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SERVICE DATE - OCTOBER 31, 2002

DO

FR-4915-00-P

DEPARTMENT OF TRANSPORTATION

Surface Transportation Board

[STB Finance Docket No. 34268]

Carolina Rail Service, LLC—Acquisition and Operation Exemption—Beaufort & Morehead
Railway, Inc.

Carolina Rail Service, LLC (CRS), a Class III rail carrier, has filed a notice of exemption under 49 CFR 1150.41 to acquire by assignment any and all operating authority that the Beaufort & Morehead Railway, Inc. (BMRI) has over a specified rail line in North Carolina. The subject rail line extends from the connection with the Norfolk Southern Railway Company (Atlantic & East Carolina Railway) at milepost 0.0 in Morehead City, NC, to milepost 0.87 at Gallants Channel near Morehead City, a distance of .87 miles in Carteret County, NC, serving the intermediate stations of Marsh Island and Radio Island, and includes all trackage incidental thereto. CRS will operate over those lines pursuant to an operating

agreement with the North Carolina State Ports Authority (SPA)¹ and a permanent and exclusive easement granted by the North Carolina Ports Railway Commission (PRC).²

CRS states that the impetus for this transaction is new legislation enacted by the State of North Carolina legislature, SB 1115, ratified September 20, 2002. This legislation, among other things, requires the transfer of PRC's assets and liabilities, except its common carrier obligation, to SPA, and abolishes PRC.

CRS also filed a notice of exemption on October 1, 2002, in STB Finance Docket No. 34256, Carolina Rail Service, LLC–Acquisition and Operation Exemption–North Carolina Ports Railway Commission and North Carolina State Ports Authority, wherein CRS seeks to acquire a permanent and exclusive easement over this .87-mile line as well as over approximately 4 miles of intra-terminal track at the Morehead City terminal from PRC, and the right to operate over those rail lines pursuant to an operating agreement with SPA.

¹ In a related matter, SPA filed a notice of exemption in STB Finance Docket No. 34258, North Carolina State Port Authority–Acquisition Exemption–North Carolina Ports Railway Commission, wherein SPA seeks to acquire the right-of-way, trackage, and other rail assets of these rail lines. SPA also filed a motion to dismiss that notice on jurisdictional grounds.

² Our predecessor, the Interstate Commerce Commission exempted PRC from regulation under the Interstate Commerce Act, but determined that PRC had a residual common carrier obligation over these lines. See North Carolina Ports Railway Commission–Petition for Declaratory Order or Prospective Abandonment Exemption, Finance Docket No. 31248 (ICC served Sept. 30, 1988).

CRS certifies that its projected revenues as a result of this transaction will not result in the creation of a Class II or Class I rail carrier and that its projected annual revenues will not exceed \$5 million.

CRS indicates that it expects to consummate the transaction by November 20, 2002, but not before the October 22, 2002 effective date of the exemption (7 days after the exemption was filed).

If the 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 does not automatically stay the transaction.

An original and 10 copies of all pleadings, referring to STB Finance Docket No. 34268, must be filed with the Surface Transportation Board, 1925 K Street NW, Washington, DC 20423-0001. In addition, one copy of each pleading must be served on Karl Morell, Ball Janik LLP, 1455 F Street NW, Suite 225, Washington, DC 20005.

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

Decided: October 24, 2002.

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

Vernon A. Williams

Secretary