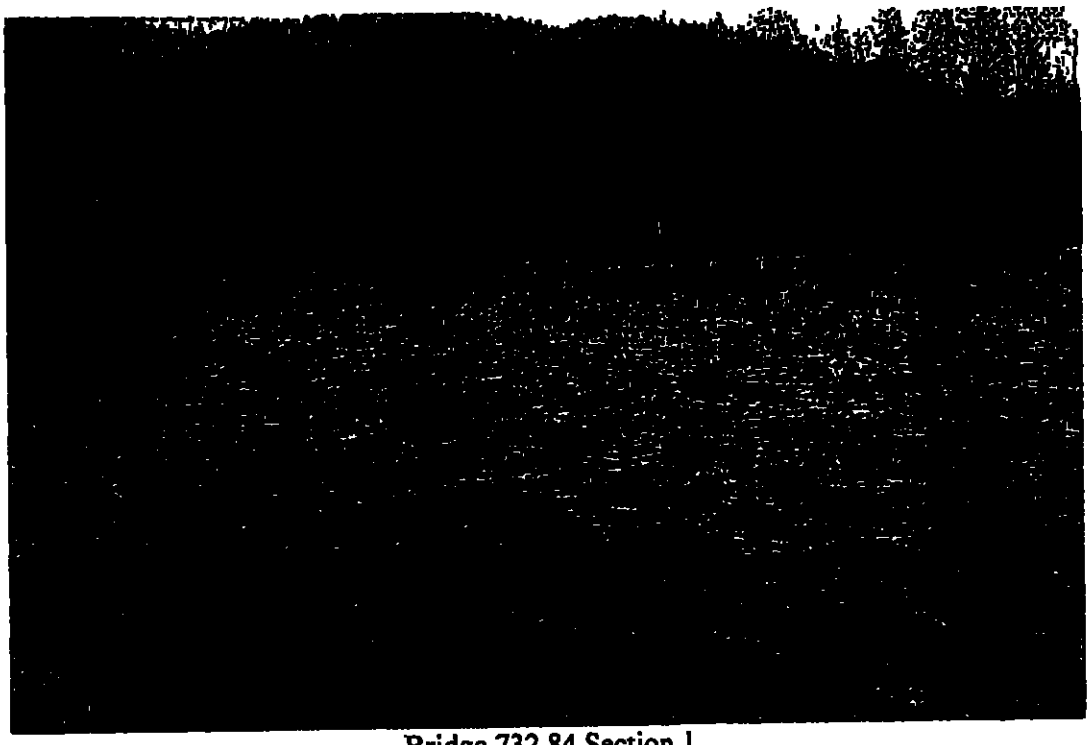
Bridge 730.56 Section 5



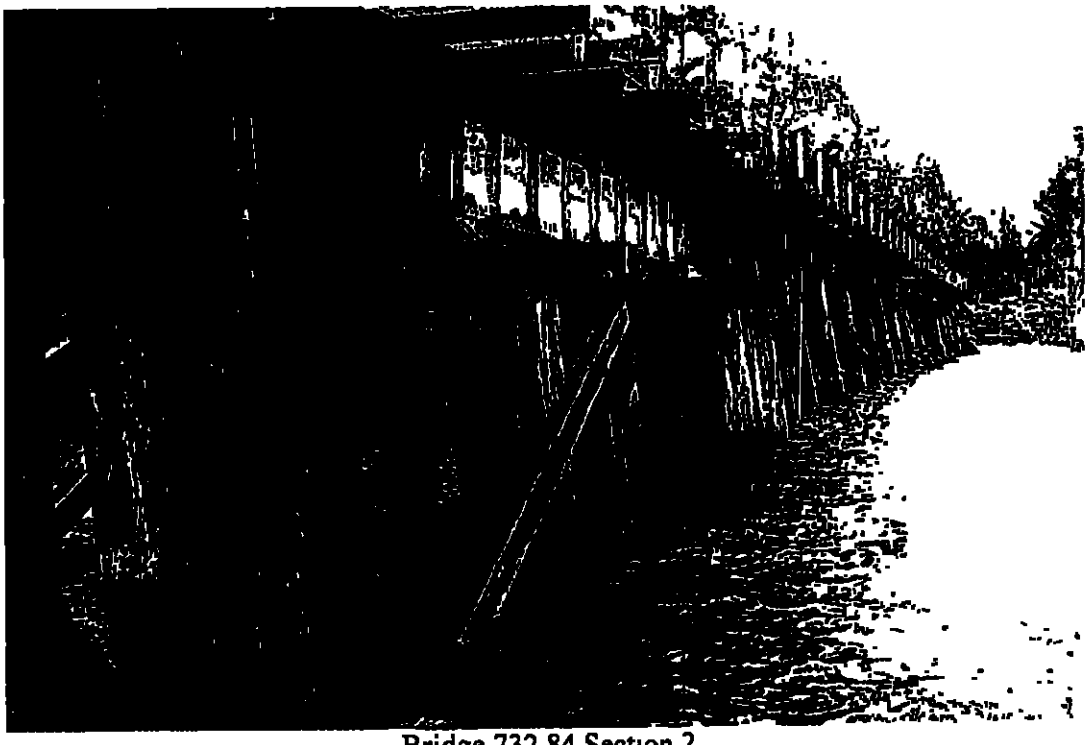
Bridge 731 65 Section 1

Bridge 731.65 Section 2

Bridge 731 65 Section 3

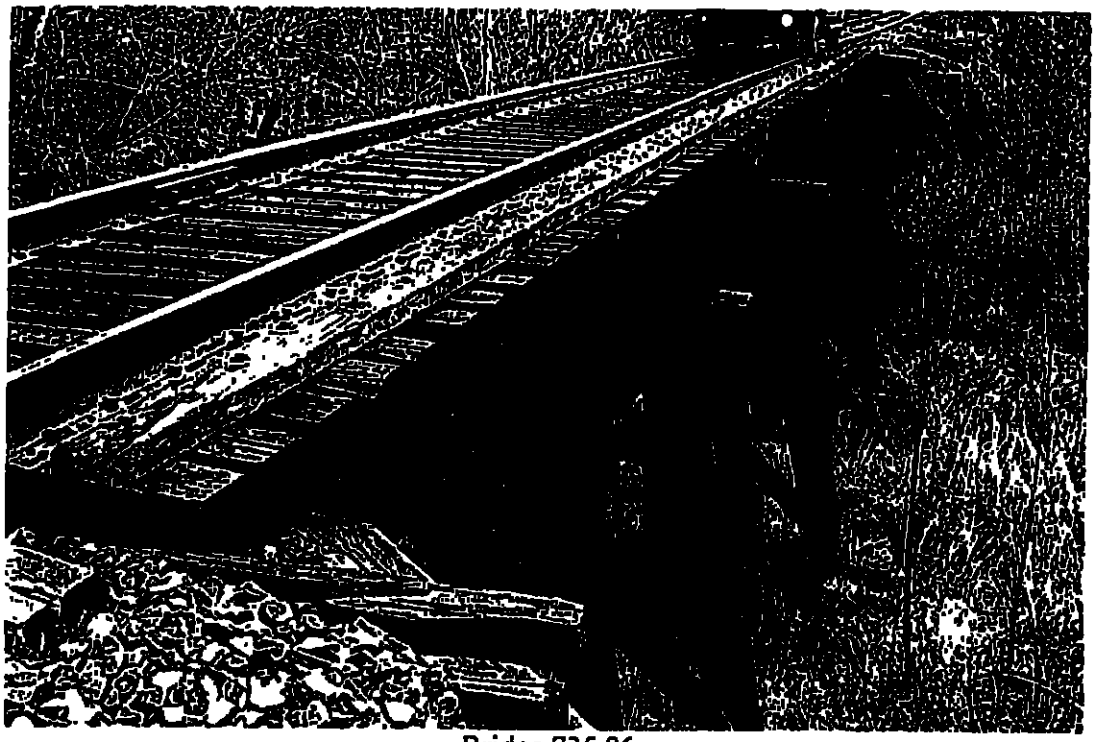


Bridge 732.84 Section 1



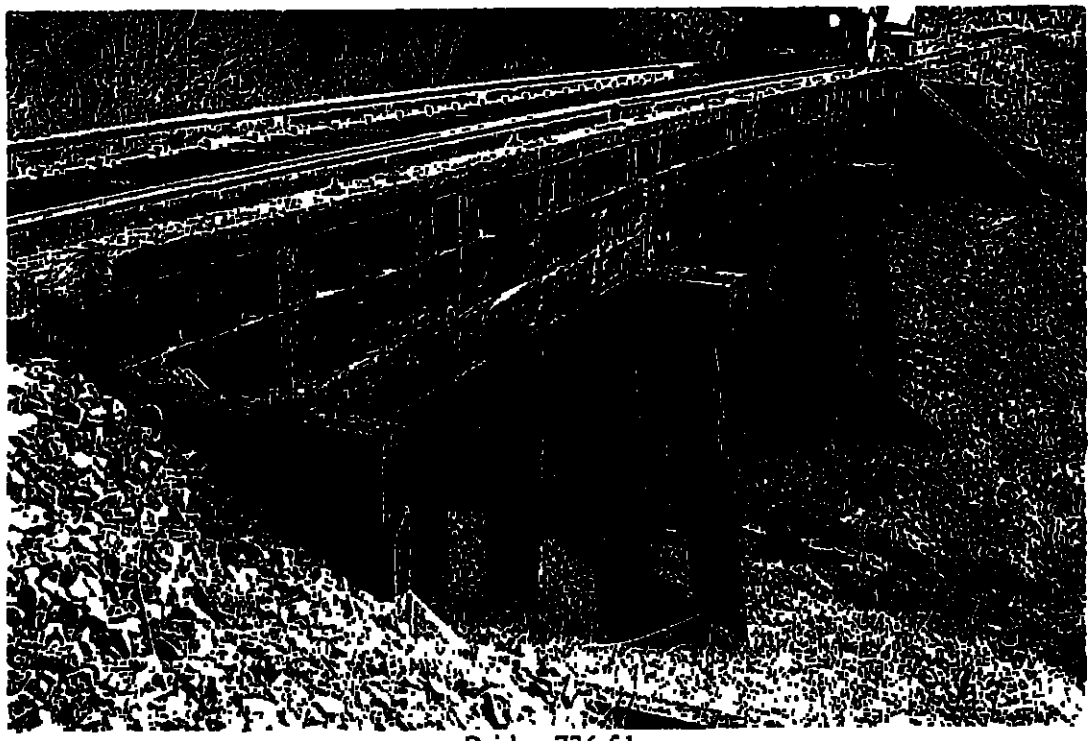
Bridge 732 84 Section 2

Bridge 732.84 Section 3



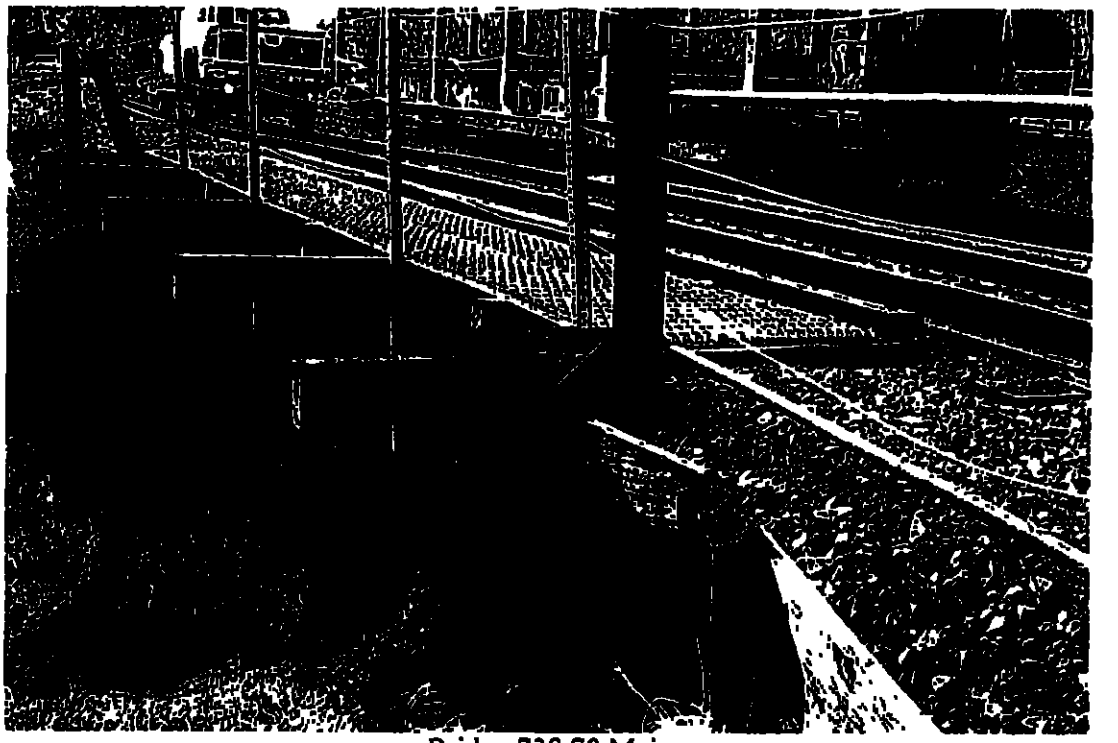
Bridge 735 86

Bridge 736.03



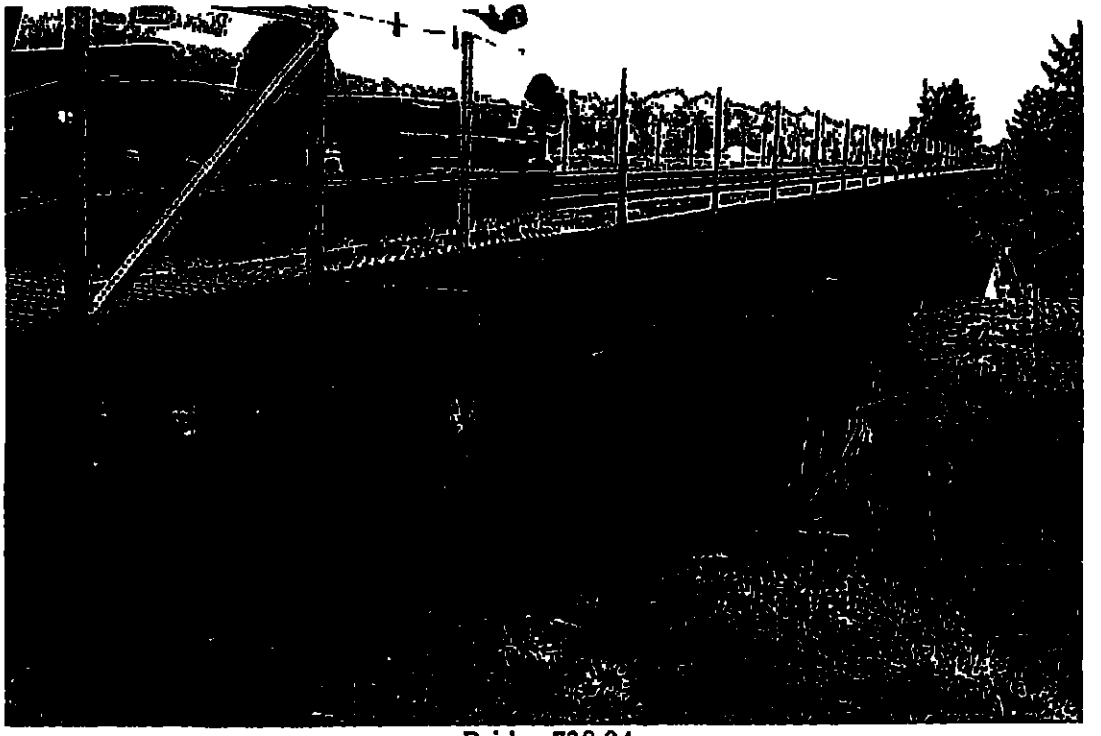
Bridge 736.51

Bridge 737.33

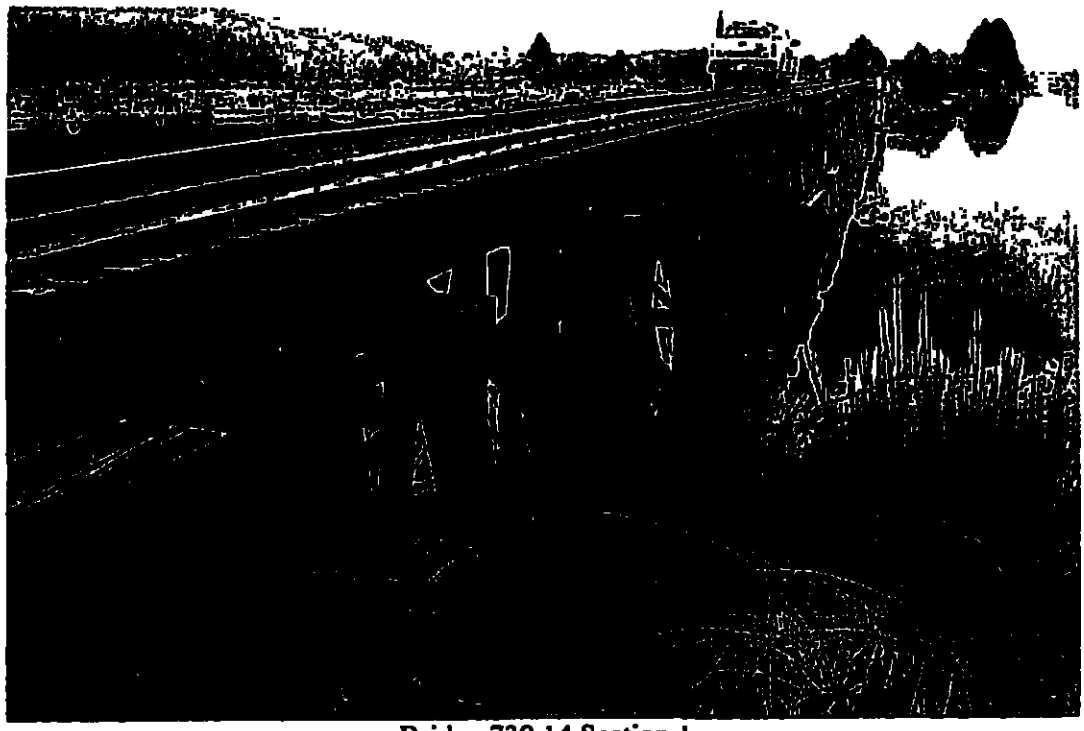


Bridge 738 70 Main

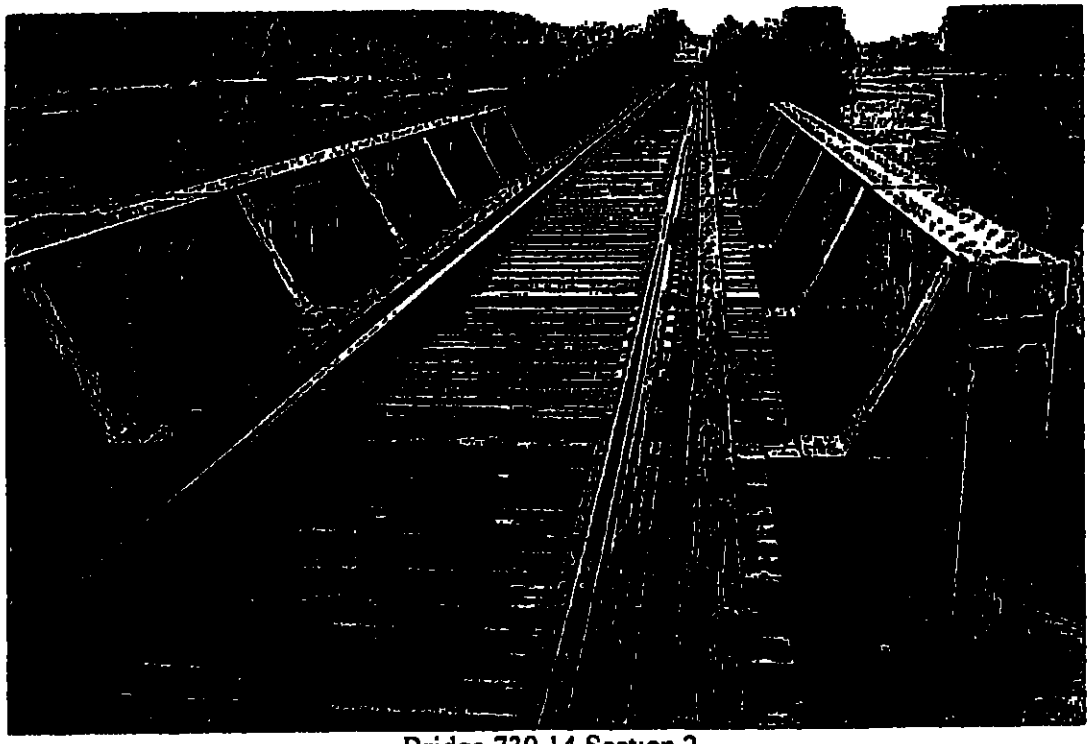
Bridge 738.70 Siding



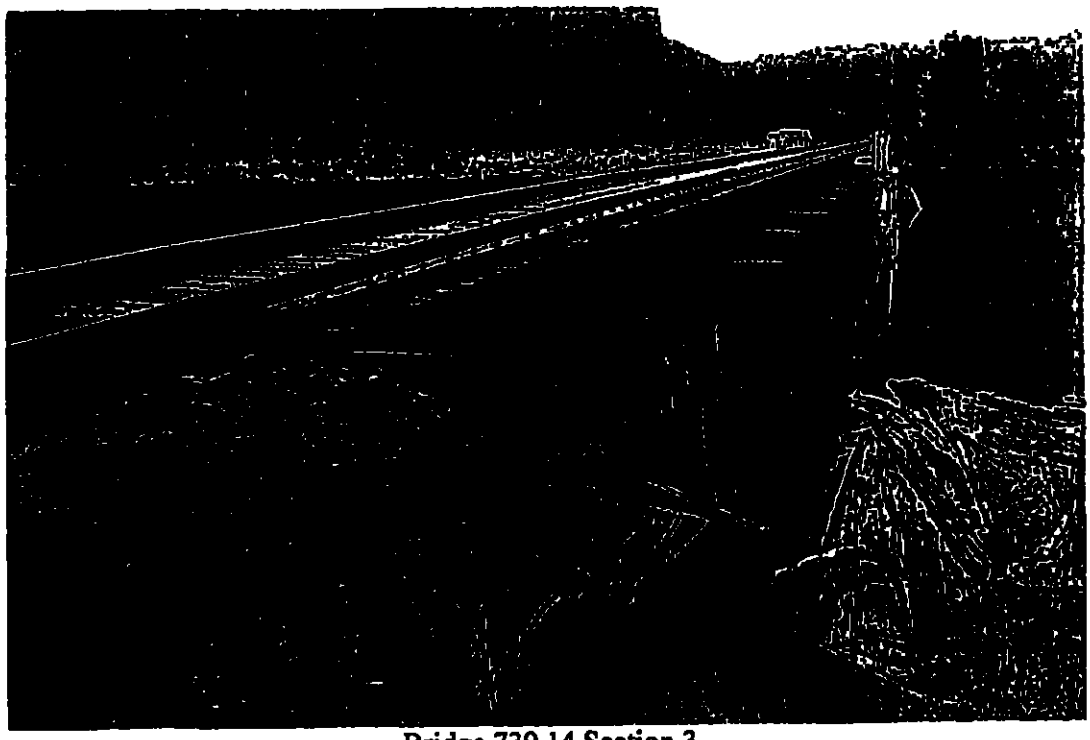
Bridge 738.94



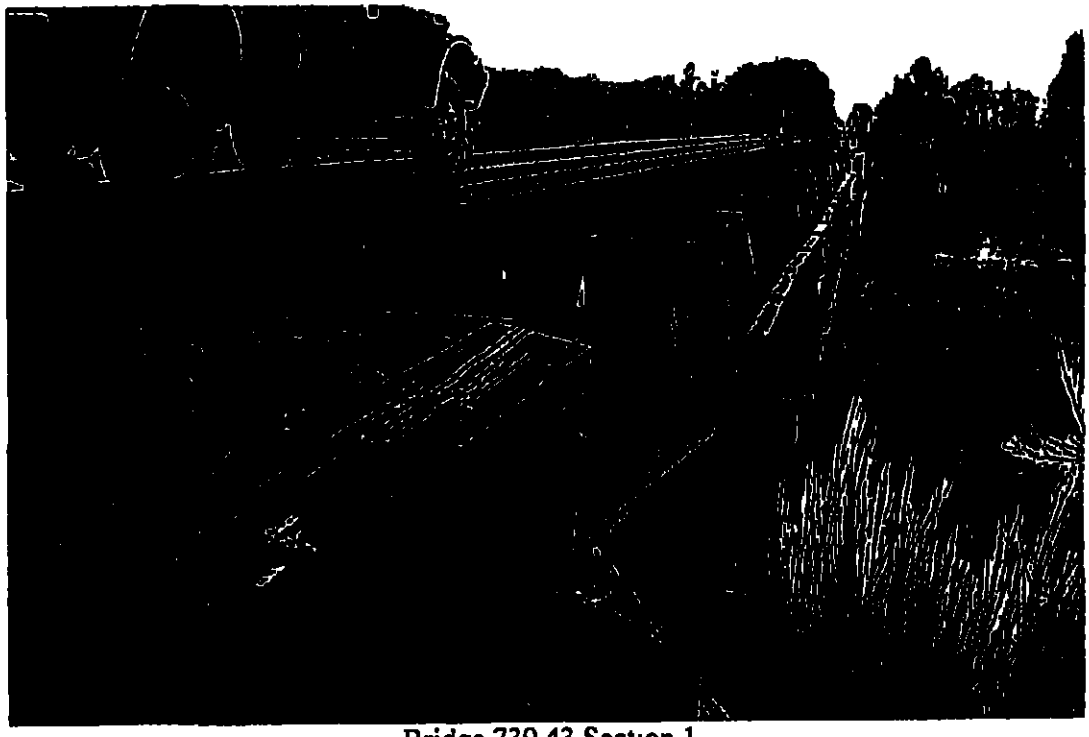
Bridge 739.14 Section 1



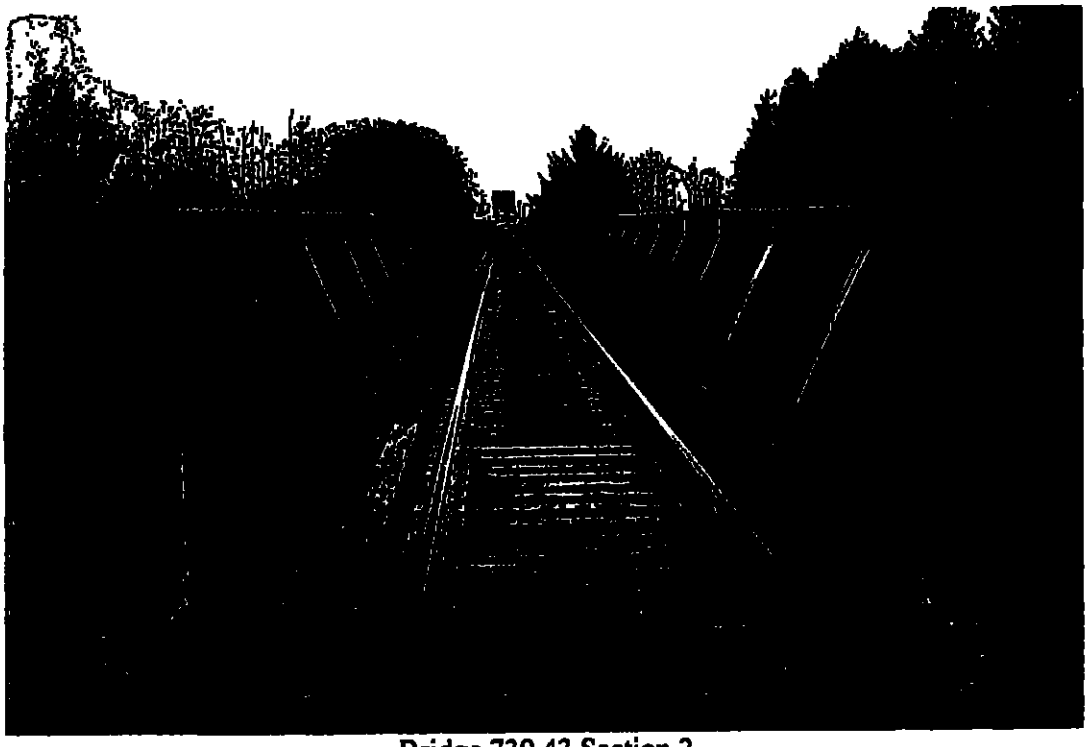
Bridge 739.14 Section 2



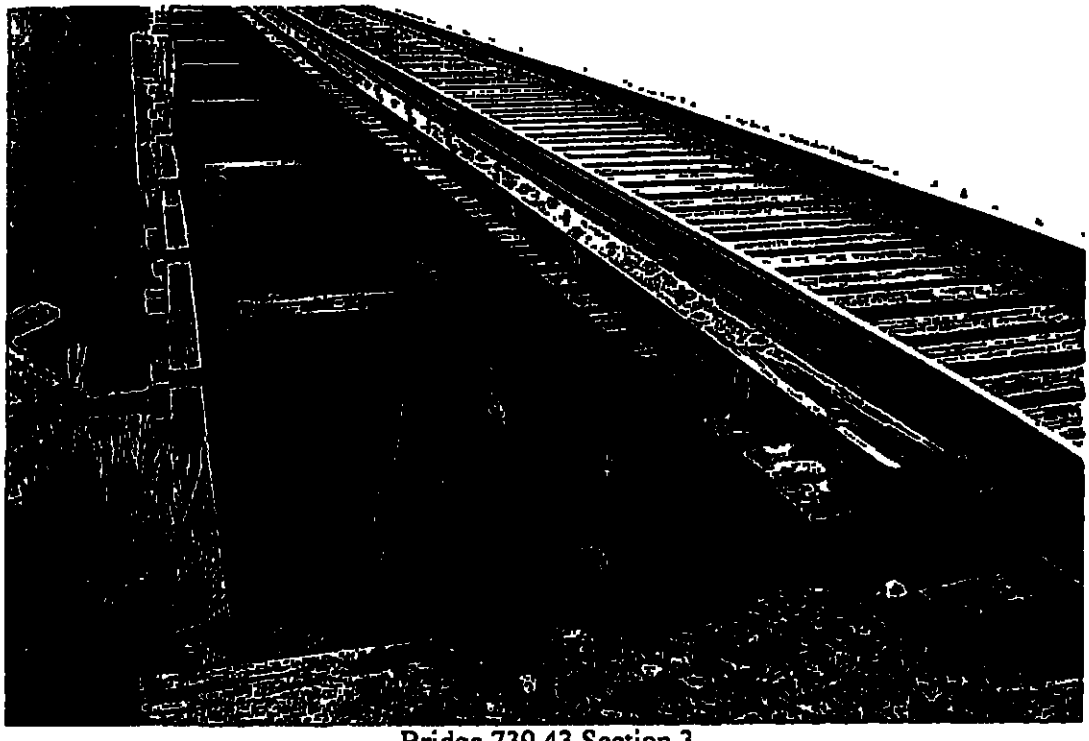
Bridge 739.14 Section 3



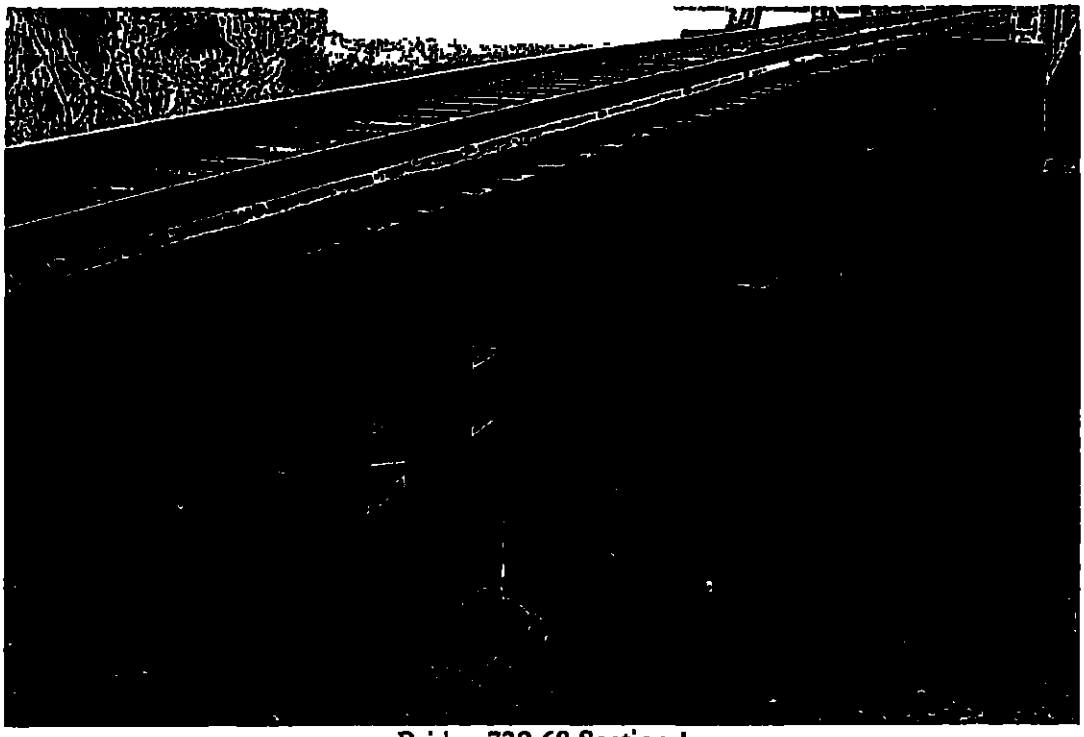
Bridge 739.43 Section 1



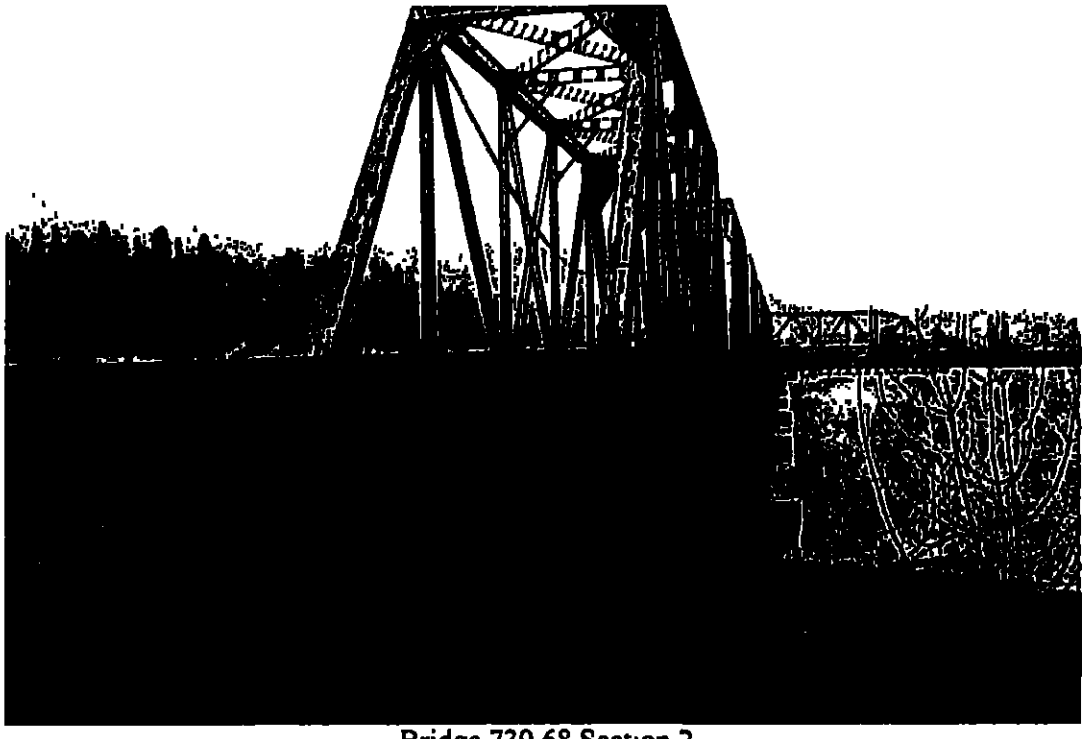
Bridge 739.43 Section 2



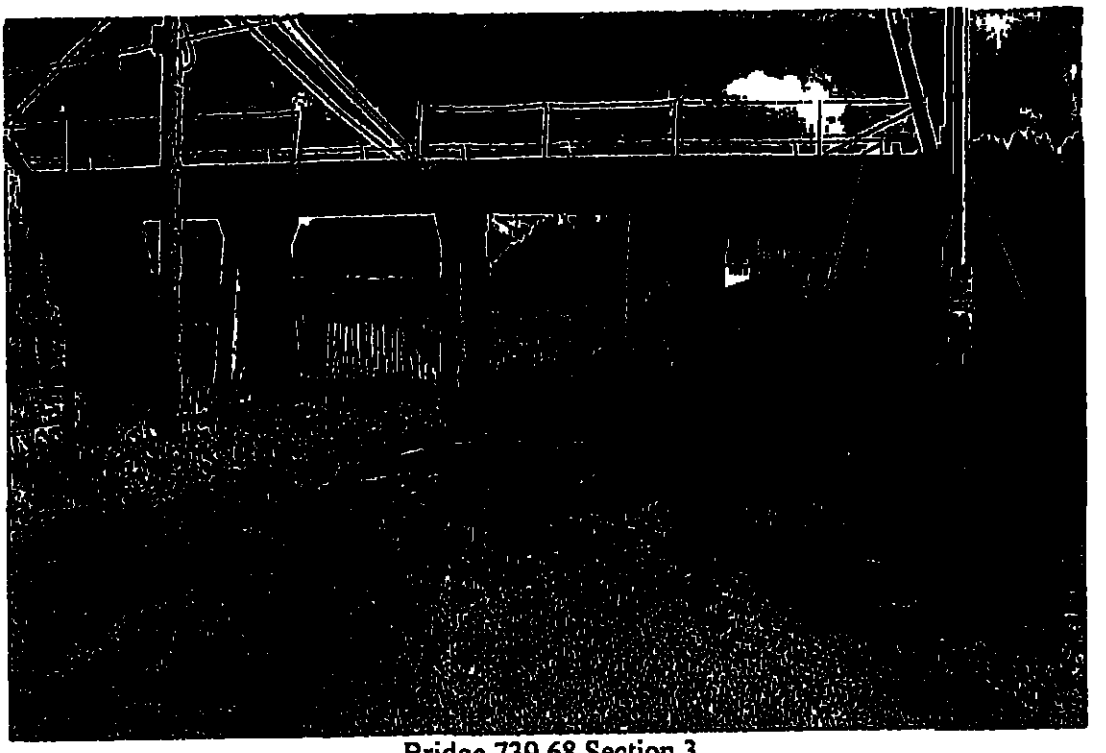
Bridge 739 43 Section 3



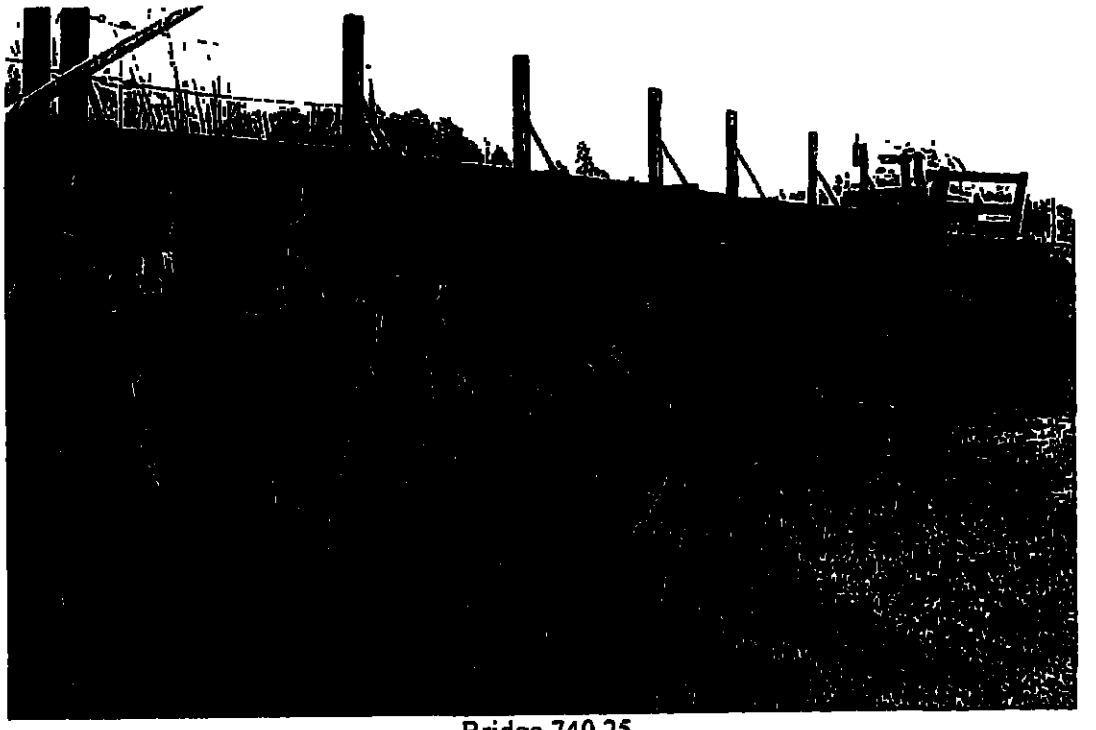
Bridge 739.68 Section 1



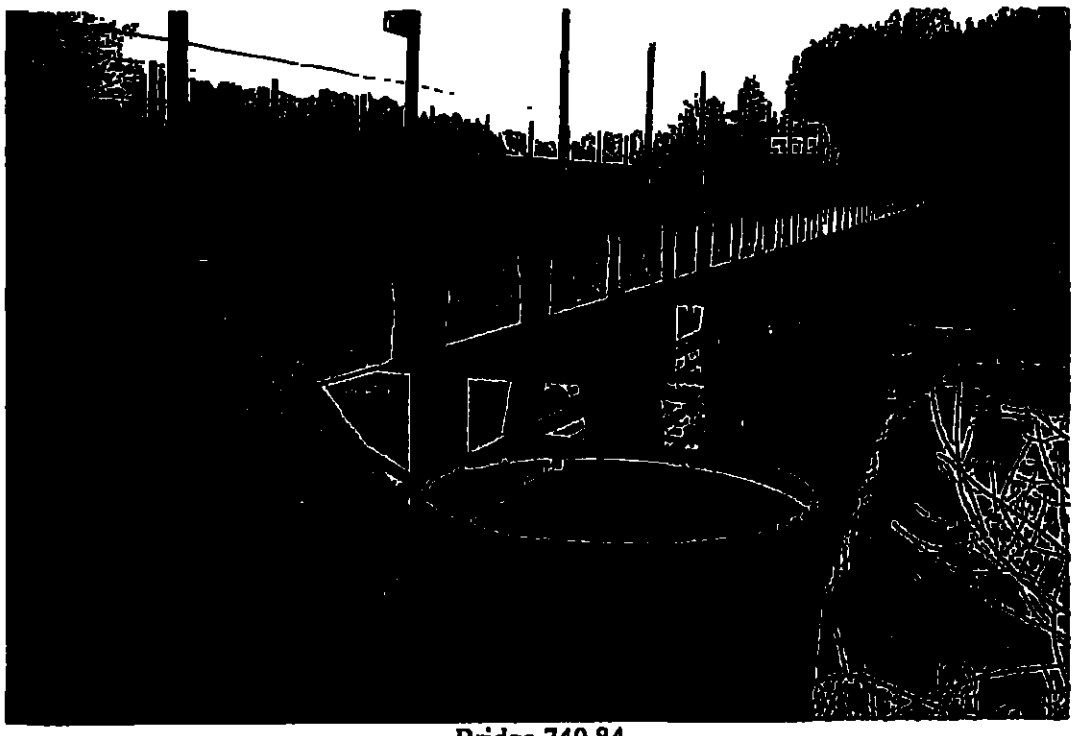
Bridge 739.68 Section 2



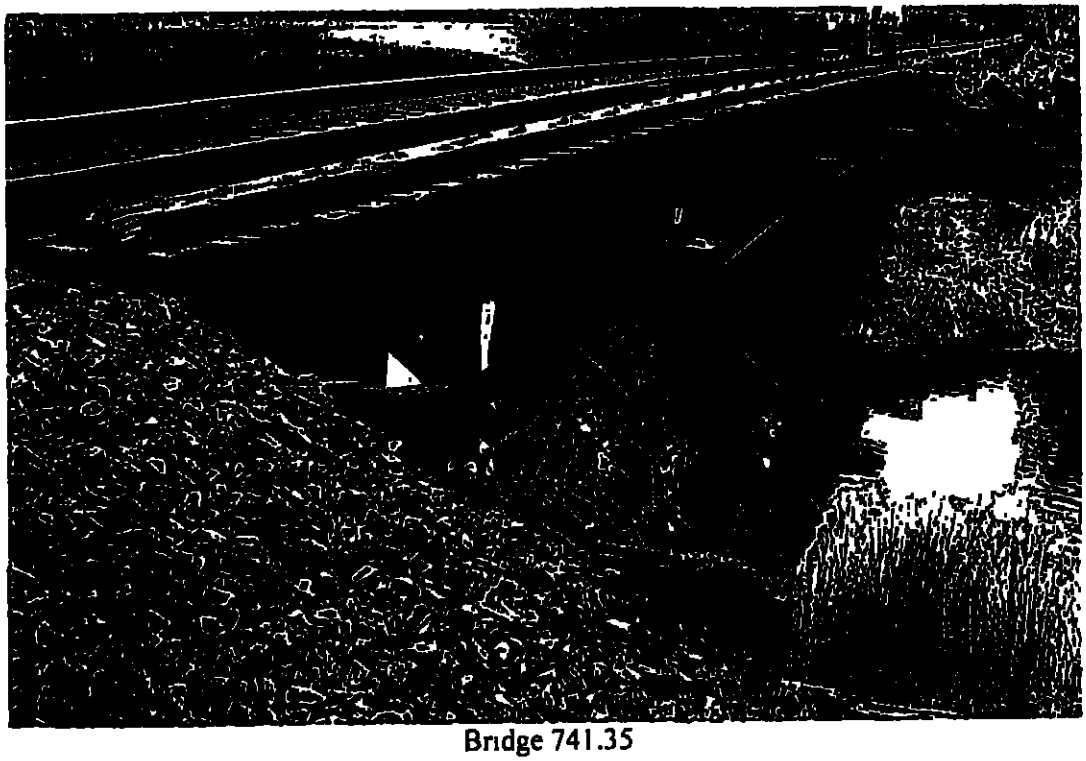
Bridge 739.68 Section 3



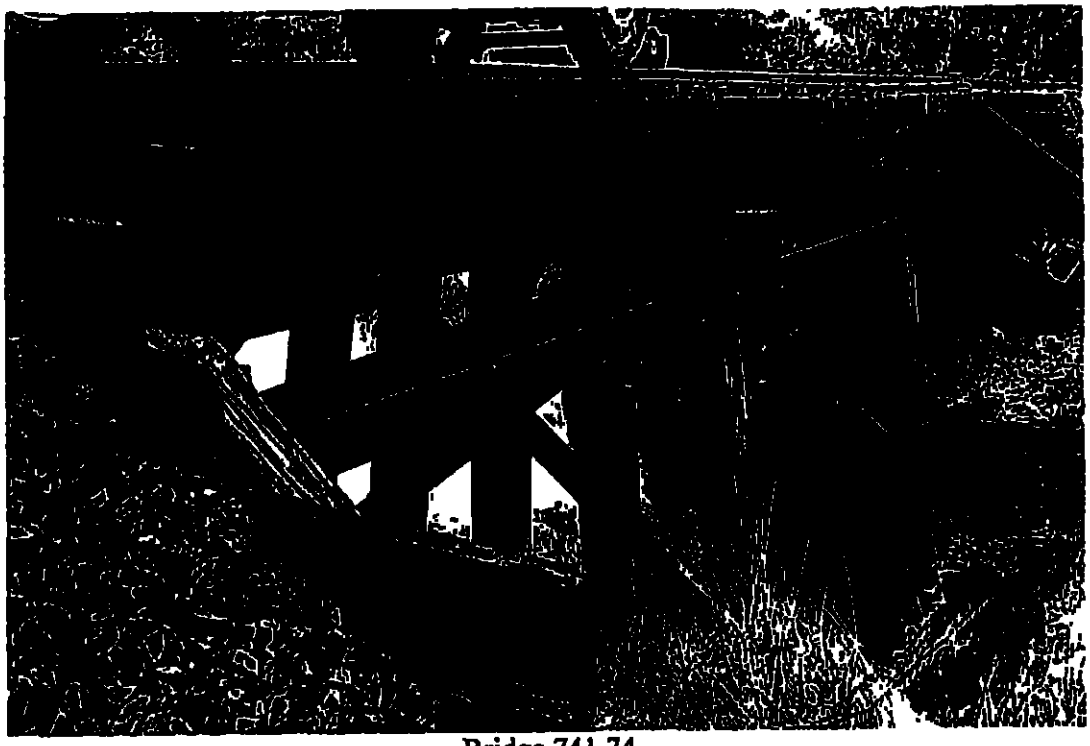
Bridge 740.25



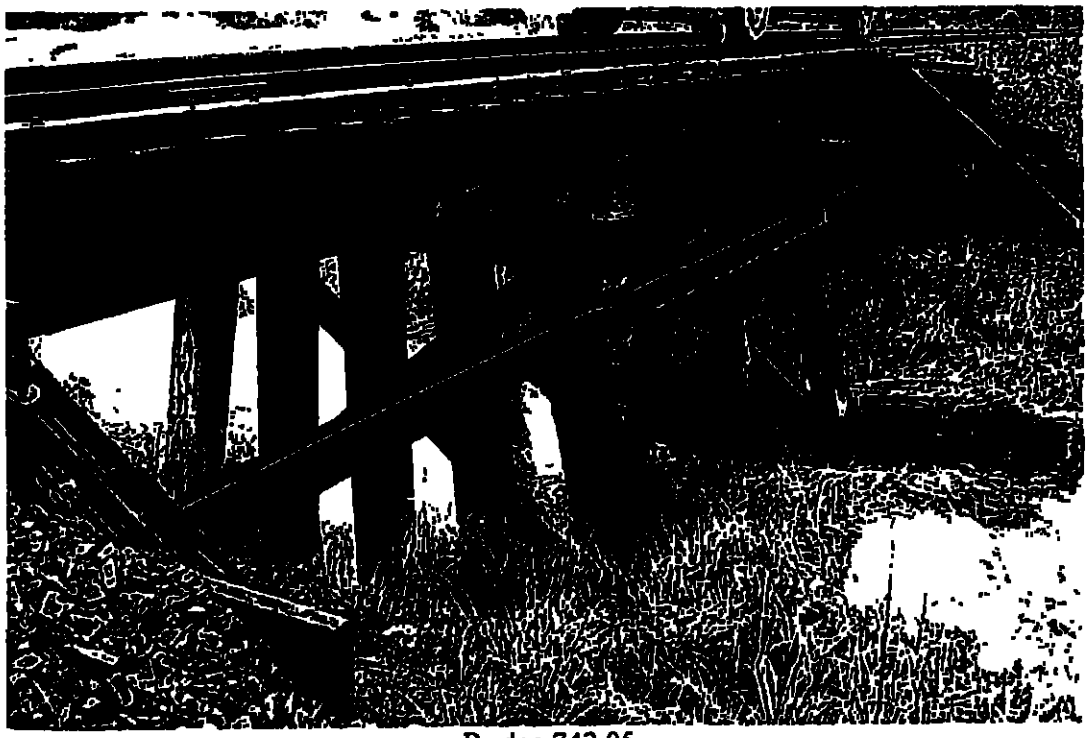
Bridge 740.84



Bridge 741.35



Bridge 741.74

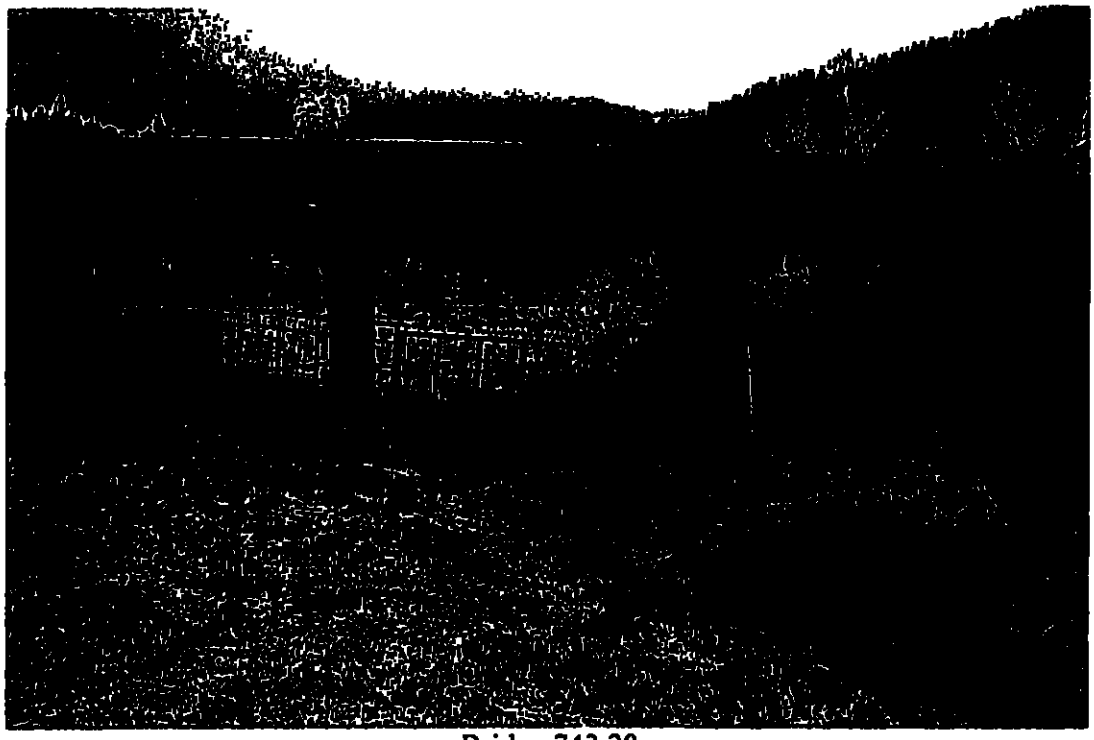


Bridge 742 05

Bridge 742.24

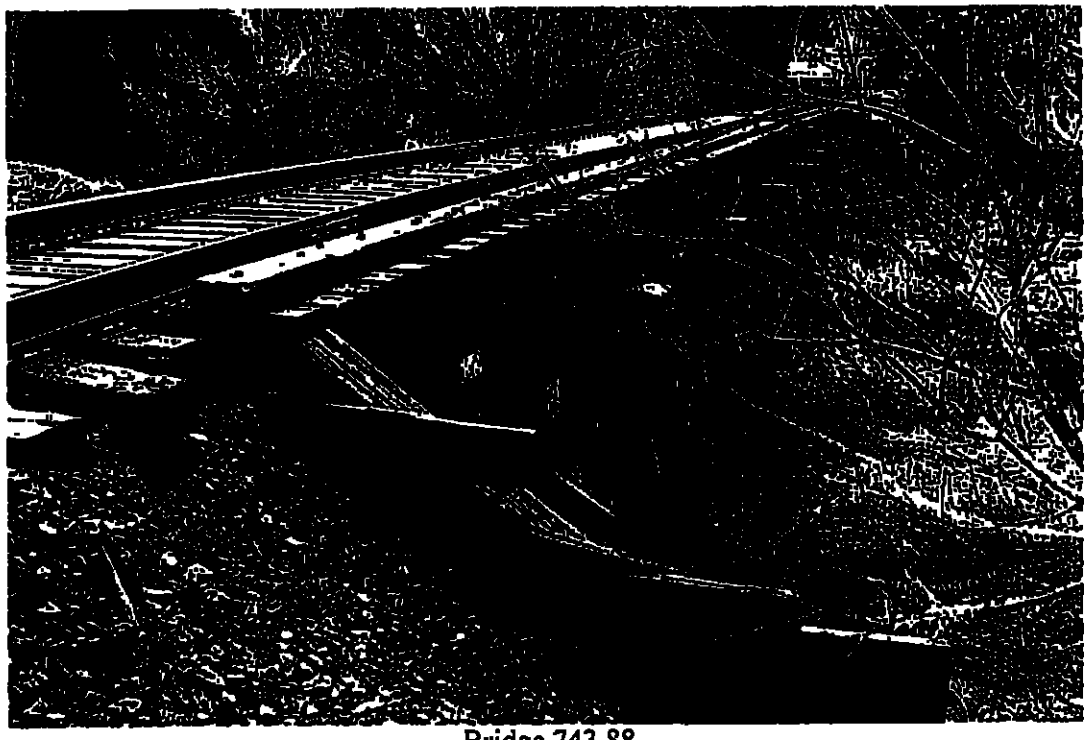
Bridge 742.72

Bridge 742.95



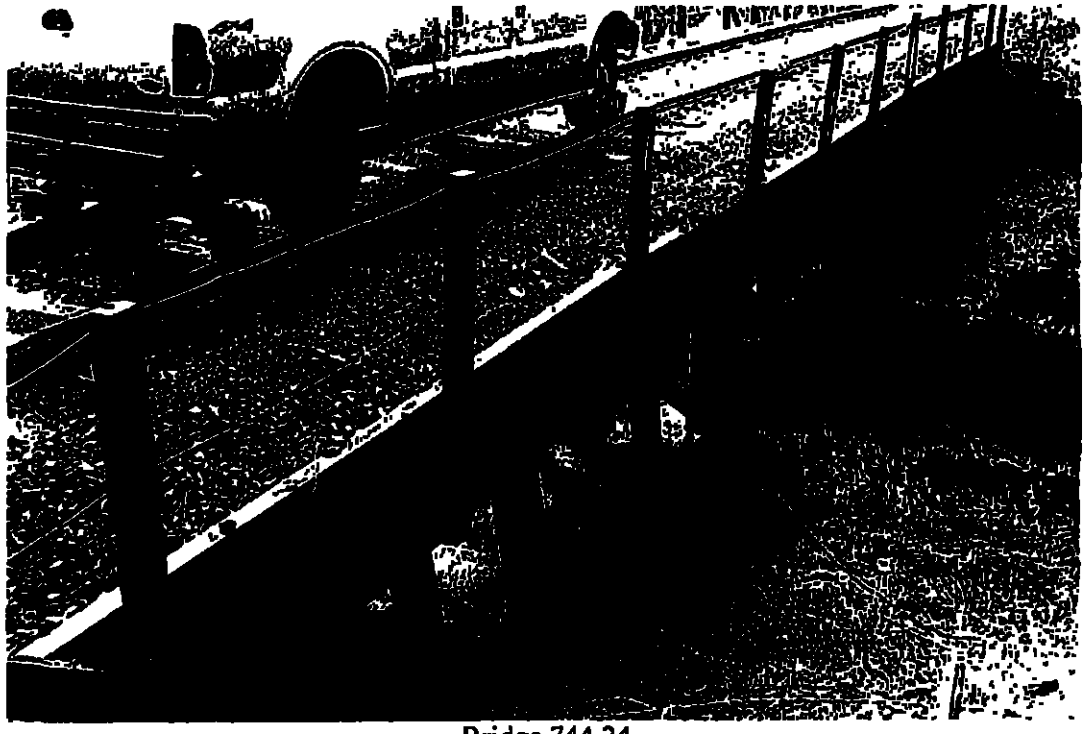
Bridge 743 20

Bridge 743.73

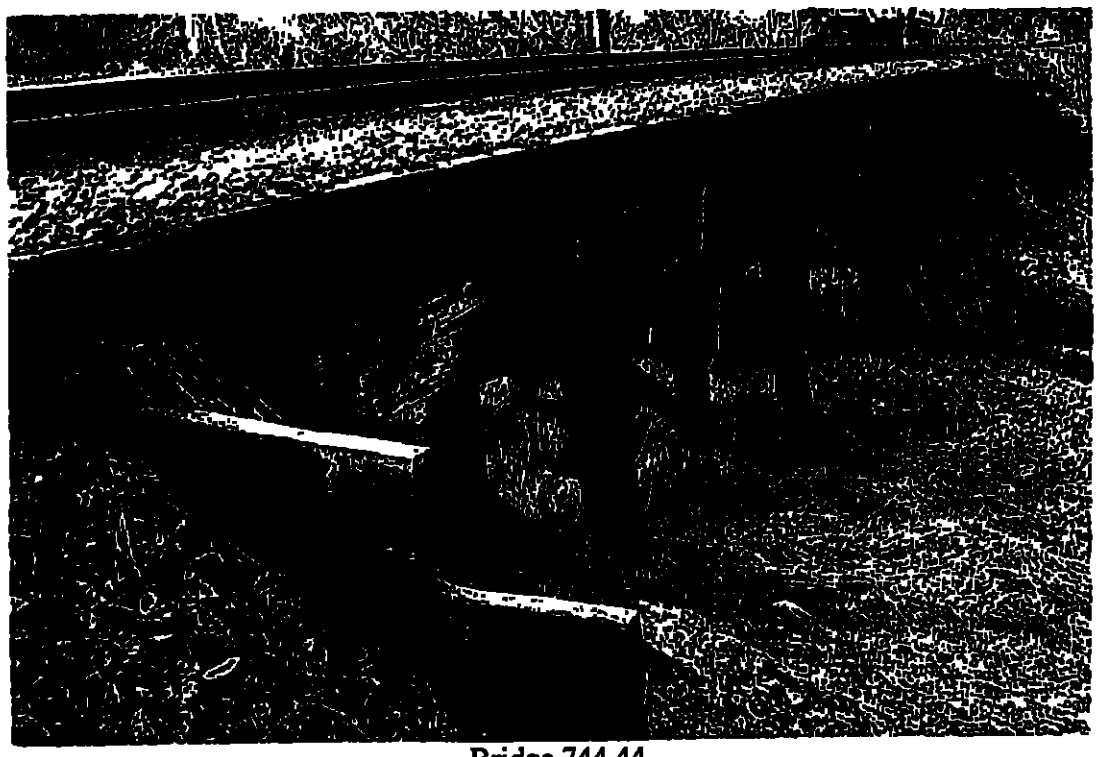


Bridge 743.88

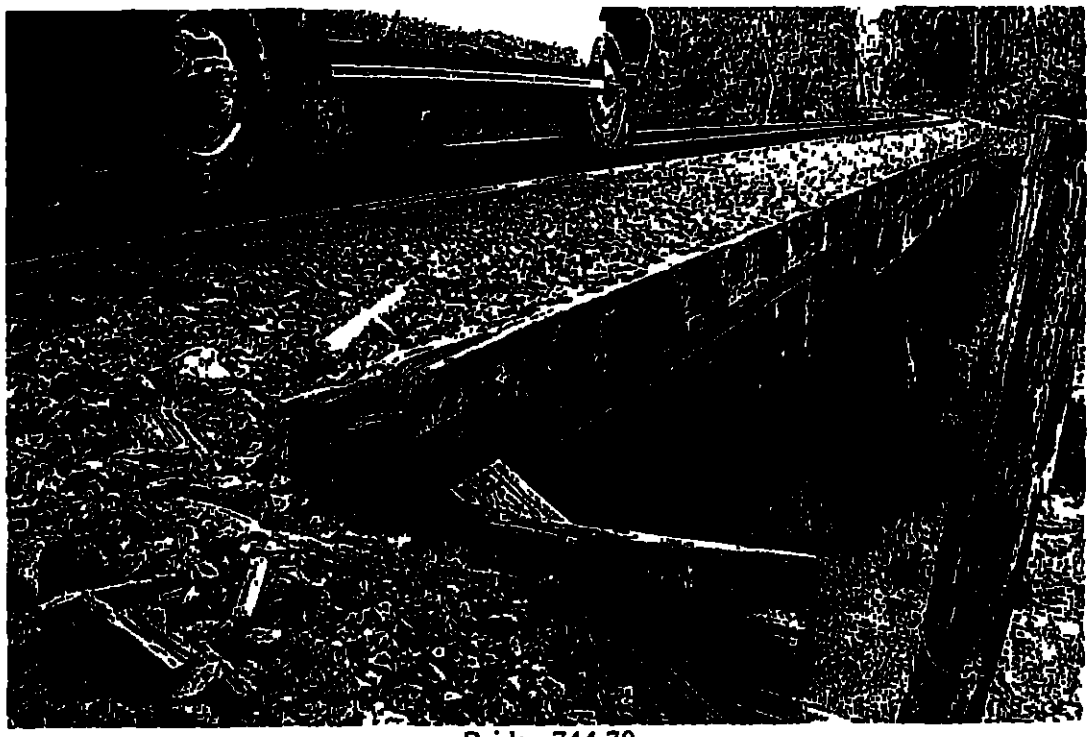
Bridge 743.97



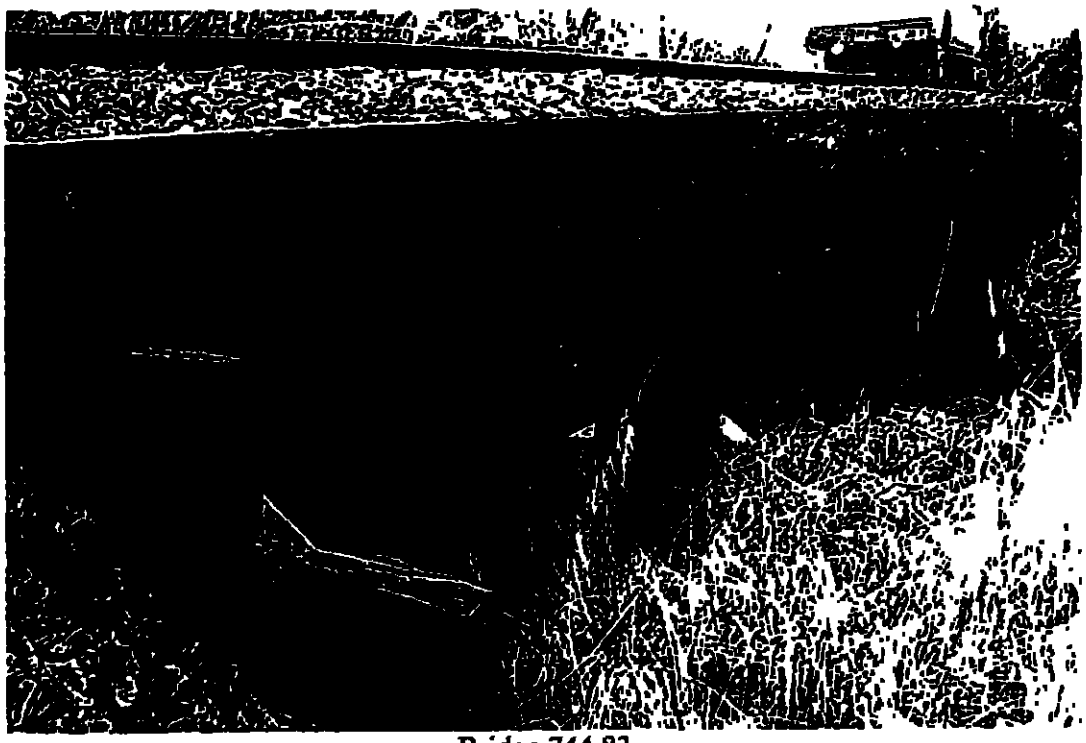
Bridge 744.24



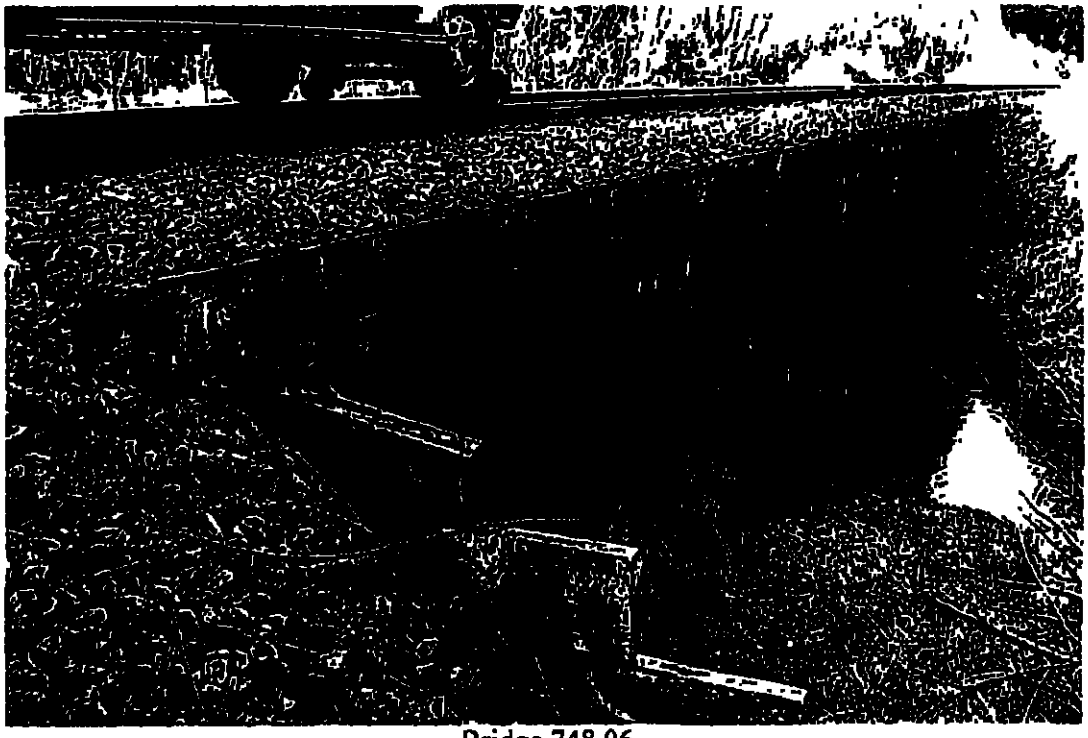
Bridge 744.44



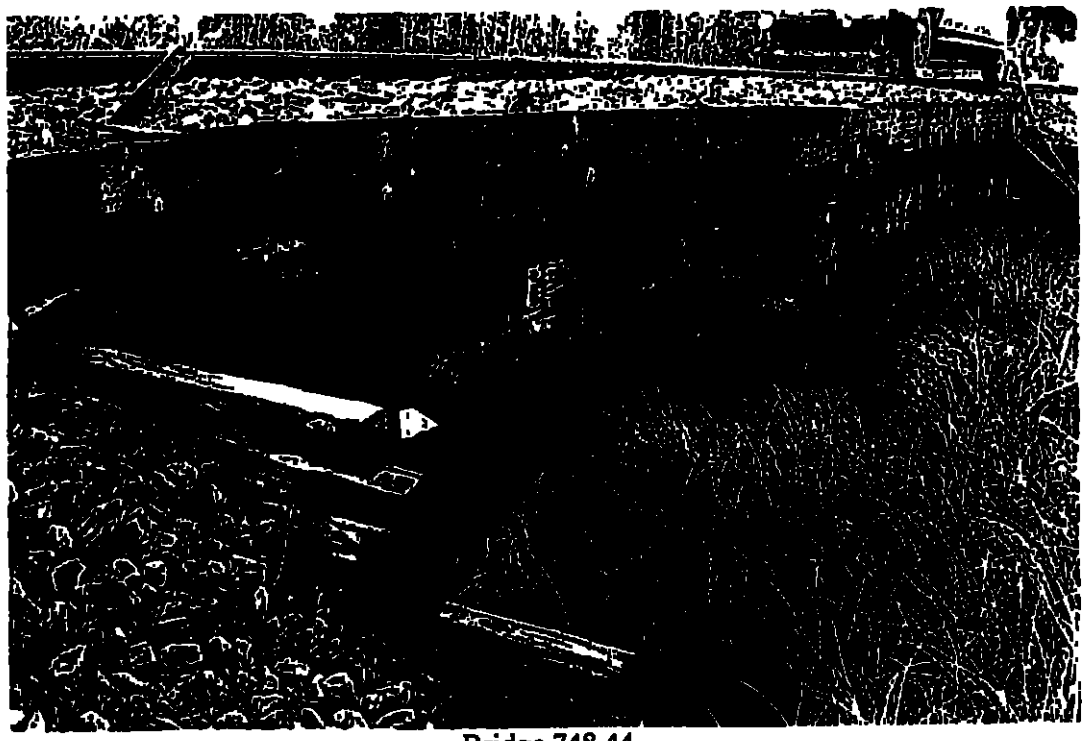
Bridge 744.70



Bridge 744.83



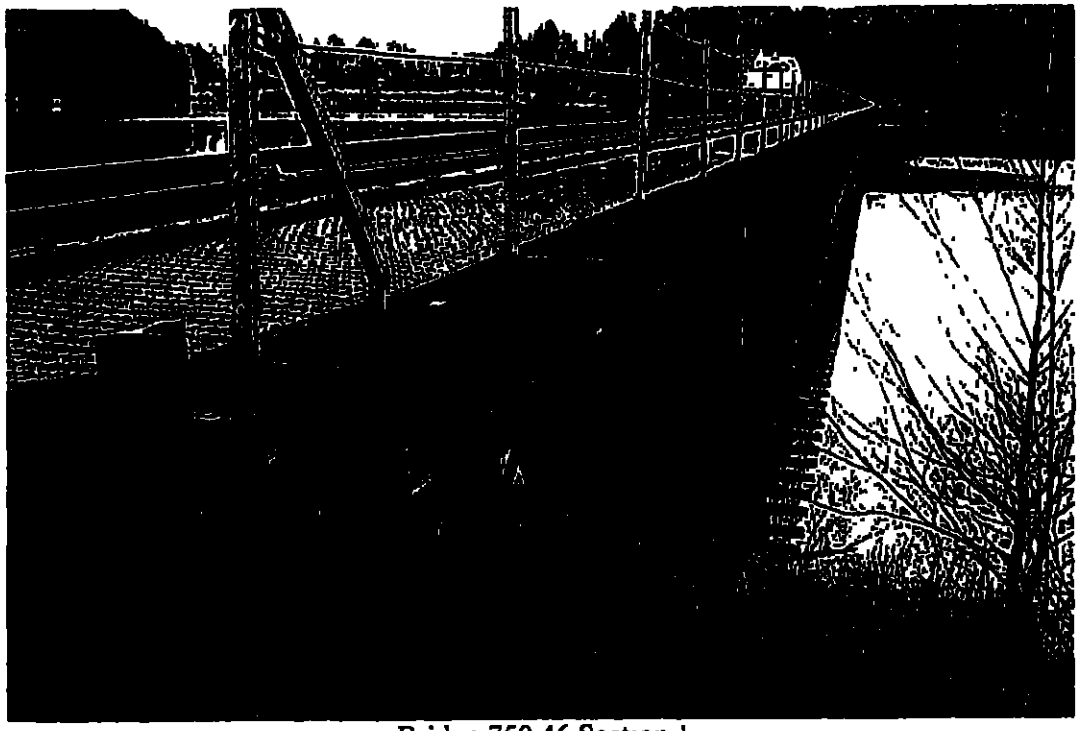
Bridge 748.06



Bridge 748.44

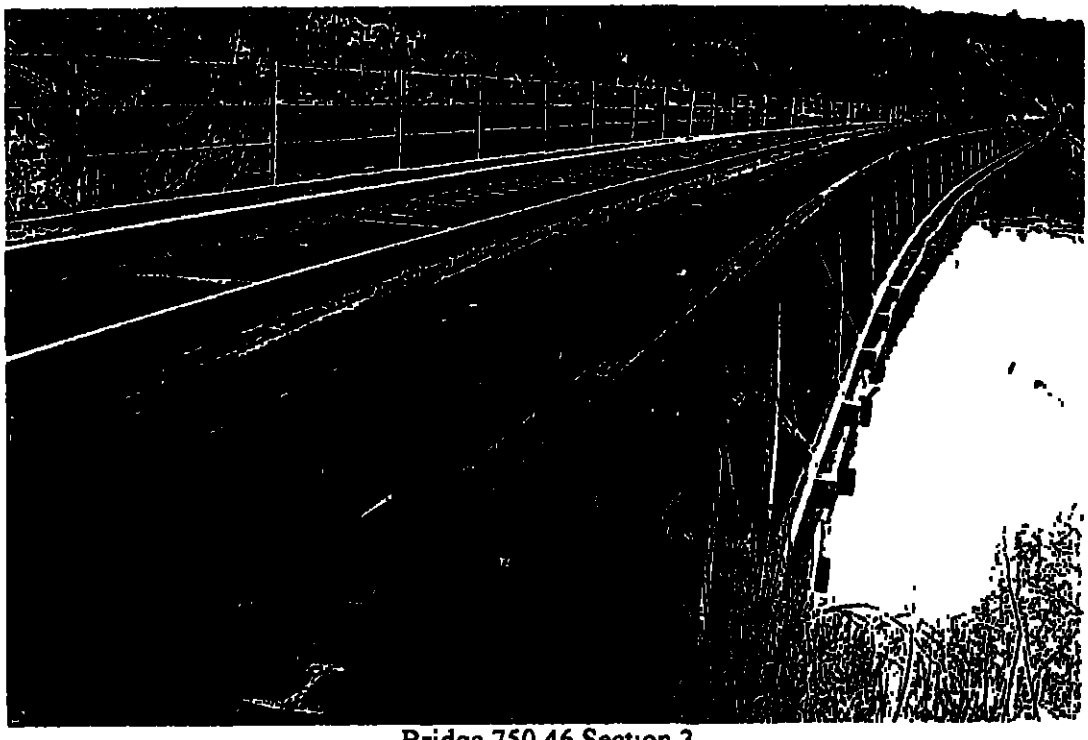
Bridge 748 68

Bridge 749.89



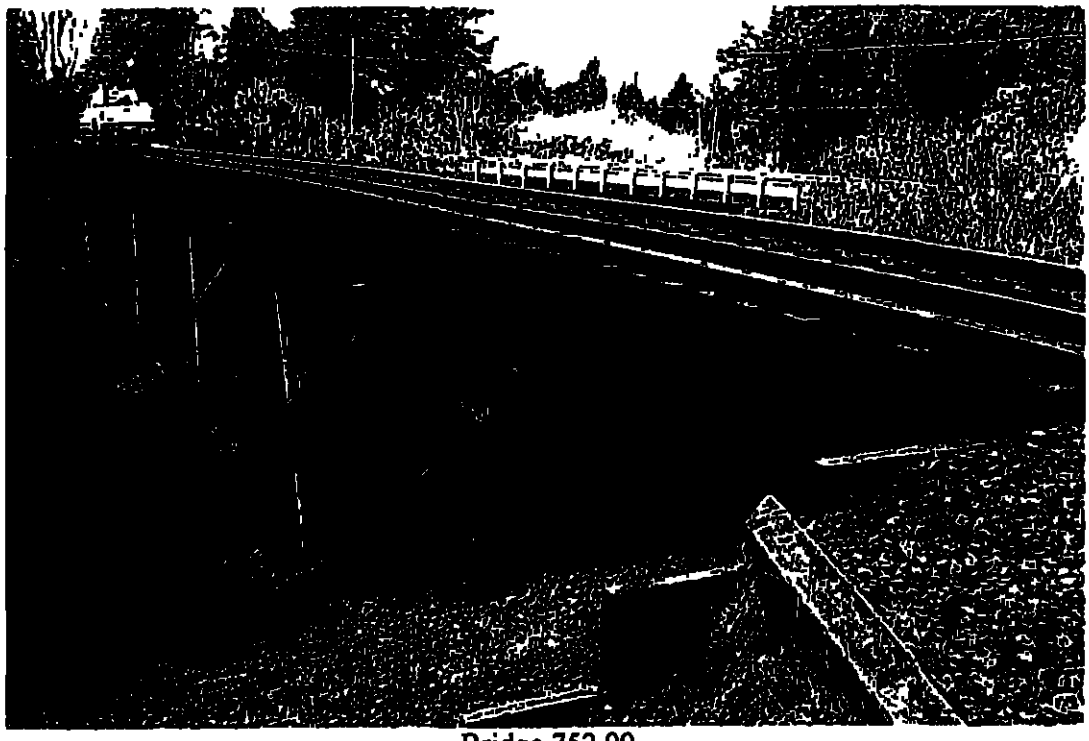
Bridge 750 46 Section 1

Bridge 750.46 Section 2



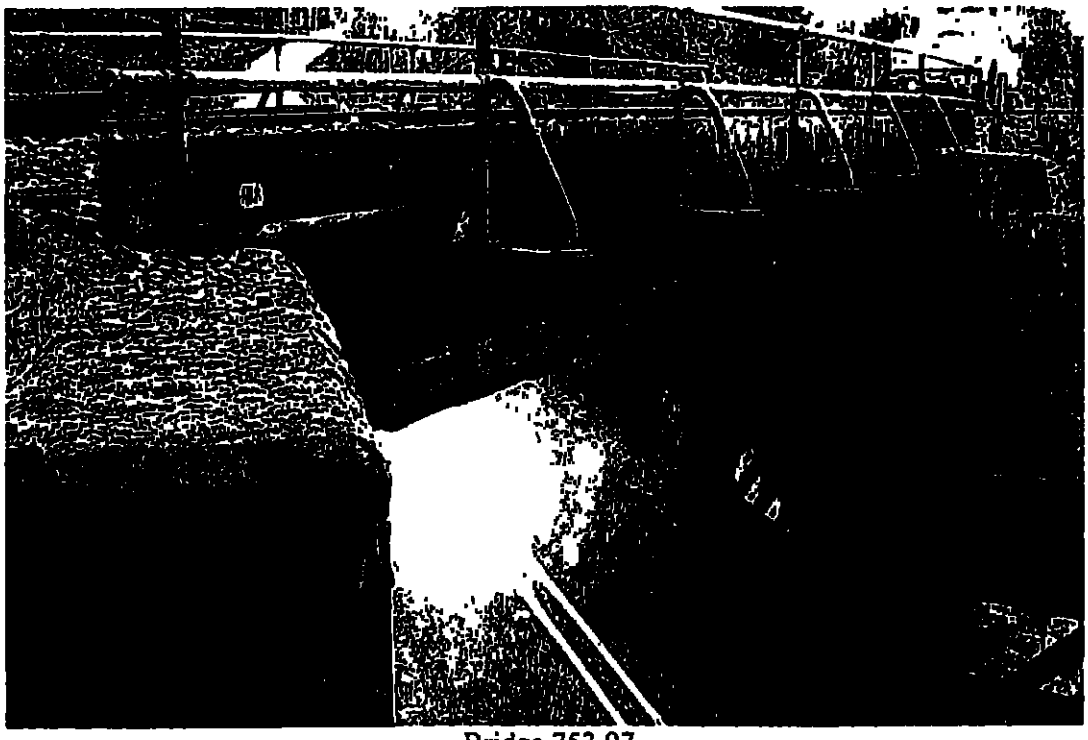
Bridge 750.46 Section 3

Bridge 751 02

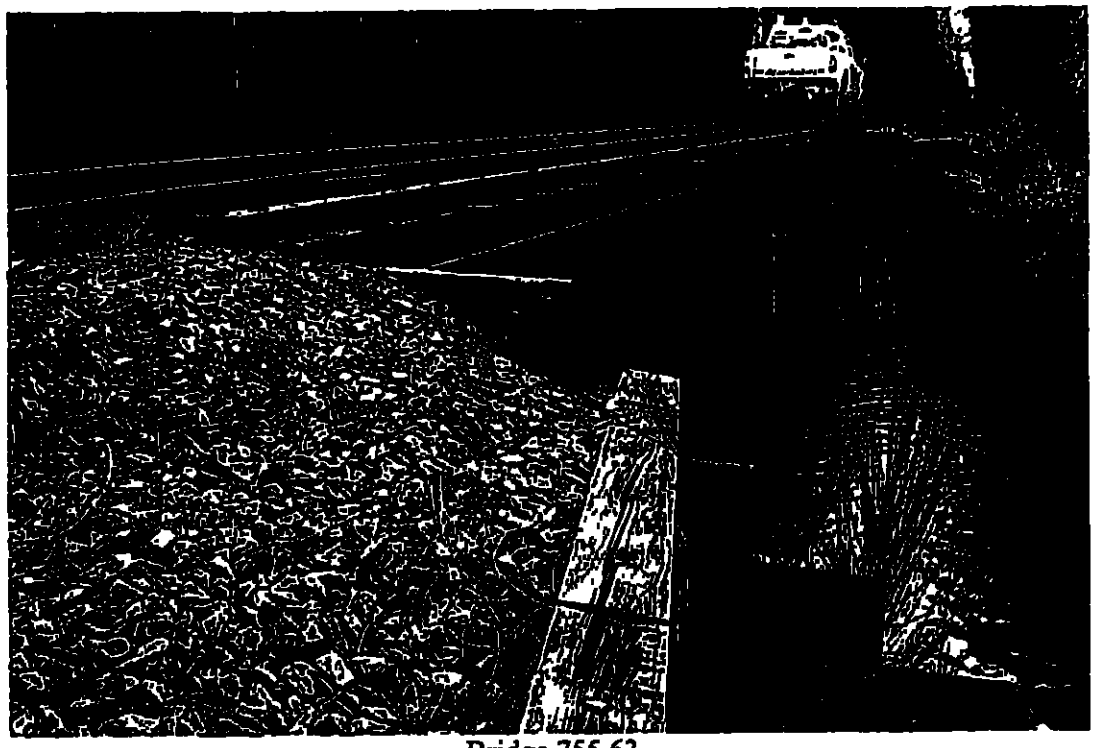


Bridge 752.99

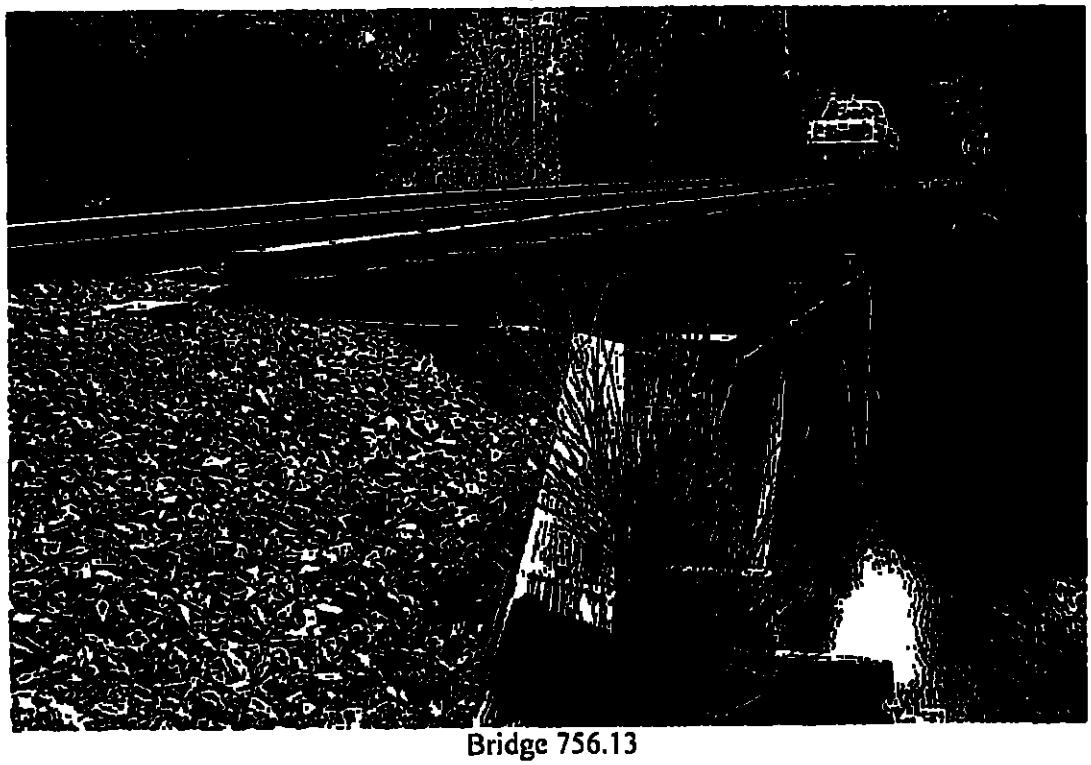
Bridge 753.48



Bridge 753 97

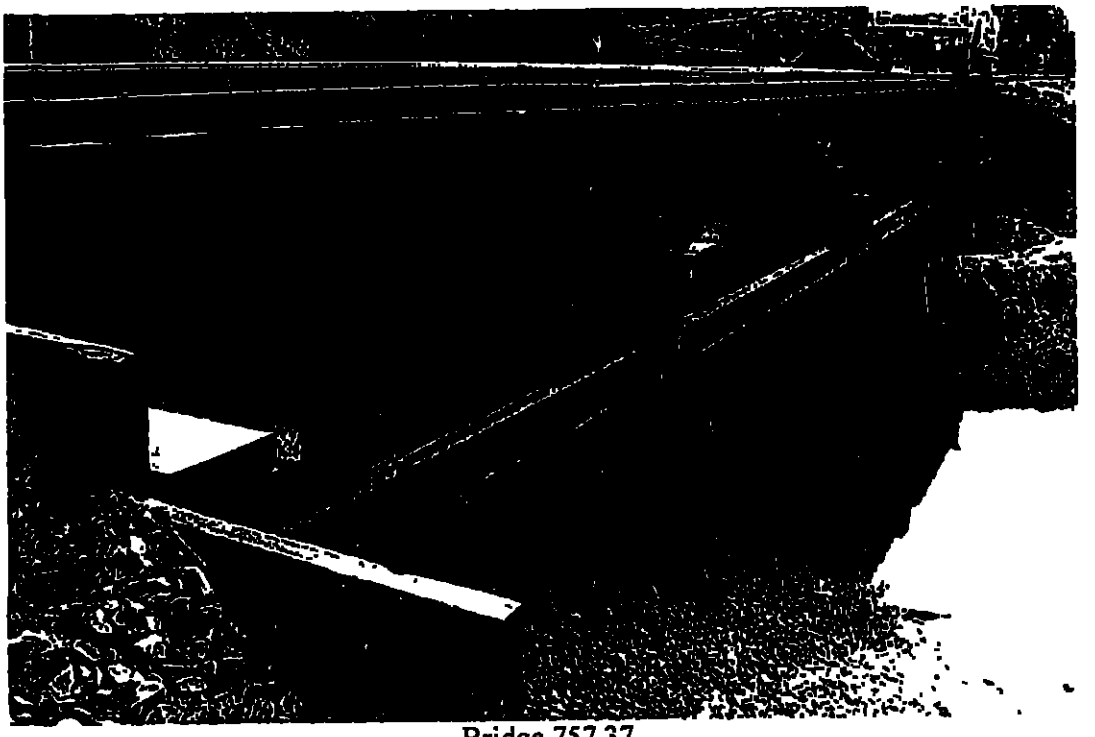


Bridge 755.63

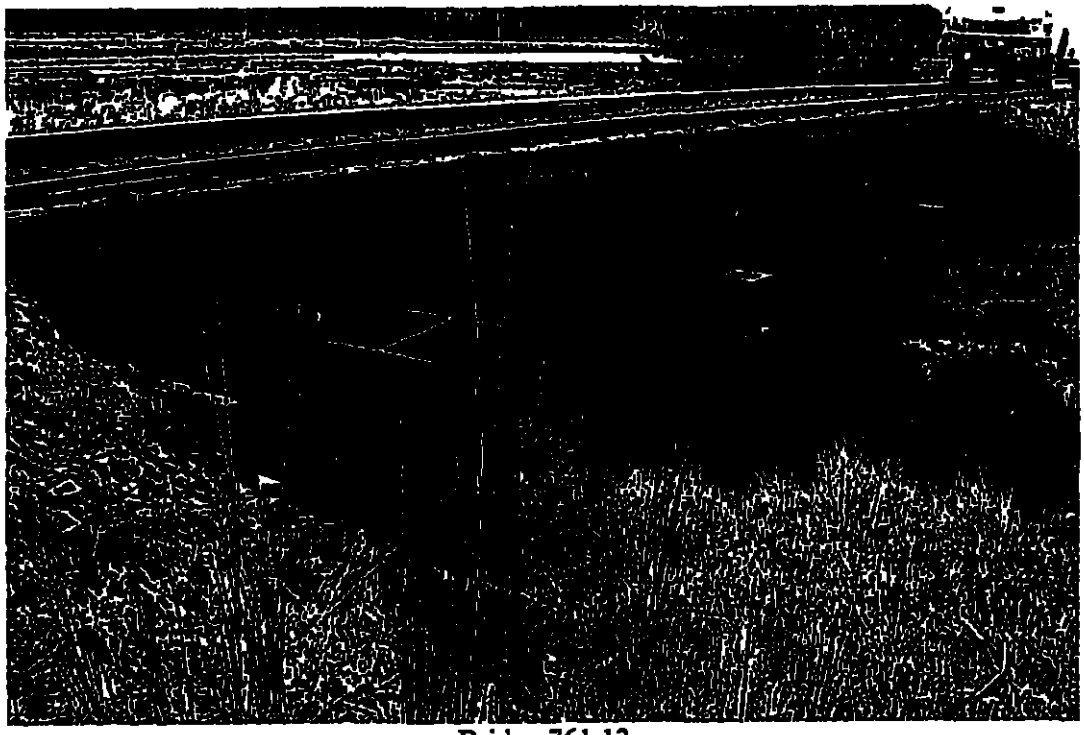


Bridge 756.13

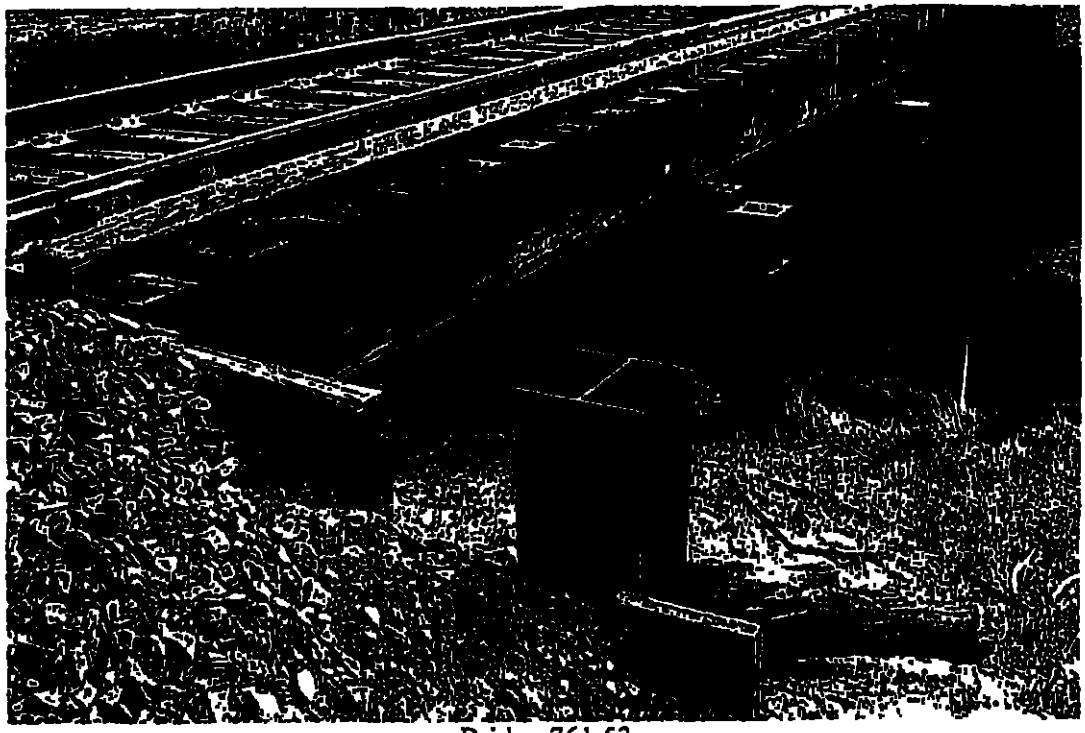
Bridge 756.55



Bridge 757.37



Bridge 761.13



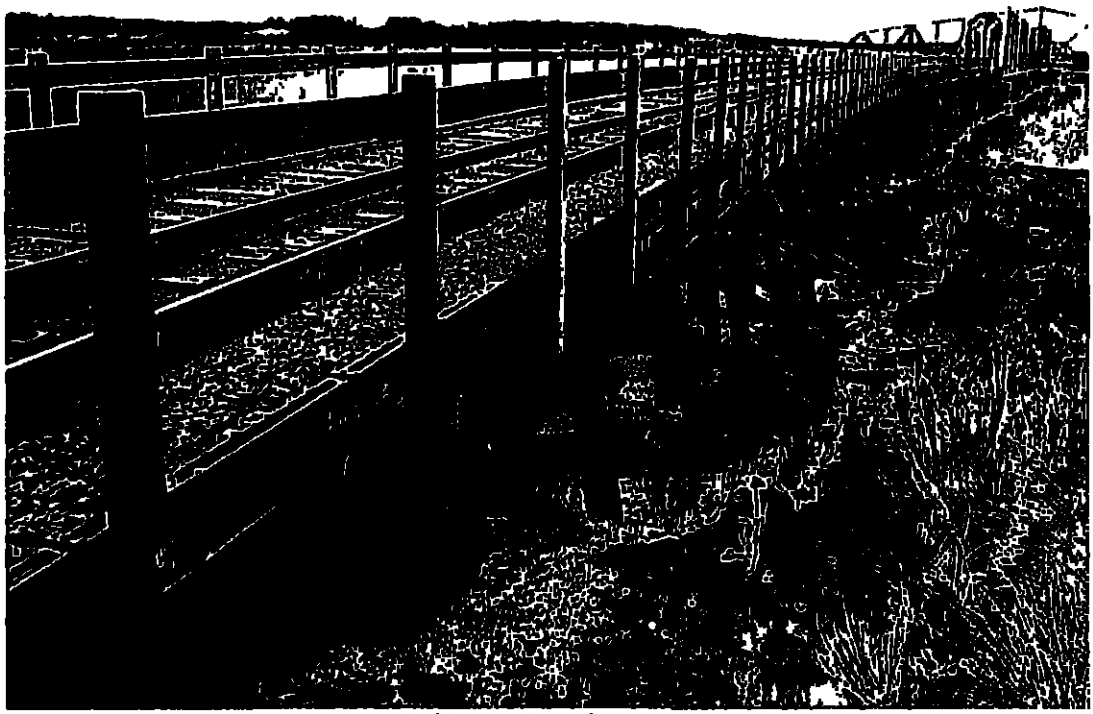
Bridge 761.53

# CORP Lease Line Bridges (UP Owned) – Coos Bay Sub MP 763.13 – MP 786.5

<u>The Port of Coos Bay owns all 3 sections of Bridge 763.55</u>

Bridge 763.55 Section 1

Bridge 763.55 Section 2

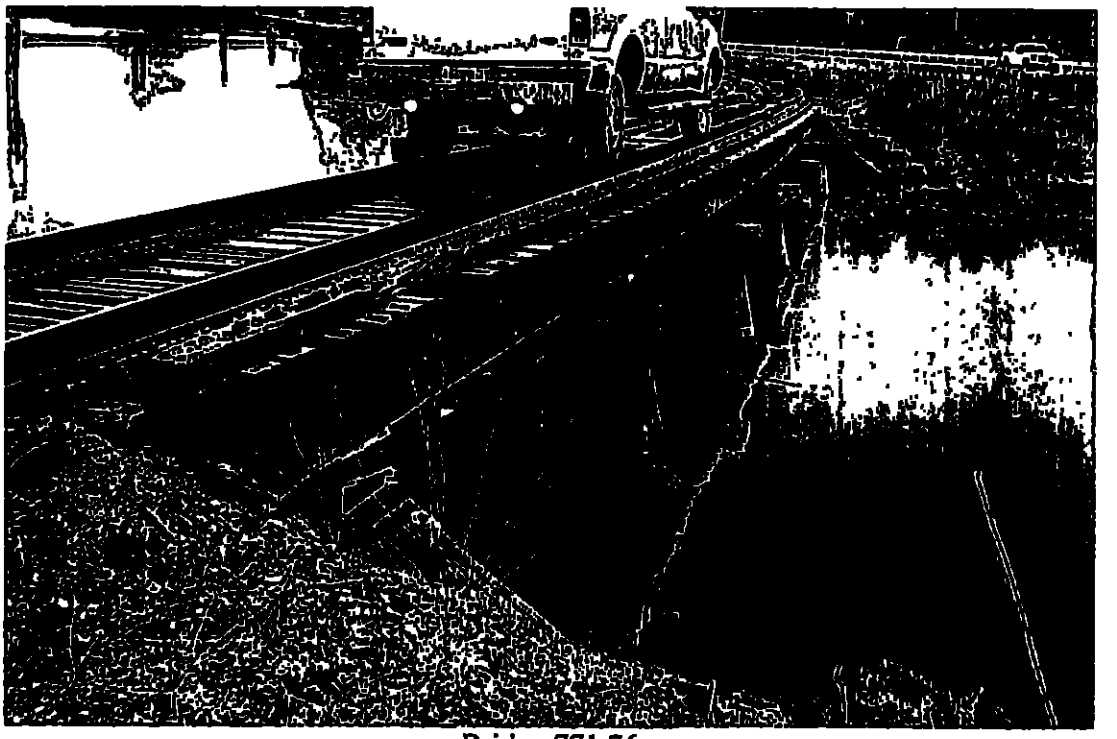


Bridge 763.55 Section 3

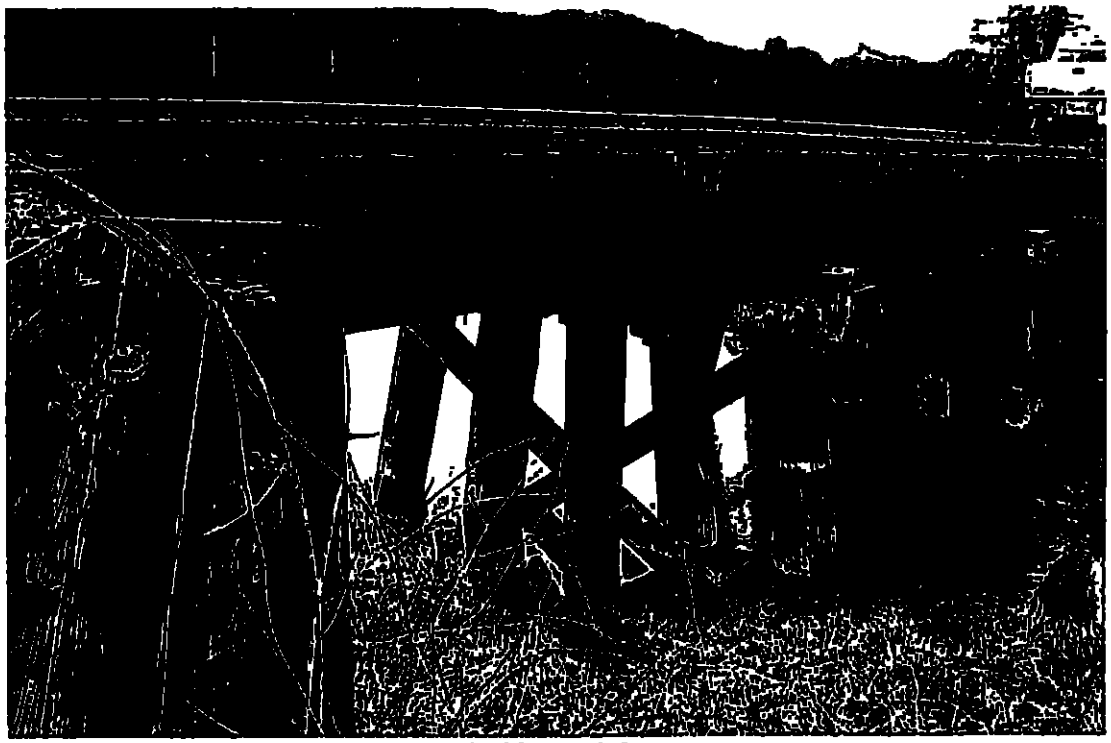
Bridge 769.11 Section 1

Bridge 769.11 Section 2

Bridge 769.11 Section 3

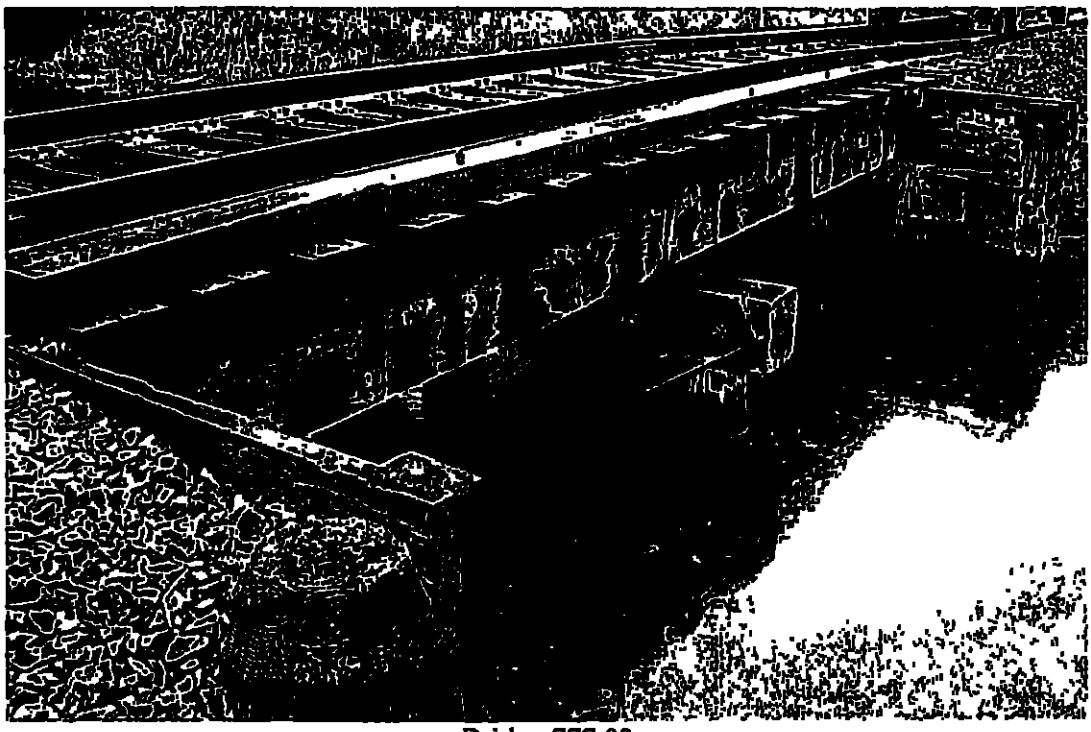


Bridge 771.76

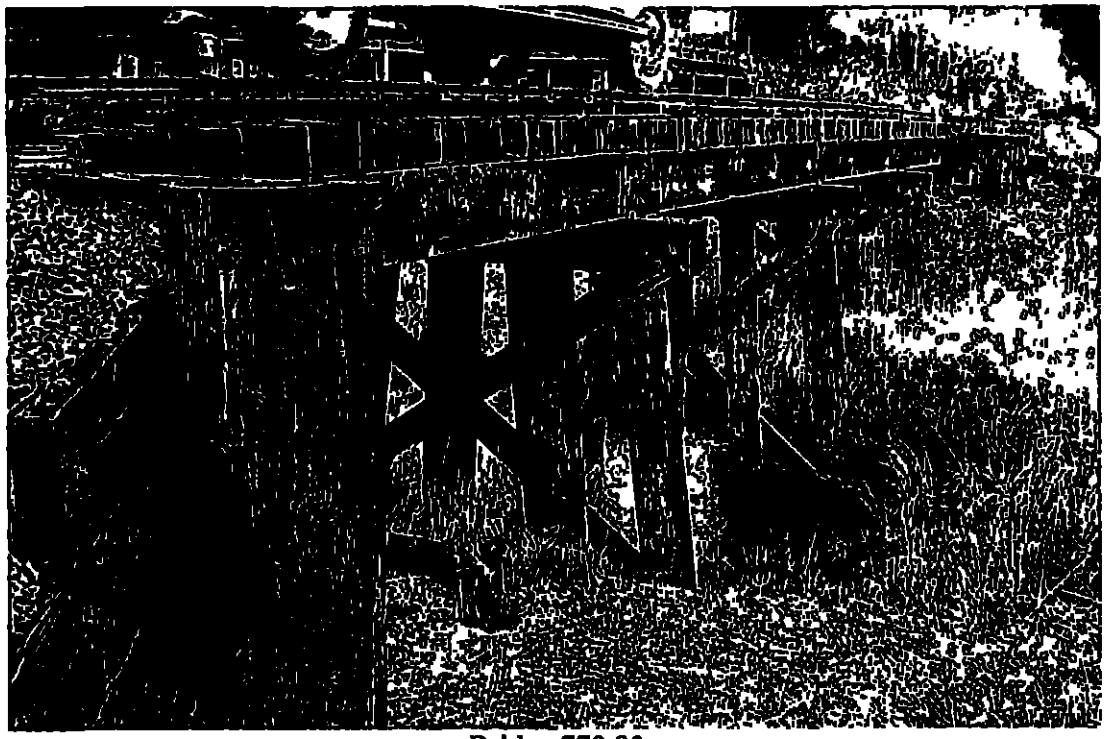


Bridge 773.94

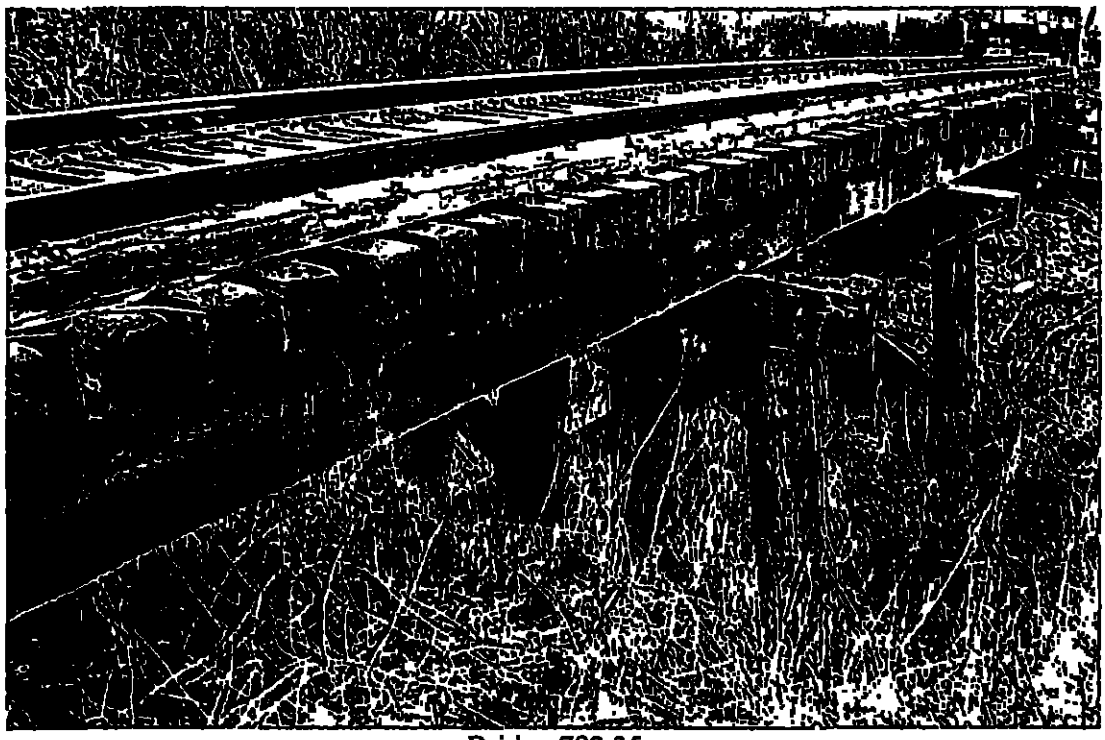
Bridge 776 56



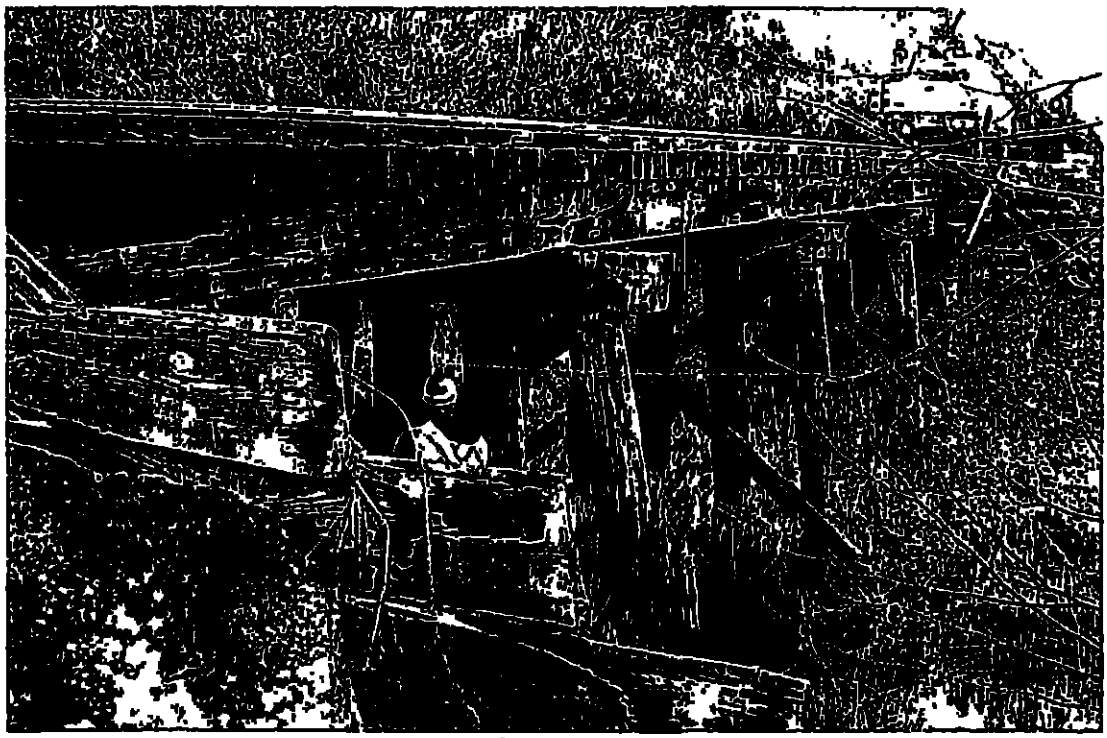
Bridge 777.03



Bridge 779.80



Bridge 782.35



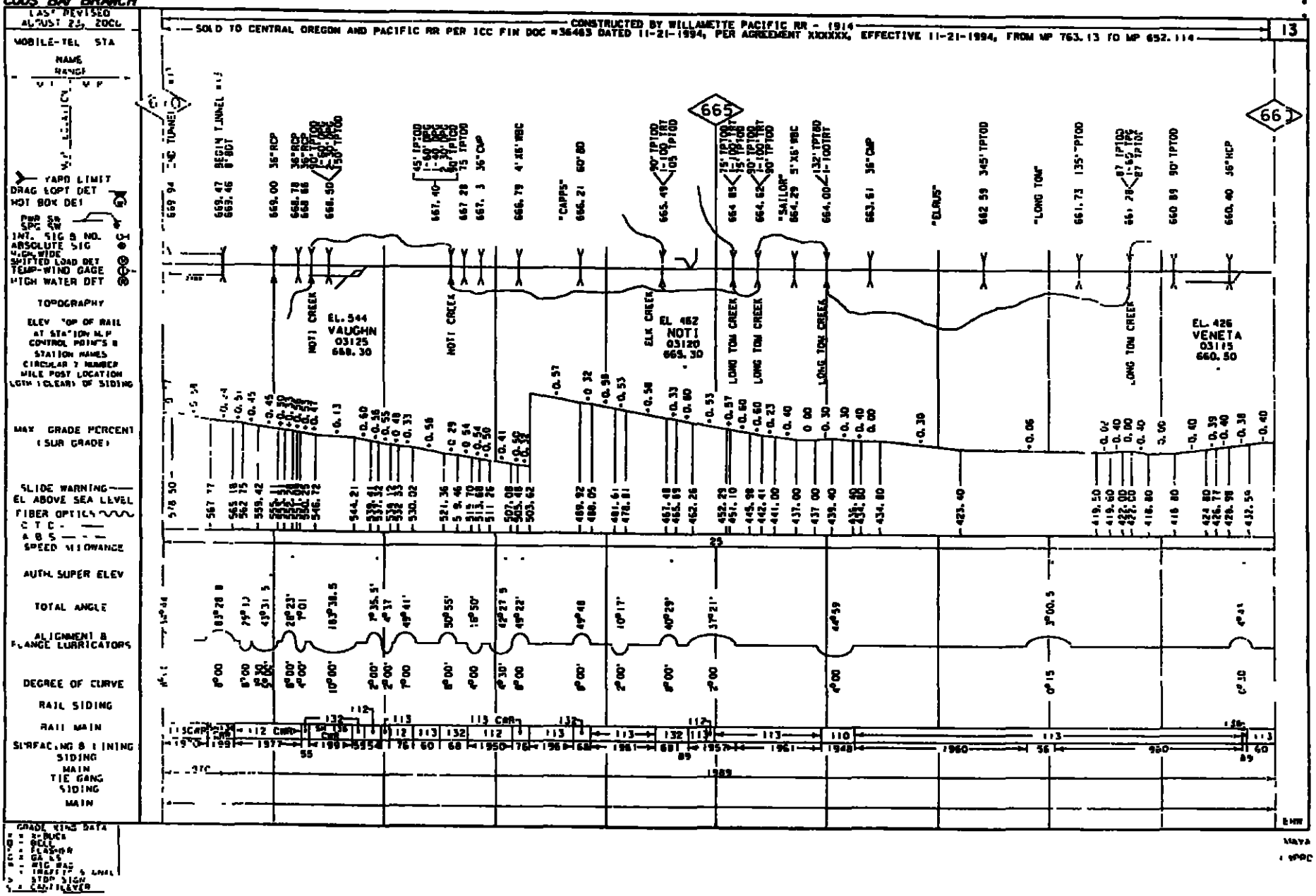
Bridge 782.53

Bridge 785.26

Bridge 785.33

# EXHIBIT 5 – TRACK CHARTS

**CENTRAL OREGON & PACIFIC RAILROAD, INC.**
**COOS BAY BRANCH**



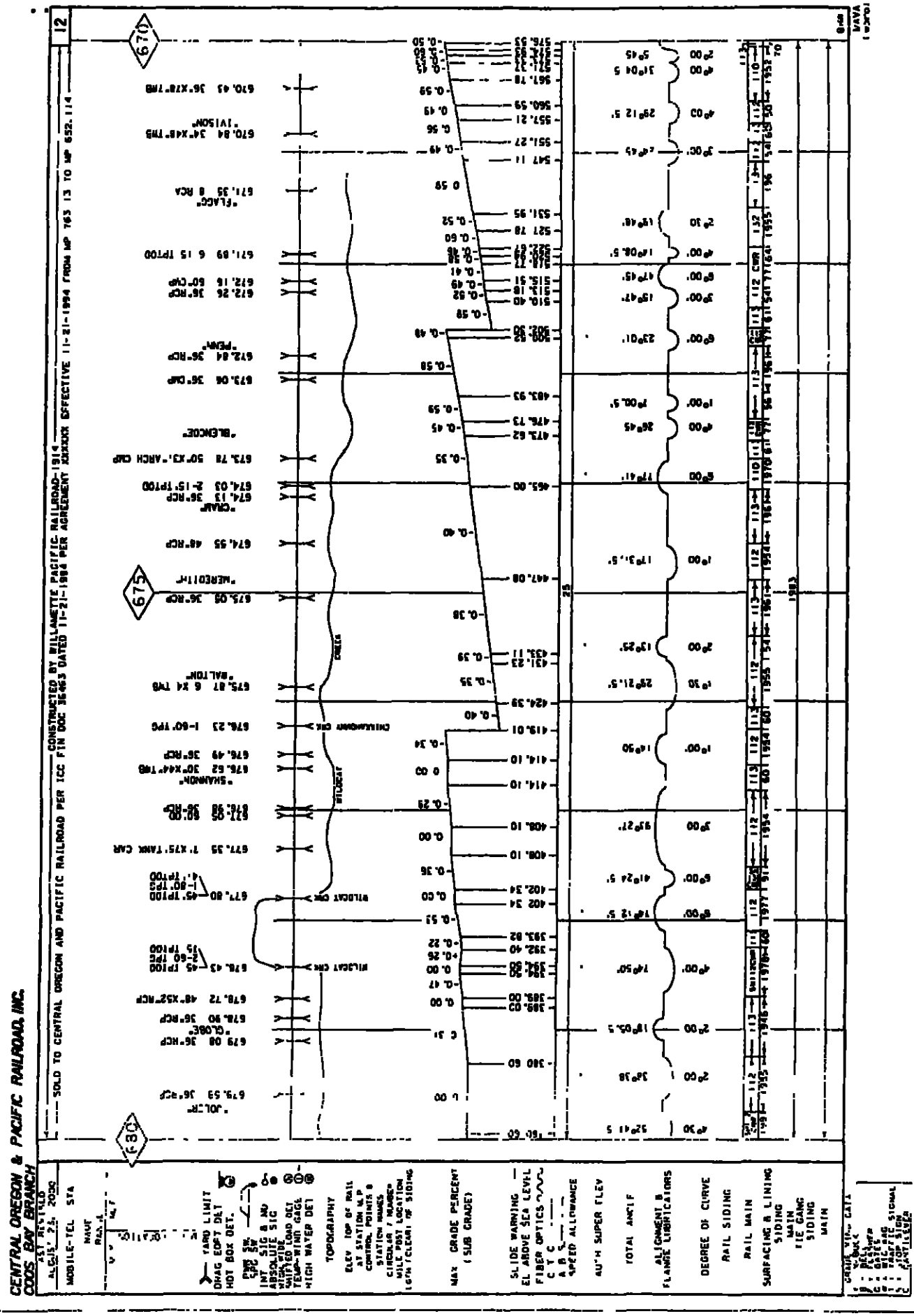



Exhibit 5 - Page 2

**CENTRAL OREGON & PACIFIC RAILROAD, INC.**
**COOS BAY BRANCH**

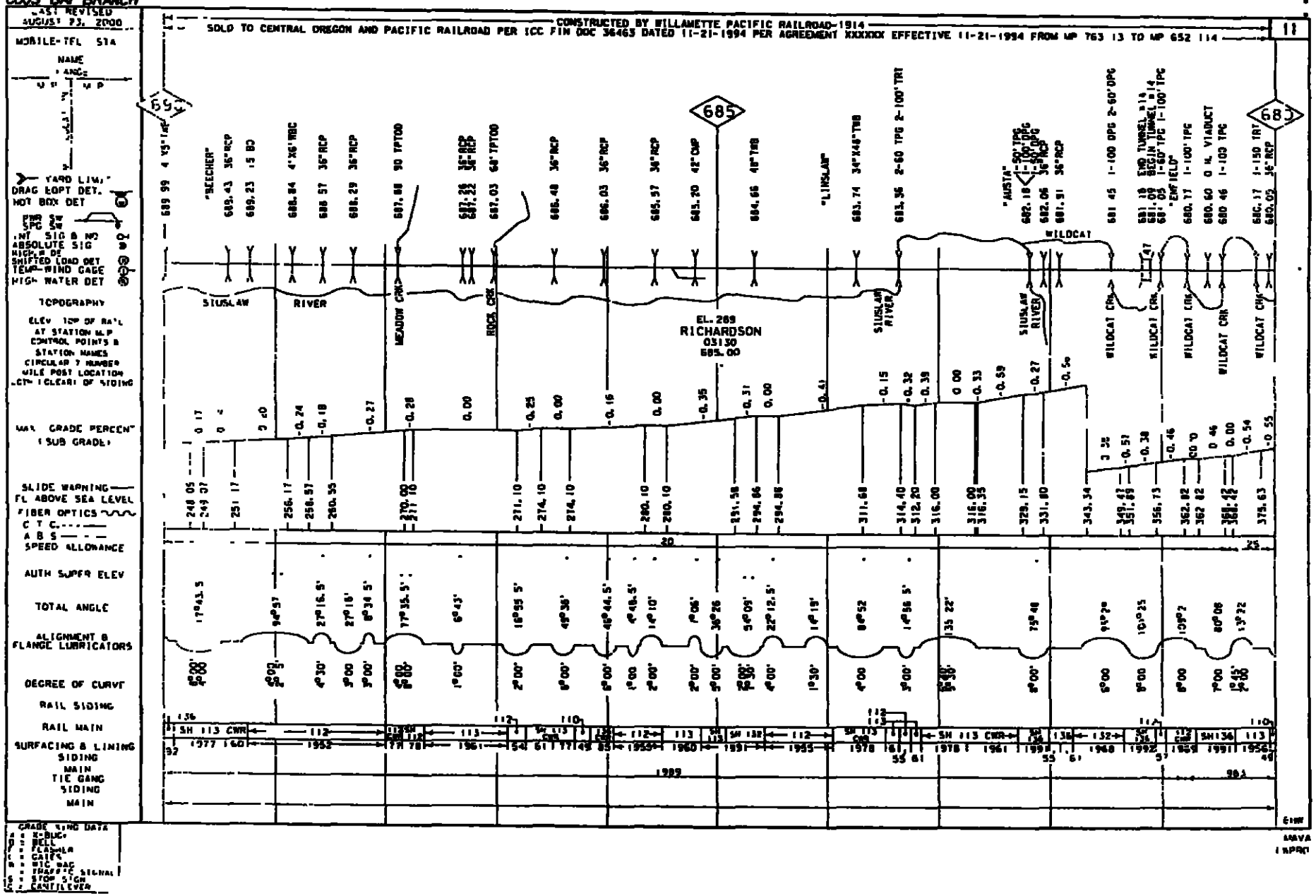



Exhibit 5 - Page 3

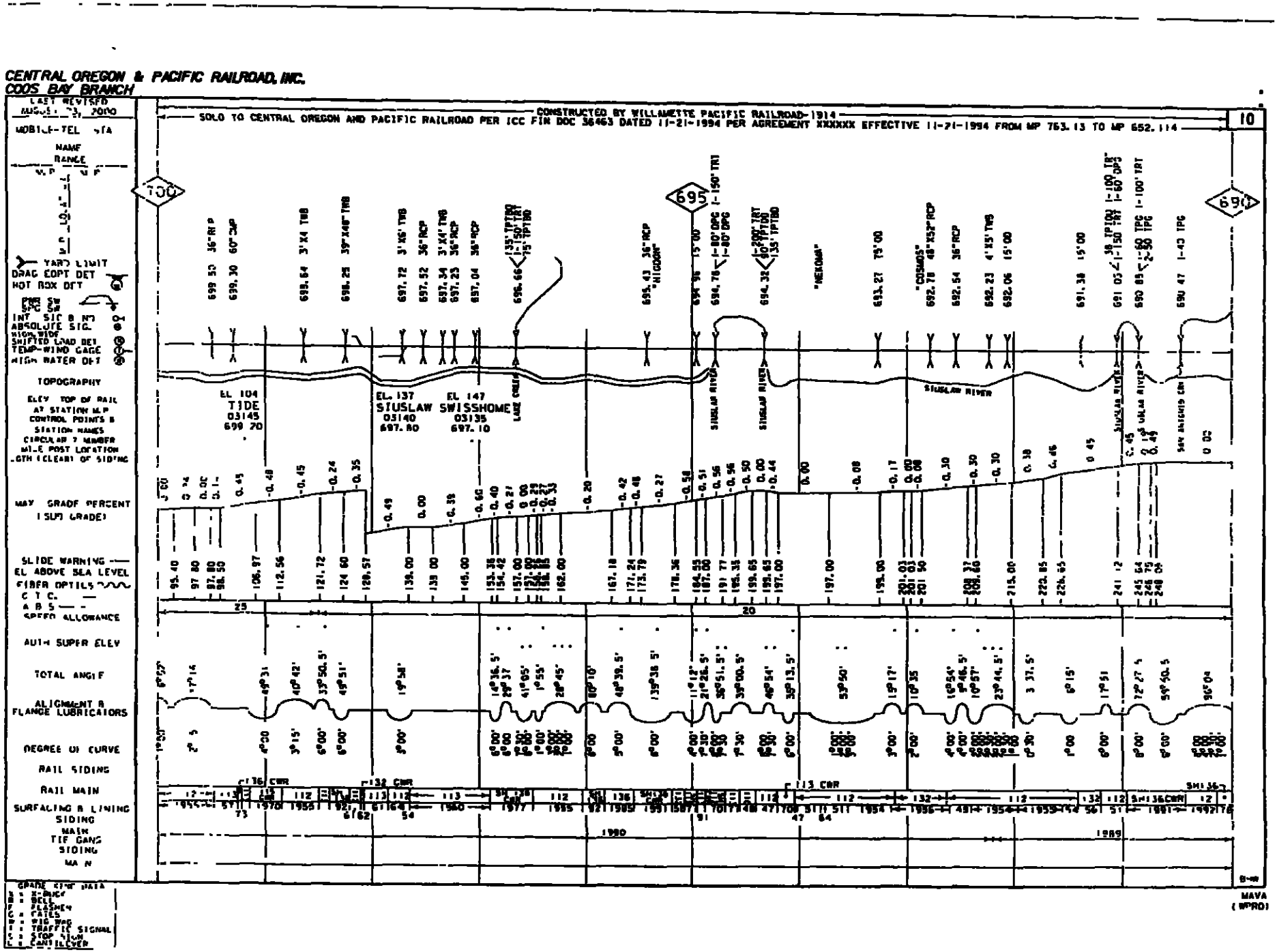



Exhibit 5 - Page 4

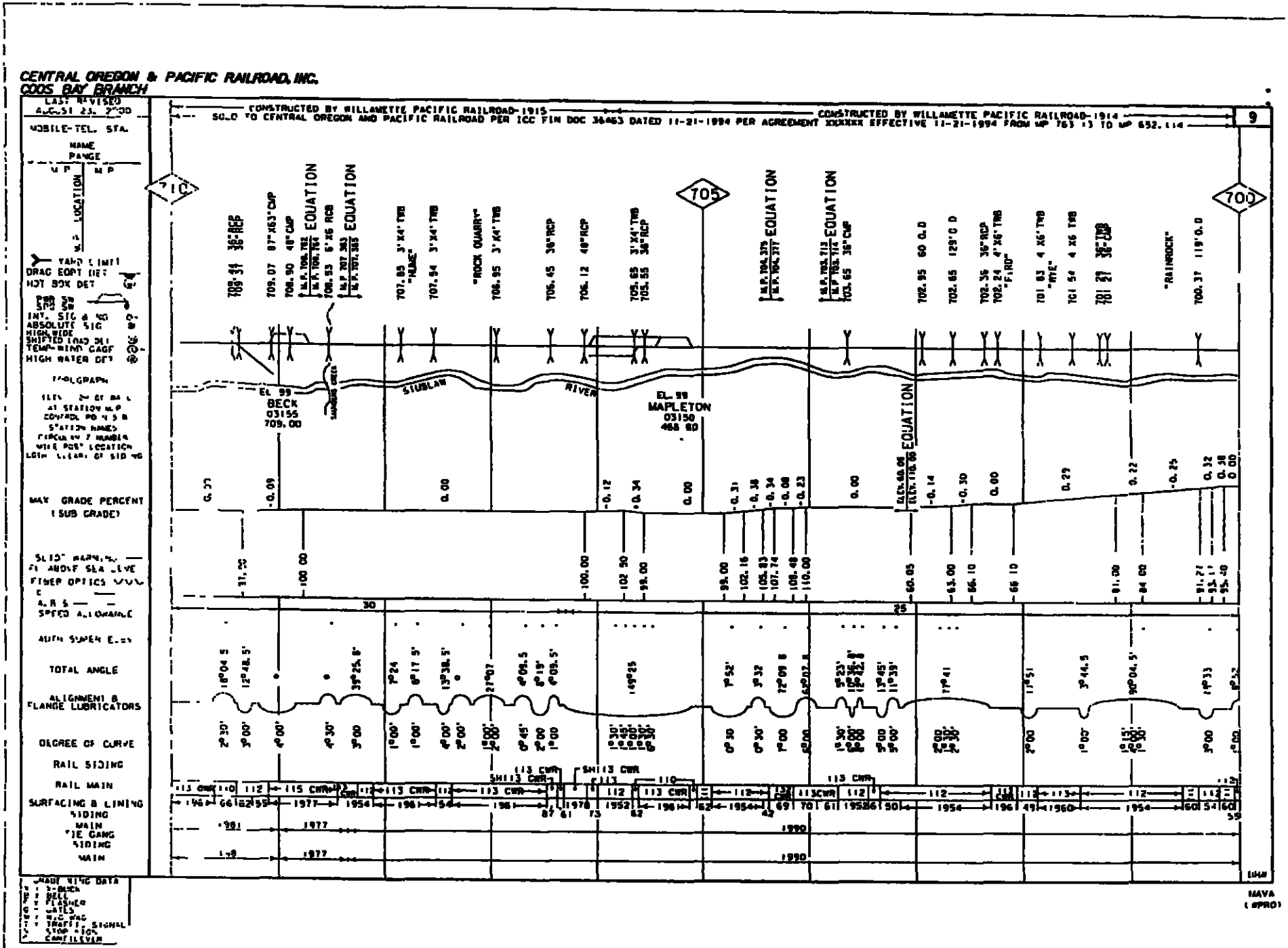



Exhibit 5 - Page 5

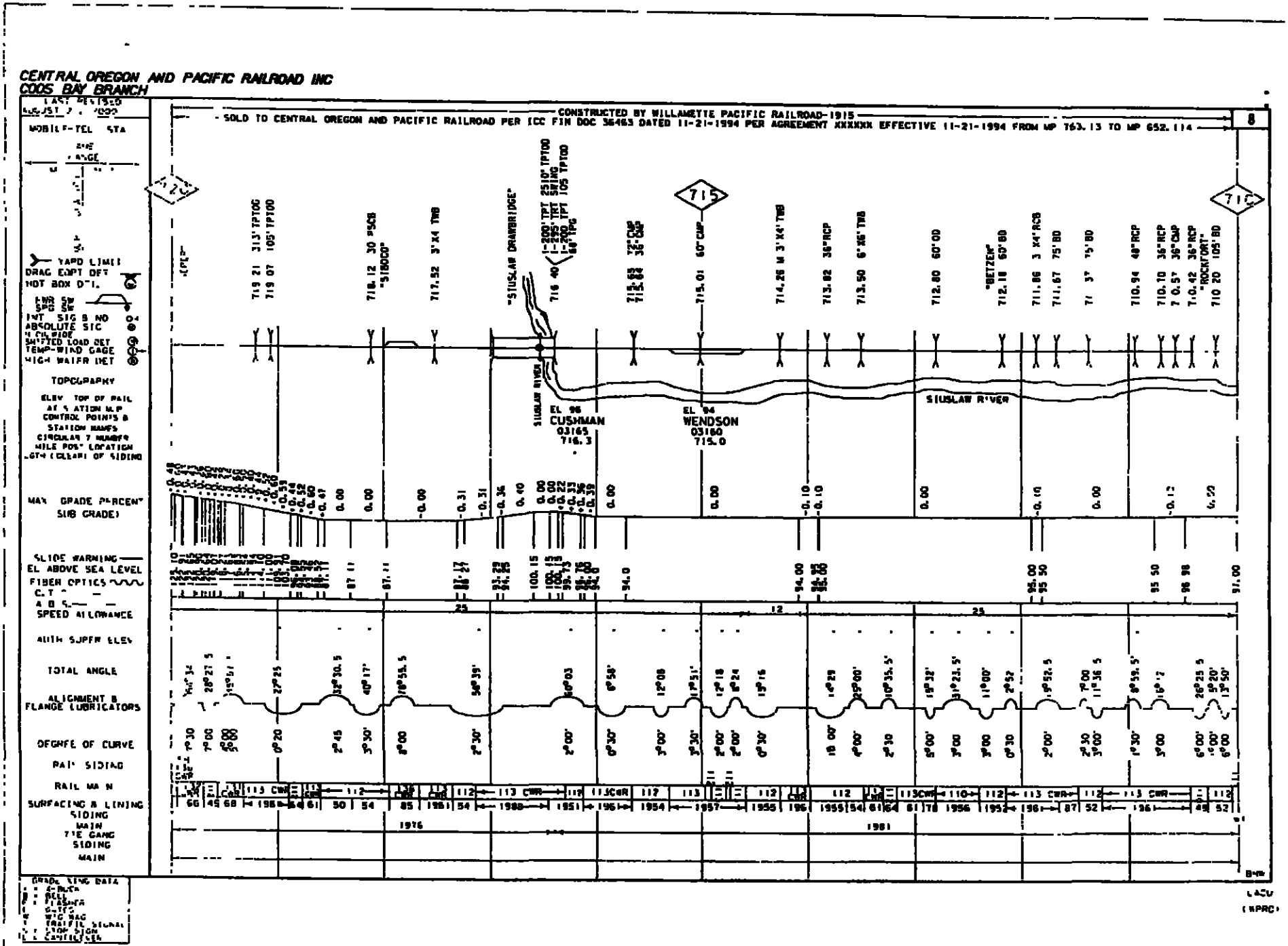
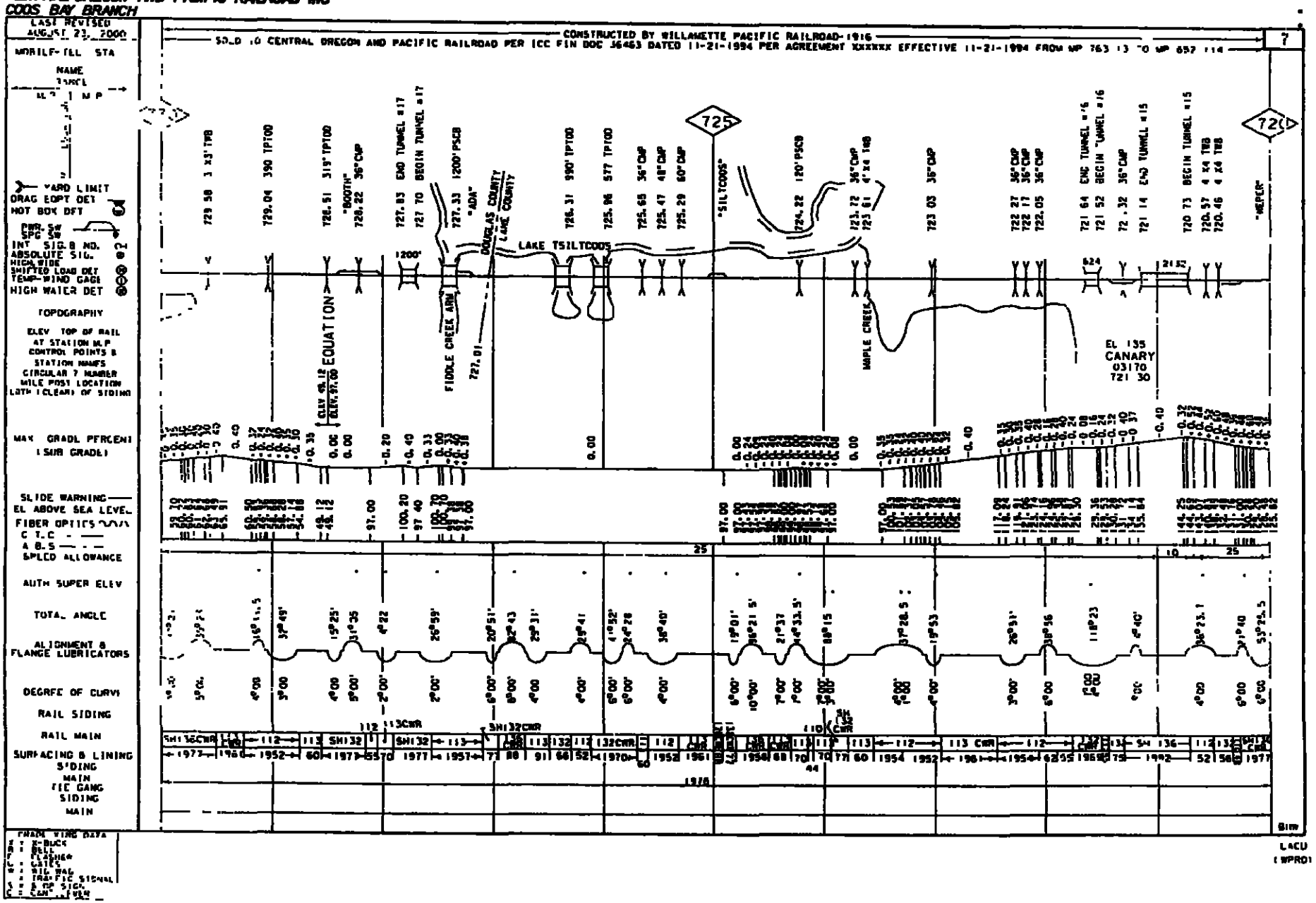
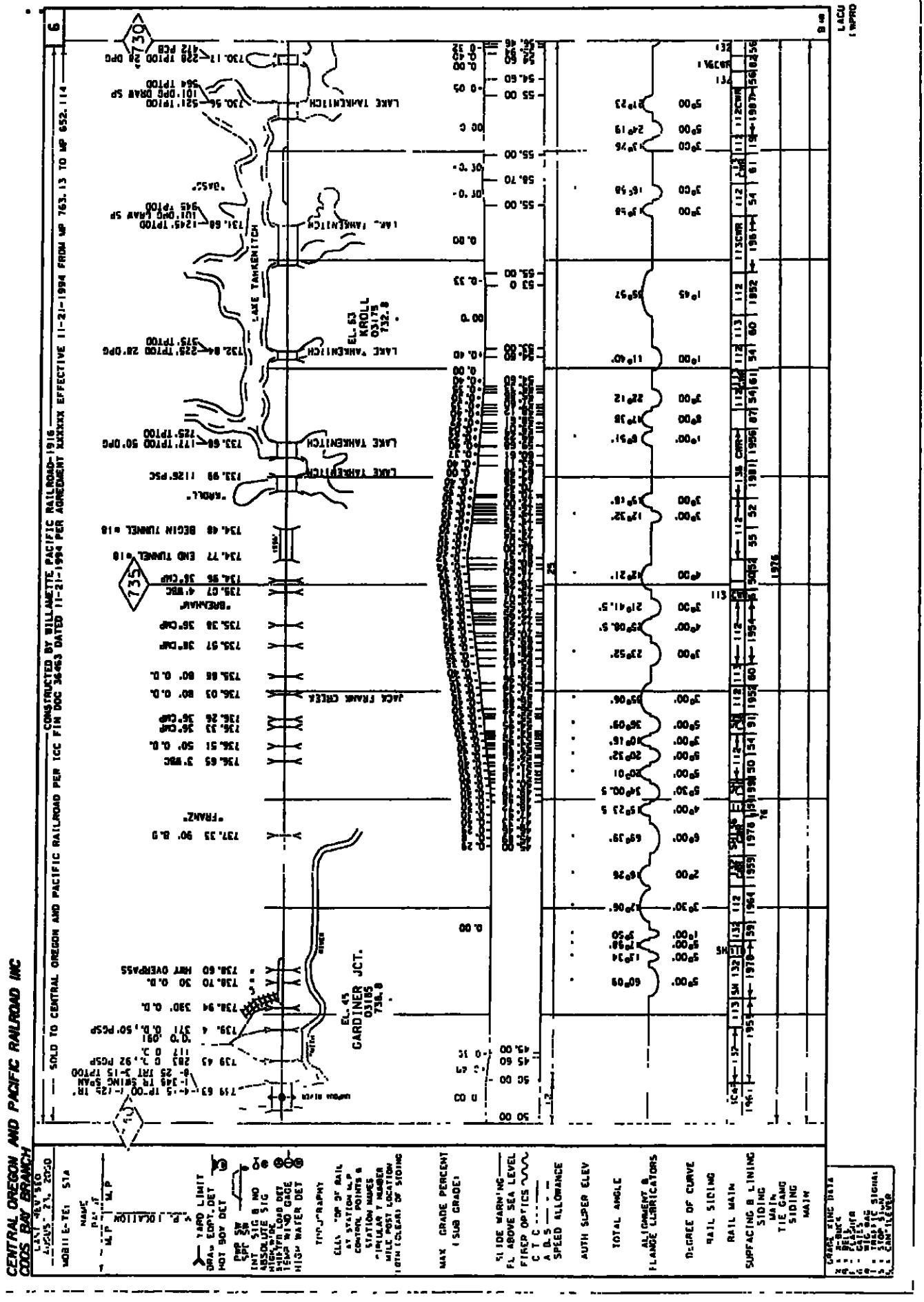



Exhibit S - Page 6


CENTRAL OREGON AND PACIFIC RAILROAD INC
COOS BAY BRANCH
LAST REVISED AUGUST 23, 2000
CONSTRUCTED BY WILLAMETTE PACIFIC RAILROAD-1916
SOLD TO CENTRAL OREGON AND PACIFIC RAILROAD PER ICC FIN DOC 16463 DATED 11-21-1994 PER AGREEMENT XXXXX EFFECTIVE 11-21-1994 FROM MP 763.13 TO MP 852.114
MORILF-TEL STA
NAME
MILE POST
YARD LIMIT
DRAG EQPT DET
HOT BOX DET
PWR SW
SPD SW
INT SIG & NO.
ABSOLUTE SIG.
HIGH WIDE
SHIFTED LOAD DET
TEMP-WIND GAGE
HIGH WATER DET
TOPOGRAPHY
ELEV TOP OF RAIL AT STATION M.P. CONTROL POINTS & STATION NAMES CIRCULAR 7 NUMBER MILE POST LOCATION LATH (CLEAR) OF SIDING
MAX GRADE PERCENT (SUB GRADE)
SLIDE WARNING
EL ABOVE SEA LEVEL
FIBER OPTICS
C.T.C.
A.B.S.
SPEED ALLOWANCE
AUTH SUPER ELEV
TOTAL ANGLE
ALIGNMENT & FLANGE LUBRICATORS
DEGREE OF CURVE
RAIL SIDING
RAIL MAIN
SURFACING & LINING
SIDING
MAIN
TIE GANG
SIDING
MAIN
725
720
EQUATION
LAKE TSILTCOOS
FIDDLE CREEK ARM
DOUGLAS COUNTY
LANE COUNTY
MAPLE CREEK
"SILTCOOS"
"ADA"
"BOOTH"
"MEFER"
EL 135
CANARY
03170
721 30
BEGIN TUNNEL #17
END TUNNEL #17
BEGIN TUNNEL #16
END TUNNEL #16
BEGIN TUNNEL #15
END TUNNEL #15
1200'
2132
824
SIGNAL DATA
BUCK
BELL
FLASHER
GATES
WIG WAG
TRAFFIC SIGNAL
CAM
LACU
(WPRO1


CENTRAL OREGON AND PACIFIC RAILROAD INC
COOS BAY BRANCH
SOLD TO CENTRAL OREGON AND PACIFIC RAILROAD PER ICC FIN DOC 36463 DATED 11-21-1994 PER AGREEMENT XXXXX EFFECTIVE 11-21-1994 FROM MP 763.13 TO MP 652.114
CONSTRUCTED BY WILLAMETTE PACIFIC RAILROAD-1916
LAKE TAHKENITCH
EL. 63
KROLL
03175
732.8
EL. 45
GARDINER JCT.
03185
738.8
JACK FRANK CREEK
"KROLL"
"BRENNAN"
"FRANZ"
MOBILE-TEL STA
NAME
MP
YARD LIMIT
DRAW EDIT. DET
HOT BOX DET
INT. SIG & NO
ABSOLUTE SIG
HIGH WIND DET
HIGH WATER DET
TOPOGRAPHY
ELEV. TOP OF RAIL AT STATION MP & CONTROL POINTS & STATION NAMES
CIRCULAR Y NUMBER MILE POST LOCATION WITH CLEARS OF SIDING
MAX. GRADE PERCENT (SUB GRADE)
SLIDE WARNING
EL. ABOVE SEA LEVEL
FIBER OPTICS
C T C
A.B.S.
SPEED ALLOWANCE
AUTH. SUPER ELEV.
TOTAL ANGLE
ALIGNMENT & FLANGE LUBRICATORS
DEGREE OF CURVE
RAIL SIDING
RAIL MAIN
SURFACING & LINING
SIDING
MAIN
TIE GANG
SIDING
MAIN
GRADE XING DATA
1 = BUCK
2 = BELL
3 = FLASHER
4 = GATE
5 = TRAFFIC SIGNAL
6 = STOP SIGN
7 = CANTILEVER

**CENTRAL OREGON AND PACIFIC RAILROAD INC**
**COOS BAY BRANCH**

AS REVISED
AUGUST 23, 2000

CONSTRUCTED BY WILLAMETTE PACIFIC RAILROAD- 1916
SOLD TO CENTRAL OREGON AND PACIFIC RAILROAD PER ICC FIN DOC 35463 DATED 11-21-1994 PER AGREEMENT XXXXXX EFFECTIVE 11-21-1994 FROM MP 765.13 TO MP 652.114

5

MOBILE-TFI STA

YARD LIMI
DPAC EQPT DLT
HOT BOX DE

MAX GRADE PERCENT (SUB GRADE)

ELEV OF OF RAI
AT STATION MP
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STATION NAMES
CIRCULAR / NUMBER
MILE POST LOCATION

SPEED ALLOWANCE

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DEGREE OF CURVE

RAIL SIDING

RAIL MAIN

SURFACING & LINING
SIDING
MAIN
TIC GANG
SIDING
MAIN

GRADE CROSSING DATA
X = X-BUCK
DL = DEL
FL = FLASHER
G = GATES
RR = RIG RAI
T = TRAFFIC S SIGNAL
S = STOP SIGN
E = CANT EVEN

760
745
740

749.89 923 PSC TRES
749.08
748.81 3'X4' TWB "BUFO"
748.68 75 30
748.44 30° BD
748.06 90° BD "BILLARD"
747.38 52°.212' TWB
746.89 4'X6' TWB "IVY"
746.41 END TUNNEL #19
745.62 BEGIN TUNNEL #19
745.47 4'X4 TWB
745.38 40°.242' TWB "TNAGE"
744.85 75° BD
744.70 75° BD
744.44 75° BD
744.24 75° BD "SCHOOL"
743.91 105°00
743.86 120°00
743.73 135°00
743.20 45° BD
742.95 60°00
742.72 137°00
742.24 129°00
742.05 45 00
741.74 45 00
741.36 4-15° TPTOO
740.84 480 80
740.26 4-15° TPTOO

4183'

BLACK LAKE
COOS CO.
DOUGLAS CO.
WIND CREEK
SCOFIELD CREEK
SCOFIELD CREEK
SCOFIELD CREEK
SCOFIELD CREEK
SCOFIELD CREEK
EL. 73
TUNNEL 19 SPUR
745.00
EL. 42
REEDSPORT
G3190
740.4
2480

0.70 -0.38 -0.40 -0.30 -0.20 -0.30 -0.40 -0.40 -0.28 -0.30 -0.35 -0.40 -0.40 -0.32 -0.24 -0.32 +0.40 0.00 -0.32 0.00 -0.40 -0.40 0.00 -0.40 -0.32 -0.33 0.00 -0.40 -0.30 -0.40 -0.63 -0.63

30.06 56 40 70.91 71.72 72.50 73.74 78.30 77.53 77.13 76.44 76.41 76.27 76.18 76.30 76.44 76.58 76.41 76.27 76.13 46.50 45.50 41.00 41.00 41.20 41.00 41.00 43.80 43.32 47.30 47.30 45.40 43.69 42.18 42.00 42

7°40' 4°38' 10°50' 21°44' 5°49' 8°48' 10°58' 10°04' 4°50' 99°39.7' 5°55' 51°56.5' 8°42' 44°34' 78°47' 1°56' 11°24' 2°43'

3°00 5°00 10°00 1°00 5°00 3°00 3°30' 6°00 6°00 6°50 4°00' 6°00 4°00' 4°00 3°00 2°00 5°00

SH SH SH

112 113 110 112 113 110 113 112 113 112 132 CWR 113 CWR 113 110 132 112 CWR 113 137 113 113 112 113

90 59 54 50 1952 1954 1959 78 59 54 59 52 78 1970 94 70 1978 1998 59 1970 1956 1978 1959 78 54 1970 1959 54 61 54 59 54 1957

1977 90

Surv

LACU
14.480

Exhibit 5 - Page 9

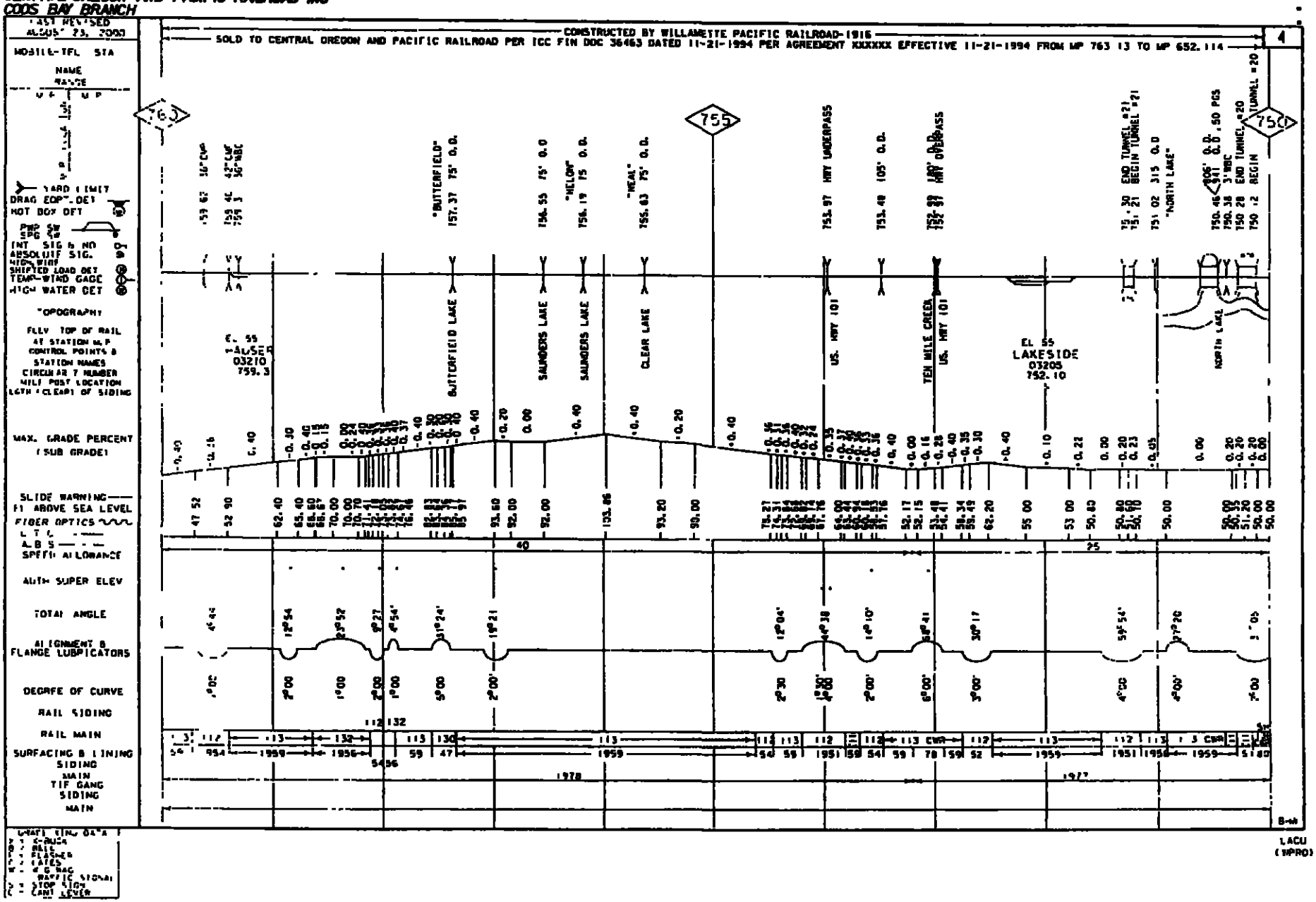
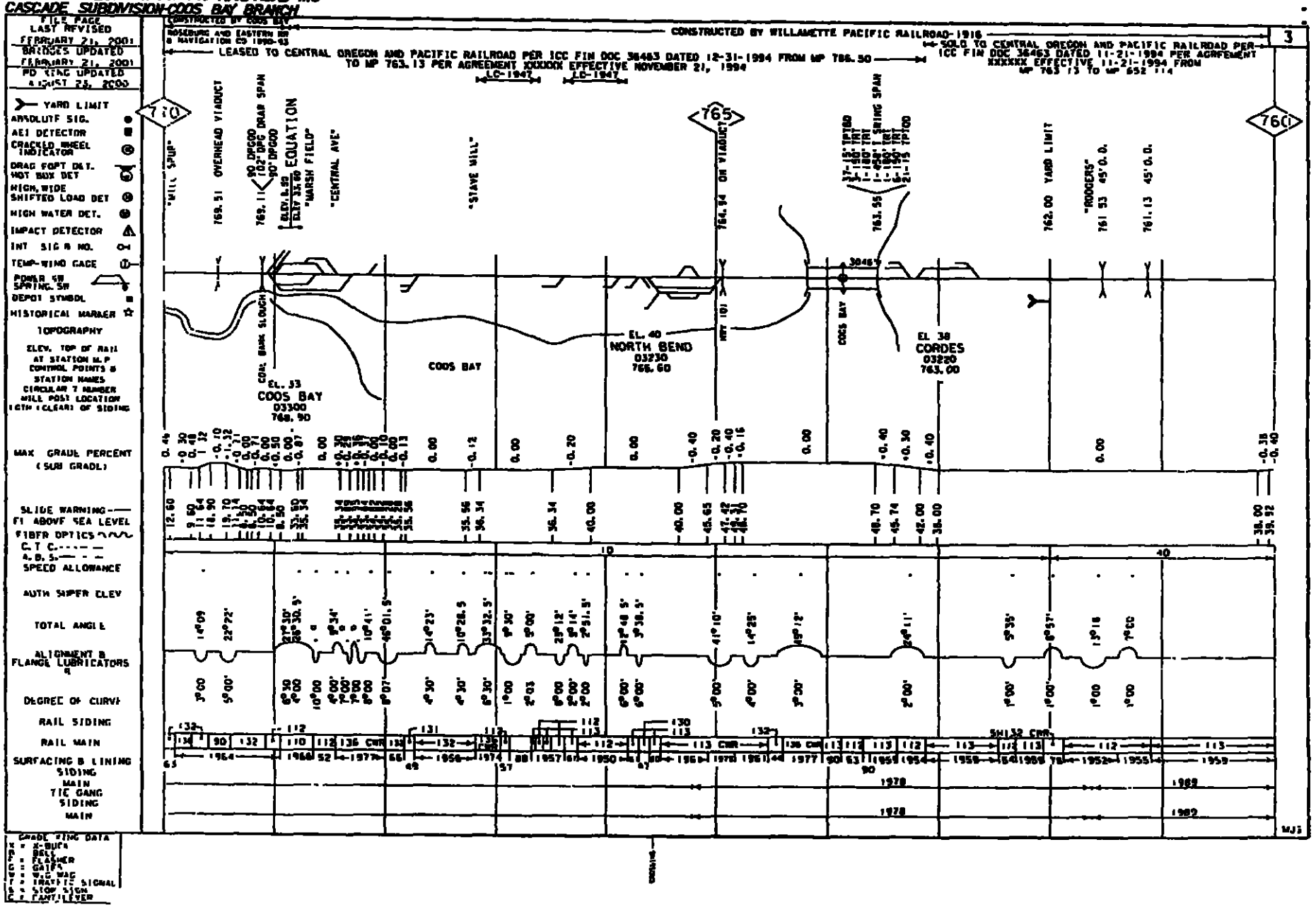



Exhibit 5 - Page 10


CENTRAL OREGON & PACIFIC RAIL ROAD INC
CASCADE SUBDIVISION-COOS BAY BRANCH
FILE PAGE
LAST REVISED
FEBRUARY 21, 2001
BRIDGES UPDATED
FEBRUARY 21, 2001
PD SYNC UPDATED
AUGUST 23, 2000
YARD LIMIT
ABSOLUTE SIG.
AEI DETECTOR
CRACKLED WHEEL INDICATOR
DRAG FOOT DET.
HOT BOX DET
HIGH, WIDE SHIFTED LOAD DET
HIGH WATER DET.
IMPACT DETECTOR
INT SIG & NO.
TEMP-WIND GAGE
POWER SW SPRING SW
DEPOT SYMBOL
HISTORICAL MARKER
TOPOGRAPHY
ELEV. TOP OF RAIL AT STATION M.P CONTROL POINTS & STATION NAMES
CIRCULAR 7 NUMBER
MILE POST LOCATION
LGTH (CLEAR) OF SIDING
MAX GRADE PERCENT (SUB GRADE)
SLIDE WARNING
FT ABOVE SEA LEVEL
FIBER OPTICS
C.T.C.
A.B.S.
SPEED ALLOWANCE
AUTH SUPER ELEV
TOTAL ANGLE
ALIGNMENT & FLANGE LUBRICATORS
DEGREE OF CURVE
RAIL SIDING
RAIL MAIN
SURFACING & LINING
SIDING
MAIN
TIE GANG
SIDING
MAIN
GRADE XING DATA
X = X-BUCK
B = BELL
F = FLASHER
G = GATES
W = WIG WAG
T = TRAFFIC SIGNAL
S = STOP SIGN
C = CANTILEVER
CONSTRUCTED BY COOS BAY
ROSEBURG AND EASTERN RR & NAVIGATION CO 1890-93
CONSTRUCTED BY WILLAMETTE PACIFIC RAILROAD-1916
LEASED TO CENTRAL OREGON AND PACIFIC RAILROAD PER ICC FIN DOC 36463 DATED 12-31-1994 FROM MP 786.50 TO MP 763.13 PER AGREEMENT XXXXXX EFFECTIVE NOVEMBER 21, 1994
SOLD TO CENTRAL OREGON AND PACIFIC RAILROAD PER ICC FIN DOC 36463 DATED 11-21-1994 PER AGREEMENT XXXXXX EFFECTIVE 11-21-1994 FROM MP 763.13 TO MP 652.114
3
LC-1947
LC-1947
710
765
760
"MILL SPUR"
769.51 OVERHEAD VIADUCT
769.11 90 DPGD 102° DPG DRAW SPAN 90° DPGD
ELEV. 8.58
ELEV 33.66
EQUATION
"MARSH FIELD"
"CENTRAL AVE"
"STAVE MILL"
764.94 OH VIADUCT
763.55 17-18" TPTGD 3-180' TRT 1-180' TRT 1-498' TRT SPRING SPAN 6-180' TRT 21-15 TPTGD
762.00 YARD LIMIT
"ROGERS"
761.53 45' O.O.
761.13 45' O.O.
COOS BAY SLOUGH
COOS BAY
EL. 33
COOS BAY
03300
768.90
EL. 40
NORTH BEND
03230
768.60
HWY 101
COOS BAY
EL 38
CORDES
03220
763.00
38467
0.46 -0.30 -0.48 -0.32 -0.10 -0.32 -0.21 -0.00 -0.50 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.00 -0.13 0.00 -0.12 0.00 -0.20 0.00 -0.40 -0.20 -0.40 -0.16 0.00 -0.40 +0.30 +0.40 0.00 -0.38 -0.40
12.60 9.50 11.64 18.90 19.70 19.94 20.64 8.50 33.60 35.34 35.56 36.34 36.34 40.00 40.00 45.65 47.42 48.30 48.70 45.74 45.00 38.00 38.00 39.92
10
40
1°09' 2°22' 21°30' 28°30.5' 9°34' 10°41' 46°01.5' 1°23' 10°28.5' 33°32.5' 9°30' 9°00' 29°12' 9°14' 2°51.5' 9°48.5' 9°38.5' 41°10' 1°25' 18°18' 26°11' 5°35' 6°57' 1°18' 7°00'
3°00' 5°00' 6°30' 10°00' 7°00' 8°00' 8°07' 4°30' 4°30' 6°30' 1°00' 2°03' 6°00' 2°00' 2°00' 6°00' 6°00' 5°00' 4°00' 3°30' 2°00' 1°00' 1°00' 1°00' 1°00'
132 112 134 90 132 110 112 136 CWR 132 131 132 112 112 112 130 113 132 113 CWR 136 CWR 113 112 113 112 113 SW132 CWR 113 112
65 1964 1968 52 1979 66 49 1956 1974 57 88 1957 67 1950 47 1961 1978 1961 44 1977 90 63 1959 1954 1958 64 1988 78 1952 1955 1959
1978
1982
1978
1982
MJJ
P:\SU_BOOKS\LEASED_CENT_OR_PACIFIC\COCO.IGN

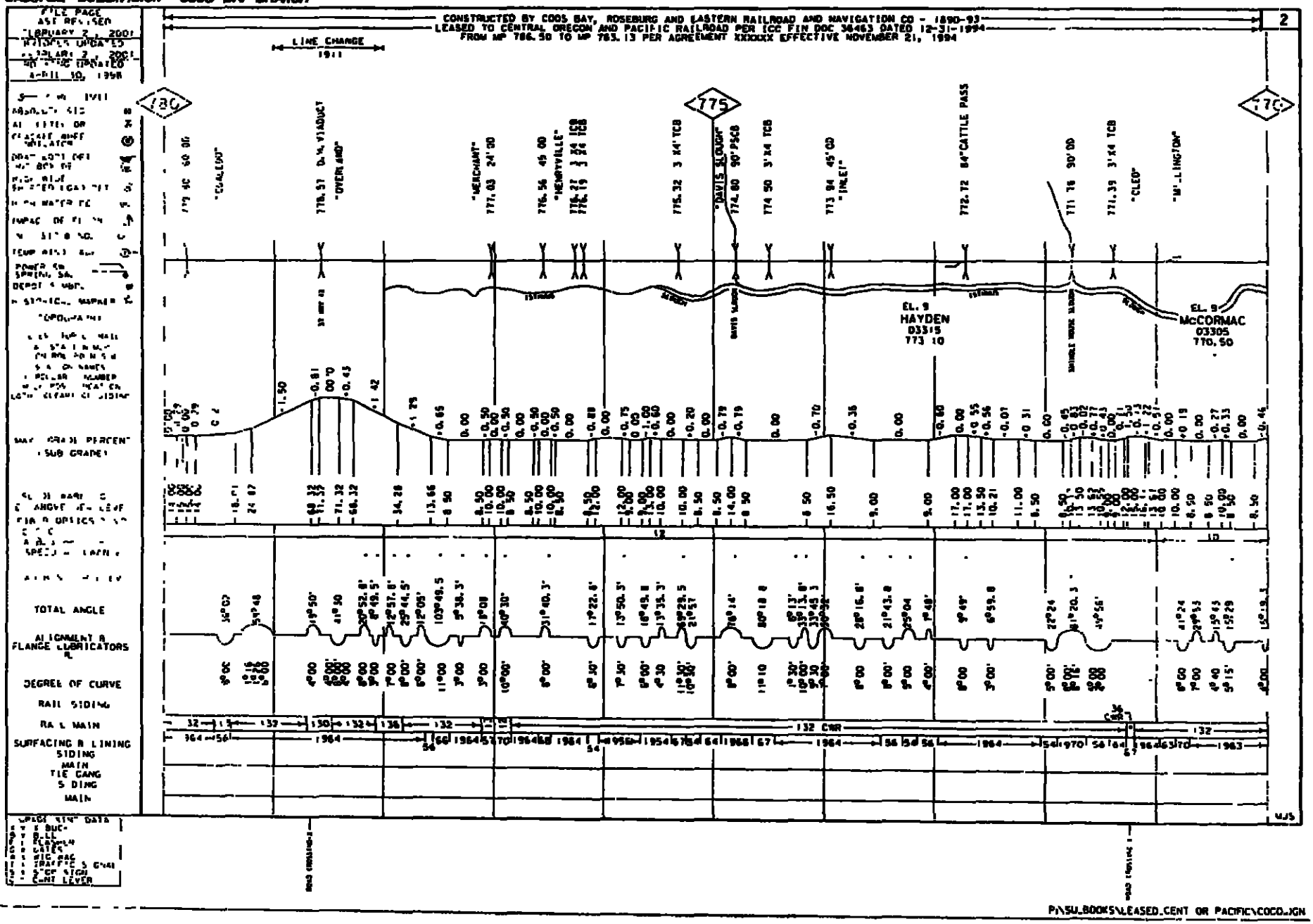
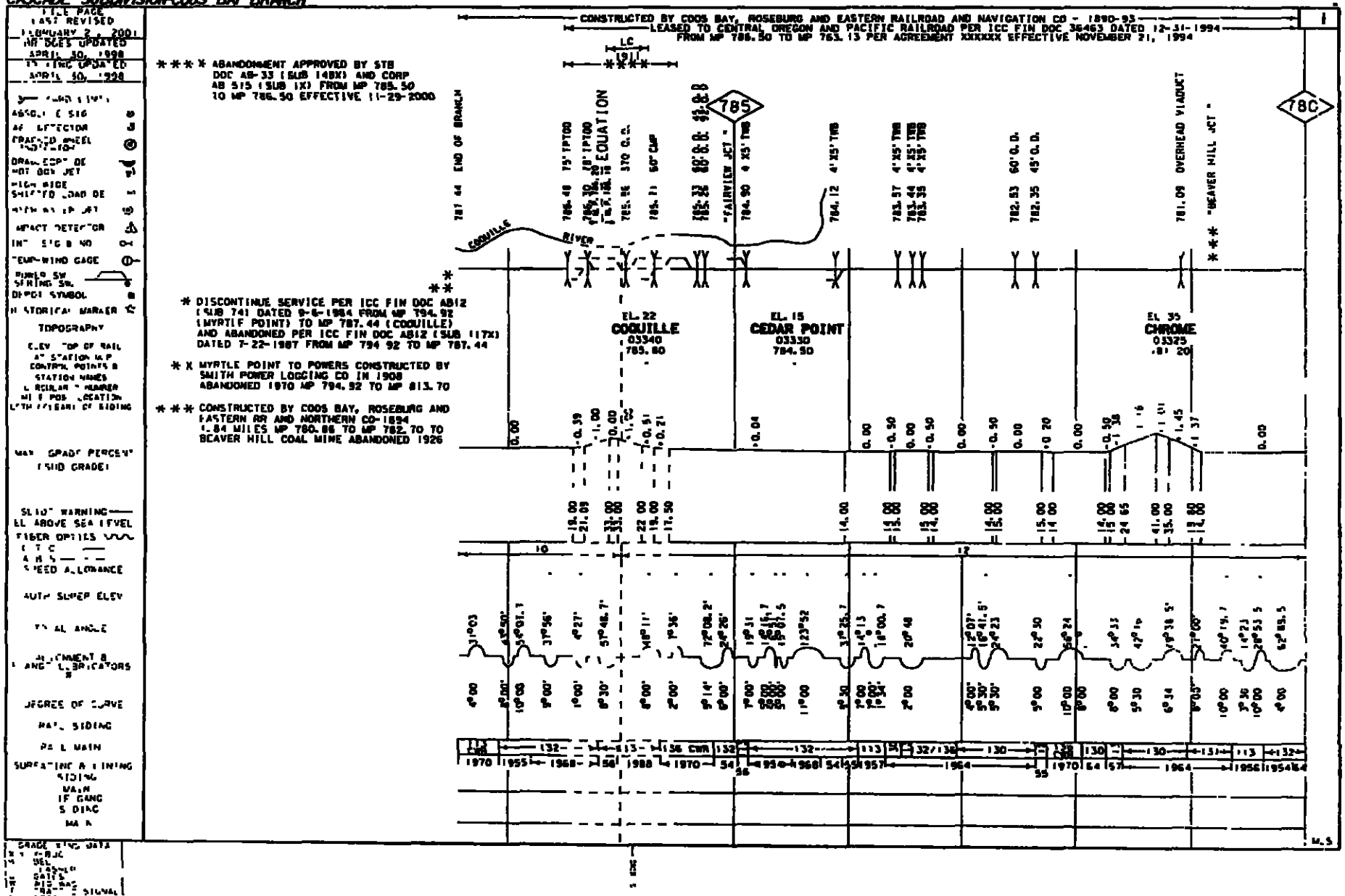



Exhibit 5 - Page 12


CENTRAL OREGON & PACIFIC RAILROAD INC
CASCADE SUBDIVISION-COOS BAY BRANCH
CONSTRUCTED BY COOS BAY, ROSEBURG AND EASTERN RAILROAD AND NAVIGATION CO - 1890-93
LEASED TO CENTRAL OREGON AND PACIFIC RAILROAD PER ICC FIN DOC 36463 DATED 12-31-1994
FROM MP 786.50 TO MP 763.13 PER AGREEMENT XXXXXX EFFECTIVE NOVEMBER 21, 1994
**** ABANDONMENT APPROVED BY STB DOC AB-33 (SUB 148X) AND CORP AB 515 (SUB IX) FROM MP 785.50 TO MP 786.50 EFFECTIVE 11-29-2000
* DISCONTINUE SERVICE PER ICC FIN DOC AB12 (SUB 741 DATED 9-6-1984 FROM MP 794.92 (MYRTLE POINT) TO MP 787.44 (COQUILLE) AND ABANDONED PER ICC FIN DOC AB12 (SUB 117X) DATED 7-22-1987 FROM MP 794.92 TO MP 787.44
* X MYRTLE POINT TO POWERS CONSTRUCTED BY SMITH POWER LOGGING CO IN 1908 ABANDONED 1970 MP 794.92 TO MP 813.70
*** CONSTRUCTED BY COOS BAY, ROSEBURG AND EASTERN RR AND NORTHERN CO-1894 1.84 MILES MP 780.86 TO MP 782.70 TO BEAVER HILL COAL MINE ABANDONED 1926
785
78C
END OF BRANCH
EQUATION
"FAIRVIEW JCT"
"BEAVER HILL JCT"
OVERHEAD VIADUCT
COQUILLE RIVER
EL. 22
COQUILLE
03340
785.80
EL. 15
CEDAR POINT
03330
784.50
EL. 35
CHROME
03375
TOPOGRAPHY
SLIDE WARNING
EL ABOVE SEA LEVEL
FIBER OPTICS
SPEED ALLOWANCE
AUTO SUPER ELEV
DEGREE OF CURVE
RAIL SIDING
RAIL MAIN
SURFACING & LINING
SIDING
MAIN
IF GANG
S DIAG
MAIN

# EXHIBIT 5

**STB No. AB-515 (Sub-No. 2)**

**NOTICE OF APPLICATION TO ABANDON OR TO DISCONTINUE SERVICE**

On July 14, 2008 the Central Oregon & Pacific Railroad, Inc ("CORP") filed with the Surface Transportation Board, Washington. D.C 20423, an Application for permission for the abandonment of, and/or discontinuance of service on. a line of railroad known as the Coos Bay Subdivision, which consists of (1) the Coos Bay Branch (which is owned by CORP), and (2) the Coquille Branch and LPN Branch (which are leased by CORP).

The Application seeks authority to abandon the portions of the Coos Bay Subdivision that are owned by CORP, namely the line between Milepost 669.0 near Vaughn, Oregon and Milepost 763.13 near Cordes, Oregon, which traverses United States Postal Service ZIP Codes 97439, 97441, 97449, 97453, 97459, 97461, 97467, 97480, 97487, 97490, and 97493, a distance of 94.13 miles, in Coos, Douglas, and Lane Counties, Oregon The portion of the line proposed for abandonment includes the stations of Richardson (MP 685.0), Swisshome (MP 697 1); Suislaw (MP 697.8), Tide (MP 699 2). Beck (MP 709 0), Wendson (MP 715 0); Cushman (MP 716 0); Canary (MP 721 3), Kroll (MP 732.8), Gardiner Junction (MP 738.8); Reedsport (MP 740.4). Lakeside (MP 752 1); Hauser (MP 759.3); and Cordes (MP 763 0)

The Application also seeks authority to discontinue service over the portions of the Coos Bay Subdivision that are leased by CORP, namely (1) the Coquille Branch between Milepost 763 13 near Cordes, Oregon and Milepost 785.5 near Coquille, Oregon, which traverses United States Postal Service ZIP Codes 97420, 97423, and 97459, a distance of 22 37 miles, in Coos County, Oregon, and (2) the LPN Branch between CORP Milepost 738.8 and LPN Branch Milepost 2 0, which traverses United States Postal Service ZIP Code 97441, a distance of 2.0 miles, in Douglas County. Oregon. The Coquille Branch includes the stations of

North Bend (MP 765.6): Coos Bay (MP 768.9); McCormac (MP 770 5); Hayden (MP 773 1), Chrome (MP 781 2); and Coquille (MP 785 6). The LPN Branch includes the station of Gardiner Junction (MP 738 8)

The line does contain federally granted rights-of-way Any documentation in the railroad's possession will be made available promptly to those requesting it. CORP's entire case for abandonment and discontinuance (case in chief) was filed with the Application.

This line of railroad has appeared on CORP's system diagram map or has been included in its narrative in Category 1 since May 8, 2008

The interest of CORP's employees will be protected as required by 49 U.S.C. § 10903(b)(2) and *Oregon Short Line Co – Abandonment - Goshen*, 360 I.C.C. 91 (1979).

Any interested person may file with the Surface Transportation Board written comments concerning the proposed abandonment and discontinuance or protests (including the protestant's entire opposition case), within 45 days after the Application is filed. All interested persons should be aware that following any abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use Any request for a public use condition under 49 U.S C. § 10905 (§ 1152 28 of the Board's rules) and any request for a trail use condition under 16 U.S C § 1247(d) (§ 1152 29 of the Board's rules) must be filed within 45 days after the application is filed Persons who may oppose the abandonment and discontinuance but who do not wish to participate fully in the process by appearing at any oral hearings or by submitting verified statements of witnesses containing detailed evidence should file comments Persons interested only in seeking public use or trail use conditions should also file comments Persons opposing the proposed abandonment and discontinuance that do wish to participate actively and fully in the process should file a protest.

In addition, a commenting party or protestant may provide:

(i) An offer of financial assistance, pursuant to 49 U S C § 10904 (due 120 days after the Application is filed or 10 days after the Application is granted by the Board, whichever occurs sooner),

(ii) Recommended provisions for protection of the interests of employees;

(iii) A request for a public use condition under 49 U S.C. § 10905; and

(iv) A statement pertaining to prospective use of the right-of-way for interim trail use and rail banking under 16 U S C § 1247(d) and § 1152 29

Parties seeking information concerning the filing of protests should refer to § 1152 25

Written comments and protests, including all requests for public use and trail use conditions, must indicate the proceeding designation STB No. AB-515 (Sub-No 2) and should be filed with the Secretary, Surface Transportation Board (Board), Washington, DC 20423, no later than August 28, 2008 Interested persons may file a written comment or protest with the Board to become a party to this abandonment and discontinuance proceeding A copy of each written comment or protest shall be served upon the representative of CORP: Terence M. Hynes, Sidley Austin LLP, 1501 K Street, N.W., Washington, D C 20005, Telephone 202-736-8000, Fax. 202-736-8711. The original and 10 copies of all comments or protests shall be filed with the Board with a certificate of service. Except as otherwise set forth in part 1152, every document filed with the Board must be served on all parties to the abandonment proceeding. 49 C.F R § 1104 12(a)

The line sought to be abandoned and discontinued will be available for subsidy or sale for continued rail use, if the Board decides to permit the abandonment (or discontinuance), in accordance with applicable laws and regulations (49 U S C § 10904 and 49 C F R. § 1152 27).

No subsidy arrangement approved under 49 U.S C. § 10904 shall remain in effect for more than 1 year unless otherwise mutually agreed by the parties (49 U S C § 10904(I)(4)(B)) Applicant will promptly provide upon request to each interested party an estimate of the subsidy and minimum purchase price required to keep the line in operation The carrier's representative to whom inquiries may be made concerning sale or subsidy terms is Terence M. Hynes, Sidley Austin LLP, 1501 K Street, N W., Washington, D.C. 20005; Telephone 202-736-8000: Fax· 202-736-8711

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment or discontinuance regulations at 49 C.F.R part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by the Section of Environmental Analysis will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Section of Environmental Analysis. EAs in these abandonment proceedings normally will be made available within 33 days of the filing of the Application The deadline for submission of comments on the EA will generally be within 30 days of its service The comments received will be addressed in the Board's decision A supplemental EA or EIS may be issued where appropriate.

# EXHIBIT 6

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuation of Service – in Coos, Douglas, and Lane Counties, Georgia (Coos Bay Rail Line) | ) | Docket No. AB-515 (Sub-No. 2) |

**AFFIDAVIT OF SERVICE AND PUBLICATION OF NOTICE OF ABANDONMENT AND DISCONTINUANCE**

I, Patrick Kerr, hereby affirm and state:

1. I am Manager-Marketing & Sales of the Central Oregon & Pacific Railroad, Inc. ("CORP"). My business address is 333 S.E. Mosher, Roseburg, Oregon 97470.

2. I am submitting this affidavit to document CORP's compliance with the requirements of 49 C.F.R. § 1152.20 for service, posting and publication of CORP's notice of abandonment and discontinuance in the above-captioned proceeding.

3. On June 16, 2008, CORP's Notice of Intent to Abandon and/or Discontinue Service for the Coos Bay Subdivision ("Notice") was filed with the Surface Transportation Board.

4. The Notice was served by first class mail upon the parties listed in Exhibit 1 on the dates indicated in Exhibit 1.

5. On June 30, 2008, I caused a copy of the Notice to be posted at each CORP station on the Coos Bay Subdivision.

6. I caused a copy of the Notice to be published in the World, a newspaper of general circulation in Coos County, Oregon, on June 20, 2008, June 27, 2008, and July 4, 2008.

7. I caused a copy of the Notice to be published in the News Review, a newspaper of general circulation in Douglas County, Oregon, on June 23, 2008, June 30, 2008, and July 7, 2008.

8. I caused a copy of the Notice to be published in the Register-Guard, a newspaper of general circulation in Lane County, Oregon, on June 26, 2008, June 30, 2008, and July 7, 2008.

9. CORP has complied with all requirements of 49 C.F.R. § 1152.20 regarding filing and publication of the Notice.

I, Patrick Kerr, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this affidavit.

Patrick Kerr

Executed on July 7th, 2008.

## SERVICE LIST

The following parties were served with the Notice of Abandonment by first class mail on June 16, 2008 (unless another date is indicated):

**Significant Users of the Line**
**(49 C.F.R. § 1152.20(a)(2)(i))**

Oregon International Port of Coos Bay
Administration Office
125 Central Avenue, Suite 300
Coos Bay, OR 97420

Andy Jeffers
Traffic Manager - Rail
Roseburg Forest Products
P.O. Box 1088
Roseburg, OR 97470

Jerry Keck
Toledo Area Manager
Georgia-Pacific Corp.
1400 SE Butler Bridge Rd.
Toledo, OR 97391-1900

Paul Brewster
Plant Manager
American Bridge Co.
135 American Bridge Way
Reedsport, OR 97467

Jason W. Smith
Mill Manager
Southport Forest Products
P.O. Box 298
Coos Bay, OR 97420

Allen Dasher
Retail Manager
Amerigas
425 Virginia St.
North Bend, OR 97459

Ferrellgas
2300 NE Stephens
Roseburg, OR 97470
(served by first class mail on July 8, 2008)

Tom McMann
Transportation
Coos Bay Lumber Co., LLC
P.O. Box 750
Coos Bay, OR 97420

Carl Foster
Partner
Danish Dairy
94912 Hwy. 42 S.
Coquille, OR 97423

Rocky Buckles
Operations
Thomas & Sons Transportation Systems
840 South Front St.
Coos Bay, OR 97420

John W. Brands
President
Central Dock
P.O. 148
Coos Bay, OR 97420

Doug Woolsey
Transportation Manager
Coos Bay Docks
P.O. Box 277
Coos Bay, OR 97420

American Laminators
12796 Highway 36
Swisshome, OR 97480

Westwood Lumber Co.
P.O. Box 217
Saginaw, OR 97472

(served by first class mail on July 8, 2008)

Durawood Treating Co.
P.O Box 750
Coos Bay, OR 97420
(served by first class mail on July 8, 2008)

Menasha Forest Products Corp
P.O. Box 588
North Bend, OR 97459
(served by first class mail on July 8, 2008)

Grange Co-op
89 Alder Street
Central Point, OR 97502
(served by first class mail on July 11, 2008)

(served by first class mail on July 8, 2008)

X-Interchange Corp.
11300 Tomahawk Creek Parkway
Suite 110
Leawood, Kansas 66211
(served by first class mail on July 8, 2008)

Weyerhaeuser Company
P O. Box 9777
Federal Way, WA 98063-9777
(served by first class mail on July 11. 2008)

Coos Head Forest Products
69015 Hauser Depot Road
North Bend, OR 97459
(served by first class mail on July 11, 2008)

**Governor**
**(49 C.F.R. § 1152.20(a)(2)(ii))**

Governor Theodore R. Kulongoski
State of Oregon
160 State Capitol
900 Court Street
Salem, Oregon 97301-4047

**Public Service Commission**
**(49 C.F.R. § 1152.20(a)(2)(iii))**

Lee Beyer, Chairman
Public Utility Commission of Oregon
550 Capitol St. N.E. #215
P.O. Box 2148
Salem, OR 97308-2148

**Designated State Agency**
**(49 C.F.R. § 1152.20(a)(2)(iv))**

Matthew Garrett, Director
Oregon Department of Transportation
355 Capitol St. N.E.
Salem, OR 97301-3871

**State Cooperative Extension Service**
**(49 C.F.R. § 1152.20(a)(2)(v))**

Oregon State University Extension Service
Extension Service Administration
101 Ballard Hall
Corvallis, OR 97331-3606

**U.S. Department of Transportation (Federal Railroad Administration)**
**(49 C.F.R. § 1152.20(a)(2)(vi))**

U.S. Department of Transportation
Federal Railroad Administration
1120 Vermont Avenue, NW
Washington, DC 20590

**Department of Defense (Military Traffic Management Command, Transportation Engineering Agency, Railroads for National Defense Program)**
**(49 C.F.R. § 1152.20(a)(2)(vii))**

Military Surface Deployment & Distribution Command
Transportation Engineering Agency
Railroads for National Defense Program
720 Thimble Shoals Boulevard, Suite 130
Newport News, VA 23606-2574

**U.S. Department of Interior (Recreation Resources Assistance Division, National Park Service)**
**(49 C.F.R. § 1152.20(a)(2)(viii))**

U S. Department of the Interior
National Park Service
Recreation Resources Assistance Division
1849 C Street, NW
Washington, DC 20240

**U.S. Railroad Retirement Board**
**(49 C.F.R. § 1152.20(a)(2)(ix))**

U.S. Railroad Retirement Board
844 North Rush Street
Chicago, IL 60611-2092

**National Railroad Passenger Corporation ("Amtrak")**
**(49 C.F.R. § 1152.20(a)(2)(x))**

Amtrak does not operate over the affected lines

**U.S. Department of Agriculture, Chief of the Forest Service**
**(49 C.F.R. § 1152.20(a)(2)(xi))**

U S. Department of Agriculture,
Chief of the Forest Service
1400 Independence Avenue, SW
Washington, DC 20250-0003

**Headquarters of All Duly Certified Labor Organizations That Represent Employees on the Affected Rail Line**
**(49 C.F.R. § 1152.20(a)(2)(xii))**

No duly certified labor organizations represent employees on the affected rail line.

# EXHIBIT 7

## CERTIFICATE OF SERVICE

I hereby certify that, pursuant to 49 C.F.R. § 1152 24(c), I have caused the Application of Central Oregon & Pacific Railroad, Inc. for Abandonment and Discontinuance of Service to be served by overnight courier this 14th day of July 2008 on the following:

Governor Theodore R. Kulongoski
State of Oregon
160 State Capitol
900 Court Street
Salem, Oregon 97301-4047

Lee Beyer, Chairman
Public Utility Commission of Oregon
550 Capitol St. N.E. #215
P.O Box 2148
Salem, OR 97308-2148

Matthew Garrett. Director
Oregon Department of Transportation
355 Capitol St. N.E.
Salem, OR 97301-3871

I have also caused the Application to be served by hand-delivery and/or overnight courier this 14th day of July 2008 on all parties who participated in STB Finance Docket No. 35130, *Central Oregon & Pacific Railroad, Inc.—Coos Bay Rail Line.*

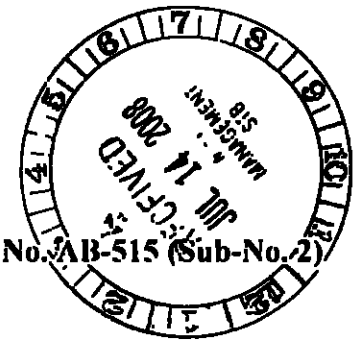
A copy of the Application shall be available for public inspection at the following agency station through which business for the Coos Bay Subdivision is received or forwarded Customer Service Center, Central Oregon & Pacific Railroad, 333 S.E. Mosher, Roseburg, OR 97470, Contact: Don Taylor. The Application will be available for inspection from 8 00 AM to 5 00 PM Pacific Standard Time, Monday through Friday.

Matthew J. Warren

222712

CORP-1
Public Version

BEFORE THE
SURFACE TRANSPORTATION BOARD




| | |
|---|---|
| Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | Docket No. AB-515 (Sub-No. 2) |

# APPLICATION OF CENTRAL OREGON & PACIFIC RAILROAD, INC. FOR AUTHORITY TO ABANDON RAILROAD LINES AND DISCONTINUE RAIL SERVICE

## VERIFIED STATEMENTS
VOLUME 2 OF 3


Scott G. Williams
Senior Vice President and
General Counsel
RailAmerica, Inc.
5300 Broken Sound Boulevard N.W.
Boca Raton, Florida 33487
(561) 994-6015

Terence M. Hynes
Paul A. Hemmersbaugh
Matthew J. Warren
Sidley Austin LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

*Counsel for Central Oregon & Pacific Railroad, Inc.*


Dated: July 14, 2008


FEE RECEIVED
JUL 14 2008
TRANSPORTATION BOARD

ENTERED
Office of Proceedings
JUL 14 2008
Part of
Public Record

FILED
JUL 14 2008
SURFACE
TRANSPORTATION BOARD

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | ) | Docket No. AB-515 (Sub-No 2) |

**VERIFIED STATEMENT OF PAUL LUNDBERG**

My name is Paul Lundberg I am Senior Vice President – Strategic Relations of RailAmerica, Inc I also serve as Vice President of Central Oregon & Pacific Railroad, Inc ("CORP") My business address is 5300 Broken Sound Boulevard, Boca Raton, Florida 33487 I joined RailAmerica in February 2007 following the acquisition of RailAmerica by certain investment funds managed by Fortress Investment Group LLC. In my current position, I have responsibility for managing operations, labor relations and state government relations issues for the RailAmerica carriers, and for RailAmerica's relationships with connecting Class I railroads. RailAmerica is a leading railroad short line holding company, with 41 Class II and III railroads located in 25 states and 3 Canadian provinces

I began my railroad career in 1973 as a brakeman on the Chicago & North Western Transportation Company ("CNW") During my 22 years with CNW, I held a variety of management positions in labor relations and operations, including Vice President – Labor Relations and Senior Vice President – Transportation In the latter position, I was responsible for all transportation, commuter operations, equipment management, service design and customer service matters After leaving CNW following its acquisition by Union Pacific Railroad Company ("UP"), I held senior management positions with SeaLand and Maersk/SeaLand (container shipping) and with Great Lakes Transportation (railroads and

shipping) Prior to joining RailAmerica, I was General Manager of the Massachusetts Bay Commuter Railroad, which operates commuter rail services in the Boston area. I hold a Bachelor of Science in Communications degree from Northwestern University, and a Master of Management degree from Northwestern's Kellogg Graduate School of Management

The purpose of this Verified Statement is to explain the circumstances that led CORP to seek authority to abandon (and discontinue service on) a portion of its Coos Bay Subdivision. Specifically, this Application seeks authority for CORP to abandon its line between Milepost 669 0 near Vaughn, OR and Milepost 763 13 near Cordes, OR, a distance of 94 13 miles in Coos, Douglas and Lane Counties, OR (the "Abandonment Segment"). CORP also seeks authority to discontinue service over those segments of the Coos Bay Subdivision that are leased by it, including (1) the Coquille Branch between Milepost 763.13 near Cordes, OR and Milepost 785.5 near Coquille, OR, a distance of 22.37 miles, which is leased from Union Pacific Railroad Company ("UP"); and (2) the LPN Branch between CORP Milepost 738 8 and LPN Branch Milepost 2.0, a distance of two miles, which is leased from Longview, Portland & Northern Railway Company ("LPN") (the "Discontinuance Segment").[1] These lines have been embargoed since September 21, 2007 due to unstable conditions in several tunnels that make continued operations unsafe. The minimum cost of the repairs that would be required to restore operations through those tunnels is approximately $2.9 million. However, the expenditure required to undertake such repairs cannot be economically justified because the Coos Bay Subdivision has experienced substantial (and increasing) operating losses over the past several years, traffic on the line has declined precipitously (principally as a result of the loss of a major

[1] CORP's Coos Bay Subdivision also includes the line between Vaughn and Eugene, OR CORP does not propose to abandon that segment. Nevertheless, for convenience, the Abandonment Segment and the Discontinuance Segment are referred to collectively in this Verified Statement as the "Coos Bay Subdivision "

customer), and there is no realistic prospect that traffic on the line will increase substantially in the foreseeable future CORP attempted to persuade interested stakeholders to join it in a cooperative effort to repair the tunnels, rehabilitate the line and address its ongoing operating losses, but CORP's proposals for such cooperative action were rejected Therefore, CORP is seeking Board approval for authority to discontinue service over the Discontinuance Segment and to abandon the Abandonment Segment.

The rail lines operated by CORP were acquired from UP's predecessor, the Southern Pacific Transportation Company ("SP"), in 1994 At the time of the acquisition, CORP was owned by shortline operator RailTex, Inc. ("Railtex"). Railtex was acquired by RailAmerica in January 2000 Under the terms of a "Cooperative Marketing Agreement" entered into between CORP and SP in connection with the line sale transaction, CORP transported the vast majority of the traffic that moved over the Coos Bay Subdivision as a "handling carrier" for UP.[2] Under this arrangement, traffic moves under a UP waybill, and UP has sole authority to determine the rates for the traffic (including the portion of the movement over CORP's lines) CORP receives from UP a "Handling Carrier Charge" (currently [ ] per car) for each loaded car that it handles on UP's behalf. *See* Attachment 3, Eighth Amendment. The Handling Carrier Charge is adjusted annually by an amount equal to [ ] [ ] (the "annual Adjustment") In addition, CORP receives a fuel adjustment from UP on traffic moving for UP's account.

The Cooperative Marketing Agreement does not give CORP the unilateral right to increase rates, or to impose surcharges, on traffic that it handles in conjunction with UP Nor does that arrangement provide any mechanism for renegotiation of the fuel adjustment. Rather,

[2] A copy of the Cooperative Marketing Agreement is set forth in Attachment 3 to my Verified Statement

UP unilaterally modifies the fuel adjustment from time to time. Any increase in the Carrier Handling Charge (other than the Annual Adjustment) is likewise solely within the discretion of UP. Thus, CORP cannot take pricing actions to generate additional revenue from most of the traffic that moves on the Coos Bay Subdivision This limitation severely restricts CORP's ability to generate capital for upgrading or expansion of its rail infrastructure. Indeed, the Annual Adjustment that CORP receives under the terms of the Cooperative Marketing Agreement has not been sufficient to offset the increase in operating expenses for the Coos Bay Subdivision in recent years, much less to fund extraordinary capital improvements

The Coos Bay Subdivision was marginally profitable during the first several years of RailAmerica ownership. For example, the line generated positive operating income of approximately $[ ] in 2002 and $[ ] in 2003. However, in 2004, a major shipper on the line. Weyerhaeuser Corporation, ceased operations at its paper manufacturing facility at Cordes, OR The closure of that plant, which historically generated approximately 3,000 carloads of rail business annually, resulted in a precipitous decline in the volume of traffic moving over the Coos Bay Subdivision, from 7,574 carloads in 2003 to 5,408 carloads in 2004 The spike in fuel prices during 2005 and 2006, coupled with CORP's inability to offset the loss of Weyerhaeuser's business with additional traffic from other sources, exacerbated the problem Traffic on the line declined to 5,193 carloads in 2005, increased modestly to 5,363 carloads in 2006 and declined to 4,018 carloads in 2007 (through September 21, the date upon which the embargo went into effect). CORP is not aware of any potential source of new rail traffic for the Coos Bay Subdivision in the foreseeable future that would come close to offsetting the business lost as a result of Weyerhaeuser's decision to close the Cordes facility As witness Williams' testimony shows, the decline in traffic on the line has affected virtually all shippers

The viability of the Coos Bay Subdivision is further undercut by the deterioration of several timber-lined tunnels on the line. In October 2006, a joint inspection of the line by the Federal Railroad Administration ("FRA") and the Oregon Department of Transportation ("ODOT") revealed significant deterioration in Tunnel No. 15 (located near Milepost 721). CORP promptly engaged a contractor to perform repairs to the tunnel. However, while those repairs were being performed in November 2006, Tunnel No. 15 collapsed, resulting in the temporary closure of the tunnel and increasing the cost of repairs (initially estimated to cost $350,000 - $400,000) to approximately $1.7 million.

In March 2007, CORP engaged Shannon & Wilson, Inc., a geotechnical and environmental services firm, to evaluate the condition of all nine tunnels on the Coos Bay Subdivision. Shannon & Wilson inspected the tunnels during March and April 2007, and reported their findings to CORP's engineers on July 16, 2007. (A copy of the Shannon & Wilson report is set forth in Attachment 1.) Shannon & Wilson identified "severe liner and/or rock deterioration and instability" in Tunnel Nos. 13, 15 and 18. *See* Attachment 1 at 3. Shannon & Wilson recommended that certain short-term ("Level 1 and 2") repairs to Tunnel Nos. 13, 15 and 18 be performed within 6-12 months. *Id.* at 2, 6. Shannon & Wilson advised that "[i]n our opinion, the repairs recommended for tunnel sections that were classified as Repair Level 1 and 2 in our July 2007 report, are necessary to continue relatively safe train passage." *See*, Attachment 1 at 13, September 21, 2007 Supplement. The estimated cost of such immediate repairs is approximately $2.9 million. Shannon & Wilson also recommended that CORP perform more extensive repairs to the tunnels on the line (at an estimated additional cost of $3.8 million) within 12-48 months. The total cost of all tunnel work recommended by the

Shannon & Wilson report is approximately $6.7 million. *Id* at 11, Estimated Construction Cost Summary.

In October 2007, shortly after the line was embargoed, a team of FRA and Federal Highway Administration ("FHWA") engineers conducted an inspection of Tunnel Nos. 13, 15 and 18, and issued a written report of their findings (A copy of the FRA Report is set forth in Attachment 2.) The FRA inspectors "substantially validate[d] the findings documented in the Shannon and Wilson report." *See* Attachment 2 at 4. FRA concluded that "[t]hese tunnels are hazardous to train traffic and maintenance operations," and concurred with Shannon & Wilson's assessment of the repairs necessary to permit safe train operations through the tunnels. *Id*

Given the large losses incurred by CORP in operating the Coos Bay Subdivision, an immediate investment by CORP of at least $2.9 million to rehabilitate tunnels on the Coos Bay Subdivision cannot be economically justified.[1] Moreover, as my testimony submitted on May 12, 2008 in Finance Docket No. 35130, *Central Oregon & Pacific Railroad, Inc – Coos Bay Rail Line*, showed, the Coos Bay Subdivision will require an additional investment of approximately $20 million for tunnel repairs and track rehabilitation over the next several years in order to permit safe and efficient operations over the line in the future. While those additional expenditures are not included in the "avoidable costs" calculated under the Board's abandonment regulations, those costs will need to be incurred by CORP (or another operator) to preserve service on the line in the longer term. As the testimony of witness Baranowski shows, the avoidable loss from operations on the Coos Bay Subdivision – which does not include the cost of tunnel rehabilitation – is well in excess of $1 million per year. With operating losses of that

[1] Shannon & Wilson's estimate represents the minimum cost of short-term tunnel rehabilitation costs. If repair activity caused one or more tunnels to collapse, as occurred during the repairs to Tunnel No. 15 in 2006, the cost of performing repairs to the tunnels would, in all likelihood, be substantially higher.

magnitude, and no opportunity for CORP to increase its revenues by raising rates or attracting substantial new business to the line, there is no realistic prospect that CORP would be able to realize any return on such an investment.[4] Pouring millions of dollars into the Coos Bay Subdivision would also divert funds that could otherwise be available to address the capital needs of other portions of CORP's system.

Prior to making the decision to seek abandonment authority, CORP met with shippers, Oregon legislators, the Port of Coos Bay and ODOT to solicit their participation in a cooperative effort to address both the capital needs of the line and the ongoing losses from operations over the line. CORP's efforts to promote a public/private partnership solution to the problems facing the Coos Bay Subdivision are described in my prior testimony in *Finance Docket No. 35130*. As that testimony indicated, our efforts were not successful. Accordingly, upon assessing the reaction to our proposals, CORP reluctantly made a decision in late April 2008 to seek to abandon the line. CORP respectfully asks the Board to approve this Application, so that CORP can stem the losses that it is incurring in operating the line, and redirect its resources to the remaining portions of its rail system.

[4] UP has likewise taken the position that the line "has generated insufficient traffic to support reinvestment in the line." *See* Attachment 4, Letter dated April 29, 2008 from J. Michael Hemmer to Hon. Charles D. Nottingham, at 2.

**VERIFICATION**

I, Paul Lundberg, declare under penalty of perjury that the foregoing is true and correct

Further, I certify that I am qualified and authorized to file this verified statement.

Paul Lundberg

Executed on 10 July, 2008

# ATTACHMENT 1

SHANNON & WILSON, INC.
GEOTECHNICAL AND ENVIRONMENTAL CONSULTANTS

July 16, 2007

Mr Marc Bader, Chief Engineer
Rail America Operations West
One Harbor Center Drive, Suite 340
Suisun City, CA 94585

**RE: TUNNEL INVENTORY – COOS BAY SUBDIVISION, OREGON**

Dear Mr Bader

This report documents our observations and opinions regarding the condition of nine tunnels in the Coos Bay Subdivision, and our engineer's preliminary estimate of costs for construction of short- and long-term rehabilitation work Rail America does not seek any clearance improvement in the tunnels at this time, therefore, it was not considered in any of our recommended repairs and structural improvements in this report Maintenance or repairs of track structure or drainage conditions within the tunnels were also not included in our assessment, but poor track and drainage conditions were noted on our log forms General data on the condition of the existing tunnel conditions and supports, suggested methods for repairs and maintenance, and estimated rehabilitation costs are presented in Tables 1 through 10. Our engineer's estimate of tunnel rehabilitation costs is summarized separately in Table 11

The tunnel inventory was authorized by Mr. Marc Bader, Chief Engineer of Rail America Operations West, on March 12, 2007. Shannon & Wilson, Inc. conducted the mapping and assessment of the tunnels between March 26 and 30, 2007 Rail America provided flagging services and designated a railroad employee to escort and provide access via hy-rail to the Shannon & Wilson, Inc. field crew during the tunnel visits.

We visited and logged Tunnels 16 and 21 on March 26. On March 27, our project manager, Red Robinson, joined the crew and we logged Tunnels 14 and 20 and briefly visited Tunnel 13. We mapped Tunnel 13 on March 28, and we assessed Tunnels 17 and 19 on March 29. We

completed the mapping with Tunnel 18 on the March 30. Tunnel 15 had been previously logged during the rehabilitation of a severely deteriorated and partially caved portion of the tunnel in November 2006 We revisited Tunnel 15 on July 9, 2007, to observe ground conditions and timber rib conditions adjacent to a recently collapsed timber rib at around Station 3+30

During our logging process, we noted the nature and condition of the tunnel support system and the condition and stability of the rock, where visible. The condition of the tunnel supports and rock was prioritized according to the need for repair. In our opinion, portions of the tunnels that are in need of immediate repair within six months are classified as Repair Level 1 Repair Level 2 applies to portions of the tunnels that should be repaired within the next 12 months Repair Level 3 applies to portions of the tunnels that should be repaired in the next 12 to 30 months Repair Level 4 applies to portions of the tunnels that should be completed in the next 30 to 48 months Repair Level 5 applies to portions of the tunnels that are not in need of repairs within the next 48 months, based on the current conditions; however, changes in groundwater flows into the tunnel, drainage, and general time-related deterioration of the tunnel lining or rock could lead to future needs for repair The conditions of the tunnels should be reassessed every few years and during the various repair phases.

The only documentation available for review prior to our site visit and tunnel evaluation and the preparation of this report was in-house copies of the "Central Oregon Pacific Railroads Tunnel Inspection Report – Siskiyou and Coos Bay Branch," a report prepared by Shannon & Wilson, Inc dated March 1994. This report also included typical drawings of timber sets and gunite/ shotcrete lining.

## GENERAL CONDITION OF THE TUNNELS

Based on available documents, the original tunnel construction took place in the 1880s Excavation was by drill-and-blast, with local support provided by timber sets, wood lagging, and portal structures. Continuous timber sets as support, along with concrete portal structures, were

established between 1910 and the 1920s. Only the South portal of Tunnel 14 and the North portals of Tunnel 18 and Tunnel 19 are lined with shotcreted steel sets

Anticipated lifespan for cedar timber tunnel supports is normally on the order of 50 years Most of the timber supports in the Coos Bay tunnels have likely been in place for well over 50 years, possibly up to 95 years However, where the timber ribs and lagging have remained dry, they are still in fairly good shape and may provide adequate support to the rock. Where groundwater is seeping from the rock and through the lining, or where the bottoms of the sets are standing in poorly drained and/or muddy drainage ditches or on low concrete footing walls where debris has accumulated and holds the groundwater, the timber supports have undergone various levels of decay In some instances, decay is limited to only the lower 1 to 2 feet of the posts Elsewhere, the decay is more pervasive and has penetrated the entire lining for several ribs in a row

The significant effort required to maintain the timber lining led one of the previous owners of the Coos Bay branch, the Southern Pacific Railroad, to a program of replacing timber sets with steel sets covered with gunite in the 1970s and early 1980s Tunnels 14, 19, and 20, with relatively stable rock conditions, were supported with only a thin layer (1 to 4 inches) of gunite after the removal of the timber lining It appears that the timber lining in Tunnel 21 was removed more recently, possibly after a tunnel fire, and steel fiber-reinforced shotcrete was used to support the tunnel. At present, approximately 1,207 feet of timber lining remains in place in Tunnel 13, 1,073 feet in Tunnel 15, 417 feet in Tunnel 17, and 622 feet in Tunnel 18.

## SHORT-TERM OR IMMEDIATE (REPAIR LEVELS 1 AND 2) REHABILITATION REQUIREMENTS

Indications of severe liner and/or rock deterioration and instability requiring immediate repair (Repair Levels 1 and 2) were observed at several locations in the timber-lined sections of Tunnels 13, 15, and 18, where the timber sets are heavily decayed, crushed, and/or offset We also observed rockfall hazards at several locations in Tunnels 13 and 15, where timber sets were removed and replaced with steel sets, but the timber lagging was left in place and has now

deteriorated and rotted away. In addition, we identified rockfall hazards in two, short, unlined sections, also in Tunnel 13. Because of evident recent rockfalls, we strongly recommend immediate repairs in these areas as well.

Because of the potential for rockfalls and tunnel collapse during removal and replacement of the timber sets, as experienced in a short portion of Tunnel 15, we recommend that grouted rock bolts be installed through the timber liner, and then the timber ribs be removed one rib at a time and replaced with either shotcrete or steel ribs, as shown in the tables.

## LONG-TERM (REPAIR LEVELS 3 THROUGH 5) REHABILITATION REQUIREMENTS

The majority of the long-term rehabilitation requirements are related to the removal and the replacement of timber sets, wood foot blocks, and timber lagging, and re-lining with steel fiber-reinforced shotcrete and rock bolts (Tunnels 13, 15, 17, and 18). The timber support in these sections of tunnel is at various stages of deterioration, consequently, isolated timber ribs could loosen and fail at any time. This also includes sections in Tunnel 13 where timber lagging was left in place after timber sets were replaced with steel sets. Rehabilitation work is also required in unlined sections and in areas with exposed bedrock and spalling shotcrete, some of them associated with apparent rockfall activity. These conditions were observed to various extents in Tunnels 13, 14, 15, 19, 20, and 21.

Recommended repairs include the application of steel fiber-reinforced shotcrete. Additional support with rock bolts is required at some locations. Typically, we recommend protecting and supporting unlined sections immediately. We designated these areas for long-term rehabilitation requirements based on our visual observation of the bedrock conditions and the fact that they have apparently been stable over some period of time. However, there is always a risk of sudden rockfalls in unlined sections or areas with only thin shotcrete/gunite cover, and if a rockfall condition develops immediate support may be needed.

An isolated rockfall occurred in Tunnel 19 roughly between Stations 35+60 and 36+00 in May 2007 A site visit was conducted on June 4, 2007, to assess the conditions This section of the tunnel had experienced spalling in the past of thin shotcrete in the crown, and bedrock is exposed currently At this location, the installation of additional ground support (shotcrete and, potentially, some rockbolts) may be considered at an earlier time than indicated on the summary table, and could be included during more urgent repair works in the adjacent Tunnel 18 (see above)

In Tunnel 20, which is generally lined with thin, 1- to 4-inch-thick, gunite, a 20-foot-long and a 44-foot-long section are lined with shotcreted steel sets at 3- to 4-foot spacing. Exposed bedrock above the steel sets indicates past over-break and rockfall activity in these areas, which requires remedial support. Currently, the shotcreted steel sets function as a canopy and protect the track from falling rocks to some extent, but they do not support the actively raveling rock above

We did not include several tunnel sections lined with good-quality, sound timber in our rehabilitation program (657 feet in Tunnel 13, 745 feet in Tunnel 15, 373 feet in Tunnel 17, and 62 feet in Tunnel 18) The current conditions of timber sets, timber lagging, and wood foot blocks in these areas are generally fair to good, and we estimate a remaining average lifespan of approximately 5 to 10 years, or more At Tunnel 15, the timber-lined sections also include areas where shotcrete was applied between the existing timber sets in order to maintain bedrock stability during repair work that was conducted in adjacent areas. However, the timber will deteriorate over time and may cause problems in these sections in the future At locations where wood foot blocks are used to support timber sets, poor maintenance of drainage ditches can lead to rotting of the timber sets and shorten their lifespan significantly. Replacing the timber lining with rockbolts and steel fiber-reinforced shotcrete is recommended in the future in these sections in order to maintain the long-term stability of the tunnel.

We also observed several sections in Tunnel 13 where timber sets were replaced with steel sets followed by an application of shotcrete, which was applied over timber lagging that was left in

place Based on our observations, we expect void spaces of various dimensions (potentially up to 5 feet deep) behind the existing lining in these sections. Backfilling the voids with cement-based material in the future will increase the structural long-term stability of the lining and reduce the potential fire hazard of the remaining timber lagging behind the shotcrete

Had we included in our proposed rehabilitation work the removal and re-lining of all timber-lined sections and the backfilling of void spaces behind the existing shotcrete-over-steel-sets lining, and added the shotcrete quantity needed to increase the thickness of gunite-lined sections, the total construction costs would have increased on the order of roughly $12,000,000

## SUMMARY

Immediate tunnel stability problems are related to the progressively and intensely deteriorated and rotted condition of timber in timber-lined sections in Tunnels 13, 15, and 18 and unlined sections with associated rockfall hazard in Tunnel 13 We recommend relining and supporting these areas with steel fiber-reinforced shotcrete, rockbolts, and steel ribs, as indicated in the tables We estimate the total construction costs for the Repair Levels 1 and 2 to be in the order of $2,865,000

Long-term rehabilitation work—within the next 1 to 5 years—is required in almost all of the tunnels (except Tunnel 16) and, in general, includes the relining and supporting of tunnel sections with steel fiber-reinforced shotcrete, rockbolts, and/or steel ribs, as shown in the tables We estimate the total construction costs for the later repairs (Levels 3 to 5) to be around $3,815,000

We would be pleased to submit a detailed proposal for the engineering design work and the preparation of construction plans and specifications for your next phase of repair work on the Coos Bay Tunnels.

We appreciate the opportunity to work with you and look forward to answering any questions you have about the information in this report

Sincerely,

**SHANNON & WILSON, INC.**

Klaus G Winkler
Senior Engineering Geologist

Robert A Robinson, L E G , L G
Senior Vice President
Director of Underground Services

Roberto J Guardia, P E
Vice President

KGW·RJG:RAR/kgw

Enclosures
Table 1 – List of Tunnels – Coos Bay Subdivision
Table 2 – Tunnel 13 (4 pages)
Table 3 – Tunnel 14
Table 4 – Tunnel 15 (3 pages)
Table 5 – Tunnel 16
Table 6 – Tunnel 17 (2 pages)
Table 7 – Tunnel 18 (2 pages)
Table 8 – Tunnel 19 (2 pages)
Table 9 – Tunnel 20
Table 10 – Tunnel 21
Table 11 – Estimated Construction Cost Summary
Important Information About Your Engineering Report

SHANNON & WILSON, INC.
Geotechnical and Environmental Consultants

Attachment to and part of Report 21-1-20713 001

Date July 16, 2007
To Mr Marc Bader Chief Engineer
Rail America Operations West

# IMPORTANT INFORMATION ABOUT YOUR GEOTECHNICAL/ENVIRONMENTAL REPORT

## CONSULTING SERVICES ARE PERFORMED FOR SPECIFIC PURPOSES AND FOR SPECIFIC CLIENTS.

Consultants prepare reports to meet the specific needs of specific individuals A report prepared for a civil engineer may not be adequate for a construction contractor or even another civil engineer Unless indicated otherwise, your consultant prepared your report expressly for you and expressly for the purposes you indicated No one other than you should apply this report for its intended purpose without first conferring with the consultant No party should apply this report for any purpose other than that originally contemplated without first conferring with the consultant

## THE CONSULTANT'S REPORT IS BASED ON PROJECT-SPECIFIC FACTORS.

A geotechnical/environmental report is based on a subsurface exploration plan designed to consider a unique set of project-specific factors Depending on the project, these may include the general nature of the structure and property involved, its size and configuration its historical use and practice, the location of the structure on the site and its orientation, other improvements such as access roads, parking lots and underground utilities, and the additional risk created by scope-of-service limitations imposed by the client To help avoid costly problems ask the consultant to evaluate how any factors that change subsequent to the date of the report may affect the recommendations Unless your consultant indicates otherwise, your report should not be used (1) when the nature of the proposed project is changed (for example, if an office building will be erected instead of a parking garage, or if a refrigerated warehouse will be built instead of an unrefrigerated one, or chemicals are discovered on or near the site), (2) when the size, elevation, or configuration of the proposed project is altered, (3) when the location or orientation of the proposed project is modified, (4) when there is a change of ownership, or (5) for application to an adjacent site Consultants cannot accept responsibility for problems that may occur if they are not consulted after factors which were considered in the development of the report have changed

## SUBSURFACE CONDITIONS CAN CHANGE.

Subsurface conditions may be affected as a result of natural processes or human activity Because a geotechnical/environmental report is based on conditions that existed at the time of subsurface exploration, construction decisions should not be based on a report whose adequacy may have been affected by time. Ask the consultant to advise if additional tests are desirable before construction starts. for example, groundwater conditions commonly vary seasonally

Construction operations at or adjacent to the site and natural events such as floods, earthquakes, or groundwater fluctuations may also affect subsurface conditions and thus, the continuing adequacy of a geotechnical/environmental report The consultant should be kept apprised of any such events and should be consulted to determine if additional tests are necessary

## MOST RECOMMENDATIONS ARE PROFESSIONAL JUDGMENTS

Site exploration and testing identifies actual surface and subsurface conditions only at those points where samples are taken The data were extrapolated by your consultant, who then applied judgment to render an opinion about overall subsurface conditions The actual interface between materials may be far more gradual or abrupt than your report indicates Actual conditions in areas not sampled may differ from those predicted in your report While nothing can be done to prevent such situations, you and your consultant can work together to help reduce their impacts Retaining your consultant to observe subsurface construction operations can be particularly beneficial in this respect

## A REPORT'S CONCLUSIONS ARE PRELIMINARY

The conclusions contained in your consultant's report are preliminary because they must be based on the assumption that conditions revealed through selective exploratory sampling are indicative of actual conditions throughout a site Actual subsurface conditions can be discerned only during earthwork, therefore, you should retain your consultant to observe actual conditions and to provide conclusions Only the consultant who prepared the report is fully familiar with the background information needed to determine whether or not the report's recommendations based on those conclusions are valid and whether or not the contractor is abiding by applicable recommendations The consultant who developed your report cannot assume responsibility or liability for the adequacy of the report's recommendations if another party is retained to observe construction

## THE CONSULTANT'S REPORT IS SUBJECT TO MISINTERPRETATION.

Costly problems can occur when other design professionals develop their plans based on misinterpretation of a geotechnical/environmental report To help avoid these problems, the consultant should be retained to work with other project design professionals to explain relevant geotechnical geological, hydrogeological, and environmental findings, and to review the adequacy of their plans and specifications relative to these issues

## BORING LOGS AND/OR MONITORING WELL DATA SHOULD NOT BE SEPARATED FROM THE REPORT

Final boring logs developed by the consultant are based upon interpretation of field logs (assembled by site personnel), field test results, and laboratory and/or office evaluation of field samples and data Only final boring logs and data are customarily included in geotechnical/environmental reports These final logs should not under any circumstances be redrawn for inclusion in architectural or other design drawings because drafters may commit errors or omissions in the transfer process

To reduce the likelihood of boring log or monitoring well misinterpretation, contractors should be given ready access to the complete geotechnical engineering/environmental report prepared or authorized for their use If access is provided only to the report prepared for you, you should advise contractors of the report's limitations, assuming that a contractor was not one of the specific persons for whom the report was prepared, and that developing construction cost estimates was not one of the specific purposes for which it was prepared While a contractor may gain important knowledge from a report prepared for another party, the contractor should discuss the report with your consultant and perform the additional or alternative work believed necessary to obtain the data specifically appropriate for construction cost estimating purposes Some clients hold the mistaken impression that simply disclaiming responsibility for the accuracy of subsurface information always insulates them from attendant liability Providing the best available information to contractors helps prevent costly construction problems and the adversarial attitudes that aggravate them to a disproportionate scale

## READ RESPONSIBILITY CLAUSES CLOSELY

Because geotechnical/environmental engineering is based extensively on judgment and opinion, it is far less exact than other design disciplines This situation has resulted in wholly unwarranted claims being lodged against consultants To help prevent this problem, consultants have developed a number of clauses for use in their contracts, reports and other documents These responsibility clauses are not exculpatory clauses designed to transfer the consultant's liabilities to other parties, rather, they are definitive clauses that identify where the consultant's responsibilities begin and end Their use helps all parties involved recognize their individual responsibilities and take appropriate action Some of these definitive clauses are likely to appear in your report, and you are encouraged to read them closely Your consultant will be pleased to give full and frank answers to your questions.

The preceding paragraphs are based on information provided by the
ASFE/Association of Engineering Firms Practicing in the Geosciences, Silver Spring, Maryland

# LIST OF TUNNELS - Coos Bay Subdivision

| Tunnel No. | MP @ N. Portal | Length | Tunnel Liner | Condition | Comments | Curve |
|---|---|---|---|---|---|---|
| 13 | 669.47 | 2496 ft | Timber sets, shotcreted steel sets, steel sets with timber lagging, 100 ft unlined, 55 ft concrete portal barrels | Poor - Good | Rotting timber sets and lagging | tangent/ 8° |
| 14 | 681.09 | 471 ft | Shotcreted steel sets, shotcreted bedrock, 50 ft N portal concrete barrel | Good | Thin shotcrete, cracking and spalling | 8° |
| *15* | *720.73* | *2,143 ft* | *Shotcrete over steel and timber sets, timber sets and lagging, N. & S portal are 50 ft. long concrete barrels* | *Poor - Good* | *Rotting timber sets and lagging, several cave-ins, recent repair work* | *tangent* |
| 16 | 721,52 | 633 ft | Shotcrete over timber and steel sets, N & S portal are 50 ft long concrete barrels | Good | | 7° |
| 17 | 727.7 | 1,200 ft | Shotcrete over bedrock, timber sets, shotcreted steel sets, N & S portal concrete barrels | Poor - Good | Timber sets with rotting foot blocks, offsets, cracks in shotcrete | tangent/ 2° |
| 18 | 734.48 | 1,580 ft | Shotcrete over steel and timber sets, timber sets and lagging, N. & S portal are 50 ft long concrete barrels | Poor - Good | Timber sets with rotting foot blocks, offsets, cracks in shotcrete | tangent |
| 19 | 745.62 | 4,202 ft | Shotcrete over bedrock, shotcrete over steel sets, S. portal 50 ft concrete barrel | Fair - Good | Landslides over both portals, shotcrete thin and cracking, bedrock exposed | tangent/ 6° |
| 20 | 750.1 | 874 ft | Shotcrete over bedrock, shotcrete over steel sets, S portal 50 ft concrete barrel | Fair | Large areas of spalling shotcrete with exposed bedrock | 2° |
| 21 | 751 2 | 478 ft | Shotcrete over bedrock, N & S portal are 50 ft. long concrete barrels | Good | | 4° |

**Total Length 11,581 ft**

Attachment 1-Public Version
Page 10

rar/kgw
7/16/2007

Table 1

21-1-20713-001
Coos Bay Subdivision
List of Tunnels

# ESTIMATED CONSTRUCTION COST SUMMARY
## Tunnel Assessment - Coos Bay Subdivision, Oregon



| | | | Repair Level 1&2 (Incl.2-3) | | | | | | Repair Level 1 to 5 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tunnel # | Milepost @ N-Portal | Length (ft.) | Steel Sets (No.) | Rockbolts (LF) | Shotcrete (cy) | Remove Timber Sets (No.) | Concrete (cy) | Est. Total Construction Cost | Steel Sets (No.) | Rockbolts (LF) | Shotcrete (cy) | Remove Timber Sets (No.) | Concrete (cy) | Est. Total Construction Cost |
| Tunnel 13 | 669.47 | 2,496 | - | 2,070 | 429 | 38 | - | $821,745 | | 9126 | 1243 | 150 | - | $2,799,803 |
| Tunnel 14 | 691.09 | 471 | - | - | - | - | - | - | | - | 56 | - | - | $80,190 |
| Tunnel 15 | 720.73 | 2,143 | 6 | 2,600 | 84 | 72 | - | $568,485 | 6 | 6746 | 408 | 224 | - | $1,568,538 |
| Tunnel 16 | 721.62 | 833 | - | - | - | - | - | - | - | - | - | - | - | - |
| Tunnel 17 | 727.70 | 1,200 | - | - | - | - | - | - | - | - | - | - | - | - |
| Tunnel 18 | 734.48 | 1,580 | - | 6,075 | 462 | 125 | - | $1,470,555 | | 480 | 39 | 14 | - | $126,360 |
| Tunnel 19 | 745.82 | 4,202 | | | | | | | | 7035 | 536 | 148 | - | $1,712,745 |
| Tunnel 20 | 750.12 | 874 | - | - | - | - | - | - | | - | 191 | - | - | $232,085 |
| Tunnel 21 | 761.21 | 478 | - | - | - | - | - | - | 2 | - | 80 | - | 241 | $118,935 |
| | | | | | | | | | | | 34 | - | | $41,310 |
| | Totals | 14,077 | 6 | 10,745 | 975 | 235 | - | $2,860,785 | 8 | 23387 | 2578 | 536 | 241 | $6,679,746 |

SHANNON & WILSON, INC.
GEOTECHNICAL AND ENVIRONMENTAL CONSULTANTS

ALASKA
COLORADO
FLORIDA
MISSOURI
OREGON
WASHINGTON

September 21, 2007

Mr. Marc Bader, Chief Engineer
Rail America Operations West
One Harbor Center Drive, Suite 340
Suisun City, CA 94585

**RE: TUNNEL CONDITION ASSESSMENT FOR COOS BAY SUBDIVISION, OREGON**

Dear Mr. Bader:

As discussed in recent phone conversations, this letter is to provide you with our concerns regarding the current conditions and potential for rock falls, and timber rib failures in the nine tunnels on the Coos Bay Subdivision of the Central Oregon and Pacific Railroad.

As stated and described in detail in our tunnel inventory report dated July 2007, we identified and classified numerous sections in the tunnels, that are in various states of deterioration and, in our opinion, require immediate rehabilitation work (within six months) in order to reduce the currently high risk of rock falls and timber collapses to more acceptable levels. Some of the areas – particularly in Tunnel 15 and Tunnel 18, were identified and discussed with you as early as November 2006, when emergency repairs were initiated in Tunnel 15. We also identified numerous other areas in the tunnels that need repairs, but based on our field investigations did not appear to be in as great a risk of failure, and therefore were not classified as being in need of immediate repair, although we did consider that they should be repaired within the next year or so.

400 NORTH 34TH STREET · SUITE 100
PO BOX 300303
SEATTLE, WASHINGTON 98103
206-632-8020 FAX 206-695-6777
TDD. 1-800-833-6388
www shannonwilson com

Since November 2006, several rock falls and failed timber sets were observed in tunnels in the Coos Bay Subdivision:

- Several partially collapsed timber sets were observed in Tunnel 15 during emergency repairs from November 2006 to January 2007.
- Six timber posts in the west sidewall of Tunnel 18 shifted into the tunnel. The posts rested on deteriorated wooden foot blocks.
- Several rock falls occurred in Tunnel 19 between May and July 2007. Rock falls occurred in areas of spalled shotcrete and exposed bedrock.
- Failure of a timber set occurred in Tunnel 15 in June 2006. The timber set was highly deteriorated.

In our opinion, the repairs recommended for tunnel sections that were classified as Repair Level 1 and 2 in our July 2007 report, are necessary to continue relatively safe train passage. Recent rock fall events in Tunnel 19 require immediate attention as well. The risk of future rock falls and failing timber sets is high under the current condition of the tunnels. However, the increased seepage rate in some areas of the tunnels that normally accompanies the rainy season will contribute to an increased risk of instability and also makes the application of remedial shotcrete in these seepage areas impossible and hazardous. Consequently, it may not be safe for much of the repair work to be undertaken until the drier months of next spring and summer.

We appreciate the opportunity to work with you and look forward to answering any questions you have about the information in this report.

Sincerely,

SHANNON & WILSON, INC.

Robert A. Robinson
Senior Vice President
Director of Underground Services

# ATTACHMENT 2

*2007 Railroad Inspection Report*

**Evaluation of Tunnel Conditions Central Oregon and Pacific Railroad, Coos Bay Subdivision**

On Wednesday, October 9, 2007, a reconnaissance was conducted by a team of Federal Railroad Administration (FRA) and Federal Highway Administration engineers to observe conditions in Tunnels 13, 15, and 18 on the Coos Bay Subdivision of the Central Oregon and Pacific Railroad (CORP). Tunnels 13, 15, and 18 had been removed from service by CORP, and the Coos Bay Subdivision, south of Tunnel 13, is currently embargoed for all traffic.

The reconnaissance was conducted by walking through each tunnel from portal to portal, with illumination provided by flood lights mounted in the bed of a highway-rail truck and powered by a portable generator. Conditions observed in the tunnels were compared to the condition descriptors and general condition ratings contained in the report prepared by Shannon and Wilson between March 30 and July 9, 2007, and furnished to FRA by CORP.

The team evaluation substantially validates the findings documented in the Shannon and Wilson report. It should be noted that some conditions have deteriorated even further during the time since the report was prepared, partly due to the passage of time, and partly because of the onset of the wet season in Oregon in the early fall of 2007.

These tunnels were generally built in the 1880's, and rebuilt to their present configuration around 1914, using drill and blast methods common in that era Tunnel lining construction includes unlined "bald" rock, timber sets with timber lagging, steel sets with timber lagging, shotcrete over timber or steel sets, and finally, cast-in-place concrete at both portals of Tunnels 13 and 15, and the south portal of Tunnel 18. Timber sets are constructed of 10" wide by 14" deep solid sawn cedar timbers. These sets are spaced on 48" nominal centers in Tunnels 13 and 18, and on 18" nominal centers in Tunnel 15. Voids between the timber liner and the surrounding rock were filled with cordwood packing.

The predominant problems observed were decay of the untreated cedar timbers, lagging, and footing blocks, especially in the wetter areas of the tunnels. This deterioration has resulted in differential settlement of the timber sets leading to shifting and occasional loss of the horizontal struts between adjacent sets. In addition, the lower 3-4 feet of many of the timber set posts sounds hollow or decayed when struck with a hammer, especially in locations where the footing blocks are clearly decayed or crushing. In a few of the wetter areas, severe decay of the caps and rafter timbers has destroyed the structural integrity of the lining sets. Decay, and subsequent loss of the cordwood packing, has produced a void above or behind the lagging, thereby providing weathering or blocking rock room to free-fall, striking the lagging. In areas where the timber sets and lagging have been covered with a nonstructural shotcrete veneer, evaluation of the existing condition is not possible, although it is suspected that trapped moisture is probably exacerbating the decay of surrounding timber components. In the unlined sections, there is evidence that minor, periodic rock-falls have occurred.

**General Tunnel Observations**

The tunnel bores all appear to have been blasted using the methods of the day, which was to angle drill from the front face and blast. It is doubtful that any type of technique was used to control blast pressures and limit overbreak. Even with modern controlled blasting techniques, drilling and shooting tunnel bores results in some undesirable over- break. The overbreak on the three tunnels has resulted in an oversized bore with irregular pockets and voids. Overbreak from blasting has fractured some of the in-place rock. Thus, the fractured rock has to be supported, or it will continually ravel and fall out. Several areas in these tunnels had cordwood or stone packing as an effort to support the tunnel ceilings and walls. The overbroken voids are particularly difficult to support using these methods.

All of the tunnels utilized some arch segmental timber sets and lagging for support. The timber set internal dimensions are approximately 20 feet to the spring line and approximately 10 feet to the crown. Many of the timber set posts are 10 x 14-inch settings on wood blocks The blocks appear to be cut from the post material and then laid on their side. The original timber set configuration had no structural capability for carrying lateral earth pressure loads from the tunnel walls. The lagging appears to be rough-cut 2 x 10-inch lumber, but it was not measured during the reconnaissance so these dimensions may not be accurate. All tunnels have intermittent water seepage areas. Detailed observations and conclusions for each of the three tunnels are as follows:

**Tunnel 13; Milepost (MP) 669.47 to MP 669.94; length 2,489 feet; near Mapleton, Oregon.**

The portal had a concrete lining that was dated 1914 and extended approximately 65 feet back. In several locations, there are signs of overblasting and large voids in between the timber lagging. Cordwood packing is visible in between the timber lagging and the tunnel rock wall and ceiling face. There are intermittent water seepage areas in this tunnel. Differential weathering was noted in the tunnel walls. There are areas that have rock debris lying on top of the timber sets. In several locations, rock debris can fall through, or past, rotten timber. The timber set support blocks have rotted in several locations, allowing the timber sets to settle and pull away from the ceiling. In turn, the unsupported ceiling sections have released sandstone rock fragments ranging from gravel- to bolder-size (2 to 14 inches in diameter) Sagging timber sets have also kicked out from the tunnel walls, allowing sandstone rock fragments from gravel- to bolder-size to fall out of the excavated walls and place a thrust load on the timber set and lagging

The tunnel had station markings on the walls from Station 0+00 to 3+00. Shotcrete had been placed, apparently as a past repair. The shotcrete condition looked good. At Station 6+00, a vertical set post is cracked from the footing up (at least 3 feet). This appeared to be an overstress condition. There is a void behind the timber set. From Station 14+00 to 16+00, approximately, the timber sets in the ceiling are bowed downward, apparently from overstress. The timber set ceiling support is discontinuous, and there is evidence

that rock blocks have dropped out of the ceiling. At Station 23+40, timber sets have rotted and fallen down. There is rock debris perched on top of the timber sets, and it is a rock-fall hazard. The Shannon and Wilson report rate this area as a Repair Level 2, but subsequent deterioration would most likely cause it to be downgraded to Repair Level 1. This tunnel has several locations that need immediate lining support repairs. There is a high risk of tunnel support failure and rock-fall hazard to train and maintenance traffic.

**Tunnel 15; length 2,148 feet; near Florence, Oregon.**

The north portal had a concrete lining that was dated 1914 and extended approximately 40 feet back. In general, the sandstone rock was softer than that of Tunnel 13 The tunnel has more seepage water, also. The rock in this area may have been slightly weakened by water saturation. This tunnel has extensive wood rot and questionable tunnel-wall and ceiling support. Several repairs have been performed, including installation of a concrete footing for timber set support. There are signs of overblasting star bursts in the tunnel walls and voids between the timber lagging and the rock face There is potential for fractured rock to fall from these voids. At Station 14+40, the timber sets are very rotten and have sagged. There is approximately ¾ of a yard of rock debris perched on the rotten wood. This material will fall down from the ceiling in the very near future. There is a high concern that rotten timber sets and lagging could fall into tunnel. There is a high risk of tunnel support failure and some risk of rock-fall hazard to train and maintenance traffic.

**Tunnel 18; MP 734.48 to MP 734.77; length 1,532 feet; near Florence, Oregon, off of Five Mile Creek Road.**

The north portal had a concrete lining that was dated 1914 and extended approximately 5 feet back Some past shotcreting and steel sets have been installed in this tunnel. In some areas, the timber sets are closely spaced, indicating that during the original design and construction weak sandstone rock was recognized. The rock in this tunnel is the weakest of the three. The joints appear to be tighter, but the rock exhibits more of a soil character and may tend to slough. There are locations where the lagging has fallen out and the rock face is exposed. At Station 10+80, there is a section of the timber sets where they have apparently rotted at their bases and then slid off their footings. The timber sets have then kicked out approximately 2 feet from their original position.

The weak sandstone needs good ceiling and sidewall support, as the tunnel bore faces have weathered over the years and may be exerting more vertical and lateral pressures than where originally anticipated. At the same time, the strength of the timber sets has diminished over the years. The fact that a section of the timber sets has kicked out supports these concerns. More timber sets could kick out, which is a definite hazard to train and maintenance traffic.

**Summary and Conclusions**

The arch segmental timber sets and lagging in these tunnels have reached the end of their useful life and can no longer provide adequate support. As a result, several locations within each of the three tunnels have unsafe conditions that require repair. It is anticipated that more unsafe conditions will develop in the near future as the tunnel support continues to rot. The existing unsafe conditions include ceiling and wall rock-

fall, rock debris fall, timber set and lagging instability, and vertical timber set kick out These tunnels are hazardous to train traffic and maintenance operations. Any future inspection or maintenance should be done with great care, with an understanding of the potential hazards. The original timber set design has severe limitations in its ability to resist lateral earth and rock loads. In addition, the timber sets are susceptible to fire.

The team evaluation substantially validates the findings documented in the Shannon and Wilson report. It should be noted that some conditions have deteriorated even further during the time since the report was prepared, partly due to the passage of time, and partly because of the onset of the wet season in Oregon in the early fall of 2007 In summary, FRA concurs with the recommendations made in the Shannon and Wilson report, that all three tunnels need immediate repairs to permit the safe resumption of railroad operations The reconnaissance was not intended to review all of the repair recommendations that were made in the Shannon and Wilson report. All tunnel dimensions provided in this memorandum are approximate and should not be used for design or cost estimating.

Signed. Gordon A. Davids, P.E.

Chief Engineer–Structures
Office of Safety Assurance and Compliance
Federal Railroad Administration

# ATTACHMENT 3

**REDACTED**

# ATTACHMENT 4

J. Michael Hemmer
Senior Vice President - Law & General Counsel

RECEIVED
SURFACE TRANSPORTATION
BOARD
2008 APR 30 P 2:41
OFFICE OF CHAIRMAN
NOTTINGHAM

April 29, 2008

222574

*By UPS Next Day Air*

The Honorable Charles D Nottingham, Chairman
The Honorable Francis P Mulvey, Vice Chairman
The Honorable W Douglas Buttrey, Commissioner
Surface Transportation Board
395 E Street, SW
Washington, DC 20423

Re STB Ex Parte No 677 – Common Carrier Obligation of Railroads

Dear Chairman Nottingham, Vice Chairman Mulvey, and Commissioner Buttrey

During your hearing in Ex Parte No 677 on April 25, 2008, a representative from RailAmerica provided inaccurate information about UP's economic relationship with the Central Oregon & Pacific Railroad RailAmerica stated that UP's compensation to CORP consists of $400 per car, plus 50 percent of RCAF-U adjustments up to a maximum of 3 percent annually That information is not correct

UP's compensation to CORP is currently about $600 per car, not $400 per car. As fuel prices have escalated, Union Pacific has voluntarily agreed to pass along additional fuel support to CORP In addition, Union Pacific provides CORP a 3 percent supplement for reporting car movements through Railinc, which improves interline operations and information for customers

Union Pacific has also given CORP approximately $1 million since 2004 to help it repair tunnels on the Siskiyou line and maintain a key bridge on the Coos Bay line

CORP also complained that its contract with Union Pacific limits the amount it can charge its shippers In fact, CORP has unilaterally imposed surcharges on its shippers and is proposing additional surcharges without objection from Union Pacific

Finally, while this does not represent compensation to CORP, during the Coos Bay line service interruption, Union Pacific has provided significant financial support to CORP customers who lack rail service, so that those customers can use transload services on Union Pacific

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UNION PACIFIC RAILROAD 1400 Douglas Street STOP 1580 Omaha, NE 68179 ph (402) 544-6677 fx (402) 501-0129 mhemmer@up.com

From our external perspective, the basic problem facing the Coos Bay line is that, since several major customers closed large shipping facilities on the line in the 1990s, the Coos Bay line has generated insufficient traffic to support reinvestment in the line. Accordingly, as I testified on April 24, 2008, private entities are unlikely to recover any return on investment in the line, unless traffic volumes increase substantially

Respectfully,

J Michael Hemmer

cc: All Participants *(by U S first-class mail)*

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | ) | Docket No AB-515 (Sub-No 2) |

**VERIFIED STATEMENT OF MICHAEL R. BARANOWSKI**

## I. INTRODUCTION AND OVERVIEW

My name is Michael R Baranowski. I am a Senior Managing Director of FTI Consulting. My business address is 1101 K Street, NW, Washington, DC 20005 As Senior Managing Director, I provide a wide range of economic and consulting services, primarily to clients in the transportation and telecommunications industries.

I have submitted written expert testimony before the Interstate Commerce Commission and its successor, the Surface Transportation Board, the Federal Communications Commission, Federal Courts, arbitration proceedings and a number of state agencies A complete listing of my prior testimony is included in my curriculum vitae, included as Attachment 1 to this Verified Statement

The purpose of this Verified Statement is to present Exhibit 1 to the Application filed by Central Oregon & Pacific Railroad, Inc ("CORP") seeking authority to abandon (and discontinue service on) a portion of its Coos Bay Subdivision Specifically, I have been asked by CORP to prepare a summary of the relevant revenue and cost data for the lines that are the subject of the Application, and to submit those data as Exhibit 1 in accordance with the Board's current abandonment regulations. In preparing portions of Exhibit 1, I have relied in part on information provided directly by CORP, as well as the testimony of witnesses Rex (Net

Liquidation Value of CORP right of way) and Bader (Net Liquidation Value of track assets on the line)

## II. BASE YEAR REVENUE AND COST DATA

By this Application, CORP seeks authority to abandon its line between Milepost 669.0 near Vaughn, OR and Milepost 763.13 near Cordes, OR, a distance of 94.13 miles in Coos, Douglas and Lane Counties, OR (the "Abandonment Segment"). CORP also seeks authority to discontinue service over those segments of the Coos Bay Subdivision that are leased by it, including (1) the Coquille Branch between Milepost 763.13 near Cordes, OR and Milepost 785.5 near Coquille, OR, a distance of 22.37 miles, which is leased from Union Pacific Railroad Company ("UP"), and (2) the LPN Branch between CORP Milepost 738.8 and LPN Branch Milepost 2.0, a distance of two miles, which is leased from Longview, Portland & Northern Railway Company ("LPN") (the "Discontinuance Segment"). CORP's Coos Bay Subdivision also includes the line between Vaughn and Eugene, OR. CORP does not propose to abandon that segment. For convenience, the Abandonment Segment and the Discontinuance Segment are referred to collectively in this Verified Statement as the "Subject Line."

Exhibit 1 provides revenue, cost and subsidy data for the Subject Line for the "Base Year" from September 1, 2006 through August 31, 2007, (the last full 12-month period during which CORP conducted rail operations over the Subject Line) and the "Forecast Year" from July 1, 2008 through June 30, 2009. Exhibit 1 is prepared in accordance with the Board's regulations at 49 C.F.R. §§ 1152.31-1152.34. As described in more detail below, data presented in Exhibit 1 is based to the extent practicable on CORP's internal accounting records. Because CORP is a Class II railroad, it does not in the normal course of business maintain its revenue and expense data on a line-specific basis at the same level of detail as a Class I railroad. It was therefore necessary to develop reasonable approaches for allocating certain CORP systemwide

revenues and costs to the Subject Line In the following sections of my testimony, I explain the detailed inputs and assumptions underlying the financial results set forth in Exhibit 1.

### A. Revenues

Traffic and revenues attributable to the Subject Line were developed from CORP internal accounting records and represent the total CORP revenue for all traffic originating and/or terminating at stations along the Abandonment Segment and/or the Discontinuance Segment Table 1 below summarizes the Base-Year carloads and revenues by traffic type – local, interline forwarded and interline received.

**Table 1**
**Summary of Subject Line Base-Year Traffic**

| Type | Carloads | Revenue |
|---|---|---|
| Local | | |
| Interline Forwarded | | |
| Interline Received | | |
| **Total** | | |

In addition to freight revenue derived from traffic moving on the Subject Line, CORP also generates non-freight revenue associated with car hire, demurrage, real estate and other miscellaneous activities From its internal accounting system, CORP provided the non-freight revenues attributable to the entire Coos Bay Subdivision. For the Base Year, those non-freight revenues attributable to the Coos Bay Subdivision totaled [ ]

### B. Avoidable On-Branch Costs

Costs attributable to the Subject Line were derived from financial data provided by CORP Specifically, through its internal accounting systems, CORP was able to provide expenditure information for the entire Coos Bay Subdivision between Coquille and Eugene, OR A summary of the Base-Year costs, along with a description of the standard service unit(s) used

by CORP to determine expenditures related to the Subject Line are included as Table 2. The accounts referenced in Table 2 are internal CORP accounts

**Table 2**
**Summary of Subject Line Direct Expenses**

| Account | Account Description | Base-Year Amount | Allocation Service Unit |
|---|---|---|---|
| 410 | G&A | | Carloads |
| 530 | Clerical | | Carloads |
| 540 | Transportation | | |
| | Labor & Benefits | | Crew Hours |
| | Fuel | | Running Hours |
| | Other | | Carloads |
| 550 | Mechanical | | Locomotives |
| 610 | Car Repair | | Carloads |
| 620 | Fleet | | |
| | Car Lease | | Carloads |
| | Car Hire | | Carloads |
| | Locomotive Lease | | Horsepower Days |
| | Other | | Carloads |
| 710 | MOW | | Mile Days |
| F000 | Other | | Accounting Records |
| Total | | | |

As set forth in Table 2, assignable expenses attributable to the entire Coos Bay Subdivision, extending from Coquille to Eugene, total approximately $[ ] in the Base Year In the remainder of this section, I explain how I assigned each of these accounts to the appropriate Exhibit 1 line item, and how I determined the portion of each expenditure attributable to the Subject Line.

**1. Line 5(a) – Maintenance of Way**

The Coos Bay Subdivision's Base-Year operating expenses for maintenance of way are captured in CORP Account 710, and total $[ ] MOW costs include labor and benefits, equipment rental, purchased services, casualties & incident expenses and maintenance materials and supplies CORP does not in the normal course of business account for maintenance of way expenditures by location and is thus unable to specify precisely where along the Coos Bay

Subdivision these expenditures were incurred Because maintenance of way expenditures correlate generally with the number of miles being maintained and because the vast majority of the traffic moving over the Coos Bay Subdivision traverses most of its length, I allocated maintenance of way expenses to the Subject Line based on the percentage of the route miles of the Coos Bay Subdivision that are part of the Subject Line Overall, the Subject Line covers 118 5 miles of the total of 139 1 route miles on the entire Coos Bay Subdivision,[1] or approximately 85.19 percent of the miles of the Coos Bay Subdivision for which CORP provided direct expense information for the Base Year. Applying the 85 19 percent figure to the total Base Year maintenance of way expenses results in a maintenance of way cost allocation to the Subject Line of $[ ]

**2. Line 5(b) – Maintenance of Equipment**

Maintenance of equipment costs for the Coos Bay Subdivision are recorded in CORP Account 550 – Mechanical and Account 610 – Car Repair, and total $[ ] These costs include labor and benefits, equipment rental, purchased services and car and locomotive maintenance materials and supplies. Equipment maintenance expenses are generally driven by the wear and tear caused by the movement of the equipment over the railroad line and are best allocated using service units that include a distance traveled component such as car miles or locomotive unit miles. CORP does not record locomotive unit miles in the normal course of business Therefore, in order to estimate the portion of Coos Bay Subdivision's equipment maintenance costs attributable to the Subject Line, I used the ratio of loaded freight car miles over the Subject Line to total loaded car miles over the entire Coos Bay Subdivision As set

[1] The CORP expense allocation for the Coos Bay Subdivision covers the route beginning at milepost 648 4 in Eugene, OR and extending to milepost 785.5 in Coquille, OR, for a total of 137.1 route miles, plus a two mile branch line beginning at milepost 738.8 at Gardiner Junction, producing 139.1 total route miles.

forth in Attachment 2, for the Base Year the Coos Bay Subdivision incurred a total of [ ] loaded car miles. Of these, [ ] car miles, or [ ] percent, occurred over the Subject Line. Applying that percentage to the Coos Bay Subdivision's total equipment maintenance costs of $[ ] produces maintenance of equipment costs attributable to the Subject Line of $[ ]

### 3. Line 5(c) - Transportation Costs

Transportation costs are based on actual Base Year operation levels as reflected in CORP Accounts 540, and total $[ ] for the entire Coos Bay Subdivision. Transportation costs include crew wages and benefits, equipment rental, purchased services, locomotive fuel and oil, train supplies and locomotive servicing. As with equipment maintenance expenses, transportation expenses are influenced by the amount of effort involved to perform each service, which includes an accounting of the relative distance traveled. Therefore, to allocate transportation related expenditures to the Subject Line, I again used the ratio of loaded freight car miles over the Subject Line to total loaded car miles over the entire Coos Bay Subdivision. Applying the same 83.74 percent proportion of loaded car miles attributable to the Subject Line to the total Coos Bay Subdivision transportation expenses results in an allocation of $[ ] to the Subject Line.

### 4. Line 5(d) – General Administrative

General Administrative costs are based on actual Base Year car loadings allocation as reflected in CORP Accounts 410 – General and Administrative, Account 530 – Clerical and Account F000 – Other, which includes depreciation and property taxes. General Administrative costs do not typically vary with distance traveled but do correlate generally with route mileages, particularly for depreciation and property taxes, and with carloads for clerical, marketing and other administrative staff. Carloads cannot be used as a service unit to identify the portion of these expenses attributable to the Subject Line because all of the Base Year carloads traversed

both the Subject Line and the portion of the Coos Bay Subdivision that is not the subject of the proposed abandonment. Instead I allocated these costs, which total $[ ] for the entire Coos Bay Subdivision, to the Subject Line on the basis of route miles. Applying the 85.19 percent ratio of Subject Line route miles to total Coos Bay Subdivision route miles, the portion of the Coos Bay Subdivision's $[ ] in General and Administrative costs allocated to the Subject Line is $[ ].

**5. Line 5(g) – Rolling Stock – Non-ROI**

Rolling stock costs are based on actual Base Year operations as reflected in CORP Account 620 - Fleet. These costs consistent primarily of locomotive and car leases and car hire expenses, and total $[ ] for the entire Coos Bay Subdivision. Similar to maintenance of equipment expenses, rolling stock costs are influenced by the distance traveled, so I have again determined loaded car miles to be the appropriate service unit for allocating these costs to the Subject Line. Applying the 83.74 percent Subject Line proportion of loaded car miles to the total rolling stock expenses for the Coos Bay Subdivision results in an allocation of $[ ] to the Subject Line.

**6. Summary of Avoidable On-Branch Costs**

Table 3 below summarizes my allocation of on-branch costs to the Subject Line in accordance with the methodology described above.

**Table 3**
**Summary of Avoidable Costs Attributable to the Subject Line**

| Exhibit 1 Line No. | Description | Subject Line Allocation Method | Amount |
|---|---|---|---|
| 5 ( a ) | Maintenance of Way | Route Miles | |
| 5 ( b ) | Maintenance of Equipment | Loaded Car Miles | |
| 5 ( c ) | Transportation | Loaded Car Miles | |
| 5 ( d ) | General & Administrative | Route Miles | |
| 5 ( g ) | Freight Car Cost - Non ROI | Loaded Car Miles | |
| Total | | | |

### C. Avoidable Off-Branch Costs (Operations)

In addition to a determination of the avoidable costs attributable directly to the Subject Line ("On-Branch Costs"), the Board's abandonment regulations require an estimate of the avoidable costs of handling the traffic that moved over the Subject Line on other portions of the CORP system beyond the Subject Line ("Off-Branch Costs"). Line 6 of Exhibit 1 presents my calculation of avoidable Off-Branch Costs. The avoidable Off-Branch Costs were developed using the Board's 2006 Uniform Rail Cost System (URCS). Specifically, URCS unit costs for the Western Region were applied to the relevant operating statistics for the portion of each Subject Line movement that also moved over a portion of the remaining CORP system. The vast majority of the Base Year traffic, approximately 93 percent, entered or departed the CORP system at Eugene, OR. The remaining 7 percent, or a total of 313 cars in the Base Year, traversed the entirety of the CORP's line south to Black Butte, CA.

I made two adjustments to the URCS standard costing procedures. First, because CORP provided me with the actual movement miles, I set the URCS circuity factor to one for my calculations. Second, for URCS costing purposes, I categorized these movements as either interline forwarded or interline received with the Coos Bay Subdivision as the most applicable URCS category for the costing exercise.[2] Under these circumstances URCS assigns an interchange cost. In this case, however, no actual interchange takes place. In order to avoid an overstatement of the Off-Branch costs, I removed the cost of the interchange with the Coos Bay Subdivision applied by URCS. Also, because URCS computes loss and damage on a per car basis and not based on relative distance traveled, there is no straightforward way to identify the

[2] URCS traffic class input options are local (one origination and one termination), interline forwarded (one origination and one interchange) or interline received (one interchange and one termination) or bridge or overhead (two interchanges).

portion of loss and damage assignable to the Off-Branch portion of the movement. I therefore eliminated this relatively minor cost item from my calculation of Off-Branch costs

Based upon this methodology, total URCS-based Off-Branch Costs for movement of Subject Line traffic over other portions of the CORP system are $[ ]. Details of my URCS calculations are set forth in Attachment 3.

**D. Rehabilitation Costs**

As explained in the Verified Statement of Paul Lundberg, after incurring substantial capital expense to repair Tunnel No. 15 in 2006, CORP engaged the geotechnical and environmental services firm of Shannon & Wilson, Inc. to evaluate the condition of all nine tunnels on the Coos Bay Subdivision. During an inspection of the tunnels, Shannon & Wilson identified "severe liner and/or rock deterioration and instability" in Tunnel Nos. 13, 15 and 18. *See* V.S. Lundberg, Attachment 1. Shannon & Wilson estimated that it would cost a minimum of $2,861,000 in short-term expenditures (within 6-12 months) to return the tunnels to a condition that would allow for relatively safe train passage. Shannon & Wilson also recommended that CORP perform more extensive repairs to the tunnels on the Subject Line (at an estimated additional cost of $3.8 million) within 12-48 months. The total cost of all tunnel work recommended by the Shannon & Wilson report is approximately $6.7 million. I have conservatively included only Shannon & Wilson's short-term tunnel repair cost estimate of $2,861,000 as my rehabilitation cost estimate for the Subject Line.

**E. Working Capital**

In accordance with the Board's regulations, I have calculated the allowable working capital for the Subject Line based on 15 days of On-Branch avoidable costs less depreciation. The amount of working capital for the Base Year is $[ ]

**F. Net Liquidation Value**

The Net Liquidation Value of the Abandonment Segment has been developed separately for land assets and for track, track materials and facilities located on the Abandonment Segment of the Subject Line. Witness Rex developed the Net Liquidation Value of land based on the current appraised corridor property value for other than transportation purposes based upon their highest and best use, and complying with applicable zoning, land use and environmental regulations, less the cost of disposition. Mr. Rex estimates the net liquidation value for land at $[ ]

The Net Liquidation Value for track, track materials and facilities is based predominately on the relay and scrap values of rail, ties and other track material inventories along the Abandonment Segment, less appropriate cost for removal and transportation of such materials to market. As witness Bader explains, two reputable independent salvage companies – L.B. Foster and UNITRAC -- were asked to provide bids for the salvageable assets along the Abandonment Segment. L.B. Foster estimated the gross liquidation value of the Abandonment Segment track assets at $[ ]. *See* V.S. Bader, Attachment 2. L.B. Foster estimated total liquidation costs at $[ ]. *See id.* The resulting NLV, as estimated by L.B. Foster, is $[ ]. *Id.* Unitrac estimated that the extended value of the Abandonment Segment's track and materials was $[ ], its estimated liquidation costs were $1,794,574, and its estimate of net liquidation value was $[ ]. For the net liquidation value of the Abandonment Segment, Mr. Bader took the simple average of the estimates developed by L.B. Foster and UNITRAC, or $[ ], which I have adopted.

### G. Nominal and Real Rate of Return

The nominal and real rates of return in my analysis are derived directly from the Board's most recent decision in Ex Parte No. 558 (Sub No. 10), served April 15, 2008.[3] In that decision the Board found the 2006 after-tax nominal cost of capital for the railroad industry to be 9 94 percent, details of which are set forth in the following table

**Table 4**
**Railroad Industry 2006 After-Tax Nominal Cost of Capital**

| Type of Capital | Cost | Weight | Weighted Average |
|---|---|---|---|
| Long-Term Debt | 5 97% | 23 05% | 1 38% |
| Common Equity | 11.13% | 76 95% | 8 56% |
| Composite Cost of Capital | | 100.00% | 9 94% |

To estimate the real cost of capital, I deducted from the nominal cost of capital an estimate of the inflation implicit in the Board's figures as measured by the U S. Department of Commerce, Bureau of Economic Analysis, Gross Domestic Product Implicit Price Deflator for the 2006 to 2007 time period, of 2 7 percent This produced an after-tax real cost of capital of 7 05 percent. I then converted both the after-tax nominal and after-tax real cost of capital estimates to a pre-tax basis by applying the procedures used by the Board in determining the pre-tax cost of capital for use in URCS. Specifically, I tax adjusted the cost of equity component of the nominal and real costs of capital by dividing those costs by one minus the Federal statutory tax rate of 35 percent and then recalculated to weighted average cost of capital. The pre-tax nominal cost of capital used in my analysis is 14 60 percent, while the pre-tax real cost of capital is 10.50 percent Details of these calculations are set forth in my work papers

[3] The Board has not yet released its determination of the railroad industry cost of capital for 2007. However, preliminary computations of the 2007 railroad industry cost of capital performed by the Association of American Railroads suggest that the 2007 industry after-tax nominal cost of capital will be in the vicinity of 11 3 percent, which is considerable higher than the 2006 cost of capital of 9.94 percent. Nevertheless, I have conservatively used the Board's 2006 railroad industry cost of capital as a surrogate for the 2007 cost of capital in my analysis

## III. FORECAST YEAR ANALYSIS

In addition to developing financial data for the Base Year, the Board's abandonment regulations require financial calculations for a "Forecast Year." The Board's regulations contemplate that the Forecast Year should be the twelve-month period starting with the month in which an abandonment application is filed.[1] Accordingly, for my analysis I have assumed that the Forecast Year would run from July 1, 2008 through June 30, 2009.

### A. Revenues

This case presents a unique circumstance, in that no traffic has moved over the Subject Line since the line was embargoed (due to safety issues affecting several tunnels) on September 21, 2007. Given the pendency of this abandonment Application, and the extensive tunnel repair and rehabilitation work that would be required to permit safe operations over the Subject Line, it is not likely that any rail traffic will move over the line during the Forecast Year. Even assuming that necessary tunnel repairs were performed and rail service were restored at some point during the Forecast Year, it is difficult to predict how many shippers (and how many carloads of rail traffic) might return to the Subject Line.

In the absence of more definitive information regarding the volume of traffic that would be moving over the Subject Line if the embargo were not in effect, I considered the historical traffic levels over the Subject Line in recent years subsequent to the closing of the Weyerhaeuser facility at Cordes, OR in 2004. According to CORP, a total of 5,193 carloads moved over the Subject Line in 2005, 5,363 moved in 2006 and 4,018 moved in 2007. Because 2006 represents the highest volume year, I have (conservatively) used the 5,363 carloads that moved in that year as my Forecast Year traffic volume. Given the ongoing decline in traffic described by witness Williams, it is more likely that, if the Subject Line were in operation today, traffic volumes

[1] 49 C.F.R. §§ 1152.2(h).

would be closer to the 4,773 carloads that moved during the most recent twelve-month period during which the Subject Line was active

In order to estimate revenues for the Forecast Year, I computed the average revenue per car for the 5,363 cars that moved in 2006 These cars generated $[ ] in Handling Carrier Charges (exclusive of fuel surcharge) for CORP in 2006, or an average of $[ ] per car. To estimate Forecast Year revenues, I indexed the Handling Carrier Charge to year-end 2008 levels using [ ], as prescribed by CORP's agreement with UP To this adjusted Handling Carrier Charge, I added a fuel adjustment in the amount of [ ] percent of the Handling Carrier Charge, again consistent with the fuel surcharge arrangement between CORP and UP that became effective April 1, 2008. I also calculated non-freight revenues using the same relative percentage to freight revenues as for the Base Year. Based upon this methodology, total revenues attributable to the Subject Line for the Forecast Year total $[ ].

**B. On-Branch Costs**

To develop On-Branch Costs for the Forecast Year, I calculated the average On-Branch cost per carload by major on-branch cost category for the Base Year, indexed that amount to the Forecast Year levels using the Board's Rail Cost Adjustment Factor Adjusted for Railroad Productivity (RCAF-A) and multiplied the average On-Branch cost by the number of cars (5,363) assumed to move during the Forecast Year. Calculated in this manner, On-Branch costs attributable to the Subject Line for the Forecast Year total $[ ]

**C. Off-Branch Costs**

To develop Off-Branch Costs for the Forecast Year, I calculated the average Off-Branch cost per carload by major off-branch cost category for the Base Year, indexed that amount to the Forecast Year levels using the Board's Rail Cost Adjustment Factor Adjusted for Railroad

Productivity (RCAF-A) and multiplied the average off-branch cost by the number of cars (5,363) assumed to move during the Forecast Year Off-Branch costs attributable to the Subject Line for the Forecast Year total $[ ]

Based upon these calculations, the avoidable loss for the Forecast Year is $[ ] The substantial increase in the avoidable loss from the Base Year to the Forecast Year is attributable in large part to [ ] [ ]. Based upon the RCAF-A, operating expenses would increase by [ ] percent between the Base Year and the Forecast Year However, CORP's freight revenues would increase by only [ ] percent during the same period. As a result, the avoidable loss for the Forecast Year grew substantially notwithstanding my assumption that traffic volume would increase from 4,773 cars in the Base Year to 5,363 cars in the Forecast Year

## IV. OPPORTUNITY COST

Using the units described in Section II above, I calculated the annual opportunity cost of operating the Subject Line for the Forecast Year. *See* Attachment 4. Details of my calculations are included in my work papers

## VERIFICATION

I, Michael R. Baranowski, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Michael R. Baranowski

Executed on July 13, 2008

# Michael R. Baranowski

Senior Managing Director - Economic Consulting

mike.baranowski@fticonsulting.com

1101 K Street, NW
Suite B100
Washington, DC 20005
Tel (202) 312-9100
Fax (202) 312-9101


**Education**
B S In Accounting, Fairfield University

Supplemental Finance Studies, Kean College

**Mike Baranowski** provides financial and economic consulting services to the telecommunications and transportation industries. He has special expertise in analyzing and developing complex computer costing models, operations analysis, and transportation engineering Much of his work involves providing oral and written expert testimony before courts and regulatory bodies

Some of Mr. Baranowski's representative accomplishments include:

- Overseeing the development of computer cost modeling tools designed to simulate the cost of competive entry into local telecommunications markets and directing the efforts of a nationwide team of testifying experts presenting the cost model results in multiple proceedings across the country.
- Directing the analysis, critique and restatement of a variety of complex cost models developed by major telecommunications companies designed to simulate the forward-looking cost of competitive entry into local telecommunications markets
- Designing multiple PC-based spreadsheet models for use in calculating the stand-alone cost of competitive entry into the railroad and pipeline markets. These models have been used to assist clients in all three network industries in making internal pricing decisions that are in compliance with governing regulatory standards.
- Conducting detailed analyses of railroad operations and developing the associated capital requirements and operating expenses attributable to specific movements and the incremental capital and operating expense requirements attributable to major changes in anticipated traffic levels.
- Calculating marginal and incremental costs for a major petroleum products pipeline company, an approach that is now used regularly by the company in making internal day-to-day pricing decisions.

Mr Baranowski holds a B S in Accounting from Fairfield University in Fairfield, Connecticut and has pursued supplemental finance studies at Kean College in Union, New Jersey

**TELECOMMUNICATIONS TESTIMONY**

*Federal Communications Commission*

| | |
|---|---|
| February 1998 | File No. E-98-05. AT&T Corp. v Bell Atlantic Corp Affidavit of Michael R Baranowski |
| March 13, 1998 | File No. E-98-05. AT&T Corp. v. Bell Atlantic Corp. Supplemental Affidavit of Michael R. Baranowski |
| June 10, 1999 | CC Docket No 96-98 Implementation of the Local Competition Provisions of the Telecommunications Act of 1996 Reply Affidavit of Michael R. Baranowski, John C. Klick and Brian F. Pitkin. |

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| July 25, 2001 | CC Docket No. 00-251, 00-218 In the Matter of Petition of AT&T Communications of Virginia, Inc. and WorldCom, Inc , Pursuant to Section 252(e)(5) of the Communications Act, for Preemption of the Jurisdiction of the Virginia State Corporation Commission Regarding Interconnection Disputes with Verizon-Virginia, Inc Panel |
| June 13, 2005 | WC Docket No 05-25;RM-10593. In the Matter of Special Access Rates for Price Cap Local Exchange Carriers, AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services, Joint Declaration on Behalf of SBC Communications, Inc |
| July 29, 2005 | WC Docket No. 05-25,RM-10593 In the Matter of Special Access Rates for Price Cap Local Exchange Carriers; AT&T Corp. Petition for Rulemaking to Reform Regulation of Incumbent Local Exchange Carrier Rates for Interstate Special Access Services, Joint Reply Declaration on Behalf of SBC Communications, Inc. |
| *Public Service Commission of Delaware* | |
| February 4, 1997 | PSC Docket No 96-324 In the Matter of Bell Atlantic - Delaware Statement *of Terms and Conditions Under Section 252(F) of the Telecommunications* Act of 1996 Testimony of Michael R. Baranowski |
| *Public Service Commission of the District of Columbia* | |
| March 24, 1997 | Formal Case No. 962. In the Matter of the Implementation of the District of Columbia Telecommunications Competition Act of 1996. Testimony of Michael R Baranowski |
| May 2, 1997 | Formal Case No. 962 In the Matter of the Implementation of the District of Columbia Telecommunications Competition Act of 1996. Rebuttal Testimony of Michael R. Baranowski. |
| *Public Service Commission of the State of Maryland* | |
| March 7, 1997 | Docket No. 8731, Phase II. In the Matter of the Petitions for Approval of Agreements and Arbitration of Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996 Direct Testimony of Michael R. Baranowski. |
| April 4, 1997 | Docket No. 8731, Phase II. In the Matter of the Petitions for Approval of Agreements and Arbitration of Unresolved Issues Arising Under Section 252 of the Telecommunications Act of 1996. Rebuttal Testimony of Michael R Baranowski. |
| May 25, 2001 | Case No 8879 In the Matter of the Investigation into Rates for Unbundled Network Elements Pursuant to the Telecommunications Act of 1996. Panel Testimony on Recurring Cost Issues |

*Public Service Commission of the State of Michigan*

January 20, 2004 — Case No. U-13531. In the Matter, on the Commission's Own Motion to Review the Costs of Telecommunication Service Provided By SBC Michigan. Initial Testimony of Michael R. Baranowski and Julie A Murphy.

May 10, 2004 — Case No. U-13531 In the Matter, on the Commission's Own Motion to Review the Costs of Telecommunication Service Provided By SBC Michigan. Final Reply Testimony of Michael R Baranowski and Julie A. Murphy.

*New Jersey Board of Public Utilities*

December 20, 1996 — Docket No. TX 95120631 Notice of Investigation Local Exchange Competition for Telecommunications Services. Rebuttal Testimony of John C. Klick and Michael R. Baranowski.

*North Carolina Utilities Commission*

March 9, 1998 — Docket No P-100, Sub 133d. In the Matter of Establishment of Universal Support Mechanisms Pursuant to Section 254 of the Telecommunications Act of 1996. Rebuttal Testimony of Michael R. Baranowski

*Pennsylvania Public Utility Commission*

January 13, 1997 — Docket Nos A-310203F0002 et al. MFS-III. Application of MFS Intelenet of Pennsylvania, Inc et. Al. (Phase III). Rebuttal Testimony of Michael R Baranowski

February 21, 1997 — Docket Nos. A-310203F0002 et al MFS-III Application of MFS Intelenet of Pennsylvania, Inc. et. Al. (Phase III). Surrebuttal Testimony of Michael R. Baranowski.

April 22, 1999 — Docket Nos. P-00991648, P-00991649. Petition of Senators and CLECs for Adoption of Partial Settlement and Joint Petition for Global Resolution of Telecommunications Proceedings. Direct Testimony of Michael R. Baranowski.

January 11, 2002 — Docket No. R-00016683. Generic Investigation of Verizon Pennsylvania, Inc 's Unbundled Network Element Rates. Panel Testimony on Recurring Cost Issues

*State Corporation Commission Commonwealth of Virginia*

April 7, 1997 — Case No. PUC970005 Ex Parte to Determine Prices Bell Atlantic - Virginia, Inc. Is Authorized To Charge Competing Local Exchange Carriers In Accordance With The Telecommunications Act of 1996 And Applicable State Law. Affidavit of Michael R. Baranowski.

April 23, 1997 — Case No. PUC970005. Ex Parte to Determine Prices Bell Atlantic - Virginia, Inc. Is Authorized To Charge Competing Local Exchange Carriers In Accordance With The Telecommunications Act of 1996 And Applicable State Law Direct Testimony of Michael R. Baranowski.

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| June 10, 1997 | Case No. PUC970005 Ex Parte to Determine Prices Bell Atlantic - Virginia, Inc Is Authorized To Charge Competing Local Exchange Carriers In Accordance With The Telecommunications Act of 1996 And Applicable State Law. Rebuttal Testimony of Michael R Baranowski. |

*Washington State Utilities and Transportation Commission*

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| December 22, 2003 | Docket No UT-033044. In the Matter of the Petition of Qwest Corporation To Initiate a Mass-Market Switching and Dedicated Transport Case Pursuant to the Triennial Review Order. Direct Testimony of Michael R. Baranowski. |
| February 2, 2004 | Docket No. UT-033044. In the Matter of the Petition of Qwest Corporation To Initiate a Mass-Market Switching and Dedicated Transport Case Pursuant to the Triennial Review Order. Response Testimony of Michael R. Baranowski |

*Public Service Commission of West Virginia*

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| February 13, 1997 | Case Nos 96-1516-T-PC, 96-1561-T-PC, 96-1009-T-PC, 96-1533-T-T. Petition to establish a proceeding to review the Statement of Generally Available Terms and Conditions offered by Bell Atlantic in accordance with Sections 251, 252, and 271 of the Telecommunications Act of 1996 Testimony of Michael R. Baranowski. |
| February 27, 1997 | Case Nos 96-1516-T-PC, 96-1561-T-PC, 96-1009-T-PC, 96-1533-T-T. Petition to establish a proceeding to review the Statement of Generally Available Terms and Conditions offered by Bell Atlantic in accordance with Sections 251, 252, and 271 of the Telecommunications Act of 1996. Rebuttal Testimony of Michael R. Baranowski. |
| June 3, 2002 | Case No 01-1696-T-PC, Verizon West Virginia, Inc Petition For Declaratory Ruling That Pricing of Certain Additional Unbundled Network Elements (UNEs) Complies With Total Element Long-Run Incremental Cost (TELRIC) Principles. Direct Testimony of Michael R. Baranowski |
| July 1, 2002 | Case No. 01-1696-T-PC, Verizon West Virginia, Inc. Petition For Declaratory Ruling That Pricing of Certain Additional Unbundled Network Elements (UNEs) Complies With Total Element Long-Run Incremental Cost (TELRIC) Principles. Supplemental Direct Testimony of Michael R. Baranowski |

**RAILROAD TESTIMONY**

*Interstate Commerce Commission*

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| March 9, 1995 | Finance Docket No. 32467 National Railroad Passenger Corporation and Consolidated Rail Corporation -- Application Under Section 402(a) of the Rail Passenger Service Act for an Order Fixing Just Compensation. |
| October 30, 1995 | Docket No. 41185. Arizona Public Service Company and Pacificorp v The Atchison, Topeka and Santa Fe Railway Company. |

*Surface Transportation Board*

| | |
|---|---|
| July 11, 1997 | Docket No 41989 Potomac Electric Power Company v. CSX Transportation, Inc Reply Statement and Evidence of Defendant CSX Transportation, Inc |
| August 14, 2000 | Docket No 42051. Wisconsin Power and Light Company v Union Pacific Railroad Company, Reply Verified Statement of Christopher D. Kent and Michael R. Baranowski |
| September 20, 2002 | STB Docket No. 42070 Duke Energy Corporation v. CSX Transportation, Inc., Reply Evidence and Argument of CSX Transportation, Inc |
| September 30, 2002 | STB Docket No. 42069. Duke Energy Corporation v Norfolk Southern Railway Company, Reply Evidence and Argument of Norfolk Southern Railway Company. |
| October 11, 2002 | STB Docket No 42072. Carolina Power & Light v Norfolk Southern Railway Company, Reply Evidence and Argument of Norfolk Southern Railway Company. |
| November 12, 2002 | Docket No. 42070 Duke Energy Corporation v CSX Transportation, Rebuttal Evidence and Argument of CSX Transportation |
| November 19, 2002 | Docket No 42069 Duke Energy Corporation v Norfolk Southern Railway Company, Rebuttal Evidence and Argument of Norfolk Southern Railway Company |
| November 27, 2002 | Docket No 42072 Carolina Power & Light Company v Norfolk Southern Railway Company, Rebuttal Evidence and Argument of Norfolk Southern Railway Company |
| January 10, 2003 | STB Docket No 41185. Arizona Public Service Co And Pacificorp v The Atchison, Topeka and Santa Fe Railway Company, Petition of the Burlington Northern and Santa Fe Railway Company to Reopen and Vacate Rate Prescription. |
| February 19, 2003 | STB Docket No. 42077, Arizona Public Service Co And Pacificorp v The Burlington Northern and Santa Fe Railway Company, and STB Docket No 41185, Arizona Public Service Co And Pacificorp v The Burlington Northern and Santa Fe Railway Company, Reply of the Burlington Northern Santa Fe Railway Company in Opposition to Petition for Consolidation. |
| April 4, 2003 | Docket No. 42057 Public Service Company of Colorado D/B/A Xcel Energy v. The Burlington Northern and Santa Fe Railway Company, Reply Evidence and Argument of The Burlington Northern and Santa Fe Railway Company |
| October 8, 2003 | Docket No 42071 Otter Tail Power Company v The Burlington Northern and Santa Fe Railway Company, Reply Evidence of The Burlington Northern and Santa Fe Railway Company |
| October 24, 2003 | Docket No 42069 Duke Energy Corporation v Norfolk Southern Railway Company, Supplemental Evidence of Norfolk Southern Railway Company |

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| October 31, 2003 | Docket No. 42069 Duke Energy Corporation v. Norfolk Southern Railway Company, Reply of Norfolk Southern Railway Company to Duke Energy Company's Supplemental Evidence |
| November 24, 2003 | Docket No. 42072 Carolina Power & Light Company v. Norfolk Southern Railway Company, Supplemental Evidence of Norfolk Southern Railway Company |
| December 2, 2003 | Docket No. 42072 Carolina Power & Light Company v Norfolk Southern Railway Company, Reply of Norfolk Southern Railway Company to Carolina Power & Light Company's Supplemental Evidence |
| December 12, 2003 | Docket No 42069 Reply of Norfolk Southern Railway Company to Duke Energy Corporation's Petition to Correct Technical Error and Affidavit of Michael R Baranowski |
| January 5, 2004 | Docket No 42070 Duke Energy Corporation v. CSX Transportation, Inc., Supplemental Evidence of CSX Transportation, Inc. |
| January 26, 2004 | Docket No. 42058 Arizona Electric Power Cooperative, Inc. v. The Burlington Northern and Santa Fe Railway Company and Union Pacific Railroad Company, Joint Supplemental Reply Evidence and Argument of The Burlington Northern and Santa Fe Railway Company and Union Pacific Railroad Company |
| March 22, 2004 | Docket No. 42071 Otter Tail Power Company v The Burlington Northern and Santa Fe Railway Company, Supplemental Reply Evidence of The Burlington Northern and Santa Fe Railway Company |
| April 9, 2004 | Docket No 41185 Arizona Public Service Company and Pacificorp v. The Burlington Northern and Santa Fe Railway Company, The Burlington Northern and Santa Fe Railway Company's Reply Evidence on Reopening |
| May 24, 2004 | Docket No 41191 (Sub-No 1) AEP Texas North Company v The Burlington Northern and Santa Fe Railway Company, Reply Evidence of The Burlington Northern and Santa Fe Railway Company |
| June 23, 2004 | Docket No. 42057 Public Service Company of Colorado d/b/a Xcel Energy v The Burlington Northern and Santa Fe Railway Company, Petition to Correct Technical and Computational Errors |
| March 1, 2005 | Docket No 42071 Otter Tail Power Company v BNSF Railway Company, Supplemental Evidence of BNSF Railway Company |
| April 4, 2005 | Docket No. 42071 Otter Tail Power Company v BNSF Railway Company, Reply of BNSF Railway Company to Supplemental Evidence |
| July 20, 2005 | Docket No. 42088 Western Fuels Association, Inc and Basin Electric Power Cooperative, Inc. v. BNSF Railway Company, Reply Evidence of BNSF Railway Company |

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| May 1, 2006 | Docket No. Ex Parte 657 (Sub-No. 1) Major Issues In Rail Rate Cases, Verified Statement Supporting Comments of BNSF Railway Company |
| May 31, 2006 | Ex Parte 657 (Sub-No 1) Major Issues in Rail Rate Cases, Verified Statement Supporting Reply Comments of BNSF Railway Company |
| June 15, 2006 | Docket No. 42088 Western Fuels Association, Inc. and Basin Electric Power Cooperative, Inc v BNSF Railway Company, Reply Supplemental Evidence of BNSF Railway Company |
| June 15, 2006 | Docket No. 41191 (Sub 1) AEP Texas North Company v. BNSF Railway Company, Reply Supplemental Evidence of BNSF Railway Company |
| June 30, 2006 | Docket No. Ex Parte 657 (Sub-No 1) Major Issues in Rail Rate Cases; Verified Statement Supporting Rebuttal Comments of BNSF Railway Company |
| February 4, 2008 | Docket No 42099 E.I DuPont De Nemours and Company v. CSX Transportation, Inc , Opening Evidence of CSX Transportation, Inc |
| February 4, 2008 | Docket No 42100 E.I DuPont De Nemours and Company v CSX Transportation, Inc., Opening Evidence of CSX Transportation, Inc |
| February 4, 2008 | Docket No. 42101 E.I DuPont De Nemours and Company v. CSX Transportation, Inc., Opening Evidence of CSX Transportation, Inc. |
| May 1, 2008 | Docket No Ex Parte 679 Petition of the AAR to Institute a Rulemaking Proceeding to Adopt a Replacement Cost Methodology to Determine Railroad Revenue Adequacy, Verified Statement of Michael R Baranowski |
| *US District Court for Northern District of Oklahoma* | |
| January 2, 2007 | Case No. 06-CV-33 TCK-SAJ, Grand River Dam Authority v BNSF Railway Company; Report of Michael R. Baranowski |
| February 2, 2007 | Case No 06-CV-33 TCK-SAJ, Grand River Dam Authority v BNSF Railway Company; Reply Report of Michael R. Baranowski |
| *Circuit Court of Pulaski County, Arkansas* | |
| August 17, 2007 | Case No CV 2006-2711, Union Pacific Railroad v. Entergy Arkansas, Inc. and Entergy Services, Inc , Expert Witness Report of Michael R Baranowski |
| December 14, 2007 | Case No CV 2006-2711, Union Pacific Railroad v. Entergy Arkansas, Inc. and Entergy Services, Inc , Reply Expert Witness Report of Michael R Baranowski |
| *U.S. District Court for the Eastern District of Wisconsin* | |
| February 14, 2008 | Case No 06-C-0515, Wisconsin Electric Power Company v. Union Pacific Railroad Company, Expert Reply Report of Michael R Baranowski |
| *Arbitrations and Mediations* | |
| March 7, 2005 | Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc , Expert Report on behalf of BNSF Railway Company |

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| March 28, 2005 | Arbitration Case #181 Y 00490 04 BNSF Railway Company and J B. Hunt Transport, Inc , Rebuttal Expert Report on behalf of BNSF Railway Company |
| April 12, 2005 | Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc., Supplemental Expert Report on behalf of BNSF Railway Company |
| April 19, 2005 | Arbitration Case #181 Y 00490 04 BNSF Railway Company and J.B. Hunt Transport, Inc , Supplemental Rebuttal Expert Report on behalf of BNSF Railway Company |
| April/May 2005 | Arbitration Case #181 Y 00490 04 BNSF Railway Company and J B Hunt Transport, Inc., Hearings before Arbitration Panel |
| February 20, 2007 | In the Matter of the Arbitration between the Detroit Edison Company, et al, and BNSF Railway Company, Expert Report of Michael R Baranowski |
| March 19, 2007 | In the Matter of the Arbitration between the Detroit Edison Company, et al, and BNSF Railway Company, Supplemental Expert Report of Michael R Baranowski |

# ATTACHMENT 2

# REDACTED

# ATTACHMENT 3

# REDACTED

# ATTACHMENT 4

# REDACTED

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc. Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | ) ) ) ) ) | Docket No AB-515 (Sub-No 2) |

**VERIFIED STATEMENT OF CHARLES W. REX III**

My name is Charles W. "Sandy" Rex III. I am co-owner of RMI Midwest ("RMI"), a firm specializing in real estate appraisal. My business address is 1200 Central Avenue, Suite 330, Wilmette, Illinois 60091. My qualifications include more than thirty-six years of experience in real estate appraising, specializing in the valuation and analysis of railroad corridors and other rail properties I received a Bachelor of Arts in Economics from Virginia Military Institute in 1972, and am a Member of the Appraisal Institute Over the last 15 years, I have conducted approximately 100 significant rail property valuation projects and appraisals for transportation companies. *See* Attachment 2 (qualifications and experience)

I am a licensed real estate appraiser in several states and have been qualified as an expert witness in several state and federal courts in Florida and Illinois. *See* Charles W. Rex III Qualifications (Attachment 2) I obtained a temporary State Certified General Appraiser license from the State of Oregon (No. TNR1662) for the purpose of appraising the portion of the Coos Bay Subdivision that Applicant Central Oregon & Pacific Railroad seeks authority to abandon (hereinafter the Abandonment Segment). *See* Attachment 3.

I previously testified before the Board concerning my appraisal and valuation of the land on a rail corridor that CSXT proposed to abandon *See* V S Charles W Rex, STB Dkt. No AB-55 (Sub-No. 643), *CSX Transportation, Inc – Abandonment Exemption – In LaPorte, Porter and Stark Counties, IN* (March 31, 2004). In that proceeding, an affected town made an offer of

financial assistance ("OFA") The town challenged the valuation evidence and challenged the appraisal methodology and valuation I submitted on behalf of CSXT The Board considered the competing evidence and arguments submitted by the town that submitted the OFA and by CSXT, and adopted the evidence and valuation I developed and supported on behalf of CSXT. *See* STB Dkt. No AB-55 (Sub-No. 643), *CSX Transportation, Inc – Abandonment Exemption In LaPorte, Porter and Stark Counties, IN*, Decision at 5-6 (April 30, 2004).

The purpose of this Verified Statement is to summarize my appraisal of the net liquidation value ("NLV") of the real estate corridor underlying that portion of the of the Central Oregon & Pacific Railroad, Inc. ("CORP")'s "Coos Bay Subdivision" that is the subject of the abandonment portion of this abandonment and discontinuation application (hereinafter, that line of railroad will be referred to as the "Abandonment Segment") [1] The NLV report itself is attached to this statement *See* Report, Net Liquidation Value of The Coos Bay Line in Lane, Douglas, and Coos Counties, Oregon (July 11, 2008) (copy at Attachment 1) I understand that this appraisal is to be used as a component of the calculation of the overall Net Liquidation Value ("NLV") of the Abandonment Segment, for purposes of CORP's application for authority to abandon that line of railroad The subject Segment extends 94 13 miles between the stations of Vaughn, OR (Mile Post 669) and Cordes, OR (Mile Post 763 13) The NLV appraisal of the land comprising the Abandonment Segment right of way corridor was prepared by me and by others under my supervision.

As described and explained in detail in the attached Report, I conducted a complete appraisal of the Abandonment Segment land, and developed an estimate of the Net Liquidation

[1] In this verified statement, I use the term "Abandonment Segment" to refer only to the line of railroad for which CORP seeks abandonment authority, which runs between Milepost 669 and Milepost 763.13.

Value of that land, based on the appraisal and the estimated costs of selling those parcels, all using standard, well-accepted methodologies and in accordance with applicable professional standards and practices. *See* Attachment 1 (Report). I used the Across The Fence ("ATF") methodology to estimate the value of all land parcels that CORP owns in fee simple. This (ATF) is the same valuation methodology the Board accepted and used in the CSXT abandonment proceeding I discussed above. *See* STB Dkt. No. AB-55 (Sub-No. 643X), *CSX Transportation – Abandonment* Decision at 4-5.

I then estimated the time and cost of disassembling and selling those parcels, including the holding cost, cost of sales, and yield rate an investor would require in order to undertake the sale of the parcels. Finally, based upon the appraised value of the parcels and the estimate cost of selling those parcels, I developed an estimate of the NLV of the property. Based on my appraisal and analysis, I estimate the NLV of the subject property (the Abandonment Segment right of way and surrounding land) to be [ ]. *See* Attachment 1.

**VERIFICATION**

I, Charles W. (Sandy) Rex III, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement

Charles W. (Sandy) Rex III

Executed on July 9, 2008

# ATTACHMENT 1

# REDACTED

# ATTACHMENT 2

**CHARLES W. (SANDY) REX III, MAI**
**QUALIFICATIONS**


BUSINESS ADDRESS

RMI Midwest
1200 Central Avenue, Suite 330
Wilmette, Illinois 60091
Telephone: 847-920-9033
Cell: 847-507-7212
Fax. 847-920-9450
e-mail cwrexiii@rmimidwest com


PROFESSIONAL ORGANIZATIONS

Member of the Appraisal Institute,
MAI designation, Certificate No 6853

EXPERIENCE

Partner & co-owner of RMI Midwest, 1992-present

Education consultant, Appraisal Institute, 1992-1993

President of Rex-McGill, Inc., 1987-1992

President of Pinel, Rex & Carpenter, Inc , 1986 to 1987

Appraiser with "Rex-McGill," beginning in 1971

Specializing in the valuation and analysis of corridors and other railroad properties, as well as conservation easements

Primary assignments also include the valuation of large land tracts (including development land, agricultural properties, timberlands, multi-use developments, and environmentally sensitive lands) and partial interests

Valuing partnership interests, conservation easements, lease fee interests, leasehold interests, air rights, transferable development rights, joint ventures, as well as fee simple rights.

Clients include government agencies (federal and state), corporations, pension funds, investment bankers, financial institutions, insurance companies, nonprofit conservancy groups, attorneys, and individuals

Qualified as an expert witness in the Federal District Courts in Florida and Illinois, US Court of Claims, US Bankruptcy Court, Florida and Illinois Circuit Courts

Approved appraiser for the Florida Department of Environmental Protection

LICENSES & CERTIFICATION

Alabama Certified General Real Property Appraiser G00610
May 29, 2002 – September 30, 2009

Florida Certified General Appraiser, 0000143
April 15, 2005 – November 30, 2008

Georgia Certified General Real Property Appraiser, 285622
2005- May 31, 2009

Illinois State Certified General Real Estate Appraiser, 553-000785
September 30, 1991 – September 30, 2009

Indiana Certified General Appraiser, CG40300403
September 27, 2003- June 30, 2008

Massachusetts Certified General Real Estate Appraiser, 5601-257042
October 6, 2000 – May 22, 2010

Michigan Certified Appraiser, 1201007606
July 20, 1999 –July 31, 2008

New Jersey Certified General Appraiser, 42RG00194200
July 30, 2002 – December 31, 2009

New York Certified Real Estate General Appraiser, 46000039279
May 22, 2000 – May 21, 2008

Virginia Certified General Real Estate Appraiser, 4001 013685

EDUCATION

Virginia Military Institute, Bachelor of Arts in Economics, 1972

Completed and passed all courses for the MAI designation under the direction of the former American Institute of Real Estate Appraisers (now the Appraisal Institute)

Certified under the Appraisal Institute's voluntary program of continuing education for its designated members. MAIs who meet the minimum standards of this program are awarded periodic educational certification

PROFESSIONAL TEACHING

Approved Appraisal Institute instructor for the following *Valuation of Conservation Easements* course; Case Studies in Highest and Best Use, *Partial Interest Valuation — Divided*, *Partial Interest Valuation — Undivided* seminars

Appraiser continuing education instructor for the Ohio Association of REALTORS (1995) and for the Wisconsin Association of REALTORS® (2000). Market Analysis and Highest and Best Use, Transitional Properties

Instructor for Reporting the Results of Forestland Appraisals course, Duke University School of the Environment, 1993; co-instructor for Valuation of Timberlands seminar, Duke University School of the Environment, 1987, panel member at the Fourth Timberland Marketplace Conference, Duke University, 1985

EDUCATIONAL PROGRAM DEVELOPMENT

Course co-developer of the Appraisal Institute's Conservation Easement Certificate Program

Developer of Appraisal Institute seminars: *Partial Interest Valuation — Divided*, *Partial Interest Valuation — Undivided* (1999), *Highest and Best Applications* (1995), *Subdivision Analysis*, revision (1993)

Developer of the Appraisal Institute's Report Writing and Valuation Analysis course (1986) and of AIREA's Real Estate Appraisal Applications state-certification module (1989)

Co-developer of the Appraisal Institute's *Timberland Valuation* seminar (1988)

Presentations

Conservation easement valuation at the Land Trust Alliance, Madison, Wisconsin, conference, October 2005

"Corridors and Rights-of-Way Valuation & Policy," sponsored by The Centre for Advanced Property Economics and International Right of Way Association, 2002, "Linear Rights of Way Federal Agency Rent

Schedules Reforged," sponsored by the Appraisal Institute for the US Bureau of Land Management and US Forest Service, 2001.

Southwest Florida Land Trust's conservation easement seminar, 1997, Coastal Georgia Land Trust, Inc 's conservation easement seminar, 1994; Red Hills Conservation Association's Conservation Easements and Estate Planning program, 1993.

PROFESSIONAL SERVICE

Member, *Appraisal Journal* Review Panel, 2006 - present

Member, Region III Nominating Committee, Appraisal Institute, 2001.

Chair, Education Committee; Chicago Chapter of the Appraisal Institute, 1997-2000.

Member, General Appraiser Board Education Committee and Body of Knowledge Committee; Appraisal Institute, 1994

Vice President and President-elect, 1991, Greater Florida Chapter of the Appraisal Institute, Chair, Education Committee, AIREA Florida Chapter 2, 1988-91.

Coordinator, Level II Curriculum Development, 1990-1991, Member, Division of Curriculum, Appraisal Institute, 1985-1991, Chair, Development Subcommittee, Appraisal Institute, 1989-1991, Appraisal Institute

RECOGNITIONS

Chicago Chapter of the Appraisal Institute's Distinguished Service Award, 1999

Appraisal Institute's George L Schmutz Award in recognition of contributions to the advancement of appraisal knowledge, 1991

**NOTE: To maintain confidentiality, clients have not been individually identified; however, they include private transportation corporations, state agencies, attorneys, and not-for-profit conservation groups.**

| | |
|---|---|
| **Central Oregon**<br>Valuation of transmission line easement across tribal reservation, as well as go-around costs<br>07-100 | **Current**<br>30 miles |
| **Miami to Jacksonville, Florida**<br>Valuation of an entire regional railroad including going concern and rolling stock | **Current**<br>450± miles |
| **UP v. Kendall Morgan**<br>Consultation on underground pipeline easement<br>05-250 | **Current**<br>1,800 miles |
| **High Line (south of 30th Street), Chelsea; New York City**<br>Valuation of an inactive rail line air rights corridor in lower Manhattan<br>05-240 | **Current**<br>2 miles |
| **Brooklyn-Queens Expressway; Phases I & II, New York City**<br>Valuation of partial taking of a secondary line in the Borough of Queens<br>03-440/00-180 | **Current**<br>4–5 miles |
| **Long Island, New York**<br>Valuation of power line easement within LIRR right-of-way<br>06-130 | **September 2007**<br>125 miles |
| **De Land to Kissimmee, Florida**<br>Valuation of mainline running from De Land through downtown Orlando to Kissimmee, included some yards Valuation of track improvements<br>06-260 | **September 2007**<br>94± miles |
| **St. Louis County, Missouri**<br>Valuation of aerial occupancy within a mainline corridor through the city of St Louis suburbs<br>07-120 | **August 2007**<br>12 miles |
| **Miami to Homestead, Florida**<br>Valuation of industrial lead and two spurs, running from Miami International Airport to Homestead Valuation of track improvements<br>06-250 | **May 2007**<br>44– miles |
| **Framingham-to-South Sudbury, Massachusetts**<br>Valuation of NITU<br>05-310 | **May 2007**<br>4 62 miles |

**Bergen and Passaic Counties, New Jersey** — **February 2007**
Valuation of partial corridor acquisition for mass transit — 10 miles
*06-150*

**Norfolk Southern v. Union Electric Company; St Louis** — **November 2006**
Aerial corridor within railroad right-of-way — 5 73 miles
05-270

**MBTA: New Bedford to Falls River, Massachusetts** — **September 2006**
Valuation and negotiation consultation for the sale of an active rail corridor to a mass transit agency — 30± miles
04-240/06-120

**Tygart-to-Bergoo, West Virginia** — **August 2006**
Consultation and valuation of corridor and rail improvements — 132 miles
04-270

**Norwalk, Connecticut** — **March 2006**
Valuation of abandoned corridor — One mile
05-340

**De Land-to-Kissimmee, Florida** — **March 2006**
Valuation of mainline corridor Extends through downtown Orlando — 65± miles
05-300

**Lynchburg, Virginia** — **February 2006**
Valuation of a pipeline easement within rail corridor — 1 5± miles
05-220

**Boston-to-Worcester, Massachusetts** — **January 2006**
Mainline valuation including land and rail improvements — 40± miles
05-350

**Bloomington-to-Indianapolis, Indiana** — **January 2006**
Rent estimate for a proposed occupancy to be used in negotiations with a municipality — 41 miles
Client is a midsized regional rail compan y
06-100

**North of Roosevelt Road; Chicago** — **December 2005**
Update of valuation of vacant, former rail yards with a highest and best use as residential development, near central business district of Chicago — 5 6acres
05-330

**St. Louis, Missouri** — **December 2005**
Aerial corridors within railroad rights-of-way — 13± miles
05-260

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|---|---|
| **Poughkeepsie & Hospital industrial track; Duchess County, New York**<br>NITU rail road valuation | **November 2005**<br>4.54 miles |
| **Etowah-to-Copperhill improvements; Tennessee**<br>Valuation of rail improvements | **November 2005**<br>41 miles |
| **Blenheim industrial track; Sarnia Subdivision, Ontario, Canada**<br>Valuation of corridor and rail improvements | **September 2005**<br>60+ miles |
| **Cordova-to Memphis bridge; Tennessee**<br>Valuation and reproduction costs of a rail road bridge | **June 2005**<br>161 miles |
| **St Petersburg, Pinellas County, Florida**<br>Segment of rail line to be abandoned for rail-to-trail purposes, NITU | **April 2005**<br>2.15 miles |
| **Carpendale, West Virginia**<br>Corridor valuation, including tunnel and bridge<br>04-190 | **November 2004**<br>1 mile |
| **Norfolk Southern Rail corridor, Toledo, Ohio**<br>Valuation of a rail corridor as part of a municipal water main project, pipeline easement | **September 2004**<br>24 miles |
| **Highway 41, Selma, Alabama**<br>Valuation of land and track improvements for bargain sale | **April 2004**<br>31 miles |
| **North Bergen, New Jersey**<br>Preliminary valuation of a 10,000-lineal-foot-by-10-foot sewer easement | **August 2004** |
| **Etowah-to-Copperhill bridge; Tennessee**<br>Valuation of 33 bridges | **July 2004**<br>46 miles |
| **Gibson Yard, Lake County, Indiana** | **May 2004** |
| **Moorman-to-Wilson Station; Kentucky**<br>Valuation of line to be abandoned | **March 2004**<br>34 miles |
| **Central Electric; Williamsburg, South Carolina**<br>A participant in a court-appointed panel for the valuation of an aerial crossing easement over the railroad | **February 2004** |
| **Pompton line, New Jersey**<br>Valuation consultant for the valuation of a partial interest purchase of a pipeline easement | **February 2004** |
| ***Sheepskin Trail***<br>Valuation of fee-owned parcels of an abandoned rail corridor | **January 2004**<br>30± miles |

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| **Wabash line, Indiana**<br>Estimate of net liquidation value of a rail line | **December 2003**<br>30± miles |
| **West Shore; New York**<br>Preliminary valuation of an industrial track in Upstate New York | **December 2003**<br>5 9 miles |
| **Alma-to-Elwell; Michigan**<br>Preliminary valuation of a rail line in central Michigan | **December 2003** |
| **Shenandoah subdivision; Virginia**<br>Preliminary valuation of an industrial lead in Northern Virginia and West Virginia | **December 2003**<br>46 miles |
| **Lorain-to-Lester line, Ohio**<br>Valuation of land and track improvements | **December 2003**<br>15± miles |
| **Piedmont Subdivision, Virginia**<br>Preliminary valuation of an active Class I rail corridor | **November 2003**<br>201 2 miles |
| **Ft. Wayne, Ohio & Indiana**<br>Preliminary valuation of an active Class I rail corridor | **October 2003**<br>250 76 miles |
| **Rails-to-Trails**<br>*Valuation memorandum on the market value of reversionary interest donations* under the National Trails System Act | **October 2003** |
| **Selma-to-Myrtle Wood, Alabama**<br>Preliminary valuation of an active Class I rail corridor | **September 2003**<br>58 13 miles |
| **Hoopston; Illinois**<br>Preliminary valuation of a short industrial track | **August 2003**<br>1 mile |
| **Henning-to-Rossville junction; Illinois**<br>Preliminary valuation of an industrial track in east central Illinois | **August 2003**<br>6 miles |
| **Shepherd Branch; Washington, DC**<br>Estimate of market value for negotiations with the District of Columbia and federal government Included the valuation of current and future occupancies | **August 2003**<br>6 miles |
| **Limedale; Indiana**<br>Market value estimate of an industrial lead track in west central Indiana | **August 2003**<br>7 97 miles |
| ***Old Road, Louisville-to-Winchester*, Kentucky**<br>Preliminary valuation of an active Class I rail corridor | ***July* 2003**<br>89 5 miles |
| **W&P, Pennsylvania**<br>Market valuation of an industrial lead track running from south Pittsburgh to Washington, PA | **June 2003** |

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| **Alabama Power; Lee County**<br>Valuation of an aerial easement crossing a Class I railroad corridor Condemnation | **May 2003**<br>33 55 miles |
| **Alabama Power; Elmore County**<br>Valuation of an aerial easement crossing a Class I railroad corridor Condemnation | **April 2003** |
| **Baldwin County**<br>Valuation of an aerial easement crossing a Class I railroad corridor Condemnation | **April 2003** |
| **Etowah-to-Copperhill; Tennessee**<br>Consultation on the donation of an abandoned line for rails-to-trails | **April 2003**<br>43 47 miles |
| **Lake Subdivision; Indiana**<br>Market value estimate for a through-track in a heavy industrial area | **April 2003**<br>4 miles |
| **Blue Island; Illinois**<br>Consultation on an acquisition | **April 2003** |
| **Bridge; Clinton, Indiana**<br>Valuation of active railroad bridge | **February 2003** |
| **Alabama Power; St. Clair County**<br>Valuation of an aerial easement crossing a Class I railroad corridor Condemnation | **February 2003** |
| **Nashville Electric Services**<br>Valuation consultation and estimate of corridor factor for an aerial taking over an industrial lead corridor in Nashville, valuation consultant in mediation | **January 2003** |
| **Northwest Highway, northwest Cook County**<br>Condemnation for a portion of a corridor for highway expansion | **2002** |
| **New Jersey Transit Authority; northern New Jersey**<br>Valuation and negotiation consultation for the sale of several corridors or portions of corridors to a mass transit agency | **2002** |
| **Union Pacific v. Sante Fe**<br>Valuation of 1,800-mile lease of subsurface rights | **September 2002**<br>1,800 miles |
| **Blue Ridge Tunnel; Afton, Virginia**<br>Valuation consultation for active railroad tunnel | **September 2002** |
| **Perth Amboy Run Track, Middlesex, New Jersey**<br>Valuation for the sale of a railroad corridor | **September 2002** |
| **Crescent & Wedge Corridors; Washington, DC**<br>Valuation for potential sale of two corridor segments in urban area | **June 2002** |

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|---|---|
| **Chicago-to-Detroit corridor**<br>Preliminary valuation of a main line corridor | **March 2002**<br>260 miles |
| **Loup Creek Branch; West Virginia**<br>Valuation for the sale of active and abandoned corridors | **March 2002**<br>30± miles |
| ***PSEG; New Jersey***<br>Valuation of proposed underground easements for two 340-kv generator feeds<br>Includes valuation of underground rights in a tunnel under the Palisades | ***February 2002*** |
| **Illinois/Indiana Line to Olin, Indiana**<br>Net liquidation value of inactive rail line for application for abandonment to STB | **January 2002**<br>5 93 miles |
| **High Line, Chelsea, New York City**<br>Valuation of an inactive rail line in lower Manhattan of an air rights corridor | **2001**<br>2 miles |
| **Weymouth industrial track; Quincy, Massachusetts**<br>Valuation and consultation for a corridor for sale to a mass transit agency | **2001** |
| **Chambersberg, Pennsylvania**<br>Consultation on the valuation of a rail corridor | **2001** |
| **International bridge**<br>Consulting for the purchase of a portion of a corridor from a Class I railroad | **2001** |
| **FED RR v Dade County, Florida**<br>Consulting on corridor factors for a condemnation taking from a smaller railroad | **2001** |
| **Downtown Orlando, Florida**<br>Valuation of an active, 2 5-mile, mainline corridor through Orlando's central business district<br>Partial taking | **2001**<br>2 5 miles |
| **Boylan Junction; Raleigh, North Carolina**<br>Valuation and negotiation consultation of an industrial lead corridor Sale closed in June 2003 | **2001**<br>12± miles |
| **Falstaff Brewery; Indiana**<br>Abandoned industrial property consisting of four parcels Valuation for purchase negotiations to expand a rail yard | **2001** |
| **Short line railroad; New Castle, Indiana**<br>Across-the-fence valuation of railroad right-of-way | **February 2000**<br>21 2 acres |
| **Union Pacific property, Lake County, Illinois**<br>Valuation of part of a railroad corridor, using an across-the-fence method<br>Valuation of surface and aerial rights To be used in sale negotiations | **January 2000**<br>0 86 acre (37,638 square feet) |

**TransFlo facility; 2721 161st St., Hammond, Indiana** — **May 1999**
Valuation of site used for a material transfer facility (offloading of materials from railroad tank cars to tank trucks) Highest and best use issues involved specific industrial uses — 15 9 acres

**Lehigh Greenway Rail Trail, Flagler County, Florida** — **April 1999**
Obsolete rail line abandoned since the 1950s, valued for possible purchase by the State of Florida — 198 52 acres
Multiple highest and best use issues due to variance of uses along the property's length
(such as a utility corridor, public trail, additional land for residential lots, future development)
Involved evaluation of worth of old track

**B&OCT Connection: Commonwealth Edison property; Bridgeview, Illinois** — **April 1999**
Valuation of vacant industrial property in for rail line easement before-and-after valuation — 0 28 acre
technique used Analysis of south Chicagoland industrial market

**B&OCT Connection: 3M Property; Bridgeview, Illinois** — **April 1999**
Valuation of vacant industrial property in for rail line easement, before-and-after valuation — 0 41 acre
technique used Analysis of south Chicagoland industrial market

**Cook County Forest Preserve Property, Riverdale, Illinois** — **March 1999**
Valuation of property zoned both conservation/recreation and industrial for railroad — 1 43 acres
line expansion

**Damen Ave. & 74th St., Chicago** — ***February 1999***
Proposed railroad right-of-way easement in older industrial area Valuation followed — 0 71 acre
Illinois condemnation law Expert witness testimony

**CTA property** — **February 1999**
Valuation of industrial property for railroad line expansion

**UPS Parcel; Bedford Park, Illinois** — **November 1998**
Valuation of vacant industrial site for railroad line expansion — 11 75 acres

**South of Roosevelt Road, Chicago** — **February 1997**
Update appraisal of vacant former rail yards, residential development highest & best use — 30+ acres

**Porter County, Indiana** — **August 1996**
Abandoned rail yard, with some mined areas on it Valued for use in purchase negotiations

**South of Roosevelt Road; Chicago** — **February 1996**
Vacant former rail yards with a highest and best use as residential development — 25 acres

***North of Roosevelt Road; Chicago*** — ***September 1995***
Vacant former rail yards with a highest and best use as residential development — **5.6 acres**

# ATTACHMENT 3

**APPRAISER CERTIFICATION AND LICENSURE BOARD**
**3000 Market Street NE, SUITE 541**
**SALEM, OREGON 97301**

**TEMPORARY PRACTICE REGISTRATION NUMBER: TNR1662**

CHARLES W REX III
RMI MIDWEST
1200 CENTRAL AVE
WILMETTE IL 60091

POSSESSES A CURRENT AND VALID CERTIFICATE IN THE STATE OF

ILLINOIS
153-000785

AND HAS COMPLIED WITH THE REQUIREMENTS OF CHAPTER 674 AND CHAPTER 161 OF THE OREGON APPRAISER CERTIFICATION AND LICENSURE BOARD ADMINISTRATIVE RULES TO QUALIFY TO RECEIVE A TEMPORARY PRACTICE PERMIT TO OPERATE IN THE STATE OF OREGON IN THE CAPACITY OF A

**STATE CERTIFIED GENERAL APPRAISER**

YOU ARE AUTHORIZED TO APPRAISE THE FOLLOWING PROPERTIES WITHIN THE SCOPE OF THE ABOVE LICENSE LEVEL IN THE STATE OF OREGON FOR

**Client: RailAmerica INC**

**Properties:**
**111-mile rail corridor (known as "Coos Bay Line")**
**in Lane, Douglas & Coos Counties.**
**(The line runs between Danebo (W Eugene) and Cordes, OR)**

**[See Attached Map]**

EFFECTIVE THIS 2ND DAY OF MAY, 2008

R A (Bob) KEITH ADMINISTRATOR
OREGON APPRAISER CERTIFICATION AND LICENSURE BOARD

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | ) | Docket No. AB-515 (Sub-No 2) |

**VERIFIED STATEMENT OF PATRICIA L. CHAPMAN**

My name is Patricia L. Chapman. I am a partner in the law firm of Gleaves Swearingen Potter & Scott, a law firm located in Eugene, Oregon and established in 1924. My business address is 975 Oak Street, Suite 800, Eugene, Oregon 97401. I am currently a licensed member of the Oregon State Bar and of the California State Bar. I received a B.A. in Political Science from the University of California at Berkeley in 1979 (*summa cum laude* and Phi Beta Kappa) and a J.D. from the University of San Francisco in 1982. I have practiced law for approximately 25 years, in Oregon for approximately 20 of these years, and for much of that time I have been engaged in the practice of real estate law. I was a member of the Executive Committee of the Oregon State Bar's Real Estate and Land Use Section for several years and in 2006 served as the Chair of the Real Estate and Land Use Section of the Oregon State Bar.

The purpose of this Verified Statement is to explain the process undertaken by me and other attorneys in this firm under my supervision (referred to below as "we" or "us"), to determine whether fee title was conveyed to the Central Oregon & Pacific Railroad, Inc. ("CORP") for the parcels comprising the portion of CORP's "Coos Bay Subdivision" that is the subject of the abandonment portion of this abandonment and discontinuation application ("Abandonment Segment").

We reviewed CORP's Title Maps and the Schedules of Property noted on those Title Maps for each of the parcels comprising the Abandonment Segment (respectively, "Val Maps" and "Land Schedules"), as well as several hundred conveyance documents listed in the Land Schedules. Based on our review of those documents, and on our review and analysis of Oregon law pertaining to those documents and the nature of the title purported to be conveyed thereby, we determined which of those documents purported to convey fee title to the railroad grantee therein, which of those documents purported to grant an interest to the railroad grantee therein that was less than a fee title interest (such as a mere easement), and which of those documents purported to grant a fee interest to the railroad grantee therein that was subject to a public right of way or timber restriction. A summary of that review is set forth in the "CORP – Coos Bay Abandonment Segment Title Documents Summary" attached hereto as Attachment 1.

We also reviewed the spreadsheet entitled RailAmerica CORP-Coos Bay Title Summary, which was prepared and provided to us by RMI Midwest (the appraisal firm that prepared the Report, Net Liquidation Value of The Coos Bay Line in Lane, Douglas, and Coos Counties, Oregon (June 15, 2008) for CORP in connection with the abandonment portion of this abandonment and discontinuance application) ("Appraiser's Summary"). A copy of the Appraiser's Summary is attached hereto as Attachment 2. Based on our review of the documents and our review and analysis of applicable Oregon law described in the preceding paragraph, we have advised RMI Midwest: (a) that fee title was conveyed to the railroad with respect to each enumerated parcel in the Appraiser's Summary with respect to which the word "Fee" appears in the Appraiser's Summary column entitled "Title Description," (b) of parcels comprising the Abandonment Segment with respect to which the documents reviewed by us purported to convey less than fee title to the railroad grantee therein or purported to convey fee title subject to public

rights of way or subject to timber reservations, and (c) of parcels comprising the Abandonment Segment that appear to be subject to a sovereign claim by the State of Oregon for lands lying below the mean ordinary high water mark of navigable waters.

**VERIFICATION**

I, Patricia I. Chapman, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

Patricia I. Chapman

Executed on July 10, 2008

# ATTACHMENT 1

# REDACTED

# ATTACHMENT 2

# REDACTED

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | ) | Docket No. AB-515 (Sub-No. 2) |

**VERIFIED STATEMENT OF MARC R. BADER**

My name is Marc R. Bader. I am Chief Line Engineer, West Region, of RailAmerica, Inc ("RailAmerica") My business address is 1100 Main Street, Suite 210, Woodland, California 95695. I am responsible for engineering and maintenance activities for eight regional and shortline railroads owned by RailAmerica and located along the West Coast of the United States, including Central Oregon & Pacific Railroad, Inc. ("CORP") I graduated from Washington University in St. Louis Missouri in 1992 with a Bachelor of Science degree in civil engineering Following graduation, I worked for Atchison, Topeka, and Santa Fe Railway and for Burlington Northern Santa Fe Railroad for approximately 11 years, in a variety of railroad engineering positions, including roadmaster, assistant division engineer and division engineer. I have been in my present position with RailAmerica for approximately five years.

The purpose of this Verified Statement is to present CORP's estimate of the net liquidation value ("NLV") of the track assets on the portion of the "Coos Bay Subdivision" that CORP seeks authority to abandon (that portion of the Coos Bay Line is referred to hereinafter as the "Abandonment Segment") The Abandonment Segment extends approximately 94 miles on the Coos Bay Subdivision between Milepost 669 near Vaughn, OR and Milepost 763.13, near Cordes, OR

Because of my position and responsibilities with RailAmerica, I am very familiar with the Abandonment Segment's tracks and facilities. CORP's estimate of the NLV of the track

assets on the Abandonment Segment was prepared under my supervision and at my direction The remainder of this statement describes the methodology used to estimate that NLV.

## I. INVENTORY OF TRACK ASSETS

The first step in calculating the NLV of the track assets of the Abandonment Segment was to develop an inventory of those assets. CORP developed that inventory using a number of different methods and sources. CORP ran a track geometry car (which recorded rail profiles) over the entire main line to calculate the quantities of each weight of rail (90 pound through 136 pound) on the line We used current track charts, in conjunction with the data generated by the geometry car, to calculate quantities of continuous welded rail and jointed rail

We calculated the number of ties based upon the total mileage of track on the Abandonment Segment and an average of 3200 ties per track-mile. Based upon my familiarity with the line and records regarding the age of ties, I separated the ties into four quality categories (No. 1 relay, No 2 relay, landscape, and scrap) for purposes of estimating their salvage value. I used a conservative approach to categorizing the age and quality of the ties, which means my estimate likely understates the liquidation value of the ties.

A CORP roadmaster conducted a field inspection of the entire line to determine the sizes and number of turnouts on the line We also used roadmaster field inspections to verify the number of crossings, bridges, and signal appliances that could be removed from the Abandonment Segment I compiled the estimated volume and attributes of track assets on the Abandonment Segment in an overall inventory, a copy of which is attached to this statement as Attachment 1

## II. OBJECTIVE THIRD-PARTY ESTIMATES OF LIQUIDATION VALUE

In order to develop an objective estimate the liquidation value of the line, I solicited commercial liquidation estimates from two experienced, reputable companies engaged in

removal, salvage, and disposal of railroad track assets, L.B Foster Company ("Foster") and Unitrac Railroad Materials, Inc ("Unitrac"). I provided each company with the track assets inventory for the Abandonment Segment (*see* Attachment 1), and requested that each provide an estimate of the net value of the track assets on the line (*i e*, the salvage value of the assets less the removal costs and other associated costs), based upon contemporaneous market values and costs.[1]

In order to develop their NLV estimates, both Foster and Unitrac also conducted their own independent field inspections of the Abandonment Segment I believe that net liquidation value estimates from two experienced, independent rail salvage companies provide a reliable, objective basis to calculate the net liquidation value of the Abandonment Segment rail assets

Based on the track asset inventory provided by CORP and their field inspections, Unitrac and Foster each submitted estimates to CORP for the removal and salvage of those assets *See* Foster Estimate (Attachment 2 hereto); Unitrac Estimate (Attachment 3 hereto) Although the two companies used somewhat different approaches, both of them generally calculated the current salvage value of the rail assets (based in part on current commodity prices); the costs of removing those assets, disposing of assets that could not be resold, and miscellaneous related costs; and both included a reasonable profit margin for the bidder. Based on those calculations, Foster and Unitrac each developed a final "all-in" estimate for the net value of removal and disposal of the rail assets of the Abandonment Segment Unitrac labeled that final estimate number its "Net Bid Amount," and Foster referred to its final estimate number as the "Net Liquidation Value." *See* Attachments 2 and 3

[1] One of the potential uses of the Abandonment Segment is as a unique land and water based recreational trail. *See* Environmental Report at 7 (June 24, 2008). If the Segment is to be used as a recreational trail after abandonment, the bridges would not be removed. Accordingly, the estimates do not include the NLV of the bridges on the Abandonment Segment

## III. CONCLUSION AND NET LIQUIDATION VALUE OF TRACK ASSETS

### A. L.B. Foster Company Estimate

L.B. Foster estimated the gross liquidation value of the Abandonment Segment track assets at [ ]. *See* Attachment 2. L.B. Foster estimated total liquidation costs at [ ]. *See id.* The resulting NLV, as estimated by L.B. Foster, is [ ] *Id.*

### B. Unitrac Estimate

Unitrac estimated the "Extended Value" that could be generated from the track material (sales price of salvaged materials less costs of shipping those materials less required profit) at [ ]. *See* Attachment 3. Unitrac deducted from its Extended Value estimate the cost of removal of the rail assets and miscellaneous costs to derive its "Net bid amount" of [ ]. *See id.* This "net bid amount" represents Unitrac's estimate of the amount it would be willing to pay for the rail assets, *i.e.*, its independent estimate of the NLV of the fixed rail assets of the Abandonment Segment.

### C. Average NLV

Based on my review of the two independent, objective third-party estimates, I determined that a reasonable way to estimate the NLV of the rail assets is to calculate the average of the high and low estimates submitted by Foster and Unitrac. The average of Foster's bid of [ ] and Unitrac's bid of [ ] is [ ] *See* Attachments 2 and 3. Thus, based on the analysis summarized in this statement, I have determined that a reasonable NLV for the track assets of the Abandonment Segment is [ ].

## VERIFICATION

I, Marc Bader, declare under penalty of perjury that the foregoing is true and correct.

Further, I certify that I am qualified and authorized to file this verified statement.

Marc Bader

Executed on July 8, 2008

# ATTACHMENT 1

# Liquidation Value of Railroad Asset

## Central Oregon & Pacific Railroad - Coos Bay Sub MP 669.0 - 763.13 (Enter DATE)

### Rail

| Weight | Jnt./CWR | Miles | NT/Mile | Total NT | Total GT | Class | Price NT | Price GT | Total $ NT | Total $ GT |
|---|---|---|---|---|---|---|---|---|---|---|
| 90lb | jnt | 4 51 | 145.73 | 657.23 | 586 82 | scrap | | | | |
| 110lb | jnt | 2.23 | 183 92 | 410.14 | 366 20 | reroll | | | | |
| 113lb | jnt | 11 92 | 182.97 | 2181.00 | 1947.32 | scrap | | | | |
| 113lb | CWR | 25.5 | 188 94 | 4817.87 | 4301 67 | reroll | | | | |
| 115lb | CWR | 35 55 | 192 28 | 6835 55 | 6103 17 | relay | | | | |
| 119lb | jnt | 0 09 | 198 97 | 17 91 | 15 99 | reroll | | | | |
| 132lb | jnt | 4.54 | 213.73 | 970.35 | 866.39 | scrap | | | | |
| 132lb | CWR | 5.03 | 220.70 | 1110.14 | 991.20 | relay | | | | |
| 136lb | CWR | 9 16 | 227 39 | 2082 91 | 1859 74 | relay | | | | |
| **Totals** | | **98.53** | | **19083.11** | **17038.49** | | **Total Rail Value** | | **$0** | |

### OTM

| Weight | Jnt./CWR | Miles | NT/Mile | Total NT | Total GT | Class | Price NT | Price GT | Total $ NT | Total $ GT |
|---|---|---|---|---|---|---|---|---|---|---|
| 90lb | jnt | 4 51 | 55 3 | 249 40 | 222 68 | scrap | | | | |
| 110lb | jnt | 2.23 | 57 0 | 127 11 | 113 49 | relay | | | | |
| 113lb | jnt | 11 92 | 84 0 | 1001.28 | 894.00 | relay | | | | |
| 113lb | CWR | 25.5 | 74.0 | 1887.00 | 1684 82 | relay | | | | |
| 115lb | CWR | 35.55 | 74.8 | 2659 14 | 2374 23 | relay | | | | |
| 119lb | jnt | 0 09 | 86 0 | 7 74 | 6.91 | relay | | | | |
| 132lb | jnt | 4.54 | 93 2 | 423 13 | 377 79 | relay | | | | |
| 132lb | CWR | 5 03 | 82 5 | 414 98 | 370 51 | relay | | | | |
| 136lb | CWR | 9 16 | 84 3 | 772.19 | 689 45 | relay | | | | |
| **Totals** | | **98.53** | | **7541.964** | **6733.896429** | | **Total OTM Value** | | **$0** | |

### Ties (Removal & Market)

| Class | % | Miles | Total Ties | Price Ea. | Total |
|---|---|---|---|---|---|
| #1 Relay | 15% | 98 5 | 44338 5 | | |
| #2 Relay | 0% | 98 5 | | | |
| Landscape | 40% | 98 5 | 118236 | | |
| Scrap | 45% | 98 5 | 133015 5 | | |
| | | | | **Total Tie Value** | **$0** |

### Signal Appliances

| Type | Quantity | Unit Price | Total |
|---|---|---|---|
| Lights | 2 | | |
| Gates | 7 | | |
| | | **Total all Signals** | **$0** |

**Bridges** Lump

### Turnouts

| Weight | Type | Qty. | NT/TO | Total NT | Total GT | Class | Price EA | Price GT | Total $ Each | Total $ GT |
|---|---|---|---|---|---|---|---|---|---|---|
| 80lb | #7 | 1 | 1.7 | 1 70 | 1.52 | scrap | | | | |
| 90lb | #7 | | 1 8 | | | scrap | | | | |
| 90lb | #10 | 3 | 1.9 | 5.79 | 5.17 | scrap | | | | |
| 110lb | #10 | | 4 5 | | | relay | | | | |
| 112lb | #10 | 22 | 4 5 | 99 44 | 88.79 | scrap | | | | |
| 119lb | #10 | 3 | 4.5 | 13.56 | 12.11 | relay | | | | |
| 132lb | #10 | 1 | 4 7 | 4 65 | 4 15 | relay | | | | |
| **Totals** | | **30** | | **125.14** | **111.73** | | | | | **$0** |

### Liquidation Costs

| | Unit | Cost | Quantity | Total |
|---|---|---|---|---|
| Dismantle Rail (CWR) | NT | | 20165 NT | |
| Dismantle Rail (Jointed) | NT | | 5373 NT | |
| Transport Rail & OTM | NT | | 26750 NT | |
| Remove Ties | EA | | 295,590 | |
| Remove Relay Turnouts | EA | | 30 | |
| Remove Crossing Signal | EA | | 9 | |
| Restore Crossings | EA | | 23 | |

| | |
|---|---|
| **Gross Liquidation Value** | **$0** |
| | |
| **Total Liquidation Costs** | **$0** |
| | |
| **Net Liquidation Value** | **$0** |

# ATTACHMENT 2

**LBFoster**
Rail Products
1195 Salt Springs Road
Mineral Ridge, OH 44440
330 652.1465
330 652.7494 (Fax)

July 10, 2008

Mr. Alan Pettigrew
RailAmerica, Inc.
7411 Fullerton Street
Jacksonville, FL
32256

RE: Coos Bay Sub - Rail Line NLV

Dear Mr. Pettigrew:

L B Foster Co. performed a complete and thorough site inspection of the entire Coos Bay line from MP 669.0 to 763.13 inclusive.

Based on our site inspection and review of the line, we maintain that the values reflected in our NLV document (submitted as L B Foster Co. Coos Bay Sub NLV 6-9-08.XLS) are accurate, reflect current market conditions, and are a reasonable estimate of the current value of the line.

Please contact me should you have any questions.

Sincerely,

Rick Steininger
General Manager,
Relay Rail & Trackwork Divisions
L.B. Foster Company
Direct Dial: 330-652-1465 x15
Fax: 330-652-7494
Cell. 770- 329-8332
Email: rsteininger@lbfosterco.com

# REDACTED

# ATTACHMENT 3

**Unitrac Railroad Materials, Inc.**

(865) 693-906
Fax (865) 693-916

Post Office Box 7098 • Knoxville, Tennessee 37921
*An Equal Opportunity Employer*

July 10, 2008

Mr. Alan Pettigrew
Rail America
7411 Fullerton Street, Suite 300
Jacksonville, FL 32256
RE: Coos Bay Line

Dear Mr. Pettigrew,

Unitrac Railroad Materials offers the attached Net Liquidated Valuation (NLV) after a thorough on site inspection and review of the Coos Bay Line Our offer is based on current market conditions and is a reasonable estimate of the current market value of the line. Please do not hesitate to call if you have any questions or need any further clarification.

Sincerely,

Raymond Lambert
President
Unitrac Railroad Materials

# REDACTED

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | ) | Docket No. AB-515 (Sub-No 2) |

**VERIFIED STATEMENT OF JOHN H. WILLIAMS**

My name is John H Williams I am President of The Woodside Consulting Group, Inc , a firm that specializes in railroad transportation consulting. My business address is 385 Sherman Avenue, Suite 1, Palo Alto, California 94306 I am also President of the Northwestern Pacific Railroad Company, a short line railroad in Northern California I have almost 45 years of experience in the railroad industry and consulting, including 17 years with the Southern Pacific Transportation Company ("SP"), the prior owner of the rail line proposed for abandonment in this proceeding. As discussed more fully in the summary of my qualifications and experience set forth in Attachment A, as Manager of SP's Bureau of Transportation Research, I regularly conducted revenue, cost and profitability analyses of the Coos Bay Subdivision and of the principal commodities that it handled, particularly lumber and other wood products My duties at SP also included field inspections of the Coos Bay Subdivision and other SP lines in Oregon, as well as yard and train operations in and through SP's terminal at Eugene, OR I have presented traffic diversion studies, market impact analyses and testimony relating to competitive issues before the Surface Transportation Board (the "Board") and its predecessor, the Interstate Commerce Commission ("ICC") in a variety of other proceedings

The purpose of this Verified Statement is twofold. Part I discusses the decline in rail traffic on the Central Oregon & Pacific Railroad, Inc 's ("CORP's") Coos Bay Subdivision in

recent years.[1] As my testimony demonstrates, the limited number of rail shippers served by the Coos Bay Subdivision, and the downward trend in rail usage by most of those shippers in recent years, make it highly unlikely that traffic on the line will grow to a level that can sustain profitable operations by CORP in the foreseeable future. Part II of my Verified Statement assesses the transportation options available to rail shippers and receivers on the Coos Bay Subdivision following the proposed abandonment and discontinuance of service. As Part II shows, customers served by the Coos Bay Subdivision today have access to adequate transportation service alternatives In particular, traffic moving by rail today to/from points on the Coos Bay Subdivision can be handled efficiently either in direct truck service, or in truck-rail transload service via one of several rail transload facilities. The feasibility of these alternatives is demonstrated by the fact that shippers are actually exercising such transportation options today because the Coos Bay Subdivision has been embargoed by CORP since September 21, 2007. As described below, I estimate that a shift to direct truck service or truck-rail transload service will increase shippers' annual transportation costs by an average of approximately 11 percent. Such an increase is not unreasonable, particularly when viewed in comparison to the large subsidy that would be required to permit rehabilitation and continued operation of the line by CORP under the Board's Offer of Financial Assistance ("OFA") procedures

[1] This Application seeks authority both to abandon the portion of the Coos Bay Subdivision that is owned by CORP between Milepost 669.0 near Vaughn, OR and Milepost 763.13 near Cordes, OR, a distance of 94 13 miles (the "Abandonment Segment"), and authority to discontinue service over the portions of the Coos Bay Subdivision that are leased by CORP, including (1) the Coquille Branch between Milepost 763 13 near Cordes, OR and Milepost 785 5 near Coquille, OR, a distance of 22 37 miles, which is leased from Union Pacific Railroad Company ("UP"); and (2) the LPN Branch between CORP Milepost 738 8 and LPN Branch Milepost 2 0, a distance of 2.0 miles, which is leased from Longview, Portland & Northern Railway Company ("LPN") (the "Discontinuance Segment") For convenience, I will refer to the Abandonment Segment and the Discontinuance Segment collectively as the "Coos Bay Subdivision "

## I. TRAFFIC ON THE COOS BAY SUBDIVISION HAS BEEN DECLINING.

As witness Lundberg testifies, in 2004 a major shipper on the Coos Bay Subdivision, Weyerhaeuser Corporation, ceased operations at its paper manufacturing plant at Cordes, OR. The Weyerhaeuser facility had generated approximately 3,000 carloads of rail traffic for CORP per year. The loss of that traffic was responsible for a 29 percent decline in overall traffic on the Coos Bay Subdivision, from 7,574 carloads in 2003 to 5,408 carloads in 2004. Traffic volume on the line has continued to exhibit a downward trend, with total volumes of 5,193 carloads in 2005, 5,363 carloads in 2006 and 4,018 carloads in 2007 (through the date of the embargo). As Attachment B shows, the small increase in traffic from 2005 to 2006 was attributable to new business from Southport Forest Products, which began shipping traffic from a facility located on the newly-constructed North Spit Spur, which opened in 2005. However, Attachment B also indicates that traffic from Southport Forest Products declined in the Base Year. In any event, the modest traffic generated by the North Spit Spur project has not been nearly enough to offset the loss of Weyerhaeuser's business. The total number of carloads moving over the line during the Base Year (September 1, 2006 – August 31, 2007), the latest twelve-month period during which the line was open, was 4,773 carloads. This represents a decline of 11 percent since 2006, and 37 percent since 2003. *See* Attachment B.

This downward trend in rail shipments has occurred for most of the shippers on the Coos Bay Subdivision. Georgia Pacific Corporation, by far the largest shipper on the line, shipped [ ] cars during 2005, but only [ ] cars in 2006 and [ ] cars during the Base Year. The traffic of Roseburg Forest Products increased somewhat from [ ] cars to [ ] from 2005 to 2006, but declined to [ ] cars during the Base Year. *See* Attachment B. Rail shipments by each of the other customers that shipped more than 100 cars in 2005 fell precipitously. American Bridge Manufacturing Corporation's traffic declined from [ ] cars in 2005 to only

[ ]cars during 2006 and [ ] cars during the Base Year Durawood Treating Company's traffic declined from [ ] cars in 2005 to [ ] cars in 2006 and 70 cars during the Base Year. Thomas & Sons, which shipped [ ] carloads in 2005, shipped only [ ] in each of 2006 and the Base Year. As these figures graphically demonstrate, the Coos Bay Subdivision has experienced a substantial and ongoing decline in traffic across virtually all customers.

Based upon current circumstances, it does not appear likely that CORP can attract sufficient new business from other sources to offset these traffic losses. The two largest rail shippers on the Coos Bay Subdivision, Georgia Pacific and Roseburg Forest Products, collectively account for approximately [ ] percent of all rail shipments moving over the line in the Base Year. *See* Attachment B. Only one other customer ([ ]) currently ships more than 100 carloads per year. Nor does the Coos Bay Subdivision enjoy significant traffic diversification from a commodity standpoint. To the contrary, lumber and forest products accounted for 97 percent of all traffic that moved over the Coos Bay Subdivision during the Base Year. *See* Attachment C Further, rail traffic on the Coos Bay Subdivision is highly concentrated at two stations, Coos Bay and Coquille, both of which are located near the southern end of the line Indeed, in 2007, 96 percent of all carloads moving over the line originated or terminated at Coos Bay or Coquille *See* Attachment D Other stations along the 119.5 miles of rail lines that are the subject of this Application do not generate sustained rail traffic Finally, the destination markets for products originating on the Coos Bay Subdivision have been limited, with 85 percent of total outbound traffic moving to three states, California, Oregon and Illinois *See* Attachment E

## II. SHIPPERS ON THE COOS BAY SUBDIVISION HAVE ADEQUATE TRANSPORTATION ALTERNATIVES FOR THEIR SHIPMENTS.

CORP asked me to assess the transportation options that would be available to shippers on the Coos Bay Subdivision following the proposed abandonment/discontinuance of service In order to do so, I analyzed the feasibility of transporting the traffic that currently moves via the Coos Bay Subdivision either directly by truck, or by truck-rail transload via a rail station beyond the line proposed for abandonment. As this Part of my testimony shows, it appears that virtually all of the traffic that CORP previously handled over the Coos Bay Subdivision can readily be diverted to truck or (for most of the subject traffic) to truck-rail transload service. I estimate that the cost of utilizing truck-direct or truck-rail transload service is, on average, 11 percent higher than the rail rates that Coos Bay Subdivision shippers were paying for direct CORP-UP rail service prior to the embargo of the line. The viability of truck-rail transload service is demonstrated by the fact that most shippers appear to be utilizing such service today

### A. Traffic Handled by CORP Via The Coos Bay Subdivision Can Be Shifted To Truck-Direct Or Truck-Rail Transload Service.

The response of shippers located along the Coos Bay Subdivision to the September 2007 embargo of the line demonstrates that reasonable transportation options are available for traffic previously handled by CORP My investigation, in consultation with CORP marketing personnel, found that shippers presently are either shipping (or receiving) their products directly by truck, or are transloading their products at rail facilities located beyond the Coos Bay Subdivision

As Attachment C indicates, the vast majority (nearly 97 percent in the Base Year) of all rail shipments on the Coos Bay Subdivision involve lumber, plywood and other forest products. These commodities are clearly susceptible to transportation by truck – indeed, railroads face vigorous competition from motor carriers for forest products shipments The other commodities

in the Coos Bay Subdivision's traffic base (farm products, metal products, scrap and liquefied petroleum gas) can likewise move by truck.

Moreover, there exists an adequate supply of trucks in CORP's service territory to absorb the traffic that previously moved over the Coos Bay Subdivision. There are numerous large and small trucking companies operating in Oregon. The Oregon Trucking Association website alone lists 57 different trucking companies that haul forest products and 48 that handle heavy loads. Based upon my investigation, it appears that shippers on the Coos Bay Subdivision have, in fact, been able to secure truck service to move their products either directly between origin and destination, or to/from a truck-rail transload facility.

Given current fuel prices, direct truck service is most cost-effective vis-à-vis rail service for forest products shipments of up to 300 miles. Accordingly, for shipments of 300 miles or less previously handled by CORP (all of which are movements entirely within the State of Oregon), my analysis assumed that the preferred alternative is direct truck service. As shown in Attachment F, such shipments constituted approximately 1,103 carloads, or 23 percent of CORP's traffic in the Base Year. For traffic involving lengths of haul greater than 300 miles, I assumed that truck-rail service via a transload facility is likely to be the most efficient alternative to direct CORP-UP rail service. As shown in Attachment F, such shipments constituted approximately 3,670 carloads, or 77 percent of CORP's traffic in the Base Year. Traffic that is not conducive to direct truck shipment can readily be transloaded from truck to rail (or vice versa) at a number of existing transload facilities. For example, UP has transload facilities at Eugene, OR that would be suitable for transferring Coos Bay Subdivision traffic to/from UP's lines. CORP itself has a reload facility at Green, OR (near Roseburg, OR). Team tracks that could be used for transloading are available at other stations on CORP (Medford and Roseburg),

UP (Eugene), and PNWR/BNSF (Eugene). In addition, based upon information provided by CORP marketing personnel, it appears that Roseburg Forest Products is moving shipments by truck from its facility at Coquille, OR to another Roseburg-owned facility located at Dillard, OR, for shipment by rail in conjunction with products originating at the Dillard plant. Another shipper, American Bridge Manufacturing, Inc., indicated in recent testimony in a related proceeding that it is currently transloading both inbound and outbound bridge components via Portland, OR.[2]

As stated above, approximately 96 percent of all carloads that moved over the Coos Bay Subdivision during 2007 originated or terminated at either Coos Bay or Coquille. Coos Bay and Coquille are 118 and 135 miles, respectively, from Eugene, OR. Coquille (the origin of Roseburg Forest Products' traffic) is 61 highway miles from Roseburg's facility at Dillard, OR. Eugene can be reached by truck from both Coos Bay and Coquille via the US-101 Coast Route and Oregon State Highway 126. Highway routes are likewise available for truck shipments from Reedsport (via Scottsburg, OR) or Coquille (via Myrtle Point, OR) to CORP's transload facility at Green, OR, or to the Roseburg Forest Products plant at Dillard, OR. These highway routes could also be used to reach US I-5 for direct truck shipments to or from points in California and Arizona.

### B. Traffic Previously Handled Via The Coos Bay Subdivision Can Be Shifted To Truck-Direct Or Truck-Rail Transload Service At Reasonable Cost.

Following the embargo of the Coos Bay Subdivision in September 2007, shippers who had been utilizing CORP-UP rail service were required to switch to alternate transportation services. Based upon my investigation, and information provided by CORP marketing personnel, it appears that most of the traffic that was previously carried by CORP is currently

[2] *See* Finance Docket No. 35130, *Central Oregon & Pacific R. Inc. -- Coos Bay Line*, Coos-Siskyou Shippers Coalition Reply filed June 3, 2008 (V. S. Jacquet at 1).

moving in truck-rail transload service, and that the transload facility most frequently used for this traffic is UP's transload facility at Eugene, OR

I was asked by CORP to estimate the additional costs that shippers on the Coos Bay Subdivision are incurring by utilizing truck-direct or truck-rail transload service today (and would continue to incur if the proposed abandonment/discontinuance were approved) As this Part of my testimony demonstrates, I estimate that exercising the truck-rail transload or truck-direct alternatives will impose additional costs on shippers of about $2 9 million in the aggregate for the year 2008. This represents an increase of 11 percent over the total transportation costs of $25.9 million that Coos Bay Subdivision shippers would have paid for direct CORP-UP rail service in 2008 if rail operations on the Coos Bay Subdivision had not been interrupted

The methodology that I used to estimate the cost of truck-direct or truck-rail transload service was as follows

First, I sought to determine the costs that Coos Bay Subdivision shippers would incur today for direct CORP-UP rail service if such service were available to them. The appropriate measure of the cost of such direct rail transportation is the amount that shippers would have paid UP for rail service from origin to destination As witness Lundberg explains, under a Cooperative Marketing Agreement ("CMA") between CORP and UP, CORP handles all traffic (other than a limited number of local movements in which UP is not involved) as a "switching carrier" for UP Under this arrangement, traffic moves under a UP waybill, and UP sets (and collects) the rate for the movement, including the portion over CORP's lines UP pays CORP a flat "Handling Carrier Charge" for each loaded car that it handles over the Coos Bay Subdivision for UP's account However, it is the freight rate paid by the shipper to UP – not the "Handling

Carrier Charge" that UP pays to CORP – that reflects the cost to the shipper of rail service over the Coos Bay Subdivision.

Because CORP does not appear on the waybill, nor does it participate directly in the waybill revenue for traffic that it handles for UP (which is paid by the shipper to UP), CORP does not maintain in the normal course of business traffic data indicating, for each shipment, the ultimate origin or destination beyond CORP's lines. In order to identify the ultimate origin or destination of the traffic, I relied primarily on the Board's *Carload Waybill Sample* for 2006 (the most recent year for which waybill data are available). I augmented the traffic contained in the *Carload Waybill Sample* by adding certain shipments from the CORP database that did not appear in the *Carload Waybill Sample* but were known to be recurring movements (such as the Georgia Pacific woodchip movement from Coos Bay to Toledo). In conducting my analysis, I assumed that the origins and destinations beyond CORP's lines reflected in the 2006 *Carload Waybill Sample* (as augmented) are generally representative of the origins and destinations of the traffic handled by CORP during the Base Year.

Second. I determined the freight revenues that shippers would pay for CORP-UP direct rail service to or from the Coos Bay Subdivision, if such service were currently available. In order to do so, I consulted applicable price quotations for shipments of the subject commodities to/from points on the Coos Bay Subdivision as published on UP's website. Although rail service on the Coos Bay Subdivision has been embargoed since September 2007, UP has maintained rates for shipments to/from the Coos Bay Subdivision on its website. I confirmed with UP that the rates set forth on its website continue to be valid, and represent the rates that would be charged by UP today for CORP-UP direct rail service if the line were not subject to the embargo. I identified the currently applicable rate for each CORP-UP movement that occurred during the

Base Year To each rate I added the current (June 2008) applicable UP fuel surcharge. Based upon this methodology, I calculated that the aggregate freight charges that Coos Bay Subdivision shippers would pay for direct CORP-UP rail service during 2008 (if such service were available) would be approximately $25.9 million

Third, I judged whether each rail movement originating or terminating on the Coos Bay Subdivision during the Base Year could be most efficiently handled in direct truck service or via truck-rail transload service. As stated above, for shipments of 300 miles or less my analysis assumed that the preferred alternative is direct truck service For traffic involving lengths of haul greater than 300 miles, I assumed that truck-rail service via a transload facility is likely to be the most efficient alternative to direct CORP-UP rail service For each movement assumed to shift to truck-rail transload service, I determined (based upon the origin/destination point on the Coos Bay Subdivision and available information about the transload options currently used by certain shippers) which transload location (Eugene, Portland, Roseburg, Green or Dillard, OR) offered the most efficient transportation option

Fourth, I determined the freight revenues that shippers would pay for rail service to/from the transload point assigned to each movement that was assumed to shift to truck-rail transload service In order to do so, I again consulted UP's price quotations for shipments of the subject commodities between the transload point and the origin/destination point beyond CORP's lines, as published on UP's website To each rate I added the current applicable UP fuel surcharge Those rates (plus the applicable fuel surcharge) represent the current cost of the rail component of the truck-rail transload option. Based upon this methodology, I calculated that the aggregate freight revenues that Coos Bay Subdivision shippers would pay to UP for rail service between the selected transload stations and the origin (or destination) stations beyond CORP's Lines

during 2008 would be approximately $21.0 million. Thus, the aggregate cost of the rail component of substitute truck-rail service was estimated to be approximately $4.9 million less than the cost of CORP-UP direct rail service to or from the Coos Bay Subdivision.

Fifth, I developed the cost of transloading shipments from truck to rail (or vice versa) at the selected transload stations (Eugene, Portland, Roseburg, Green or Dillard, OR). A&M Reload, Inc. provides transload services at UP's Eugene facility. This transload facility is within easy driving distance of stations on the Coos Bay Subdivision. I estimated the cost of A&M Reload's transloading services by comparing UP's current quoted rates to various destinations for shipments reloaded at Eugene with UP's current quoted rates for traffic originating at Eugene that does not require transload service. The difference between the two prices quoted by UP indicates that the cost of transloading traffic via the A&M Reload facility is $247 per boxcar (four truckloads) and $260 per rail flatcar (four truckloads).

CORP has a spur track at Green, OR (near Roseburg, OR) that it has made available for transloading shipments since the embargo of the Coos Bay Subdivision was put in place. CORP makes this facility available to Coos Bay Subdivision shippers at no charge, although shippers are responsible for providing their own transload labor and equipment. CORP offers customers a $200 per railcar incentive for using this transload facility. In estimating the cost to the shippers of transloading freight via CORP's Green facility (or at Portland, Roseburg or Dillard), I applied the same transload charges ($247 per boxcar and $260 per rail flatcar) that I calculated for transloading via A&M Reload's facility at Eugene.

Sixth, I estimated the cost of the trucking component of both the truck-direct and truck-rail transload options. Truck costs to/from Coos Bay Subdivision customer facilities were calculated utilizing an internal truck costing model, supported by information provided by the

CORP Marketing Department. My truck cost calculations took into account current fuel, labor, maintenance and equipment costs for transporting shipments over the road between each Coos Bay Subdivision origin (or destination) station, on the one hand, and either (1) the point of destination (or origin) for direct truck shipments, or (2) the designated transload station for shipments moving in truck-rail transload service. Based upon these factors, the model calculated truck costs ranging between $3.48 and $3.90 per loaded mile for the subject movements. For purposes of my analysis, I assumed that each loaded rail car would require four loaded trucks. I further assumed that trucks handling traffic to/from points on the Coos Bay Subdivision would experience a 100 percent empty return ratio. The latter assumption is conservative, given the nature of the traffic. As stated above, almost 97 percent of the traffic that originates or terminates on the Coos Bay Subdivision consists of lumber, plywood and other forest products. These commodities all can move on standard flatbed trucks. In addition to the traffic formerly handled by CORP, there are substantial volumes of forest products moving by truck to/from other points in CORP's service territory. Thus, it is quite possible (if not likely) that trucking companies would be able to balance loads to/from former CORP customers with forest products shipments for other customers. Such backhaul (or triangulated) movements could significantly reduce the truck costs assumed in my analysis based upon a 100 percent empty return.

Using the methodology described above, I calculated the total increase in transportation costs for all Coos Bay Subdivision shippers that would result from switching from CORP-UP direct rail service to truck-direct service or to truck-rail transload service via Eugene, Portland, Roseburg, Green or Dillard (as applicable). The estimated cost of truck-rail transload service is the sum of the rail rate to/from the transload station, the cost of transloading shipments between

truck and rail, and the cost of transporting the shipment by truck between the transload station and the origin/destination point on the Coos Bay Subdivision.

The results of my analysis are set forth in Attachment F, and are summarized in Table 1 below:

**Table 1**
**Estimated Increase in Shipper Transportation Costs**
**(Millions)**

| | |
|---|---|
| **Branch Closed** | |
| Direct Truck and Truck-Rail Transload Costs | $6.9 |
| Reload Costs | 0.9 |
| Rail Costs | 21.0 |
| Total | $28.8 |
| | |
| **Branch Open** | |
| 2008 Rail Costs | $25.9 |
| Net Increase in Costs | $2.9 |
| Percent Increase | 11% |

Source: Attachment F

As shown in Table 1 above, I estimate that shippers on the Coos Bay Subdivision collectively are experiencing an increase of approximately $2.9 million, or 11 percent, annually because of the higher cost of the truck-direct or truck-rail transload transportation options that they have been required to use as a result of the cessation of rail operations on the Coos Bay Subdivision. Such an increase is not unreasonable, particularly when compared with the high cost of rehabilitating the Coos Bay Branch and returning it to rail service.

Finally, it appears that the two largest shippers on the Coos Bay Subdivision also have the potential ability to shift production from facilities affected by the proposed abandonment to other nearby facilities. Georgia Pacific, which accounts for about [ ] percent of all rail traffic that moved on the Coos Bay Subdivision during the Base Year, is a major international

corporation with over 300 manufacturing facilities worldwide *See* http //www.gp.com/aboutus/companyOverview/index.html. Thirteen Georgia Pacific facilities are located in the state of Oregon, including a softwood sawmill in Philomath, OR that is similar to Georgia Pacific's Coos Bay sawmill. *See* http://gp.com/facilitydirectory/pdf/oregon_q4_2007.pdf. The Philomath facility is served by the Portland & Western Railroad. Similarly, Roseburg Forest Products, which accounted for about [ ] percent of all rail traffic that moved on the Coos Bay Subdivision during the Base Year, operates several facilities in Oregon in addition to its Coquille facility. Roseburg's other facilities include plywood production facilities at Dillard and Riddle, OR (both of which are served by CORP lines that are unaffected by the proposed abandonment) *See* http://teamrfpco.com/cgi-bin/s-mart.pl?command=showhtml&page=product_map.htm These shippers – who collectively account for approximately [ ] percent of all rail traffic on the lines proposed for abandonment – may well be able to mitigate the effects of the proposed abandonment by shifting production from plants located on the Coos Bay Subdivision to other facilities in the State of Oregon or, in the case of Georgia Pacific, in other states.

## VERIFICATION

I, John Williams, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement.

John H. Williams

John Williams

Executed on July 10, 2008

# ATTACHMENT A

**Attachment A**

## Qualifications of John H. Williams

I am President of The Woodside Consulting Group, Inc., 385 Sherman Ave., Suite 1, Palo Alto, California 94306, a firm that specializes in railroad transportation consulting. I am also President of the Northwestern Pacific Railroad Company, a start-up railroad short line in Northern California.

I was educated at the University of Illinois, where I received an A.B. in Liberal Arts and Sciences in 1962, with a major in economics, and an M.B.A. in 1963, with finance as my area of specialization; my educational training included courses in these fields as well as in marketing and operations. Although transportation was not a recognized area of emphasis for either degree, that was my interest throughout college; as a result, I completed almost every transportation course, either in the College of Commerce and Business Administration or in the Department of Civil Engineering, offered by Professors D. Philip Locklin (transportation economics), W. W. Hay (railway engineering), and K. U. Flood (distribution).

In 1963, I joined the Southern Pacific Transportation Company as a Transportation Analyst in the Bureau of Transportation Research. Following a year of introductory training, I was transferred to the Total Operations Processing System ("TOPS") project, which was responsible for designing and obtaining the adoption of a real-time, computerized information system for planning, controlling, and evaluating railroad operations. This was a pioneering project in computerized management and control of railroads, which was subsequently adopted by numerous other carriers.

In 1966, I joined the Operating Department of Southern Pacific, working initially as a brakeman on the Western Division and subsequently as an Assistant Trainmaster in El Centro, California. In early 1967, I was promoted to Trainmaster at Lordsburg, New Mexico, where I was responsible for supervising train operations over some three hundred miles of Southern Pacific's main line track, plus branch lines, between Tucson and El Paso.

In 1968, I was granted a three-year leave of absence to join the Department of Transportation's newly formed Federal Railroad Administration in Washington, D.C. As a Transportation Specialist in the Office of Policy and Planning, I provided economic and operational analyses, and evaluated, proposed, and assisted in the development of various public policies affecting the railroads. I specialized in rail network restructuring (where I developed FRA's first rail network model) and mergers, freight car supply, and other rail operational issues, in addition to formulating FRA's economic research and development program. During that time, I also represented FRA as a member of Assistant Secretary Charles D. Baker's interdepartmental team which proposed deregulation of the railroads; many of the concepts and policies that we debated then have now been implemented through the 4-R Act, the Staggers Act, and through subsequent Interstate Commerce Commission and Surface Transportation Board initiatives.

In 1972, I returned to Southern Pacific as a Special Assistant in the Executive Department, with responsibility for coordinating the preparation of Southern Pacific Company's corporate ten-year financial plan. Later that year, I was promoted to Manager of the Bureau of Transportation Research, the organization in which I began my railroad career in 1963. In that capacity, I managed a staff of some twenty individuals, reporting directly to the senior executive management of Southern Pacific. We were responsible for analyses of commodity and route profitability, cost-of-service calculations, evaluations of possible line abandonments, and analyses of prospective investments and

acquisitions – both railroad and non-railroad. In addition, we were responsible for presentations before regulatory authorities; I appeared before the Interstate Commerce Commission on several such issues.

In late 1977, I was promoted to the position of Assistant to the Vice President in the Executive Department of Southern Pacific. In that position, I managed the Office of Special Projects, which was created in order to permit me to concentrate on those matters of particular importance to the senior executive management of Southern Pacific. At that time, those special projects included Southern Pacific's prospective acquisitions of the Chicago, Rock Island & Pacific's Tucumcari Line and of the Seaboard Coast Line System – the latter now being a part of CSXT.

In August 1980, I left Southern Pacific to become Assistant Vice President – Strategic Analysis for Consolidated Rail Corporation in Philadelphia. I reported directly to the Chairman, Mr. Edward G. Jordan, and my responsibilities continued to be focused in the mergers and acquisitions area. I directed the preparation of Conrail's position on the Norfolk Southern merger – and testified before the Interstate Commerce Commission in that case – as well as the preparation of Conrail's merger studies and policy position in the Union Pacific/Missouri Pacific/Western Pacific merger case. In both instances, I participated in the negotiated settlements that resulted. I was also responsible for designing and evaluating structural alternatives to Conrail as a corporate entity.

In late 1981, I returned to San Francisco as Vice President/Land Transportation of Manalytics, Inc , a transportation consulting firm. There, I was responsible for the business development and conduct of land transportation activities.

In October 1983, I became President of The Woodside Consulting Group, Inc. In this capacity, I am responsible for all of the business conduct and policy decisions of our firm. We offer a broad range of transportation consulting services, both to public agencies and private sector clients, dealing primarily with railroad transportation issues.

In March 1985, representing both the California Public Utilities Commission (CPUC) and the California Department of Transportation, I presented testimony before the Interstate Commerce Commission in the proposed Southern Pacific/Santa Fe merger proceeding. My testimony – which was cited in the Commission's *Decision* – analyzed the market impacts of that proposed merger on California and its shippers, and recommended the imposition of conditions in order to mitigate the anticompetitive effects of that merger, as proposed.

In October 1985, representing the Chicago & North Western Transportation Company, I presented testimony to the Interstate Commerce Commission in support of that carrier's application for the construction and operation of a line extension into the Powder River Basin in order to introduce rail competition to Burlington Northern in that important market.

In May 1988, representing the Kansas City Southern, I presented testimony before the Interstate Commerce Commission, including a substantial portion of the required Exhibit 12 – Market Impact Analysis, in support of that carrier's application for control of the Southern Pacific Transportation Company. My testimony analyzed the market impacts of a consolidated Kansas City Southern/Southern Pacific System on shippers, competition, efficiency, and other carriers. I also submitted testimony in opposition to the proposed Denver and Rio Grande Western/Southern Pacific combination, in which I characterized those applicants' Exhibit 12 – Market Impact Analysis as being unrealistic in the marketplace.

During 1996, I provided consulting advice and analyses to the CPUC with regard to the Union Pacific's proposed acquisition of Southern Pacific. My recommendations toward ensuring the preservation of adequate and effective competition were included in the CPUC's presentation to this Board.

In June 1997, representing the Norfolk Southern Railway Company, I presented testimony before the Surface Transportation Board as to the results of a Rail Traffic Diversion Study concerning the likely impacts of the operation by Norfolk Southern of Conrail's Penn Lines on the traffic and revenues of affected railroads. The Board accepted the results of that Study in its Decision approving the Conrail Transaction. Subsequently, I was involved in many aspects of the transition to Norfolk Southern of the Penn Lines' portion of Conrail's commercial functions.

In October 1998, representing the Norfolk Southern Railway Company, I presented Market Impact Study testimony before the Surface Transportation Board as to the effects on Norfolk Southern of the proposed consolidation of the Canadian National Railway System and the Illinois Central Railroad System. My Study addressed probable traffic volumes and train and traffic volumes on routes and at locations important to Norfolk Southern.

As a part of our consulting practice during the past two decades, The Woodside Consulting Group has undertaken more than three dozen regional railroad analyses, including due diligence studies, the preparation of Business Plans, and assessments of the operating entities when the Business Plans were not being met. Included among the railroads we have studied are MidSouth Rail Corporation, Paducah & Louisville Railways, Inc., Dakota, Minnesota & Eastern Railroad Corporation, and Montana Rail Link. For each such analysis, my responsibility has been either to prepare a marketing

plan or to evaluate whether the marketing plan being presented was realistic. I also served, on a part-time basis, as Chairman of the Board of Directors of the Dakota, Minnesota & Eastern Railroad Corporation, from early 1992 through November 1993.

During my forty-four year career at Southern Pacific, Conrail, the Federal Railroad Administration, Manalytics, and The Woodside Consulting Group, my work has required me to consider many aspects of railroading, including marketing, operations, finance, economics, planning and public policy. At FRA, the economic research and development program I developed included marketing studies of grain and perishable produce. At Southern Pacific, I conducted and directed numerous marketing studies of both deficit and highly profitable railroad commodities (including lumber, wood chip, automotive, chemical, intermodal, perishable, sugar beet, and iron ore traffic), as well as of competing modes. At the higher corporate levels my positions entailed beginning in 1972, the types of work for which I was responsible required me to consider all aspects of railroading, including the three basic functional areas of marketing, finance, and operations. As a consultant, I have provided services to clients encompassing most aspects of railroading – including primarily mergers and strategic planning, marketing, finance, operations, economics, and public policy.

# ATTACHMENT B

# REDACTED

# ATTACHMENT C

# REDACTED

# ATTACHMENT D

# REDACTED

# ATTACHMENT E

**Attachment E**
**State-to-State Flows For Coos Bay Branch Traffic**

| Type of Traffic | Origin State | Destination State | 2006 Carloads | % of Total |
|---|---|---|---|---|
| Originating | OR | CA | | |
| | OR | OR | | |
| | OR | IL | | |
| | OR | AZ | | |
| | OR | TN | | |
| | OR | WA | | |
| | OR | UT | | |
| | OR | MI | | |
| | OR | MN | | |
| | OR | OK | | |
| | OR | KS/MO | | |
| | Sub-Total | | | |
| Terminating | | | | |
| | BC | OR | | |
| | AB | OR | | |
| | AR | OR | | |
| | WA | OR | | |
| | WY | OR | | |
| | Sub-Total | | | |
| Total | | | | |

Source: *2006 Carload Waybill Sample*

# ATTACHMENT F

# REDACTED

222912

CORP-1
Public Version

**BEFORE THE**
**SURFACE TRANSPORTATION BOARD**

| | | |
|---|---|---|
| Central Oregon & Pacific Railroad, Inc. – Abandonment and Discontinuance of Service – in Coos, Douglas, and Lane Counties, Oregon (Coos Bay Rail Line) | ) | Docket No. AB-515 (Sub-No. 2) |

# APPLICATION OF CENTRAL OREGON & PACIFIC RAILROAD, INC. FOR AUTHORITY TO ABANDON RAILROAD LINES AND DISCONTINUE RAIL SERVICE

## ADDENDUM D TO ATTACHMENT 1 OF THE VERIFIED STATEMENT OF CHARLES W. REX III
VOLUME 3 OF 3

FILED
JUL 14 2008
SURFACE TRANSPORTATION BOARD

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Part of Public Record

**Scott G. Williams**
**Senior Vice President and**
**General Counsel**
**RailAmerica, Inc.**
**5300 Broken Sound Boulevard N.W.**
**Boca Raton, Florida 33487**
**(561) 994-6015**

**Terence M. Hynes**
**Paul A. Hemmersbaugh**
**Matthew J. Warren**
**Sidley Austin LLP**
**1501 K Street, N.W.**
**Washington, D.C. 20005**
**(202) 736-8000**

***Counsel for Central Oregon & Pacific Railroad, Inc.***

**Dated: July 14, 2008**

# Redacted

ADDENDUM D TO ATTACHMENT 1
OF THE
VERIFIED STATEMENT
OF CHARLES W. REX III
VOLUME 3 OF 3