Attachment 2

- Letter of February 23, 2006, William A. Mullins of Baker & Miller PLLC, attorney for Kansas City Southern and Kansas City Southern Railroad Company.

- Letter of February 28, 2006, Constance Sadler of Sidley Austin LLP, attorney for Norfolk Southern Railway Company (with attachments).

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February 23, 2006

VIA HAND DELIVERY
Ms. Victoria J. Rutson
Chief, Section of Environmental Analysis
Surface Transportation Board
1925 K Street, NW, Suite 500
Washington, DC 20423-001

Re: *STB Finance Docket No. 34821, Norfolk Southern Railway Company - Trackage Rights Exemption - Meridian Speedway LLC;*

STB Finance Docket No. 34822, Kansas City Southern, The Kansas City Southern Railway Company and Meridian Speedway, LLC - Exemption for Transactions within a Corporate Family; and

STB Finance Docket No. 34823, Kansas City Southern Railway Company - Trackage Rights Exemption - Meridian Speedway

Dear Ms. Rutson:

As explained in more detail below, Norfolk Southern Railway Company ("NSR"), Kansas City Southern ("KCS"), The Kansas City Southern Railway Company ("KCSR") and Meridian Speedway, LLC ("MSLLC") (collectively, the "Parties") are providing you with certain information relevant to the application of 49 CFR 1105.6(c) and 49 CFR 1105.8(b) to the above-identified exemption notices filed with the Surface Transportation Board ("STB") on January 17, 2006.

On January 17, 2006, the Parties filed three separate Verified Notices of Exemption for authority to implement a series of agreements regarding KCSR's existing rail line between Shreveport, LA and Meridian, MS ("the Line"). The series of agreements by the Parties address existing capacity limitations on the Line while perpetuating the cooperative arrangements that NSR and KCSR have had in place for more than a decade to handle freight traffic over the Line. Indeed, since 2000, KCSR has provided haulage rights to NSR whereby KCSR hauls intermodal traffic for NSR's account over the Line, traffic whose growth railroads and other modes of transportation have been increasingly challenged to handle. As the rest of the rail industry has also experienced, the Line is near full capacity and this constraint reduces speeds, causes congestion, and limits the amount of customers' traffic that could potentially be moved over the Line. The agreements between the Parties directly address these limitations.

The proposed new arrangements made possible through the various agreements are before the Board in three notices of exemption. First, KCS has created a wholly-owned subsidiary – MSLLC. KCS has filed its Verified Notice of Exemption pursuant to the intra-corporate family exemption to effectuate the transfer of the Line from KCS to MSLLC, to establish KCSR as the contract operator for MSLLC, and to allow certain trackage rights to be assigned from KCSR to MSLLC.[1] In accordance with the categorical exclusion from environmental review established by the STB under 49 CFR 1105.6(c)(2)(ii), this intra-corporate family transaction is exempt from STB environmental review. In addition, pursuant to the exception set forth at 49 CFR 1105.8(b)(2), no historic review under the National Historic Preservation Act of 1966 is required for this intra-corporate family transaction.

Second, KCSR has also filed a Verified Notice of Exemption for KCSR to obtain trackage rights over the Line from MSLLC. The purpose of the trackage rights is to allow KCSR to continue to operate over the Line in order to serve its customers in the same manner as it does today. Pursuant to 49 CFR 1105.6(c)(4), these trackage rights are categorically excluded from environmental review by the STB. Further, in accordance with 49 CFR 1105.8(b)(3), no historic review is required for these trackage rights.

Third, NSR has filed a Verified Notice of Exemption to acquire trackage rights over the Line once the Line is transferred to MSLLC. While the agreements contemplate the continuation of NSR's haulage rights over the Line for intermodal traffic, which is how NSR's traffic is handled over the Line today, the notice of exemption for trackage rights filed by NSR will nonetheless allow NSR to handle that intermodal traffic over the Line via trackage rights in the event that certain contractual service standards are not met. As in the case of the KCSR trackage rights exemption notice, the NSR trackage rights are categorically excluded from environmental review pursuant to 49 CFR 1105.8(c)(2)(ii) and pursuant to 49 CFR 1105.8(b)(3) are not subject to historic review.

[1] KCSR currently operates via trackage rights over approximately four-tenths of a mile section of track in Jackson, MS, that is controlled by Canadian National Railway Company (CN) as successor to Illinois Central Gulf Railroad Company (IC) pursuant to a trackage rights agreement dated March 26, 1986, between MidSouth Rail Corporation and IC (Jackson Trackage Rights Agreement). KCSR also currently operates over a railroad bridge over the Mississippi River at Vicksburg, MS, pursuant to a lease agreement between the Vicksburg Bridge and Terminal Company and The Yazoo and Mississippi Valley Railroad Company dated February 11, 1928, as amended and/or replaced from time to time (Vicksburg Bridge Lease). The transaction contemplates having both the Jackson Trackage Rights Agreement and the Vicksburg Bridge Lease assigned to MSLLC.

One of the major purposes of the various agreements between the Parties is to provide a financing mechanism by which capital can be infused into the Line in order to facilitate and expedite certain track improvements across the 320-mile Line. These improvement projects have been in various stages of consideration by KCSR over the years. Indeed, most of the improvements that will be made to the Line as part of the agreements have been included in KCSR's capital improvement plans, and KCSR intended to implement these capacity improvements regardless of whether or not it had reached any agreements with NSR with respect to financing these improvements. Examples of planned improvements to the Line include the extension or addition of sidings at several locations along the line, double tracking certain existing single main tracks, replacing or rehabilitating deteriorating bridges, and improving the configuration of the existing connections. While these projects are currently part of KCSR's planned capital improvement projects for the Line, and KCSR had the ability to fund these improvements absent NSR's capital investment through the Parties agreements, it could only have funded and implemented these projects on a longer term capital plan and at a much slower pace than is now planned. The Parties' agreements now make it possible for KCSR to finance and implement these capital project plans on a much shorter time frame and to do so more efficiently than if KCSR were to continue to finance these improvements with only its own funds.

Although the three notices of exemption each qualify for a categorical exclusion from the environmental and historic review requirements, and thus no further environmental or historic documentation is necessary, the Parties can nonetheless state that the trackage rights and intra-corporate family transactions before the Board will not cause the STB's thresholds at 49 CFR 1105.7(e)(4) and (5) to be met or exceeded. While KCSR hopes to increase traffic over the Line as capacity expands and the economy grows, such traffic growth, if it occurs at all, will not be the result of any actions subject to the Board's review. Rather, as noted, KCSR has planned for numerous capital improvements on the Line. Those improvements will be implemented as necessary to accommodate any traffic growth regardless of whether the notices of exemption take effect. As such, although the capacity improvements previously planned by KCSR will now be accelerated because of the Parties' agreements, KCSR does not anticipate any additional KCSR traffic to develop on the Line as a result of the three notices of exemption.[2]

As for NSR, without the acceleration of the capacity improvements made possible by the Parties' series of agreements, NSR would have likely seen very little growth above its existing traffic levels, even if the haulage agreement with KCSR were extended beyond its December 31,

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[2] Although Section 6.b of the Norfolk Southern Railway Company – Meridian Speedway LLC Joint Use Agreement includes a formula for allocating post-agreement train starts on the Line, the train starts referenced therein are not traffic projections and do not reflect in any way expectations by either KCSR or NSR as to either railroad's likely future traffic over the Line. Rather, the allocation provisions are necessary because the agreements between the Parties are intended to continue in perpetuity, and some mechanism was required to reflect the allocation of capacity over time. The allocation provision in that document does not reflect the Parties' reasonable forecasts of traffic on the Line for any period of time in the future.

2006 expiration date. This is because of all the capacity improvement projects KCSR has had under consideration, those that KCSR slotted for priority implementation were directed mainly at accommodating the organic growth in KCSR's traffic, leaving very little of that expanded capacity available to NSR. With the Parties' agreements, however, capital projects of lesser priority for the Line that KCSR has had under consideration will now be accelerated to accommodate some additional growth in NSR's intermodal traffic over the Line. After careful analysis of the issue, NSR reasonably projects its traffic to increase an average of 3.6 NSR trains per day over the course of 5 years, excluding NSR's existing traffic base and the minimal organic growth that NSR would have expected the Line to accommodate on its customers' behalf regardless of the occurrence of the transaction.[3]

Thus the trackage rights that are the subject of Finance Docket Nos. 34821 and 34823 are projected to result in an increase of only an average of 3.6 trains per day over 5 years. The projected increase in traffic due to both of the trackage rights transactions subject to the Board's review is well under the STB environmental review thresholds of an increase of at least eight trains per day or a 100% increase in rail yard activity. Therefore, the trackage rights exemption notices would not, even without the categorical exclusion from environmental review provided by STB regulations for trackage rights actions, have enough potential for significant impacts to warrant further environmental documentation.[4] Likewise, the intra-corporate family action that is the subject of a related notice of exemption filed by KCSR should similarly be excluded from further environmental documentation because transfer of the Line by KCSR to its subsidiary, MSLCC, continued control of MSLCC by KCSR, and operation of the Line by KCSR on behalf of MSLCC will have no impact on the level of traffic to be operated over the Line or other operational impacts of a nature potentially relevant to environmental review. Accordingly, the Parties believe that no further environmental documentation for their trackage rights or intra-corporate family transaction exemption notices is required. As a result of the three notices of exemption, there will be no substantial changes in the operation of the Line or the levels of ongoing maintenance on the Line.[5]

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[3] If NSR and KCSR had not entered into the various agreements and instead merely acted to extend the haulage agreement that currently is to expire at the end of 2006, NSR projects that it would have seen a nominal average of 0.7 trains per day of additional growth over 5 years in its traffic on the Line.

[4] As noted, because KCSR would have accommodated any of its own traffic growth over the Line through its own capital improvement program regardless of the NSR investment and agreements, KCSR projects zero additional growth over 5 years in its traffic on the Line as a result of the notices that are subject to the Board's review. Accordingly, the thresholds at 49 CFR 1105.7(e)(4) and (5) are not reached.

[5] Further, the trackage rights and the intra-family corporate notices are not expected to result in rail to motor carrier diversions or to impact the volume of truck or vehicular traffic, recyclable commodities, overall energy efficiency or the transportation of ozone depleting materials.

As a final matter, in addition to accelerating the available capacity and efficiency of the Line to accommodate potential future traffic, the agreements will also provide important safety improvements on the Line. These safety improvements can now be implemented in the near term rather than through the piecemeal, long-term process previously planned by KCSR. These improvements will result in roadbed, track, and structure improvement across the 320-mile Line that will simply provide for safer operations over the entire Line. Included among such infrastructure improvements is a program to add Centralized Track Control ("CTC") to the 80% (264.7 miles of track) of the Line that currently lacks CTC. CTC is a state-of-the-art technology that combines computers, radio signals, and microwave communication to control railway movements through signals and switches that are remotely controlled by a train dispatcher at a central office. The CTC system is partially automated and designed to permit only one train at a time to occupy a block of track. CTC-controlled signals are designed to prevent operation of a train over a diverging switch at an unsafe speed.

The Federal Railway Administration has described the important safety benefits of CTC as follows:

> The dispatcher can be miles away and see a track and various trains' positions on it through a large screen. Through computers, radio, and microwave communication, the dispatcher can safely control movement over hundreds of miles of track. Block signals, CTC and radio communication increase both the safety and efficiency of railroad operations.[6]

This will certainly be the case with KCSR's operations over the Line in a post-agreement environment. The addition of CTC and the other improvements should also increase transit speeds over the Line, helping to reduce delays at grade crossings and improving the fluidity and efficiency of trains operations through the various communities along the Line.

Very truly yours,

William A. Mullins

cc: James A. Squires, Esq.
Robert B. Terry, Esq.

[6] How Railroads Work, Federal Railroad Administration, available at http://www.fra.dot.gov/us/content/1407.

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February 28, 2006

<u>Via Hand Delivery</u>
Victoria J. Rutson
Chief, Section of Environmental Analysis
Surface Transportation Board
1925 K Street, NW
Suite 500
Washington, DC 20423-0001

Re: STB Finance Docket No. 34821, Norfolk Southern Railway Company - Trackage Rights Exemption - Meridian Speedway LLC; STB Finance Docket No. 34822, Kansas City Southern, The Kansas City Southern Railway Company and Meridian Speedway, LLC - Exemption of Transactions within a Corporate Family; and STB Finance Docket No. 34823, Kansas City Southern Railway <u>Company - Trackage Rights Exemption - Meridian Speedway</u>

Dear Ms. Rutson:

By letter dated February 23, 2006, Norfolk Southern Railway Company ("NSR"), Kansas City Southern ("KCS"), The Kansas City Southern Railway Company ("KCSR") and Meridian Speedway, LLC ("MSLLC") (collectively, the "Parties) provided the Section of Environmental Analysis ("SEA") with information relevant to the application of "categorical exclusions" from requirements for environmental and historic documentation, under the Surface Transportation Board's ("STB" or the "Board") regulations for the implementation of its obligations under the National Environmental Policy Act of 1969 ("NEPA")[1] and the National Historic Preservation Act of 1966, as amended[2], to the above-identified notices of exemption filed with the STB by the Parties on January 17, 2006. The February 23, 2006 letter was submitted by William A. Mullins, counsel for KCS, KCSR and MSLLC ("February 23, 2006 letter").

NSR concurs with the analysis set out in the February 23, 2006 letter of the application of the Board's categorical exclusions from environmental and historic documentation to both the trackage rights actions that are the subject of the notices of exemption in STB Finance Docket Nos. 34821 and 34823 and the intra-family corporate transaction that is the subject of the notice of exemption in STB Finance Docket No. 34822. NSR agrees with the conclusion stated in the February 23, 2006 letter that the trackage rights and intra-family corporate transactions that are the subject of the three notices of exemption do not require environmental or historic review by the Board. Further, I am authorized by KCS, KCSR and MSLLC to indicate their concurrence with the content of this letter.

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[1] 42 U.S.C. §§ 4321 *et seq.*

[2] 16 U.S.C. §470.

A description of the actions that are the subject of the three above-identified notices of exemption is contained in the February 23, 2006 letter. Briefly summarized, the Parties have entered into a series of agreements to address existing capacity limitations on KCSR's existing rail line between Shreveport, LA and Meridian, MS ("the Line") while continuing long-standing cooperative arrangements between NSR and KCSR to handle freight traffic over the Line. The notices of exemption before the Board provide for trackage rights over the Line to be obtained by NSR and by KCSR from MSLLC, and for an intra-family corporate transaction among KCS, KCSR and MSLLC to transfer the Line from KCSR to MSLLC, to establish KCSR as the contract operator of the Line for MSLLC and to allow certain trackage rights to be assigned from KCSR to MSLLC.

The Parties met with SEA and explained that they believe the three notices of exemption are subject to categorical exclusions from STB environmental analysis under NEPA and the Board's environmental rules. The Board is an independent federal agency with jurisdiction over certain surface transportation matters, including railroad control transactions, acquisitions and mergers. *See* 49 U.S.C. §§ 11321-11326. The Board has already accepted the three notices of exemption filed by the Parties.[3] NEPA generally requires federal agencies to consider "to the fullest extent possible" environmental consequences "in every recommendation or report on major federal actions significantly affecting the quality of the human environment."[4] Regulations governing implementation of NEPA have been promulgated by the Council on Environmental Quality ("CEQ")[5] and by the STB.[6] SEA is responsible for conducting the environmental review on behalf of the Board, evaluating potential environmental impacts and recommending environmental mitigation conditions to the Board where appropriate.[7]

Actions whose environmental effects are typically insignificant are normally excluded from NEPA review. 40 CFR 1501.4(a)(2); 49 CFR 1105.6(c). The STB's environmental regulations set out classifications of actions for which no environmental documentation is normally required. Among these STB categorical exclusions are transactions involving trackage rights (49 CFR 1105.6(c)(4)) and transactions involving corporate changes, such as a change in ownership or operator (49 CFR 1105.6(c)(2)(ii)). The two trackage rights actions and the intra-corporate family transaction that are subject of the Parties' three notices of exemption fall within these categorical exclusions from environmental review by the Board.

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[3] The decisions issued by the Board's Director of Proceedings are attached. The effective date of the three notices of exemption was extended until April 10, 2006 by order of the Board. A copy of that decision is also attached.

[4] 42 U.S. §4332(2)(c).

[5] 40 CFR Parts 1500-1508.

[6] 49 CFR Part 1105.

[7] In imposing environmental mitigation conditions, the Board has consistently focused on the potential environmental impacts that would result directly from transaction-related changes to activity levels on existing rail lines and at rail facilities. The Board typically does not require mitigation for pre-existing environmental conditions, such as the effects of current railroad operations.

The STB's environmental regulations also address its responsibilities for historic review and consultation under NHPA. As in the case of environmental review under NEPA, SEA is responsible for implementing the Board's obligations under the NHPA. The Board's regulations establish categorical exclusions from historic review for certain classes of actions. 49 CFR 1105.8(b). Among the actions for which historic review is not required are trackage rights (49 CFR 1105.8(b)(3)) and transfers of property between corporate affiliates where there will be no significant change in operations (49 CFR 1105.8(b)(2)). The two trackage rights actions and the intra-corporate family transaction identified above fall within these categorical exclusions from historic review by the STB.

To assist SEA in its independent determination that the Parties' notices of exemption are appropriately categorically excluded from environmental and historic review, the February 23, 2006 letter provides general information about the actions, including a map of the Line, descriptions of planned capacity and safety enhancement projects for the Line under consideration by KCSR, projections of the volume of additional freight traffic the Parties expect to handle over the Line as a result of the actions that are the subject of the three notices of exemption[8] and analysis supporting the conclusion that the actions do not warrant environmental or historic documentation.[9]

We understand that SEA wishes to provide copies of this letter and the February 23, 2006 letter to potentially interested parties so that they may have the opportunity to provide SEA with any comments they may have. The Board's purpose in providing this information to the public is to encourage public involvement and consultation to gain input on any potentially significant environmental impacts related to

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[8] The February 23, 2006 letter also explained that, as part of their agreements, the Parties have developed an allocation mechanism to establish the contractual rights in perpetuity as between NSR and KCSR to the overall capacity of the Line after the KCSR capital improvement projects are completed. The 13 NSR/21 KCSR train start split and bases for additional allocation reflected in Section 6.b. of the Norfolk Southern Railway Company – Meridian Speedway LLC Joint Use Agreement merely establish that contractual allocation and are not projections of future NSR and KCSR traffic volume on the Line.

[9] Railroads do not require Board authority to increase capacity on their lines by upgrading existing lines, adding sidings or double-tracking their main lines, or to increase the level of traffic on a line. *City of Detroit v. Canadian National Ry. Co.*, 9 I.C.C.2d 1208 (1993), *aff'd sub nom. Detroit/Wayne County Port Authority v. ICC*, 59 F.3d 1314 (D.C. Cir. 1995); STB F.D. No. 33966, *Friends of the Aquifer, City of Hauser et al*, at 6 (served August 15, 2001); STB F.D. No. 34111, *North San Diego County Transit Development Board—Petition for Declaratory Order*, at 8 n.15 (served Aug. 21, 2002); STB F.D. No. 33611, *Union Pacific Railroad Company—Petition for Declaratory Order—Rehabilitation of Missouri-Kansas-Texas Railroad Between Jude and Ogden Junction, TX* (served Aug. 21, 1998). As the Board has stated, "there is no statutory requirement for a carrier to obtain Board approval to build or expand facilities that assist the railroad in providing its existing operations but that do not give the carrier the ability to penetrate new markets." *Friends of the Aquifer, id.* at 6; *North San Diego County, id.* at 8; *see Nicholson v. ICC*, 711 F.2d 364, 368-70 (1983), *cert. denied*, 464 U.S. 1056 (1984); STB F.D. No. 33466, *Borough of Riverdale—Petition for Declaratory Order—The New York Susquehanna and Western Ry.* (served Sept. 10, 1999). As KCSR has indicated in the February 23, 2006 letter, KCSR has been implementing and planning extensive rail line upgrades and capacity improvements on the Line for several years, independently of the recent agreements with NSR. Because these rail line upgrades and improvements are not subject to STB review, consistent with Supreme Court precedent the Board is not required to consider environmental impacts that might arise from these actions. *Department of Transportation* v. *Public Citizen*, 541 U.S. 752 (2004) (no environmental review by DOT of increased Mexican truck traffic in the United States required because DOT licensing regulations are not the legally relevant cause of the alleged impact).

the notices of exemption filed by the Parties so that the Board can assess public concerns and issues in determining whether further environmental analysis is necessary.

We further understand that SEA intends to provide for a 20-day comment period, and that comments (one original and ten copies) may be submitted to:

Office of the Secretary
Case Control Unit
Finance Docket Nos. 34821, 34822 and 34823
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Attention: Phillis Johnson-Ball
Environmental Project Manager
Environmental Filing

Comments may also be submitted electronically at www.stb.dot.gov. Finally, we understand that questions from the public can be directed to Phillis Johnson-Ball of the Board's Section of Environmental Analysis at (202) 565-1530.

If you have any questions, please feel free to contact me.

Very truly yours,

Constance A. Sadler

Constance A. Sadler

Encls.

cc: James A. Squires, Esq.
Robert B. Terry, Esq.
William A. Mullins, Esq.

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SERVICE DATE – LATE RELEASE JANUARY 23, 2006

SURFACE TRANSPORTATION BOARD

DECISION

STB Finance Docket No. 34821

NORFOLK SOUTHERN RAILWAY COMPANY—TRACKAGE RIGHTS EXEMPTION—MERIDIAN SPEEDWAY LLC—BETWEEN MERIDIAN, MS AND SHREVEPORT, LA

STB Finance Docket No. 34822

KANSAS CITY SOUTHERN, THE KANSAS CITY SOUTHERN RAILWAY COMPANY, AND MERIDIAN SPEEDWAY, LLC—EXEMPTION FOR TRANSACTIONS WITHIN A CORPORATE FAMILY

STB Finance Docket No. 34823

KANSAS CITY SOUTHERN RAILWAY COMPANY—TRACKAGE RIGHTS EXEMPTION—MERIDIAN SPEEDWAY LLC

Decided: January 23, 2006

These proceedings involve a joint-venture between Kansas City Southern (KCS) and Norfolk Southern Railway Company (NSR) to share and upgrade a portion of the Meridian Speedway, a line located between Meridian, MS, and Dallas, TX.[1] KCS will contribute a 320-mile segment of the line between Meridian MS, milepost 0.0, and Shreveport, LA, milepost V-169.85 to the venture, and NSR will acquire an equity interest and will pay for increases in line capacity to accommodate projected traffic growth. More specifically, one of KCS's subsidiaries, Kansas City Southern Railway Company (KCSR), will contribute the line segment to Meridian Speedway, LLC (MSLLC), a newly created subsidiary of KCS. MSLLC, which will remain under the control of KCS, will grant certain trackage rights to KCSR and certain trackage and haulage rights to NSR. MSLLC will also contract with KCSR for KCSR to be the operator of the line.

KCSR currently operates via trackage rights over approximately four-tenths of a mile section of track in Jackson, MS that is controlled by Canadian National Railway Company (CN) as successor to Illinois Central Railroad Company (IC) pursuant to a trackage rights agreement dated March 26, 1986, between MidSouth Rail Corporation and IC (Jackson Trackage Rights Agreement). KCSR also currently operates over a railroad bridge over the Mississippi River at Vicksburg, MS, pursuant to a lease agreement between Vicksburg Bridge and Terminal

[1] These proceedings have not been consolidated and are being dealt with here in one decision solely for administrative convenience.

Company and The Yazoo and Mississippi Valley Railroad Company dated February 11, 1928, as amended and/or replaced from time to time (Vicksburg Bridge Lease). The transaction contemplates having both the Jackson Trackage Rights Agreement and the Vicksburg Bridge Lease assigned to MSLLC.

To obtain the Board authority necessary to implement the entire transaction, by separate verified notices of exemption filed on January 17, 2006, NSR seeks authority to acquire trackage rights in STB Finance Docket No. 34821; KCS, KCSR, and MSLLC seek an exemption for a transaction within a corporate family in STB Finance Docket No. 34822; and KCSR seeks authority to acquire trackage rights from MSLLC in STB Finance Docket No. 34823. Under the class exemption procedures, the notices would become effective on January 24, 2006 (7 days after they were filed). The parties have included complete and redacted versions of pertinent agreements with their notices, and requests for protective orders in reference to the confidential material in the complete documents.

On January 23, 2006, CN, KCS, KCSR, MSLLC, and NSR jointly filed a petition requesting that the Board stay the effectiveness of these exemptions for 30 days. The petitioners request a stay so that KCS, NSR, and CN can attempt to negotiate a mutually beneficial agreement addressing the operational impacts of the various transactions on CN's line in Jackson, MS.

The request for a stay will be granted. A stay of the effective dates of the exemptions is appropriate to allow the parties time to consider the issues presented and allow them to reach an amicable resolution on operational issues concerning the CN line. Accordingly, the effective dates of the instant exemptions will be stayed until February 23, 2006.

It is ordered:

1. The effective dates of the exemptions in STB Finance Docket Nos. 34821, 34822, and 34823 are stayed until February 23, 2006.

2. This decision is effective on its date of service.

By the Board, W. Douglas Buttrey, Chairman.

Vernon A. Williams
Secretary

36674 SERVICE DATE – FEBRUARY 3, 2006

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34821]

Norfolk Southern Railway Company—Trackage Rights Exemption—Meridian Speedway LLC—Between Meridian, MS and Shreveport, LA

Meridian Speedway LLC (MSLLC) has agreed to grant overhead trackage rights to Norfolk Southern Railway Company (NSR)[1] to permit NSR to operate over a line of railroad being transferred to MSLLC.[2] The trackage rights extend over this line between milepost 0.0 at Meridian, MS, and milepost 95.26 ± at Jackson, MS, and between milepost 95.7 ± at Jackson, MS, and milepost V-169.85 ± at Shreveport, LA,

[1] A redacted version of the trackage rights agreement was filed with the notice of exemption. The full version of the agreement, as required by 49 CFR 1180.6(a)(7)(ii), was filed under seal along with a motion for a protective order.

[2] NSR's verified notice of exemption is related to two other verified notices of exemption filed on January 17, 2006. In STB Finance Docket No. 34822, Kansas City Southern (KCS), Kansas City Southern Railway Company (KCSR), and MSLLC have filed a notice of exemption relating to an intra-corporate family transaction pursuant to which KCSR will transfer its line between Meridian, MS, and Shreveport, LA, to MSLLC, KCS will continue in control of MSLLC (which will become a carrier upon acquiring the line), and KCSR will contract with MSLLC to operate the transferred line on MSLLC's behalf. In STB Finance Docket No. 34823, KCSR has filed a notice of exemption to acquire trackage rights over the line to be transferred to MSLLC in STB Finance Docket No. 34822.

a total distance of approximately 320 miles.[3]

NSR had intended to consummate the transaction on the later of two dates, January 24, 2006, or when the transactions described in the two related verified notices of exemption are consummated. However, by decision served on January 23, 2006, the effective date of the three exemptions was stayed, at the joint request of CN, NSR, KCS, KCSR, and MSLLC, until February 23, 2006. Accordingly, consummation of the transaction cannot occur until February 23, at the earliest. And NSR has agreed to exercise the instant trackage rights only in the event of certain occurrences described in the agreement attached to the notice.

NSR will use the trackage rights for the overhead movement between Meridian, MS, and Shreveport, LA, of trains handling certain categories of intermodal traffic. This transaction and the transactions described in the two related notices of exemption are part of a joint-venture between KCS and NSR to share and upgrade this portion of the Meridian Speedway, a line running between Meridian, MS, and Dallas, TX.

As a condition to this exemption, any employees affected by the trackage rights will be protected by the conditions imposed in Norfolk and Western Ry. Co.—Trackage Rights—BN, 354 I.C.C. 605 (1978), as modified in Mendocino Coast Ry., Inc.—Lease and Operate, 360 I.C.C. 653 (1980).

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[3] The track segment between milepost 95.26 and milepost 95.7 at Jackson, MS, is owned by Canadian National Railway Company (CN). KCSR operates over the CN-owned segment pursuant to a trackage rights agreement. While NSR will seek to negotiate a trackage rights agreement with CN for that segment as well, KCSR will provide haulage service for NSR over the CN-owned segment should NSR exercise the trackage rights under this notice in the interim.

This notice is filed under 49 CFR 1180.2(d)(7). If it contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34821, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on: (1) G. Paul Moates, Sidley Austin, LLP, 1501 K Street, N.W., Washington, D.C. 20005; and (2) James A. Squires, Norfolk Southern Corporation, Three Commercial Place, Norfolk, VA 23510-9241.

Board decisions and notices are available on our website at WWW.STB.DOT.GOV.

Decided: January 27, 2006.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34823]

The Kansas City Southern Railway Company—Trackage Rights Exemption—

Meridian Speedway LLC

Meridian Speedway LLC (MSLLC) has agreed to grant local and overhead trackage rights to The Kansas City Southern Railway Company (KCSR)[1] to permit KCSR to operate over a line of railroad being transferred to MSLLC.[2] The trackage rights extend over this line between milepost 0.0 at Meridian, MS, and milepost 95.26

[1] A redacted version of the trackage rights agreement was filed with the notice of exemption. The full version of the agreement, as required by 49 CFR 1180.6(a)(7)(ii), was filed under seal along with a motion for a protective order.

[2] KCSR's verified notice of exemption is related to two other verified notices of exemption filed on January 17, 2006. In STB Finance Docket No. 34822, Kansas City Southern (KCS), KCSR, and MSLLC have filed a notice of exemption relating to an intra-corporate family transaction pursuant to which KCSR will transfer its line between Meridian, MS, and Shreveport, LA, to MSLLC, KCS will continue in control of MSLLC (which will become a carrier upon acquiring the line), and KCSR will contract with MSLLC to operate the transferred line on MSLLC's behalf. In STB Finance Docket No. 34821, Norfolk Southern Railway Company (NSR) has filed a notice of exemption to acquire trackage rights over the line to be transferred to MSLLC in STB Finance Docket No. 34822.

± at Jackson, MS, and between milepost 95.7 ± at Jackson, MS, and milepost V-169.85 ± at Shreveport, LA, a total distance of approximately 320 miles.[3]

KCSR had intended to consummate the transaction on the later of two dates, January 24, 2006, or when the transaction described in STB Finance Docket No. 34822 is consummated. However, by decision served on January 23, 2006, the effective date of the three exemptions was stayed, at the joint request of CN, NSR, KCS, KCSR, and MSLLC, until February 23, 2006. Accordingly, consummation of the transaction cannot occur until February 23, at the earliest.

KCSR will use the trackage rights to continue to provide local rail service to shippers located on the line once ownership of the line has transferred from KCSR to MSLLC. In addition, the trackage rights will allow KCSR to transport goods to and from shippers and other rail carriers between Shreveport, LA, and Meridian, MS. This transaction and the transactions covered by the other two notices of exemption are part of a joint-venture between KCS and NSR to share and upgrade the instant line, a segment of a longer line located between Meridian, MS, and Dallas, TX.

As a condition to this exemption, any employees affected by the trackage rights will be protected by the conditions imposed in Norfolk and Western Ry. Co.—Trackage Rights—BN, 354 I.C.C. 605 (1978), as modified in Mendocino Coast Ry., Inc.—Lease and Operate, 360 I.C.C. 653 (1980).

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[3] KCSR currently operates via trackage rights over the approximately four-tenths of a mile section of track in Jackson, MS, connecting these two line segments. That section of track is controlled by Canadian National Railway Company (CN) as successor to Illinois Central Railroad Company (IC) pursuant to a trackage rights agreement dated March 26, 1986, between MidSouth Rail Corporation and IC.

This notice is filed under 49 CFR 1180.2(d)(7). If it contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34823, must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on: (1) Robert B. Terry, The Kansas City Southern Railway Company, P.O. Box 219335, Kansas City, MO 64121-9335; and (2) William A Mullins, Baker & Miller PLLC, 2401 Pennsylvania Avenue, N.W., Suite 300, Washington, DC 20037.

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Decided: January 27, 2006.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary

36676 SERVICE DATE – FEBRUARY 16, 2006

DO

FR-4915-01-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34822]

Kansas City Southern, The Kansas City Southern Railway Company, and Meridian Speedway LLC—Exemption for Transactions Within a Corporate Family

Kansas City Southern (KCS), The Kansas City Southern Railway Company (KCSR), and the newly formed Meridian Speedway LLC (MSLLC) have filed a verified notice of exemption under 49 CFR 1180.2(d)(3) for a transaction within a corporate family. The transaction involves the transfer to MSLLC of KCSR's rail line between Meridian, MS, and Shreveport, LA, KCS's continuance in control of MSLLC when it becomes a rail carrier, and the subsequent grant back of operating rights by MSLLC to KCSR to allow KCSR to operate as MSLLC's contract operator in fulfilling MSLLC's contractual and common carrier obligations.[1] This notice is related to two concurrently filed notices, STB Finance Docket Nos. 34821 and 34823, where Norfolk Southern Railway Company (NSR) and KCSR, respectively, have sought authority to acquire trackage rights over the line.

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[1] KCSR currently operates via trackage rights over approximately four-tenths of a mile section of track in Jackson, MS, that is controlled by Canadian National Railway Company (CN) as successor to Illinois Central Gulf Railroad Company (IC) pursuant to a trackage rights agreement dated March 26, 1986, between MidSouth Rail Corporation and IC (Jackson Trackage Rights Agreement). KCSR also currently operates over a railroad bridge over the Mississippi River at Vicksburg, MS, pursuant to a lease agreement between the Vicksburg Bridge and Terminal Company and The Yazoo and Mississippi Valley Railroad Company dated February 11, 1928, as amended and/or replaced from time to time (Vicksburg Bridge Lease). The transaction contemplates having both the Jackson Trackage Rights Agreement and the Vicksburg Bridge Lease assigned to MSLLC.

The parties had intended to consummate the transaction on the later of two dates, January 24, 2006, or upon completion of the environmental or historical documentation process as required under 49 CFR 1105.[2] However, by decision served on January 23, 2006, the effective date of the three exemptions was stayed, at the joint request of CN, NSR, KCS, KCSR, and MSLLC, until February 23, 2006. Accordingly, consummation of the transaction cannot occur until February 23, at the earliest.

This transaction and the transactions described in the two related notices of exemption are part of a joint-venture between KCS and NSR to share and upgrade this portion of the Meridian Speedway, a line running between Meridian, MS, and Dallas, TX.

This is a transaction within a corporate family of the type exempted from prior review and approval under 49 CFR 1180.2(d)(3). Based on the parties' description of the intracorporate transaction, it should not result in adverse changes in service levels, significant operational changes, or a change in the competitive balance with carriers outside the corporate family.

As a condition to the use of this exemption, any employees adversely affected by this transaction will be protected by the conditions set forth in New York Dock Ry.—Control—Brooklyn Eastern Dist., 360 I.C.C. [illegible] (1979).

If the verified notice contains false or misleading information, the exemption is void ab initio. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.

[2] KCSR and NSR, believing that the transaction will help increase traffic on the line, have contacted the Board's Section of Environmental Analysis concerning any necessary environmental review.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34822 must be filed with the Surface Transportation Board, 1925 K Street, N.W., Washington, DC 20423-0001. In addition, a copy of each pleading must be served on Robert B. Terry, Kansas City Southern, 427 West 12th Street, Kansas City, MO 64105; and William A. Mullins, Baker & Miller PLLC, 2401 Pennsylvania Ave., N.W., Suite 300, Washington, DC 20037.

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Decided: February 10, 2006.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams

Secretary

SURFACE TRANSPORTATION BOARD

DECISION

STB Finance Docket No. 34821

NORFOLK SOUTHERN RAILWAY COMPANY—TRACKAGE RIGHTS EXEMPTION—MERIDIAN SPEEDWAY LLC—BETWEEN MERIDIAN, MS AND SHREVEPORT, LA

STB Finance Docket No. 34822

KANSAS CITY SOUTHERN, THE KANSAS CITY SOUTHERN RAILWAY COMPANY, AND MERIDIAN SPEEDWAY LLC—EXEMPTION FOR TRANSACTIONS WITHIN A CORPORATE FAMILY

STB Finance Docket No. 34823

KANSAS CITY SOUTHERN RAILWAY COMPANY—TRACKAGE RIGHTS EXEMPTION—MERIDIAN SPEEDWAY LLC

Decided: February 21, 2006

These proceedings involve a joint-venture between Kansas City Southern (KCS) and Norfolk Southern Railway Company (NSR) to share and upgrade a portion of the Meridian Speedway, a line located between Meridian, MS, and Dallas, TX.[1] KCS will contribute a 320-mile segment of the line between Meridian, MS, milepost 0.0, and Shreveport, LA, milepost V-169.85, to the venture, and NSR will acquire an equity interest and will pay for increases in line capacity to accommodate projected traffic growth. More specifically, one of KCS's subsidiaries, The Kansas City Southern Railway Company (KCSR), will contribute the line segment to Meridian Speedway LLC (MSLLC), a newly created subsidiary of KCS. MSLLC, which will remain under the control of KCS, will grant certain trackage rights to KCSR and certain trackage and haulage rights to NSR. MSLLC will also contract with KCSR for KCSR to be the operator of the line.

KCSR currently operates via trackage rights over approximately four-tenths of a mile section of track in Jackson, MS, that is controlled by Canadian National Railway Company (CN) as successor to Illinois Central Gulf Railroad Company (IC) pursuant to a trackage rights agreement dated March 26, 1986, between MidSouth Rail Corporation and IC (Jackson Trackage Rights Agreement). KCSR also currently operates over a railroad bridge over the Mississippi River at Vicksburg, MS, pursuant to a lease agreement between Vicksburg Bridge and Terminal Company and The Yazoo and Mississippi Valley Railroad Company dated February 11, 1928, as amended and/or replaced from time to time (Vicksburg Bridge Lease). The transaction

[1] These proceedings have not been consolidated and are being dealt with here in one decision solely for administrative convenience.

contemplates having both the Jackson Trackage Rights Agreement and the Vicksburg Bridge Lease assigned to MSLLC.

To obtain the Board authority necessary to implement the entire transaction, by separate verified notices of exemption filed on January 17, 2006, NSR seeks authority to acquire trackage rights in STB Finance Docket No. 34821; KCS, KCSR, and MSLLC seek an exemption for a transaction within a corporate family in STB Finance Docket No. 34822; and KCSR seeks authority to acquire trackage rights from MSLLC in STB Finance Docket No. 34823. Under the class exemption procedures, the notices would have become effective on January 24, 2006 (7 days after they were filed). However, by decision served on January 23, 2006, the effective dates of the three exemptions were stayed, at the joint request of CN, NSR, KCS, KCSR, and MSLLC, until February 23, 2006.

On February 17, 2006, NSR, KCS, KCSR, and MSLLC jointly filed a petition asking the Board to extend the stay of the effective dates. The petitioners have contacted the Board's Section of Environmental Analysis (SEA) regarding the impacts of anticipated traffic growth over the line from this transaction and are now preparing necessary documents for SEA's review. The petitioners explain, however, that they need additional time to prepare the documents for SEA. Petitioners request that the Board further stay the notices' effective dates until April 10, 2006, or until such lesser time as it may take to resolve the environmental matters.

The request for an extension of the stay will be granted. An extension of the stay will allow the environmental effects of the transaction to be properly documented and addressed before the exemptions become effective. Accordingly, the effective dates of the instant exemptions will be further stayed until April 10, 2006. If the petitioners wish to consummate the transaction sooner than April 10, 2006, they may file a petition to lift the stay.

It is ordered:

1. The effective dates of the exemptions in STB Finance Docket Nos. 34821, 34822, and 34823 are stayed until April 10, 2006.

2. This decision is effective on its date of service.

By the Board, W. Douglas Buttrey, Chairman.

Vernon A. Williams
Secretary