



U.S. Department
of Transportation

Federal Railroad
Administration

Administrator

1200 New Jersey Avenue, SE
Washington, DC 20590

JUL 3 2008

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NOTTINGHAM

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RECEIVED

The Honorable Charles D. Nottingham
Chairman
Surface Transportation Board
1925 K Street, N.W.
Washington DC 20423-0001

Re: Filing of Canadian Pacific Safety Integration Plan, STB Finance Docket No. 35081

Dear Chairman Nottingham:

The Federal Railroad Administration (FRA) is filing its preliminary findings and conclusions on the proposed Canadian Pacific Railway Company (CP) acquisition of the Dakota, Minnesota and Eastern Railroad Corporation (DM&E) and its wholly-owned subsidiary, the Iowa, Chicago and Eastern Railroad Corporation (IC&E).¹ On December 14, 2007, CP formally presented a proposed Safety Integration Plan (SIP) detailing the process and timetable for the merger of its operations with those of the DM&E. FRA has met with CP several times since then as the SIP has continued to evolve.

To date, the CP has responded satisfactorily to all of FRA's safety concerns. Assuming that CP's acquisition of the DM&E is approved, FRA will monitor CP's implementation of the SIP during the operations integration period, with a special focus on the following significant items:

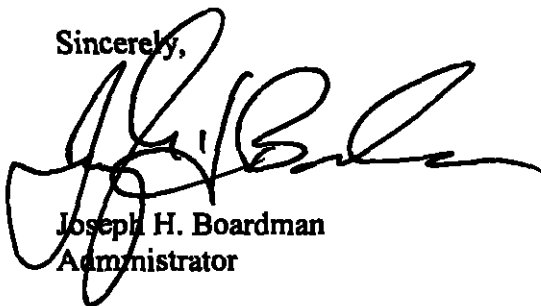
- Track improvements. CP has committed to investing approximately \$300 million over the next four years to upgrade all DM&E track to FRA Class III standards.
- Wayside detectors. CP has committed to installing additional defective equipment detectors to the east and west of the city limits of Rochester, Minnesota;
- Hazardous material traffic. Currently, the DM&E transports extremely low volumes of anhydrous ammonia and ethanol. CP projects that any likely increase in hazardous materials volume will be primarily in ethanol at levels below those which would trigger Department of Transportation routing requirements for hazardous materials;

¹ From this point on references to the DM&E include both the DM&E and the IC&E

- Highway-rail grade crossings. CP has committed to working with the Minnesota Department of Transportation and other government agencies to explore opportunities to enhance safety at highway-rail grade crossings, and
- Emergency preparedness. CP has committed to conducting emergency response training to appropriate community groups within 60 days of approval of its acquisition of the DM&E.

As stated above, should CP's acquisition of the DM&E be approved, FRA will periodically review the status and timeliness of CP's implementation of the above commitments and others contained in the SIP, to include special field audits and safety reviews as required. FRA will, of course, submit summaries of these findings to the Surface Transportation Board during the acquisition implementation period

Sincerely,

A handwritten signature in black ink, appearing to read "J. Boardman", written over the typed name and title.

Joseph H. Boardman
Administrator