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October 27, 2011

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VIA E-FILING

Cynthia T. Brown
Chief of the Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington DC 20423-0001

Re: STB Docket No. AB-1087X
*Grenada Railway LLC - Petition for Abandonment Exemption In Grenada,
Montgomery, Carroll, Holmes, Yazoo and Madison Counties, MS*

Dear Ms. Brown:

I am enclosing herewith the Mississippi Transportation Commission's "Reply and Protest" to the abandonment petition for exemption filed by Grenada Railway, LLC in the above-captioned proceeding.

Please feel free to contact me promptly if you have any concerns or questions regarding this filing.

Sincerely,



William A. Mullins

cc: Parties of Record

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Docket No. AB 1087X

**GRENADA RAILWAY LLC
- ABANDONMENT EXEMPTION -
IN GRENADA, MONTGOMERY, CARROLL,
HOLMES, YAZOO, AND MADISON COUNTIES, MS**

**MISSISSIPPI TRANSPORTATION COMMISSION'S REPLY AND PROTEST
TO ABANDONMENT PETITION FOR EXEMPTION
FILED BY GRENADA RAILWAY LLC**

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October 27, 2011

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**BEFORE THE
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IN GRENADA, MONTGOMERY, CARROLL,
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**MISSISSIPPI TRANSPORTATION COMMISSION'S REPLY AND PROTEST
TO ABANDONMENT PETITION FOR EXEMPTION
FILED BY GRENADA RAILWAY LLC**

Mississippi Transportation Commission ("MTC"), by its counsel, and pursuant to the Director's order served October 7, 2011, hereby files this "Reply and Protest" to the abandonment petition for exemption ("Petition") filed by Grenada Railway, LLC ("GRYR"). For the reasons noted herein, MTC specifically requests that the petition for exemption be denied and that GRYR be required to file an application if it determines that it wants to move forward with its request for abandonment authority.

BACKGROUND AND SUMMARY OF ARGUMENT

As has become standard practice with alleged shortline railroad companies affiliated with A&K Railroad Materials, Inc. ("A&K"), a rail salvage and materials company, not two years after acquiring GRYR¹ with promises of increased service on the line and the promise to "build

¹ GRYR acquired this Line and a contiguous segment from the Illinois Central Railroad Company in Grenada Railway, LLC—Acquisition and Operation Exemption—Illinois Central Railroad Company and Waterloo Railway Company, Docket No. FD 35247 (STB served May 29, 2009).

these railroads up,"² Mr. Schumacher³ has once again filed for authority to abandon a line that a company he controls only recently acquired. In this case, on September 20, 2011, GRYR filed a petition under 49 U.S.C. § 10502 seeking an exemption from the provisions of 49 U.S.C. § 10903 to abandon the southern segment of GRYR's line of railroad between milepost 622.5 near Grenada, Miss., and milepost 703.8 near Canton, Miss., a distance of 81.3 miles, in Grenada, Montgomery, Carroll, Holmes, Yazoo and Madison Counties, Miss (the "Line"). The Petition should be denied.

GRYR acquired the entire line (from Canton to Memphis) with great fanfare and promise, but failed to follow through on those promises. In retrospect, as the history of Mr. Schumacher and A&K shows, this should not come as a surprise to anyone. Mr. Schumacher almost always files for abandonment authority shortly after taking over a line. He has followed the same pattern here. Given his history, it should not be a surprise that shortly after taking over the line here, rates were raised, service reduced, and excessive demurrage assessed, all in an effort to drive off traffic in order to prepare the line for abandonment.

Now, Mr. Schumacher has once again filed for abandonment authority through the use of the petition for exemption process. The Board generally only grants abandonment petitions for exemption when they are uncontested, or if contested, the opposition did not come from shippers on the line, but rather from overhead shippers, whose shipments could be efficiently rerouted. Alternatively, if the railroad can provide clear and convincing evidence that it is suffering

² John Howell, Owner vows to keep rails open, Grenada Star (June 5, 2009), <http://www.grenadastar.com/v2/content.aspx?module=contentitem&id=136463&memberid=1218>.

³ Mr. Kern W. Schumacher is the owner of A&K and controlling shareholder of GRYR. Mr. Michael Van Wageningen, the General Counsel of A&K, is a testifying witness and Vice President of GRYR.

financial harm and such harm clearly outweighs any harm to the shippers or the communities who are served by the line, the Board will likewise grant the exemption petition. .

Neither is the case here. The record here will reflect that GRYR has not sufficiently met its burden to show a petition for exemption is warranted in this proceeding. GRYR has not clearly shown financial harm. It has overstated its avoidable costs, overstated its rehabilitation costs, and has inflated its net liquidation value (“NLV”) in order to show unwarranted opportunity costs. At a minimum, there are substantial questions about the accuracy of the financial data presented. Both on-line and off-line shippers oppose the Petition. Connecting shortlines oppose the Petition. There are also numerous community organizations, mayors, city councilmen, state senators, and state representatives who believe the abandonment would create substantial economic harm. The Transportation Committee of the Mississippi House of Representatives and the Highways and Transportation Committee of the Mississippi Senate have passed a joint resolution calling for a full investigation of the abandonment and the use of the application process. Mississippi U.S. Senator Thad Cochran and U.S. Congressman Greg Harper likewise do not believe the petition for exemption process is the appropriate process. In such situations, precedent indicates that the Board will deny the petition for exemption and require the use of the application process.

ARGUMENT

I. THE LEGAL STANDARD

Under 49 U.S.C. 10903, GRYR may not abandon this Line without the Board’s prior approval. Under 49 U.S.C. 10502, however, the Board can exempt the abandonment from the application of Section 10903 if it finds that: (1) those requirements or procedures are not necessary to carry out the rail transportation policy of 49 U.S.C. 10101; and (2) either (a) the

transaction or service is of limited scope, or (b) regulation is not necessary to protect shippers from the abuse of market power. In applying that standard in the context of a petition for exemption seeking abandonment authorization, the railroad must demonstrate that the line in question is a burden on interstate commerce and that this burden outweighs the harm that would befall the shipping public, and the adverse impacts on rural and community development, if the rail line were abandoned. See Gauley River Railroad, LLC–Abandonment and Discontinuance of Service–In Webster and Nicholas Counties, WV, STB Docket No. AB-559 (Sub-No. 1X) et al., slip op. at 5 (STB served June 16, 1999)(“Gauley”).

GRYR thus bears the burden of proof. In the past, if the railroad has provided sufficient information and has met its burden, the Board has granted a petition for exemption, but it has done so only where shippers and communities do not contest the abandonment, or, if they do contest it, the revenue from the traffic on the line is clearly marginal compared to the cost of operating the line and there will be little harm to the shippers and the community. See The Indiana Rail Road Company–Abandonment Exemption– In Martin and Lawrence Counties, IN. STB Docket No. AB-295 (Sub-No. 7X)(STB served March 26, 2010)(granting a petition for exemption despite significant opposition because the line was a significant money loser and because the actual shippers on the line itself would not lose rail service)(“Indiana Railroad”).

On the other hand, where shippers both on and off the actual line have protested, where there are disputes about the line’s profitability, where there are issues regarding the intentions of the line’s owners, and/or where there is significant community opposition, the Board normally denies the exemption petition and requires the railroad to follow the application process. See Boston and Maine Corporation–Abandonment Exemption–In Hartford and New Haven Counties, CT, STB Docket No. AB-32 (Sub-No. 75X) et al., slip op. at 5 (STB served Dec. 31, 1996)

(Boston and Maine). The Boston and Maine precedent and its concepts have been invoked over 20+ times; most recently in Michigan Air-Line Railway Co.—Abandonment Exemption—In Oakland County, Mich., STB Docket No. AB-1053 (Sub-No. 1X)(STB served May 18, 2011)(“Michigan Air-Line”).

Under the applicable petition for exemption rules, GRYR has but one chance to present evidence sufficient to satisfy its considerable burden of proof to obtain an abandonment exemption. And, here, GRYR has failed to meet its burden. GRYR has not shown that its harm outweighs the harm to the community. There are substantial questions regarding the accuracy of GRYR’s financial data. GRYR has overstated its avoidable costs, overstated its rehabilitation costs, and most likely inflated its NLV (although the record needs to be more fully developed with respect to the NLV). On-line shippers and numerous off-line shippers (who use the Line for overhead movements) oppose the Petition, and the communities and various agencies and officials have established that the abandonment of the Line will have a significant adverse impact on their communities. As such, this case fits well within the Board’s precedents where the Board has denied a petition for exemption and required the railroad to file a full abandonment application in order to proceed with the abandonment.

II. AN APPLICATION IS NECESSARY IN ORDER FOR THE BOARD TO CONDUCT A THOROUGH EVALUATION OF THE IMPACTS OF THE ABANDONMENT

A. Abandonment, Which Will Result In Substantial Economic Hardship To The Shippers

It is no secret that the owners and officers of GRYR, Mr. Kern W. Schumacher and Mr. Michael Van Wagenen are also owners and officers with A&K. A&K has been described in

decisions of the Board's predecessor as a "railroad salvage company,"⁴ "a nationally known rail salvager,"⁵ and as "a dealer in the purchase and sale of new and used track materials."⁶ An A&K slogan, taken directly from A&K's web site,⁷ proclaims: "Say goodbye to useless tracks and hello to extra profits."

It is precisely for this reason that, when A&K acquired the line from Illinois Central Railroad Company ("IC") under the GRYR moniker, shippers and communities expressed concern over the transaction and pressed GRYR's principals with numerous questions. In response to those numerous questions, these A&K/GRYR officials made numerous promises and statements that they would be better operators than IC because they could "turn over some rocks" that hamstringing CN (IC),⁸ that there "intention [was] to build these railroads up,"⁹ that "[t]here's a lot of traffic on this line, even though it's not where it should be,"¹⁰ and that they intended to grow traffic on the line.¹¹ It is also due to the affiliation with A&K that State Representative Bondurant requested the Board to revoke GRYR's authority to acquire the line.

⁴ Wyoming and Colorado RR. Co., Inc.--Aban. Exempt.--Jackson County, CO, Docket No. AB-307 (Sub-No. 2X) (ICC served Sept. 15, 1995).

⁵ Lone Star RR., Inc.--Aban. and Discontinuance Of Trackage Rights--In Wichita, Archer, Baylor, Knox, Haskell and Jones Counties, TX, Docket No. AB-426 (ICC served June 9, 1995).

⁶ Washington Central RR. Co., Inc.--Aban. Exempt.--In Yakima County, WA, Docket No. AB-326X (ICC served Feb. 18, 1993).

⁷ A&K Railroad Materials, Inc., <http://www.akrailroad.com/track-removal.html> (October 27, 2011)

⁸ John Howell, Owner vows to keep rails open, Grenada Star (June 5, 2009), <http://www.grenadastar.com/v2/content.aspx?module=contentitem&id=136463&memberid=1218>.

⁹ Id.

¹⁰ Id.

¹¹ Allen Baswell, Grenada Rail gets on track, Grenada Star (Aug. 27, 2009), <http://www.grenadastar.com/v2/content.aspx?module=ContentItem&ID=151001&MemberID=1218>.

That request was denied because there was no evidence at the time that GRYR was not going to operate as a true shortline, and given the numerous statements by GRYR cited above, it is understandable why the Board would reach the decision that it did.

Fast forward just over two years later, however, and GRYR now seeks to abandon a large segment of the line that they had two years earlier said had lots of traffic and great promise. Rep. Bondurant's predictions have come true. What happened to the "lots of traffic" in this two year period? What steps did GRYR undertake to build up traffic? Did GRYR maintain service or cut back on maintenance and capital expenditures? Given that the shippers and the communities had only 20 days from publication of the October 7 notice to consult with counsel, collect evidence, consult with experts, draft discovery, and submit these comments, it is not easy to answer those questions.¹² But that is precisely why this Board should require the filing of an application.

Nonetheless, based upon the information that has been filed to date, it appears that GRYR has followed the standard A&K model of taking over a line, raising rates, reducing service, and cutting back on maintenance, all in an effort to drive off any rail traffic so that the line can

¹² Due to the lack of information contained within the Petition with respect to what happened in the two year period, MTC served discovery on GRYR seeking answers to the many questions. A copy of that discovery is attached as Exhibit A. Due to the fact that counsel was not retained until only recently, this discovery was not served until October 18. Under the Board's rules, the answers (or objections) are not due until November 2. This is past the October 27 filing deadline. MTC counsel then suggested to GRYR counsel that they hold the proceeding in abeyance in order to allow the parties an opportunity to negotiate over their respective concerns. This was rejected. MTC counsel was also hopeful that an arrangement could be worked out whereby GRYR would agree to a short extension of time in order to allow MTC to present any discovery as part of any Reply. As noted in their October 20, 2011 letter to the Board, GRYR has refused to provide even a modest extension to the procedural schedule so as to allow MTC to review the discovery and provide it as part of this reply. GRYR counsel also refused to let MTC counsel know, by the time of this filing, whether or not GRYR would be objecting outright or would be providing a substantive response to the discovery.

qualify for an abandonment. This is borne out by the various letters filed by both the on-branch and off-branch (overhead) shippers and the connecting shortline. For example:

- Mr. James Rone, Plant manager, Newly Wed Foods, September 28 letter, notes that after GRYR took over the line, rates were raised to levels 3 or 4 times the previous rates in order to force customers to find other routes and that GRYR “intentionally drove customers away from the line in order to make a credible case for abandonment.”
- Jim Flanagan, President and CEO, DeSoto County Economic Development Council, August 24, 2011 letter, notes that “GRYR exponentially increased rates on the [Line] to force customers to find other routes for product distribution,” and that GRYR “intentionally drove customers away from the line.”
- Pablo Diaz, CEO, Grenada County Economic Development District, filed October 3, 2011, notes that “GRYR increased rates on customers to the point that they had to find different routes.”
- J. Burke Nichols, Plant Manager, Carlisle Construction Materials, letter submitted October 3, 2011, likewise notes that GRYR increased rates and intentionally drove customers away from the line. Locomotive Engineer, Robert J. Riley, in his October 6 filing, notes that GRYR “raised rates to a level that made it hard for local shippers to continue using rail service.”
- State Representative Sidney Bondurant in his October 6 filing notes that “GRYR has not improved railroad operations on this line and has not worked with shippers or communities.” He also notes that GRYR has issued slow orders and has changed routing options so as to increase transit times and reduce service.
- Finally, Don Brown, President of Kosciusko and Southwestern Railway (“KSRY”), a connecting shortline owned by the state which the state had previously purchased to prevent its abandonment, notes that if the abandonment occurs, KSRY will be completely cut-off from the interstate rail system (see Section IV, *infra.*). He notes in his October 11 filing, that KSRY approached GRYR twice to conduct joint marketing efforts but was completely rebuffed in its efforts. He also states that GRYR never contacted them regarding what rail traffic would be available.

As all of these letters indicate, GRYR’s actions certainly don’t speak of someone who is going “turn over some rocks” to find traffic or someone who is truly seeking to grow traffic over the line.

GRYR states that there are currently five active on-line shippers: Hankins Lumber Sales, Thomas Wood Preserving, Winona Hardwood, Burrows Paper, and Tri-County Cooperative.¹³ There used to be two more active shippers – Georgia Pacific and Dunham, but they have closed their operations. It is unclear whether the lack of adequate rail service contributed to their closure, but it is likely it did. Nonetheless, as for the five active shippers –two of the largest have provided letters or verified statements indicating their opposition to the abandonment, and Hankins Lumber indicates that they were prepared to commit to providing cars in order to keep the Line in service, but the service was so bad, such a commitment became meaningless.

Burrows Paper Corporation notes that the abandonment would have negative and operational impacts on their Pickens mill plant located on the Line. While they may be able to use trucks for some of their shipments, the costs are significantly more than rail, resulting in economic harm. They also note that the abandonment would place them at a competitive disadvantage with respect to competing for fiber produced in Western Canada. See October 24 letter from Joe Roberts, Mill Manager, Pickens, MS. Mr. George T. Wayne, Board President, Tri-County Cooperative, in his October 25, 2011 verified statement, notes that the “ability of our company to receive these materials [fertilizer products] by railcar is extremely important as the freight to have these materials hauled by truck will greatly increase the cost to our company and ultimately the end user.” He goes on to state that Tri-County Cooperative “needs to keep rail

¹³ GRYR’s focus on “on-line” shippers does not tell the whole story. According to Pablo Diaz of the Grenada County Economic Development District, there are nine active shippers and over 3,695 cars per year are shipped over the Line. See October 3, 2011 letter. Mr. James Rone, Plant manager, Newly Wed Foods, also discussed nine active shippers. See September 28, 2011 letter. GRYR’s Petition fails to account for these cars, most likely because they are overhead shipments. The fact that there is a dispute over the exact number of active shippers, the exact number of car counts, and GRYR does not discuss whether overhead shipments can be efficiently rerouted, is more than enough under the Board’s precedents to deny the exemption and require the filing of application so the Board can have a more fully developed record.

service in order to supply multiple counties with agricultural products necessary for row crop farming” and that abandonment would “definitely cause economic downfall within the area in general, not just within our small business.”

To resolve some of these shippers’ concerns, GRYR has offered to provide a “transload credit” of \$150 per rail car for one year and \$100 for an additional four years off of the applicable freight rail tariff – presumably from rates that would apply from the Grenada yard to Memphis over the remaining portion of the GRYR line, although this is not entirely clear.¹⁴ This solution is inadequate. The offered credit is off the rail car tariff price. GRYR has not committed to what that tariff price would be. GRYR simply needs to raise its tariff rates by \$150 and the commitment means nothing. Furthermore, not all of the shippers can use intermodal containers, which is what GRYR claims the credit would be applicable. Accordingly, a mere credit of even \$150 per rail car is wholly insufficient to make the shippers “whole” for the loss of rail service.

GRYR’s focus on “on-line” shippers does not tell the whole story. The abandonment would also adversely impact numerous “off-line” shippers who utilize the Line for “overhead” southbound movements. According to Pablo Diaz of the Grenada County Economic Development District, there are nine active shippers who actually use the Line and over 3,695

¹⁴ It is important to note that one of the key arguments underlying the abandonment petition is that the shippers can use trucks, that there are numerous highways paralleling the line, and that GRYR simply couldn’t compete against such alternative transportation modes so as to bring more traffic onto the rail Line. Yet, for the Grenada to Memphis line, the remaining portion of the GRYR line, one of the key components of the business plan seems to revolve around establishing a transload and intermodal shipping facility at Grenada in order to provide 3 day a week rail intermodal service between Grenada and Memphis so as to compete against trucks. The fact that GRYR didn’t undertake similar efforts, *i.e.* establish a transload facility earlier at other locations so as to ensure that the entire GRYR line could be retained speaks volumes as to GRYR’s intent and raises substantial questions as to GRYR’s financial projections and cost estimates with respect to the Line.

cars per year are shipped over the Line. See October 3, 2011 letter. Mr. James Rone, Plant manager, Newly Wed Foods, also discussed nine active shippers. See September 28, 2011 letter. Mr. Wade Taylor, General Manager, Abitibi Bowater, notes that even though they are not located “on” the Line, over 1,000 of their cars traveled over the Line to the CN interchange at Canton. See October 21, 2011 letter. His company opposes the abandonment and notes that the abandonment would result in significantly increasing their costs and would have “a devastating effect on our operation and consequential negative impacts upon the local and regional economy.”

The fact that there is no discussion in GRYR’s Petition of the revenues provided by these overhead shippers, the impacts on these shippers, or whether their shipments could be efficiently rerouted is sufficient, standing alone, to deny the exemption and require the filing of application so the Board can have a more fully developed record.¹⁵ Nonetheless, the record establishes there are numerous shippers who use the Line for both local and overhead movements and they universally oppose the abandonment and have noted that they would suffer economic harm from the abandonment.

B. GRYR Most Likely Had No Desire to Actually Operate The Line

It should not be a surprise that GRYR has made no effort to preserve, yet alone grow, rail service on the Line, nor should it be surprising that their transload offer is wholly inadequate. The history of A&K and its affiliates is replete with example after example of acquiring a rail line, raising rates, downgrading service, and reducing maintenance and capital expenditures, all in an effort to drive off traffic in order to prepare the line for abandonment. As fully set forth in

¹⁵ See Sections III and IV, *infra*, for further discussion of the impacts of the abandonment on off-line shippers and communities and the impacts on the segment of the Line that GRYR will retain, *i.e.* the Grenada to Memphis.

the filings filed by Keokuk Junction Railway Company in the SF&L case,¹⁶ it is not just SF&L, a sister company of GRYR, that has a history of acquiring and then abandoning rail lines, but all of A&K's railroad subsidiaries have consistently followed the same pattern. Indeed, since the SF&L proceeding, A&K companies have followed the same pattern.

- The Tulare Valley Railroad ("TVR") appears to have abandoned its remaining trackage and the TVR no longer seems to be in existence.¹⁷
- The Kern Valley Railroad Company tried to abandon its line several times, with little luck, and now the line just remains dormant.
- The V & S Railway, Inc. abandoned a 20-mile line of railroad in Kansas in 2003.¹⁸
- In 2009, Gloster Southern Railroad Company LLC, not one year after acquiring the railroad located in Feliciana Parish, LA and Wilkinson and Amite Counties, MS at about the same time other A&K properties were acquiring the GRYR and the Natchez Railway, LLC, also discontinued operations over that line.¹⁹
- The Lassen Valley Railway obtained authority to acquire approximately 22.34 miles of rail line in California and Nevada in 2009,²⁰ and obtained authority to abandon all but about a half of mile of the line in August of 2011.²¹

¹⁶ SF&L Railway, Inc.—Acquisition and Operation Exemption—Toledo, Peoria and Western Railway Corporation between La Harpe and Peoria, IL, STB Finance Docket No. 33995 et al. (STB served Oct. 17, 2002) (SF&L). See "Petition To Revoke" filed March 6, 2001, and the "Supplement To Petition To Revoke," filed Dec. 12, 2001, which are both specifically incorporated herein pursuant to 49 C.F.R. 1112.7. As that was a Board proceeding, the Board already has a "true copy" in their records, but one can presented to the Board if so required in this proceeding.

¹⁷ Tulare Valley Railroad Company – Abandonment Exemption – In Tulare County, CAL., STB Finance Docket No. AB-397 (Sub-No. 7X) (STB served Feb. 22, 2011).

¹⁸ V And S Railway, Inc., – Abandonment Exemption – In Barber County, KS, STB Finance Docket No. AB-603 (Sub-No. 1X) (STB served Aug. 13, 2003).

¹⁹ Gloster Southern Railroad Company – Discontinuance of Service Exemption – In Amite and Wilkinson Counties, MS and East Feliciana Parish, LA, STB Finance Docket No. AB-1051(X) (STB served Dec. 14, 2009).

²⁰ Lassen Valley Railway Company – Acquisition and Operation Exemption – Union Pacific Railroad Company, STB Finance Docket No. 35306 (STB served Dec. 3, 2009)

²¹ Lassen Valley Railway, LLC – Abandonment Exemption – In Washoe County, NEV, AND Lassen County, CAL., STB Finance Docket No. AB-1074(X) (STB served Aug. 8, 2011).

Overall, the A&K affiliated railroads have disposed of over 95% of the trackage that they have acquired and this represents hundreds of miles of tracks.

While evidence of this past conduct does not in and of itself establish that GRYR acquired this line with the full intent in order to abandon and scrap it, such conduct is nonetheless relevant to the Board's analysis here.²² Indeed, if it were any other entity but an A&K affiliate, the line most likely would have been profitable, and would have shown the "promise" that was so trumpeted by GRYR when they bought it. See Exhibit B, Verified Statement of Mr. Tom O'Connor, Vice President, Snavely King Majoros & O'Connor, Inc ("SK VS."). Yet, A&K's past history, combined with the shipper statements and the cost analysis provided herein by Snavely King, are more than enough under Board precedent to support a finding that the petition for exemption process simply should not be applicable in this proceeding and that a full investigation under the application process is more than warranted.

C. There Are Too Many Flaws In GRYR's Financial Data To Justify Abandonment At This Time

GRYR's witness, Aaron Parsons, claims that the Line had an operating loss of \$100,927 in 2010 and \$94,674 in the first six months of 2011. He also claims that the net liquidation value ("NLV") of the Line is \$21,048,840, resulting in an opportunity cost loss of \$2,198,610. Finally, based upon a report from Landreth Engineering of Albuquerque, New Mexico, he claims the line needs \$12,858,600 worth of rehabilitation. To analyze the accuracy of these figures, MTC hired

²² See United States v. Hurley, 755 F.2d 788 (11th Cir. 1985)(The Court stated that "[b]ecause it is difficult to prove intent by direct evidence, it normally must be inferred from circumstantial evidence." *Id.* at 790; see also United States v. Arrendondo-Morales, 624 F.2d 681, 684 (5th Cir. 1980) ("Because guilty knowledge is difficult to prove by direct evidence, surrounding circumstances may supply inferences of knowledge which adequately prove intent."); United States v. Stokes, 471 F.2d 1318, 1321 (5th Cir. 1973) (declining defendant's request for additional jury instruction on circumstantial evidence, the court noted that "[t]he trial court advised the jury that . . . it is often very difficult to prove intent by direct evidence, and that intent may therefore be inferred from circumstantial evidence.").

Snavely King Majoros & O'Connor, Inc. ("Snavely King" or "SK"). Snavely King is an economic and management consulting company with offices located at 8100 Professional Place, Suite 306, Landover, MD 20785. Throughout Snavely King's 40 year history their practice has been focused on transportation, telecommunications and public utility industries. SK utilized Mr. Tom O'Connor, Vice President, Mr. Carl W. Rode, of C&S Companies, and Mr. Chet Rhodes of QEM, Inc., to conduct an analysis of GRYR's financial data.

Given the short time frame available to MTC to hire counsel and consultants, the lack of specific information in GRYR's Petition, and the fact that GRYR has not yet provided any information in response to MTC's discovery (and refused to provide a short time extension for MTC to file these Reply comments), it has not been possible to do a complete and full analysis of GRYR's financial data, such as would be available and done if this proceeding were being conducted under the application procedures. Nonetheless, SK was able to review the record and perform an analysis based upon the best available information, including a physical inspection of part of the Line. SK's analysis shows that: (1) avoidable (operating costs) are overstated and revenues are likely understated; (2) the NLV, and thus opportunity costs, are overstated; and (3) rehabilitation costs are grossly overstated. Where there are disputes over the accuracy of the financial data presented, the Boston and Maine precedent is clear: the Petition must be denied at this time and the railroad required to follow the application procedures set forth in the regulations.

1. Avoidable Costs Are Overstated And Revenues Likely Understated

SK's review indicates that Grenada has overestimated how much the Line loses on an operating cost basis. This is in large part because GRYR has not only improperly segmented the line in a manner to make the financial data worse than it really is, but also because, according to

SK, they have selectively manipulated the financial data in order to show an operating loss. For example, GRYR forecasts revenues to increase only 6% above the 2010 base year, but in contrast, total on branch costs were forecast by GRYR Parsons to increase 39% and maintenance of way costs were forecast to rise to 306% of the 2010 base year. SK VS. at 12. These estimates and other discrepancies among them are shown in Table I. SK VS. at 13. There is no explanation or support for these forecasts, nor are the reasons for the substantial increases in costs, especially maintenance costs, explained.

Additionally, GRYR's data likely does not accurately reflect the revenues from overhead traffic. Overhead traffic is the largest component of revenue, as shown on SK VS. Table I. It accounts for more than 60% of the revenue on the line. However, no mention is made of the off branch origins or destinations of that overhead traffic: thus encumbering an in-depth analysis of this key component of the line's profitability. SK Witness O'Connor believes that the line "may well be profitable if the already substantial overhead traffic were being cultivated as opposed to being driven away. Simply put, GRYR could make more money if it captured more overhead traffic and was more aggressive in seeking and capturing available shipper traffic throughout the length of the line and beyond." SK VS. at 16.

Even if one assumes that GRYR's operating cost forecasts are accurate, the Line may be showing a loss simply because GRYR wants to show a loss, not because the Line is actually a money loser. The record indicates GRYR has raised rates, reduced service, refused offers to pursue traffic opportunities, and has discouraged traffic by imposing high demurrage costs and exorbitant rates. This indicates a business model geared to short term dismantling and removal of railroad assets rather than long term railroad operations leading to profitable growth. As

Witness O'Connor states, "The Grenada management approach almost predetermines failure to operate the line profitably." SK VS. at 17.

2. GRYR Has Substantially Overstated The Line's Rehabilitation Costs

GRYR claims the line needs \$12,858,600 worth of rehabilitation. The vast majority of these are related to bridge costs. Snavelly King has conducted preliminary reviews and it retained engineers to conduct on site field research. Based on this review, GRYR appears to be substantially overstating their case on the bridge repair costs. GRYR says that the bridge at milepost 656.4 is in such bad shape that it needs to be replaced at a cost of \$784,000. SK Witness Rhodes claims that the "bridge is in good condition overall and is safe for normal operation." SK VS. at 22 The onsite review by SK's professional engineers provides a very different report than the GRYR claim that the bridge at milepost 656 is "falling apart."²³

SK's on-site observations are confirmed by the October 6, 2011 comment filed by State Rep. Sidney Bondurant.²⁴ He notes that despite the notion that the bridge was in bad shape and allegedly embargoed, GRYR continued to operate over the bridge. Likewise, prior to the embargo, there were no slow orders or temporary speed restrictions, which would be normally issued prior to a bridge embargo. A slow order was eventually issued, nineteen days after the alleged embargo. Representative Bondurant concludes that the bridge is not unsafe. He also observes that the documents he reviewed suggest "a bad bridge had to be "found" between milepost 622.5 and milepost 703.8 in the proposed abandonment area to help the case for a successful abandonment."

²³ SK's on-site observations are confirmed by the October 6, 2011 comment filed by State Rep. Sidney Bondurant. He notes that despite the notion that the bridge was in bad shape and allegedly embargoed, GRYR continued to operate over the bridge.

²⁴ There are also echoed by the October 6 Comments filed by Locomotive Engineer Robert J. Riley.

Direct observation on site by Witnesses Rode and Rhodes also disputes the notion that the Line itself is in need of substantial rehabilitation. Based upon his physical inspection of a representative sample of the Line, the majority of the Line was in full compliance with FRA regulations regarding ties and joints. Likewise, out of the 12 public and 2 private crossings, only 4 needed compliance work and this was merely replacement of the asphalt. SK VS. at 25. Given the timeframes involved in the petition for exemption, SK was not able to thoroughly inspect and analyze each and every element of the Line so as to completely rebut the rehabilitation cost estimates, but their observations, plus those of Rep. Bondurant, indicates that at least some estimates are widely exaggerated. This raises questions about the accuracy of the remaining estimates. As such, GRYR has not met its burden to establish that the petition for exemption should be granted.

3. GRYR Has Also Overstated The NLV And Its Opportunity Costs

Finally, GRYR claims that the Line has an NLV of \$21,048,840, resulting in an opportunity cost loss of \$2,198,610. The NLV consists of two parts: (1) a one page offer from an alleged independent company based out of Utah for the track, ties, O'M, etc... in the amount of \$17,755,000; and (2) a land value estimate of \$3,293,340. These NLV figures are used to determine the opportunity costs. Due to the time frames involved in the exemption process, it was not feasible to do a complete NLV analysis as one would do if filing an OFA or where the Board is requested to set the terms and condition of an OFA sale. Nonetheless, based upon the preliminary review and analysis by SK, as confirmed by reference to other Mississippi abandonment cases and by the October 6, 2011 comment from Engineer Robert J. Riley, the NLV of the line has been vastly overstated, which results in an overstated opportunity costs loss. The NLV is most likely in the \$6.6 million to \$7.1 million range. SK VS. at 8.

A review of other abandonment cases in Mississippi shows that the NLV estimate stated in the petition is unreasonably high. This is reflected in Table contained at pg. 8 of the SK VS. That table shows a comparison of the NLV values in the other Mississippi cases compared to estimates in Grenada's filing. It should be noted that the NLV used by the Mississippi & Skuna Valley Railroad LLC ("M&SVR"), which only recently filed for abandonment authority, was prepared by A&K Railroad Materials and submitted by Michael J. Van Wagenen, A&K's Executive Vice President and General Counsel. Mr. Van Wagenen is also Grenada's vice president and submitted a verified statement in the Grenada Petition. If one uses the NLV per mile from the two abandonment cases listed in the Table in the SK VS and applies it to the 81.3 miles of track Grenada proposes to abandon, one gets a NLV amount ranging from \$7,092,449 ($\$87,238 \times 81.3$) down to \$6,641,560 ($\$81,692 \times 81.3$). The higher of these two estimates is more than \$10 million below GRYR's estimate.

The SK estimates and that used by Mr. Van Wagenen himself in the M&SVR case are also fully consistent with the estimate set forth by Mr. Riley, who unknown to MTC, its counsel, and consultants, has set forth a well reasoned and documented discussion of the NLV. His statement places the estimate of the NLV at \$7,026,373.66, well within the ranges provided by SK and Mr. Van Wagenen.

Some of the discrepancy is due to the land values used by GRYR witness, George Ross. As discussed in the SK VS. at 9, Mr. Ross developed his estimate of land values based on a key assumption—that the land "in Whole or Part does not revert back to the adjacent owners or the original Grantors." However Mr. Ross's assumption is contradicted by a table that Mr. Ross also introduced, reproduced in SK VS. at 10, which clearly shows that very little of the real estate was conveyed by warranty deed, which form of conveyance generally signifies the transfer of a fee

simple interest. All other forms of conveyance are most likely to be in easement. Thus, Mr. Ross's own data indicates that reversion is likely to occur on most of the real estate at issue. Furthermore, even if it were entirely fee simple, according to Mr. Riley, the value of the real estate would be more in the range of \$1.1 million, not the \$3.3 million.

The attached letter (attached as Exhibit C) from Mr. Howard B. Herring, Mississippi Certified General Appraiser # GA 169, Ridge Point Consultants, the most qualified individual, also fully discusses the inadequacies of Mr. Ross's valuation. The only way to truly get an accurate picture of the real estate would be to obtain a title opinion and a certified appraisal as suggested by Mr. Herring, but as he notes, this would take 45-60 days. Clearly, there are questions surrounding the NLV values and the appropriate opportunity cost calculation. Those questions should be fully discussed in a subsequent application proceeding.

III. THERE ARE SIGNIFICANT ECONOMIC IMPACTS TO THE STATE AND COMMUNITIES WHICH SHOULD BE FULLY EVALUATED UNDER THE APPLICATION PROCESS

As previously noted, for the Board to grant the abandonment under the petition for exemption process, GRYR must demonstrate that the line in question is a burden on interstate commerce and that this burden outweighs the harm that would befall the shipping public and the adverse impacts on rural and community development. Where the record is unclear, or where there are questions underlying the railroad's actions and evidence, the Board has numerous times denied the exemption petition and required the railroad to file an application or to file additional information as part of a refiled exemption petition.

In this case, the largest online shippers oppose the abandonment and a significant number of shippers who had used the line, or could use the line, for overhead movements have also expressed their opposition. These shippers have shown that GRYR took deliberate actions to

drive traffic off of the Line so as to reduce the revenues attributable to the Line. Without these actions, the Line would likely be profitable, as discussed by MTC's witness Tom O'Connor. These shippers have shown that they would face significant economic harm if the abandonment were granted. There are also significant questions with respect to GRYR's financial calculations and projections.

Accordingly, at a minimum, the evidence presented by these shippers and the SK witnesses, especially in the short timeframe in which they had to develop and present it, more than establishes that the GRYR has not met its burden and that the Board should require additional information and investigation under the application process in order to fully evaluate the impacts of the Line's proposed abandonment. Not only are there impacts on the shippers, but there would also be significant adverse impacts on the various communities if GRYR were authorized to abandon the Line.

The impacts to the communities can be measured by reviewing the various letters and statements filed by the numerous local and state governmental officials, communities, shippers, and economic development agencies.

- Jim Flanagan, President and CEO, DeSoto County Economic Development Council, August 24, 2011 letter, notes that Newly Weds Foods efforts to construct a rail spur to accommodate future expansion will be put in jeopardy by the abandonment and could jeopardize the 282 people employed by Newly Weds Foods.
- Mr. James Rone, Plant manager, Newly Wed Foods, September 28 letter, confirms Mr. Flanagan's comments. His comments are particularly illuminating as to how his plant, which is not located "on" the Line, would nonetheless be impacted. He notes that he is served by GRYR on the portion that is not being proposed for abandonment, but he moves their traffic south over the Line. He believes that GRYR will, after the abandonment, seek to increase rates on the north segment and will eventually seek to abandon that line (and given the history of A&K, his concern is certainly warranted). This would adversely impact his plant, his employees, and make his rail spur project useless.

- Pablo Diaz, CEO, Grenada County Economic Development District, filed October 3, 2011, states that the Board would “be doing a great disservice to the regional economy should it approve [the abandonment].” He says that the line transports 3,695 cars and could add an additional 2,000 cars over the next 3 years and that abandonment of the line would cause a loss of 500 jobs. According to him, the abandonment would “put this region at a huge disadvantage when competing for [recruitment?] projects and overall job creation” and notes that “GRYR increased rates on customers to the point that they had to find different routes.”
- J. Burke Nichols, Plant Manager, Carlisle Construction Materials, letter submitted October 3, 2011, echoes the comments of Mr. Diaz.
- Mr. Jimmy W. Cockroft, Mayor, City of Kosciusko, October 5, 2011 letter, notes that due to the lack of an adequate highway system for their community and the fact that the Line is their only connection to an adequate transportation system, that the abandonment would “decimate[] our potential for industrial development in this area.” He also states that the abandonment would result in an “immediate [adverse] effect on existing businesses” and put “his region at a huge disadvantage when competing for economic development projects and overall job creation.”
- Robert J. Riley, a locomotive engineer with familiarity of the region and line, notes in his October 6 letter that the abandonment of the line would have “devastating effect to the economy as a whole for the ENTIRE northern part of the state,” limiting their ability to compete against other states and regions for economic growth.
- Mayor Larry Hart, City of Water Valley, claims that the abandonment would require shippers in his city to ship product north to Memphis in order to get back south and at unbearable freight rates.
- Steve Zea, President of Kosciuko Attala Development Corporation states that the loss of the line will have an “immediate effect on existing businesses” and put his region “at a huge disadvantage when competing for economic development projects.”
- Finally, Christopher A. Masingill, acting on behalf of the Delta Regional Authority, Office of the Federal Co-Chairman, notes that the abandonment would have significant negative impacts on the shippers and communities which outweigh any burden that GRYR bears.

There most likely will be other letters filed on October 27 for which MTC will not have a chance to review until after this filing. MTC is confident that they too will establish that the abandonment of the Line will have adverse impacts on the communities in and around the region. It is without question, however, that there will be adverse impacts on rural and

community development which must be balanced against the alleged harms to GRYR. In so balancing, it is clear that GRYR has not met its burden to allow a grant of its exemption petition at this time.

IV. GRYR HAS IMPROPERLY SEGMENTED THE LINE WHICH ALSO NECESSITATES THE FILING OF APPLICATION IN ORDER TO FULLY DEVELOP THE RECORD

Many shippers and communities who may not be “on” the line, do and can, benefit from the existence of the Line due to the ability to truck to the Line, build spurs to the Line, market their communities as having economic value due to their proximity to the Line, and have in fact used the Line for the movement of overhead traffic from north of Grenada south to the connection with IC at Canton. The impacts from these overhead and off-line shippers cannot be legally ignored.

When determining whether to grant an exemption petition or require the filing of an application, the Board does consider the use and existence of overhead traffic and the impact that an abandonment would have on such overhead shippers and the communities. This has especially been the case where consideration of such traffic makes the line profitable, as is likely the case here. See CSX Transportation, Inc.—Abandonment Exemption—In Anderson County, SC, STB Docket No. AB-55 (Sub-No. 664X)(STB served Aug. 15, 2006)(specifically noting that the line is profitable when overhead traffic is considered and noting that 49 C.F.R. §§1152.31(a)(1) and (a)(3) require the Board to attribute revenue and income from overhead shippers to the line)(“CSX-Anderson County”); See also, Central Railroad Company Of Indiana—Abandonment Exemption—In Dearborn, Decatur, Franklin, Ripley, and Shelby Counties, IN., STB Docket No. AB-459 (Sub-No. 2X) (STB served May 4, 1998). Of course the

Petition is void of any discussion of the overhead shippers and the impacts of the abandonment on their service, routings, and rates.

Another instance of when the Board must consider the impacts of the abandonment of one line on lines connecting to, but not part of, the actual line slated for abandonment is when the abandonment of one line may eventually lead to the abandonment of a connecting segment on an adjoining or connecting line. This is part of the so-called "segmentation doctrine" articulated in Indiana Sugars, Inc. v. ICC, 694 F.2d 1098 (7th Cir. 1982)("Indiana Sugars") and later expanded on in Futurex Industries, Inc. v. ICC, 897 F.2d 866 (7th Cir. 1990)("Futurex").

This doctrine is broader than the notion that off-line shipper and community impacts should be considered in the balancing test or that overhead revenues should be counted for purposes of determining the profitability of a line slated for abandonment. Rather, as applicable in this case, this doctrine requires the Board to examine whether the abandonment of this Line would foreclose the viability of the remaining Grenada to Memphis segment and/or the Kosciusko to Aberdeen Junction line ("KSRY Line") currently operated by the Kosciusko Southwestern Railway ("KSRY"). The Petition is void of such a discussion or analysis.

The Indiana Sugars precedent was largely non-controversial until former ICC Commissioners Lamboley and Simmons began issuing a series of dissents in response to numerous cases where it appeared that railroads were picking and choosing various segments for abandonment in order to make the "best case possible" from an economic standpoint. But in so doing, such a piecemeal approach was ignoring the notion that many of these lines were simply "bits" of a larger portion. Commissioners Lamboley and Simmons believed that the proper analysis was to look at profitability of the entire line as a whole, not just the small portion.

As noted by Commissioner Lamboley in one of his dissents:

Generally, fragmentation such as that attempted with this line has led to deteriorating price and service options for the shippers which remain on the active, residual portions of the line, continued with the prospect of subsequent abandonments. The shippers located on the contiguous portions of a formerly through line (such as protestant Futurex) are subject to having their traffic rerouted into potentially circuitous patterns, but may have no meaningful chance to participate in bifurcated proceedings to protest the abandonment exemption or application which affects them.

Finally, and most disturbingly, the sequential abandonment of portions of a former through line permanently destroys the line's potential to be operated as a short line in the future. Those shippers and communities which temporarily retain rail service, albeit circuitously rerouted, will ultimately face the loss of all service because the earlier abandoned fragments cannot be resurrected to reunite a through line, even if there might be the possibility of a purchaser.

See CSX Transportation, Inc.—Exemption—Abandonment In Putnam And Parke Counties, IN.,

Docket No. AB-55 (Sub-No. 222X), 1989 ICC LEXIS 155, *14 (ICC served June 7, 1989).

My how few things seem to change? Those words are as applicable in this case as they were back then. Shippers located on the retained Grenada to Memphis segment who had previously used the Line to ship things south, will, if the Line is abandoned, first have to ship north in order to go south. There is already some evidence in the record from the shippers' letters that such a routing is inefficient and would lead to increased rates. They have also expressed fear that the north segment will be next in line for an abandonment, and given the history of GRYR's owners, these fears would most likely be realized.

While originally dissents, the Lamboley/Simmons position was eventually somewhat vindicated in the Futurex appeal decision. Even that appeals case did not completely resolve the issue as the ICC continued to struggle with its application. Perhaps the best discussion of the history of the doctrine and its application is contained within Central Michigan Railway Company—Abandonment—East of Ionia To West Of Owosso—In Michigan, Docket No. AB-

308 (Sub-No. 1), 8 I.C.C. 2d 166, 1991 ICC LEXIS 231 (ICC served Sept. 19, 1991)(“CMR”).

The precedent, as articulated and applied today, is set forth in that decision where the ICC stated:

In any event, the Commission is not bound to a mechanical application of the three part Futurex test.[fn] While Futurex provides a useful analytical framework for considering segmentation issues, it is more appropriate that our analytical focus be on the ultimate issue: whether abandonment of one segment would foreclose the viability of contiguous segments, making their eventual abandonment a foregone conclusion. This approach is fully consistent with the court's intent that we consider the effect of an abandonment on contiguous segments in appropriate circumstances. Under it, we will continue to examine all available evidence relevant to segmentation issues and will request additional evidence when necessary. This will ensure a reasoned conclusion on the ultimate question of whether a grant of authority to abandon a segment is tantamount to a grant of authority to abandon the whole line. In this case, however, the evidence of record addresses the Futurex criteria, and Amway's appeal is based on our application of them. We will analyze it accordingly.

Id., 1991 ICC LEXIS 231, *14-15.

Of course here, the Board cannot fully analyze whether the abandonment of the Line here will result in the eventual abandonment of the connecting north segment because GRYR has completely ignored the issue and has failed to put in any evidence related to the Futurex criteria.²⁵ Indeed, every time shippers and communities from the north segment did submit something, counsel would put in a reply that simply noted that such parties were not “on” the Line, as if their opinion and evidence didn’t matter. Yet, what evidence there is in the record – that A&K has a history of abandonments, that north routings are inefficient and costly, and that the Line is crucial to the economic development of the entire region, including the connecting segments—indicates, at a minimum, that there are potential segmentation issues that need to be

²⁵ Cf. Central Kansas Railway, L.L.C.—Abandonment Exemption—In Sedgwick County, KS, STB Docket No. 406 (Sub-No. 14X)(STB served April 10, 2001)(Futurex criteria discussed and analyzed but the grant of the petition for exemption was conditioned on the railroad ensuring that overhead shippers would have an alternative routing that was both operational and efficient).

addressed and fully analyzed. As such, the Petition should be rejected as insufficient and GRYR required to refile its abandonment as an application with the pertinent information.

Likewise, the Petition needs to be rejected under the Futurex doctrine because the Petition is void of any analysis of the abandonment of the KSRY Line. If this abandonment is granted, the KSRY Line would become a complete “island” railroad, not connecting to any other rail line and completely cut-off from the interstate rail system. By necessity, that would mean the abandonment of the entire 21.7 mile KSRY Line. The Petition does note that the line has no active shippers and that it is currently being used for car storage, but simply says GRYR has offered to move the cars off the KSRY Line. GE’s October 21 letter notes that it is working with GRYR to move its cars off the KSRY Line, but objects to the abandonment until that can occur.

There is also some evidence by KSRY itself that part of the reason there are no active shippers on their line is because GRYR never responded to any of the efforts made by KSRY to engage in joint marketing efforts. Knowing the abandonment of this Line would result in the abandonment of the KSRY Line, the Board must analyze the impacts of such a KSRY Line abandonment as part of this proceeding. Having no information to make that analysis, the Board should reject the Petition.

V. CONTINUED REGULATION IS NECESSARY TO FURTHER THE RAIL TRANSPORTATION POLICY AND THE TRANSACTION IS NOT LIMITED IN SCOPE

Abandonment petitions for exemption are filed under 49 U.S.C. 10502, which section usually involves a straight forward analysis under §10502(a)(1) and (2). However, in abandonment exemption cases, the Board also applies the balancing test applicable to Section 10903 in order to determine whether the Section 10502 criteria have been met. GRYR has not met its burden under the Board’s balancing test. Likewise, even if the Board were to only apply

the Section 10502 analysis without reference to Section 10903, GRYR has not met its burden to show the abandonment exemption should be granted. Instead, regulation of the abandonment is necessary to further the Rail Transportation Policy (“RTP”) and the transaction is not of limited scope.

A. Regulation Is Necessary To Further The RTP

Section 10502(a) requires that any exemption further transportation policy. 49 USC §10101 sets forth the transportation policy of the United States Government in fifteen paragraphs. Granting the Petition would in fact frustrate several of these policy goals. These include:

- (3) to promote a safe and efficient rail transportation system by allowing rail carriers to earn adequate revenues, as determined by the Board.

Evidence indicates that granting the Petition would result in inefficient transportation routings for shippers located on the north segment who use (or used) the Line to ship south and would expose these shippers to irregular service and excessive demurrage charges. GRYR has presented no safety evidence or any discussion of its safety record. It is thus not clear whether granting the abandonment would promote a safe rail transportation system or not, which again justifies for the denial of the petition in order for the record to be more fully developed.

- (4) to ensure the development and continuation of a sound rail transportation system with effective competition among rail carriers and with other modes, to meet the needs of the public and the national defense.

Granting the Petition would frustrate this goal as it would: (a) end competition between rail and other modes of transport, namely trucking; (b) result in the break-up of a through line that currently provides rail transportation in either direction between Canton and Memphis; (c) result in the elimination of an interchange with CN at Canton; and eliminate a routing option for

several communities who are not adequately served by the highway system; thus putting the national defense needs of those communities at risk.

- (5) to foster sound economic conditions in transportation and to ensure effective competition and coordination between rail carriers and other modes.

Granting the Petition would frustrate this goal by eliminating: (a) competition between rail and truck modes; (b) an interchange between GRYR and CN at Canton; (c) the ability of numerous local rural communities to effectively market their locations for economic development.

- (6) to maintain reasonable rates where there is an absence of effective competition and where rail rates provide revenues which exceed the amount necessary to maintain the rail system and to attract capital.

GRYR has already substantially raised rates. Granting the Petition would allow GRYR to continue its scheme to drive away rail customers through excessive rates and dismal service and eliminate an overhead routing that has provided a substantial amount of revenue in the past and could do so in the future.

- (8) to operate transportation facilities and equipment without detriment to the public health and safety

Granting the Petition would frustrate this goal as it would result in increased truck traffic on both the rural roads and the highways and would result in increased air and noise emissions. Salvage activities could also jeopardize the public health and safety unless certain conditions were imposed and followed.

- (9) to encourage honest and efficient management of railroads.

The GRYR/A&K group have not engaged in honest or efficient management. Prior to the acquisition of the line, management made numerous statements that they would provide better rates and service than the previous owner, which was a large Class I railroad that could not

be as responsive to the community needs as the GRYR folks would be. This mantra was repeated at numerous meetings and in numerous press accounts. Then, having acquired the line, management did exactly the opposite—raising rates, implementing inefficient operating changes, and, although it is not entirely clear yet in the record, most likely significantly reduced maintenance and capital expenditures. As such, continued regulation of the Line through the requirement to file an application is necessary in order to develop a full record with respect to honesty and efficiency of the existing management.

- (13) to ensure the availability of accurate cost information in regulatory proceedings, while minimizing the burden on rail carriers of developing and maintaining the capability of providing such information.

Granting the Petition would frustrate this goal. GRYR has obviously taken out just a portion of its overall line so as to make the best case for abandonment. Even then, however, the Petition contains incomplete and inaccurate data with respect to the Line's profitability and the true rehabilitation costs. In addition, there are significant questions with respect to the accuracy of the NLV, especially with respect to land prices and the assumption by the railroad that the land is all owned in fee. As such, regulation is necessary in order to develop an accurate picture of the financial viability of the Line and to determine whether the abandonment of the Line will also result in the abandonment of connecting segments.

- (14) to encourage and promote energy conservation.

Granting the Petition would increase energy use and inefficiencies. To the extent shippers can convert to truck or transload, this would actually increase energy use and fuel costs. The energy efficiencies of rail over truck are well known.

B. The Proposed Abandonment Is Not Limited In Scope

The abandonment is 81.3 miles long, impacts six counties, most of them rural and economically depressed, five (or six or nine – the record is unclear) active on-line shippers, and would also impact numerous off-line counties, shippers, and communities who depend upon the Line for overhead movements. According to Mr. Pablo Diaz of the Grenada Economic Development District, the abandonment would impact nine shippers and over 3,695 rail cars per year, with an additional 2,000 cars to be added to the line in the next three years (assuming no abandonment). He claims that the abandonment could lead to the loss of up to 500 jobs. Abitibi Bowater says the abandonment would adversely impact 1,000 of their cars and threatens the economic well being of their 179 employees. Such impacts are not limited in scope and stand in stark contrast to the allegations set forth by GRYR that the abandonment only impacts 5 shippers and 289 cars.²⁶

The Board can and does grant exemption petitions even in the face of intense shipper and community impacts, as it did in Indiana Railroad, but it does not normally do so when the impacts are as large in scope as here. In Indiana Railroad, for example, the case involved only 21.15 miles of track, the overhead shippers still had three other direct alternative routings available to them, there was only one active shipper, and even then the railroad agreed not to abandon the portion of the line where the three on-line shippers were located. Here, the active on-line shippers have protested, the overhead shippers will not have efficient alternative routings available to them, a shortline railroad will become completely isolated from the interstate rail

²⁶ Obviously there is a disconnect between what GRYR says the impacts will be versus what Mr. Diaz (and numerous other parties) say with respect to the scope of the abandonment impacts. That fact there is such a stark contrast of opinion itself justifies denial of the exemption petition until such time as a more fully developed record is presented through the abandonment application process.

service, the abandonment of the Line could result in the abandonment of a contiguous GRYR segment, and there are substantial questions about the financial data and the impacts on the communities.

In fact, the impacts in this case are much larger than numerous other cases where the Board denied the petition for exemption and required railroads to refile as an application or provide substantially more information in a renewed exemption petition. See e.g. Boston and Maine (9.5 miles), CSX-Anderson County (12.74 miles), Michigan Air-Line (5.45 miles), San Joaquin (18.1 miles),²⁷ and Gauley (three segments totaling 30.7 miles). As in those cases and numerous others, the Board, when the impacts are not limited in scope, has denied the petition for exemption. It should do so here.

CONCLUSION

In this proceeding, the record to date establishes that GRYR has not presented sufficient evidence for the Board to conclude that it should grant the proposed abandonment exemption. GRYR has not sufficiently met its burden to show that its harm outweighs the harm to the shippers and the rural communities. There are substantial questions regarding the accuracy of GRYR's financial data. It appears GRYR has overstated its avoidable costs, overstated its rehabilitation costs, and inflated its NLV (although the record needs to be more fully developed with respect to the NLV). All of the on-line shippers and most of the off-line shippers oppose the petition, and the communities and various agencies and officials have established that abandonment of the line will have a significant adverse impact on their communities. As such, this case fits well within the Board's precedents where the Board has denied a petition for

²⁷ San Joaquin Valley Railroad Company – Abandonment Exemption – In Kings and Fresno Counties, CA, STB Docket No. AB-398 (Sub-No. 4X)(STB served May 23, 1997).

exemption and required the railroad to file a full abandonment application in order to proceed with the abandonment. The Board should follow those precedents and deny the Petition.

Respectfully submitted,



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Attorneys for
Mississippi Transportation Commission

October 27, 2011

CERTIFICATE OF SERVICE

I, William A. Mullins, hereby certify I have served a copy of the foregoing Reply and Protest upon counsel for Grenada Railway LLC by e-mail and courier, and have served a copy on all other parties of record by first class mail postage-prepaid or other expedited means as appropriate.



William A. Mullins

October 27, 2011

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Docket No. AB 1087X

**GRENADA RAILWAY LLC
- ABANDONMENT EXEMPTION -
IN GRENADA, MONTGOMERY, CARROLL,
HOLMES, YAZOO, AND MADISON COUNTIES, MS**

**MISSISSIPPI TRANSPORTATION COMMISSION'S REPLY AND PROTEST
TO ABANDONMENT PETITION FOR EXEMPTION
FILED BY GRENADA RAILWAY LLC**

Exhibit A

MTC DISCOVERY AS SERVED ON GRENADA RAILWAY

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October 18, 2011

VIA ELECTRONIC AND HAND DELIVERY

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Re: STB Docket No. AB-1087X
*Grenada Railway LLC Petition for Abandonment Exemption In Grenada,
Montgomery, Carroll Holmes, Yazoo and Madison Counties, MI*

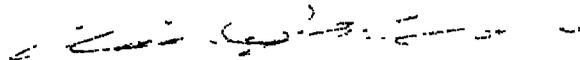
Dear Mr. Kahn:

I am enclosing herewith the Mississippi Transportation Commission's First Discovery Requests directed to your client, Grenada Railway, LLC, in connection with the above-captioned proceeding. This discovery is served pursuant to the Surface Transportation Board's regulations at 49 CFR §1114.21, and related regulations.

In accordance with applicable Board regulations, complete responses to these requests are due by November 2. If I had been retained earlier, I could have drafted and served this discovery earlier; however, I have only recently been retained. Accordingly, given the expedited nature of the petition for exemption process, I would appreciate it if you would let me know within five (5) business days if you will object to and will refuse to provide substantive responses to any of the attached discovery requests.

Please feel free to contact me promptly to discuss any objections, concerns, or questions regarding these requests with a view to resolving any disputes or issues of interpretation informally and expeditiously.

Sincerely,



William A. Mullins

cc: Walter Brown

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Docket No. AB 1087X

**GRENADA RAILWAY LLC
- ABANDONMENT EXEMPTION -
IN GRENADA, MONTGOMERY, CARROLL,
HOLMES, YAZOO, AND MADISON COUNTIES, MS**

**MISSISSIPPI TRANSPORTATION COMMISSION'S FIRST SET OF
INTERROGATORIES, DOCUMENT PRODUCTION REQUESTS, AND REQUESTS
FOR ADMISSIONS TO GRENADA RAILWAY LLC AND KERN W. SCHUMACHER**

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**Attorneys for
Mississippi Transportation Commission**

October 18, 2011

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Docket No. AB 1087X

**GRENADA RAILWAY LLC
- ABANDONMENT EXEMPTION -
IN GRENADA, MONTGOMERY, CARROLL,
HOLMES, YAZOO, AND MADISON COUNTIES, MS**

**MISSISSIPPI TRANSPORTATION COMMISSION'S FIRST SET OF
INTERROGATORIES, DOCUMENT PRODUCTION REQUESTS, AND REQUESTS
FOR ADMISSIONS TO GRENADA RAILWAY LLC AND KERN W. SCHUMACHER**

Mississippi Transportation Commission ("MTC"), by its counsel, and pursuant to 49 C.F.R. §§ 1114.26, 1114.27 and 1114.30, hereby requests that Grenada Railway, LLC, and Kern W. Schumacher (collectively "Respondents") answer interrogatories, produce documents, and answer requests for admissions as set forth below. Each discovery request should be answered separately and fully in writing, unless all or a portion of it is objected to, in which event the reasons for objecting to the portion objected to should be stated, and the remainder of the request should be answered separately and fully in writing. The answers are to be signed under oath by the person making them. Respondents are requested to serve responses to this discovery within 15 days of the date of service hereof unless the parties otherwise agree. Respondents are also hereby instructed within five (5) business days of service of these discovery requests to advise counsel for MTC of Respondents' specific objections, if any, to any of the discovery requests included below, and to indicate whether, on the basis of such specific objections, Respondents will refuse to respond substantively to any of the discovery requests in whole or in part. In the interest of time, such communication with respect to specific objections and Respondents'

refusal to respond substantively to discovery requests may be accomplished via written communication or via telephone conference. Respondents should contact the undersigned expeditiously to discuss any objections or questions regarding these requests.

DEFINITIONS

1. "GRYR" means Grenada Railway LLC
2. "Schumacher" means Kern W. Schumacher.
3. "A&K" means A & K Railroad Materials, Inc.
4. "IC Railroads" means Illinois Central Railroad Company, Waterloo Railway Company, and their corporate parents and affiliates.
5. "STB" means the United States Surface Transportation Board.
6. "IC" means Illinois Central Railroad Company and/or its corporate successors.
7. "Rail Line" means the southern portion of rail, ties, and other track material owned by GRYR between Milepost 622.5 near Grenada, MS, and Milepost 703.8 near Canton, MS, a distance of 81.3 miles, which is subject of an abandonment petition for exemption in this proceeding.
8. "Respondents" means Grenada Railway, LLC, and Kern W. Schumacher collectively.
9. "Grenada Line" means the entire network of rail lines and trackage acquired by GRYR pursuant to its notice of exemption filed in STB Docket No. FD 35247, *Grenada Railway LLC-Acquisition and Operation Exemption—Illinois Central Railroad Company and Waterloo Railway Company*, 74 FR 25799 (May 29, 2009).
10. "Document" means any writing or other compilation of information, whether printed, typed, handwritten, recorded or produced or reproduced by any other process, including but not limited to letters; other correspondence; notes; memoranda; telegrams; papers; articles; books; periodicals; notebooks; contracts; instruments; studies; analyses; intra-company or other communications; records or reports of negotiations between Respondents or any other person; transcripts; summaries; minutes or other records of, or lists of other records of persons attending or participating in, meetings, conferences, conversations, telephone calls, interviews or communications of any nature; diaries; calendars; appointment books; video or sound records; disks, tapes, computer memories and other data storage devices; computer programs; computer printouts; models; mathematical or statistical data, formulas or statements; graphs; charts; diagrams; plans;

drawings; maps; photographs; expressions or statements of policy; brochures; pamphlets; circulars; trade letters; press releases; financial statements; accounting records; accountants' and other worksheets; invoices; receipts; and any other physical object containing, or permitting the production, writing, or printing of a visible image or sound.

PLEASE NOTE THAT THE TERM "DOCUMENT" INCLUDES E-MAILS.

Further, the term "document" includes:

- (a) both basic records and summaries of basic records, such as computer runs;
- (b) both original versions and copies that differ in any respect from original versions, including by handwritten notes, editing, interlineations or blind copies; and
- (c) both documents that are or have been in the possession, custody or control of Respondents and documents that are or have been in the possession, custody or control of consultants or others that have assisted Respondents in connection with this proceeding.

11. "Identify," when used in relation to an individual, corporation, partnership, or other entity, means to state the name, address and telephone number thereof. "Identify," when used in relation to a document, means to:

- (a) state the nature of the document (*e.g.*, letter, memorandum, etc.);
- (b) state the author, his or her address, each addressee, each recipient, date, number of pages, and title of the document; and
- (c) provide a brief description of the contents of the document.

12. "Produce" means to provide legible, complete, and exact copies of responsive documents so long as the original responsive documents themselves are retained in files of Respondents, its counsel, or the consultants or others who have assisted Respondents in connection with this proceeding, and will be made available if requested. The copies should be sent, via expedited delivery, to the undersigned attorneys. MTC will pay all reasonable costs for duplication and expedited delivery of documents to its attorneys. To the extent reasonably possible in the particular circumstances, Respondents should identify the interrogatory or document request to which a particular document is responsive.

13. "Provide," "set forth," "state," "list," or "describe" means to supply a narrative response in accordance with 49 C.F.R. § 1114.26. If the information sought in a particular request is contained in a pre-existing document, that document may be produced in accordance with 49 C.F.R. § 1114.30 as an alternative to supplying a narrative response.

14. "Relating to" or "regarding" a subject means making a statement about, referring to, discussing, describing, reflecting, dealing with, consisting of, constituting, comprising, recording, or in any other way pertaining to the subject, either in whole or in part and either directly or indirectly.

INSTRUCTIONS

1. References to companies include the following: parent companies, holding companies, subsidiaries, predecessor firms, divisions, subdivisions, components, units, instrumentalities, partnerships, joint ventures, officers, directors, employees, agents, representatives, attorneys, accountants, or consultants.

2. Where knowledge or information in Respondents' possession is requested, such requests include knowledge of Respondents' agents, representatives, contractors, consultants, and attorneys.

3. All uses of the conjunctive include the disjunctive and vice versa. Words in the singular include the plural and vice versa.

4. If Respondents cannot supply exact data in answering any discovery request that calls for a numerical response, Respondents should provide its best estimate of the data called for, indicate that it has provided its best estimate by making the notation "(est.)" in its response, and describe the basis upon which the estimate was derived.

5. If Respondents cannot answer any part of any discovery request in full, after exercising due diligence to secure the information to do so, Respondents should so state and answer to the extent possible, specifying its inability to answer the remainder, and stating whatever information or knowledge it has of each unanswered part.

6. If Respondents claims that any document requested herein is privileged from disclosure, Respondents should:

- (a) state the basis for such claim of privilege;
- (b) state the nature of the information or document withheld;
- (c) state the facts upon which the claim of privilege/other exclusion is based;

(d) provide the number of such documents that are being withheld from the production on a claim of privilege along with an identification of each such document (author, any addressee, date, length in pages and subject(s)); and

(e) answer any remaining part of the discovery request for which such claim is not made.

7. These interrogatories and requests for production of documents are continuing in nature, and responses should be supplemented promptly as more documents or information responsive to a request become available.

8. If a request for admission is denied, "the answer should specifically deny the matter or set forth in detail the reasons why the answering party cannot truthfully admit or deny the matter. A denial should fairly meet the substance of the requested admission, and when good faith requires that a party qualify his answer or deny only a part of the matter of which an admission is requested, he shall specify so much of it as is true and qualify or deny the remainder." 49 C.F.R. § 1114.27(a).

9. A request cannot be denied for lack of information or knowledge unless the answering party states that it has made reasonable inquiry and that the information known or readily obtainable is insufficient to enable an admission or denial.

INTERROGATORIES

Interrogatory No. 1: Identify all corporations, companies, persons or other entities that have an ownership interest in and/or control GR YR. Describe with particularity the percentage of ownership for each such entity.

Interrogatory No. 2: Identify all corporations, companies, persons or other entities that are affiliated with, owned by, or controlled by GR YR. Describe with particularity how such entity is affiliated, owned by or controlled and the percentage of ownership.

Interrogatory No. 3: Identify each officer and director of GRYR as of May 2009, January 2010, and January 2011.

Interrogatory No. 4: Identify each officer and director of the corporations, companies or other entities identified in response to Interrogatory Nos. 1 and/or 2 as of May 1, 2009, January 1, 2010, and January 1, 2011.

Interrogatory No. 5: State whether any corporation, company and/or entity identified in response to Interrogatory Nos. 1 and/or 2 provided any service and/or products to GRYR during 2009, 2010, and/or 2011. If so identify:

- (a) the corporation, company, or entity providing such services and/or products;
- (b) the employee or agent involved in providing such services and/or products;
- (c) the nature of the services and/or products that were provided; and
- (d) the consideration provided for such services and/or products.

Interrogatory No. 6: Identify when and by what means Respondents learned that all or any portion of the Grenada Line, formerly owned by IC Railroads was being made for sale.

Interrogatory No. 7: Identify each director, officer and management level employee of Respondents and/or A&K who was involved in communications (oral, written, electronic or otherwise) with IC Railroads regarding the sale of all or any portion of the Grenada Line.

Interrogatory No. 8: Describe each communication that Respondents and/or A&K had with the IC Railroads in 2008 or 2009 concerning Respondent's efforts to purchase all or any portion of the Grenada Line.

Interrogatory No. 9: Identify each document that refers to, relates to or evidences each communication referred to in response to Interrogatory No. 8.

Interrogatory No. 10: Describe each communication that occurred between Respondents and any party other than IC Railroads concerning Respondent's efforts to purchase all or any portion of the Grenada Line.

Interrogatory No. 11: Identify each document that refers to, relates to or evidences each communication in response to Interrogatory No. 10.

Interrogatory No. 12: Identify all studies, reports, terms, analyses, feasibility studies, commitment letters, agreements, correspondence or other documents or materials that refer, relate to, or describe the transaction by which GRYR acquired the Rail Line.

Interrogatory No. 13: Identify all studies, reports, terms, analyses, feasibility studies, commitment letters, agreements, correspondence, or other documents or materials that refer to, relate to, or describe the traffic projections, market studies, break-even analyses, or other

estimates of profitability (or lack thereof) performed by or on behalf of GRYR, its affiliates and/or related companies, as they relate to the Rail Line.

Interrogatory No. 14: Describe GRYR's efforts (and the efforts of those employed by GRYR or its parent or affiliate) to increase traffic levels on the Rail Line.

Interrogatory No. 15: Identify any document underlying Michael Van Wagenen's statement to the The Panolian in which he states that the line would be better operated by GRYR than CN due to GRYR's ability as a small railroad "to turn over some rocks" that hamstring CN. See **Attachment 1.**

Interrogatory No. 16: Describe GRYR's efforts to improve and/or to maintain track conditions on the Rail Line, including the amount spent on Rail Line maintenance or capital investment since GRYR's acquisition of the same in 2009. If GRYR does not have Rail Line-specific figures, describe GRYR's efforts to improve and/or maintain the entire Grenada Line, and provide specific line maintenance or improvement projects undertaken and the cost of each such project.

Interrogatory No. 17: Describe GRYR's track maintenance and capital budgets for the Grenada Line and/or the Rail Line for 2009, 2010, and 2011, and to the extent that these budgets differ significantly, describe the reasons for such variations.

Interrogatory No. 18: Describes efforts taken in response to the statement made in the Grenada Star on June 5, 2009, in which Michael Van Wagenen states "Our intention is to build these railroads up." See **Attachment 2.**

Interrogatory No. 19: Identify by name and title or position the person(s) responsible for marketing rail service on the Rail Line and provide an actual count or reasoned estimate of how many hours per week said person(s) have spent marketing rail service on or over the Rail Line since GRYR purchased it in 2009.

Interrogatory No. 20: Identify how many employees GRYR had as of the date it commenced operation of the Grenada Line, and identify how many employees it has today.

Interrogatory No. 21: Identify by name and title or position all current and past employees of GRYR.

Interrogatory No. 22: Describe in detail GRYR's operations over the Rail Line as of its commencement of operations in 2009, and describe how its operations over the Rail Line (i.e., average number of trains per day and/or per week, and where trains serving the Rail Line are based) have changed since GRYR acquired the Rail Line.

Interrogatory No. 23: Identify any affiliated or unaffiliated entities that GRYR, its parent and/or affiliates contracts with or has contracted with since the inception of GRYR to manage, operate,

provide marketing services for, develop business plans for, and/or maintain the Grenada Line (including the Rail Line), and provide copies of the subject contracts.

Interrogatory No. 24: Identify the extent to which any of the contracts provided in response to Interrogatory No. 23 remain in effect, and the extent to which any of the contracting entities identified in response to Interrogatory No. 23 continue to provide services to, for, or on behalf of GRYR.

Interrogatory No. 25: Describe each communication that Respondents, Michael Van Wagenen, and/or A&K have had with any shipper that is either located on the Rail Line and/or that tenders traffic which uses the Rail Line for overhead movement.

Interrogatory No. 26: Prior to acquiring the Grenada Line, did Respondents or any third party acting on behalf of Respondents contact shippers and/or prospective shippers on the Rail Line, and, if so, describe the information that Respondents obtained thereby concerning shipper needs and anticipated traffic levels.

Interrogatory No. 27: Describe the basis for Mr. Michael J. Van Wagenen's statement to the Calhoun County Journal prior to acquisition in which he says "There's a lot of traffic on this line, even though it's not where it should be." **See Attachment 3.**

Interrogatory No. 28: Identify what happened to the traffic that was reference in Interrogatory No. 27 above.

Interrogatory No. 29: Identify steps taken to achieve the railroad's goal of growing traffic on the line, as stated in the Grenada Star on August 27, 2009. **See Attachment 4.**

Interrogatory No. 30: Explain what was meant by, and the actions taken, to implement Mr. Michael Van Wagenen's statement that "we are putting our money into the side of the railroad that is more profitable" as quoted in the Grenada Star on August 26, 2011. **See Attachment 5.**

Interrogatory No. 31: Identify in investment dollars how much money was invested in the North end to maintain and expand rail service since acquisition.

Interrogatory No. 32: Identify in investment dollars how much money was invested in the South end to maintain and expand rail service since acquisition.

Interrogatory No. 33: Describe each communication that Respondents, Michael Van Wagenen, and/or A&K had with the IC Railroads relating to or referencing the potential for or possibility of abandonment of any portion or all of the Grenada Line, including, but not limited to, the Rail Line.

Interrogatory No. 34: Identify all studies, reports, terms, analyses, feasibility studies, commitment letters, agreements, correspondence, or other documents or materials that refer to,

relate to, or describe the potential salvage or resale value of the rail, ties, tie plates, spikes, fasteners, or other track material that comprise the Rail Line.

Interrogatory No. 35: Identify any contract, agreement, understanding, agreement, lien or option for the potential salvage or resale value of the rail, ties, tie plates, spikes, fasteners, or other track material that comprise the Rail Line.

Interrogatory No. 36: Identify any contract, agreement, understanding, or arrangement (written or otherwise) for the conditions under which GRYR might be obliged to cease, terminate, or abandon operation of the Rail Line.

Interrogatory No. 37: Identify each document that refers to, relates to or evidences the interest expressed by any party other than GRYR in the acquisition of all or any portion of IC Railroads' rail facilities (as those facilities existed as of January 1, 2009), including but not limited to the Grenada Line.

Interrogatory No. 38: Identify each document that refers to, relates to or evidences consideration by A&K or any of the entities identified in response to Interrogatory Nos. 1 and/or 2 of the potential salvage, scrap, or resale value of the IC Railroads' rail facilities (including but not limited to the Grenada Line) (as those facilities existed as of January 1, 2009). In so doing, describe each communication that referred or related to the Grenada Line that has occurred since 2008 between Respondents and any other party, including but not limited to shippers located on the Rail Line, shippers not located on the Rail Line but whose traffic uses the Rail Line, other railroads, public officials (State, Federal, county, or municipal), or members of the public.

Interrogatory No. 39: With respect to the meetings with shippers on the Rail Line that took place between "a representative of GRYR" and the shippers "currently on the Rail Line" as referenced in the Verified Statement of Michael J. Van Wagenen (Appendix G to GRYR's abandonment petition for exemption in this proceeding), identify:

- (a) the date, time and location of each meeting;
- (b) the names and titles of all persons present for each such meeting;
- (c) the substance of what was said by each person at such meetings; and
- (d) any documents or materials that refer to, relate to, describe, or were generated for or used or created during the meetings referenced in this Interrogatory.

Interrogatory No. 40: Identify each document that refers to, relates to or evidences any contract, agreement, understanding, or other arrangement between Respondents, and IC Railroads regarding abandonment, discontinuance of service, salvage, resale, the potential for reducing maintenance and/or capital expenses, and/or reducing cost through service or labor reductions.

Interrogatory No. 41: Identify each corporation, company or entity for which Schumacher served as an officer and/or director as of January 1, 2009, January 1, 2010, and January 1, 2011, along with the title(s) held by each.

Interrogatory No. 42: In response to local expressions of concern over GRYR's longer-term intentions for the Grenada Line and GRYR's corporate affiliation with A&K, Michael Van Wagenen, a representative of GRYR, is reported to have stated that A&K is "not really a salvage company as much as a track company," according to the June 5, 2009 edition of The Panolian. Describe what Mr. Van Wagenen means when he refers to A&K as a "track company," and how a track company differs from a track "salvage company." See Attachment 6.

Interrogatory No. 43: Describe all potential traffic on the Rail Line that GRYR or those acting on behalf of GRYR identified prior to acquiring the Grenada Line, and describe what efforts GRYR made to retain and/or grow such traffic, and the results of such efforts.

Interrogatory No. 44: Describe all potential traffic on the Rail Line that GRYR, or those acting on behalf of GRYR identified after acquiring the Grenada Line, and describe what efforts GRYR made to secure such traffic, and the results of such efforts.

REQUESTS FOR PRODUCTION OF DOCUMENTS

Document Production Request No. 1: Produce all business plans or corporate strategies prepared by or for A&K in the years 2008, 2009, 2010, and 2011.

Document Production Request No. 2: Produce all business plans or corporate strategies prepared by or for GRYR in the years 2009, 2010, and 2011.

Document Production Request No. 3: Produce GRYR's business plan for the Grenada Line, and, if one exists any separate business plan for operation of the Rail Line.

Document Production Request No. 4: Produce any documents, revenues, or traffic volumes, related to the overhead traffic that went from Canton to Memphis over the line

Document Production Request No. 5: Produce a copy of the agreement(s) governing IC's use of the Grenada Line, including IC's trackage rights over the Grenada Line.

Document Production Request No. 6: Produce all budgets for A&K in the years 2008, 2009, 2010, and 2011.

Document Production Request No. 7: Produce all budgets for GRYR in the years 2009, 2010, and 2011.

Document Production Request No. 8: Produce copies of any inspection reports for the Grenada Line for 2009, 2010 and 2011.

Document Production Request No. 9: Produce all documents (including but not limited to e-mails and internal memoranda) referencing or relating to the potential of or possibility for abandoning the Rail Line.

Document Production Request No. 10: Produce any documents purporting to place a value on the rail, ties or other track material (whether from a salvage or on-going business basis) on all or any portion of the Rail Line.

Document Production Request No. 11: Produce all deeds, real estate appraisals, title opinions, or any other documents referencing the value and use of the underlying real estate.

Document Production Request No. 12: Produce all documents stating or estimating the maintenance or rehabilitation needs for the Rail Line for the years 2009 and 2010.

Document Production Request No. 13: Produce all documents related to GRYR's efforts to contact shippers, work with shippers, quote rates to, or otherwise encourage shippers on the North segment to move their traffic over the Rail Link to interchange with IC at Canton.

Document Production Request No. 14: Produce all documents stating or estimating the capital needs for the Rail Line for the years 2009 and 2010.

Document Production Request No. 15: Produce any document reflecting or relating to communications among the Respondents, Michael Van Wagenen, and/or A&K and the IC Railroads regarding the sale of the Grenada Line.

Document Production Request No. 16: Produce any document reflecting or relating to communications among Respondents, Michael Van Wagenen, and/or A&K and the IC Railroads regarding the potential or possibility of the abandonment or salvage of all or any portion of the Grenada Line.

Document Production Request No. 17: Produce all documents identified in response to the Interrogatories set forth above.

REQUESTS FOR ADMISSIONS

Admission Request No. 1: Admit that Schumacher considered the salvage value of the Rail Line prior to approving GRYR's purchase of same.

Admission Request No. 2: Admit that Schumacher was the sole shareholder or the controlling shareholder in GRYR at the time GRYR acquired the Grenada Lines from the IC Railroads.

Admission Request No. 3: Admit that Schumacher, on his own or in conjunction with others, is or was a shareholder in the following companies: KCT Railway Company ("KCT"); T and P Railway, Inc. ("TAP"); SF&L Ry., Inc. ("SF&L"); and Tulare Valley Railroad Company ("TVR") and A&K.

Admission Request No. 4: Admit that Schumacher was a shareholder in SF&L at the time it acquired a rail line from Missouri Pacific Railroad Company ("Mopac") in 1992.

Admission Request No. 5: Admit that SF&L abandoned the majority of the rail line that it acquired from Mopac in 1992.

Admission Request No. 6: Admit that Schumacher was a joint shareholder in SF&L at the time it abandoned the majority of the rail line it acquired from Mopac in 1992.

Admission Request No. 7: Admit that Schumacher held an interest in TAP at the time it acquired a rail line from The Atchison, Topcka & Santa Fe Railway Company ("ATSF") in 1991.

Admission Request No. 8: Admit that TAP has since abandoned all of the rail line that it acquired from ATSF in 1991.

Admission Request No. 9: Admit that Schumacher owned an interest in TAP at the time it abandoned the majority of the rail line it acquired from ATSF in 1991.

Admission Request No. 10: Admit that Schumacher and Morris H. Kulmer, along with Troy W. Schumacher and Michael J. Van Wageningen, controlled TVR at the time TVR acquired various rail lines from ATSF in 1993.

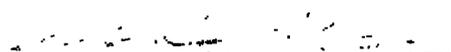
Admission Request No. 11: Admit that TVR has since abandoned the majority of the rail lines that it acquired from ATSF in 1993.

Admission Request No. 12: Admit that Schumacher and Morris H. Kulmer, along with Troy W. Schumacher and Michael J. Van Wageningen, controlled TVR at the time it abandoned the majority of the rail lines it acquired from ATSF in 1993.

Admission Request No. 13: Admit that Schumacher purchased the Grenada Line with the intention of downgrading service, raising rates, reducing maintenance and capital expense, cutting back on the workforce, and/or otherwise taking actions that would lead to the potential abandonment and salvage of the Rail Line.

Respectfully submitted,

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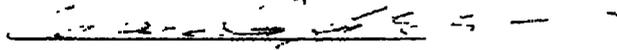

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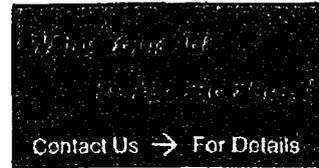
October 18, 2011

CERTIFICATE OF SERVICE

I, William A. Mullins, hereby certify I have served a copy of the foregoing First Set of Interrogatories, Document Production Requests, and Requests for Admission upon counsel for Grenada Railway LLC by e-mail, courier, and by first class mail postage-prepaid.



October 18, 2011



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Wednesday, September 28, 2011



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Search By Keyword

Railway Owner
6/5/2009

Search

Railway's new owner assures will keep line

By John Howell Sr.
and Billy Davis

Representatives from counties with interest in continued rail service over the Grenada line currently owned by CN Railroad have voted to partner with the company that plans to buy the line.

The move came Wednesday night at a meeting in Grenada of the newly-organized North Mississippi Railroad Coalition. Its members — a sprinkling of county and city officials and economic developers from eight counties — were swayed by Michael J. Van Wagenen of Salt Lake City, Utah, a spokesman for Grenada Railway, LLC, the proposed buyer of the line that runs 175 miles between Memphis and Canton.

"Our intention is to operate these railroads," Van Wagenen said, referring to the Canton-to-Memphis track to be purchased by Grenada Railway LLC and the 65-mile Brookhaven-to-Natchez track to be purchased by Natchez Railway LLC. "Our intention is to build these railroads up."

That stated plan served as reassurance to government and economic development officials who had become concerned that the railway could be abandoned and sold as salvage.

The railway line is vital to northwest Mississippi's retention and recruitment of industry, often serving as a punch list item among schools, crime rates and job skills.

Panola Partnership CEO Sonny Simmons, addressing county supervisors two days prior, called the sale of the CN line a "serious matter."

Losing the rail line would likely eliminate the so-called megasite at Como from luring an industry there, Simmons told the board.

But following the Wednesday meeting's meeting, Simmons said that he was "extremely encouraged."

The June 3 meeting was a scaled-back version of a crowd concerned about a possible loss of the rail line that had overflowed the North Mississippi Fish Hatchery auditorium on May 26. The larger group on May 26 had agreed that a smaller committee could be more flexible in efforts to meet with prospective new owners to learn their plans for the line.

Van Wagenen was the A and K Railroad Materials official whom Water Valley Mayor-elect Larry Hart had reached by phone prior to the May 26 meeting.

A and K Railroad Materials was identified in the May 12 press release as a "non-carrier affiliate" of the CN line buyers. At the earlier meeting, Hart said that he had been favorably impressed during the conversation by the official who had told him "he would be glad to meet."

That meeting came Wednesday night.

"There's a lot of traffic on this line, even though it's not where it should be," Van Wagenen said. "We're excited about a new railroad," he continued.

"Class I railroads like CN are interested in heavy (traffic). We have the ability to turn over some rocks," the rail company spokesman continued. Larger railroad companies are "interested in large, unit trains," Van Wagenen said.

Current Conditions

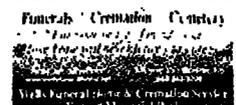
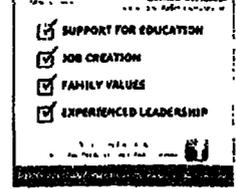
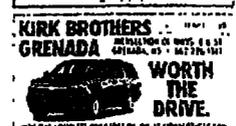
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What is your choice for primaries in Mississippi?

Open Primaries

Closed Primaries (current system)

No Primaries

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Executive committee members are Grenada Mayor Billy Collins, Hart, Simmons, Carroll County Chancery Clerk Sugar Mullins, Tate County Planning Director Steve Hale, Montgomery Partnership CEO Sue Stidham, Jim Flanagan of DeSoto County and Bruce Mayor Robert Oakley.

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Other related railroad business discussed Wednesday night included:

- Van Wagenen's unofficial announcement that Grenada would serve as the railroad's headquarters. "Our crews will be based here in Grenada," he said. He hopes to use Grenada's depot for the headquarters, he said. Eight to 10 people would be hired, he added.
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Owner vows to keep rails open 6/5/2009



Grenada Railway spokesman Michael Van Wagenen (from left), Water Valley Mayor-elect Larry Hart and Grenada Mayor Billy Collins talk following this week's meeting. Photo Courtesy / John Howell

By JOHN HOWELL The Pantolan

The Grenada railroad depot will likely serve as headquarters for Grenada Railway LLC, city and county officials learned June 3 as they met with representatives from cities and counties interested in continued rail service over the Grenada line currently owned by CN Railroad.

Mayor Billy Collins, Vice Mayor Louis Johnson and Supervisors Michael Lott, Darell Robinson and Chad Bndges joined about 25 people from seven other affected counties Wednesday night at Grenada City Hall for a meeting of the evolving North Mississippi Railroad Coalition.

The June 3 meeting was a scaled-back version of a crowd concerned about a possible loss of the rail line that had overflowed the North Mississippi Fish Hatchery auditorium at End on May 26. The larger group on May 26 had agreed that a smaller committee could be more flexible in efforts to meet with prospective new owners to learn their plans for the line.

They heard those plans Wednesday from Michael J. Van Wagenen of Salt Lake City, Utah, a spokesman for Grenada Railway, LLC, the proposed buyer of the line that runs 175 miles between Memphis and Canton. By the meeting's end, the coalition voted unanimously to support Grenada Railway's purchase of the rail line from CN Railroad.

"Our intention is to operate these railroads," Van Wagenen said, referring to the Canton-to-Memphis track to be purchased by Grenada Railway LLC and the 65-mile Brookhaven-to-Natchez track to be purchased by Natchez Railway LLC. "Our intention is to build these railroads up.

Van Wagenen was the A and K Railroad Materials official whom Water Valley Mayor-elect Larry Hart had reached by phone prior to the May 26 meeting. A and K Railroad Materials was identified in the May 12 press release as a "non-carrier affiliate" of the CN line buyers. At the earlier meeting, Hart said that he had been favorably impressed during the conversation by the official who had told him "he would be glad to meet "

That meeting came Wednesday night.

"There's a lot of traffic on this line, even though it's not where it should be," Van Wagenen said. "We're excited about a new railroad," he continued.

"Class I railroads like CN are interested in heavy (traffic). We have the ability to turn over some rocks," said the spokesman for the short-line railroad operators. Larger railroad companies are "interested in large, unit trains," Van Wagenen said.

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upgrade these lines."

Van Wagenen spent most of an hour answering questions and describing plans for the Grenada line.

"Our crews will be based here in Grenada," he said. He hopes to use Grenada's depot for the headquarters. Eight to 10 people would be hired, he added.

"We just want to participate with you and work with you," Collins said, following Van Wagenen's remarks. "We're supportive and we're glad that you're going to have your headquarters here," Collins added.

"I think we'd be better off with them operating it than CN," said Panola Partnership Chief Executive Officer Sonny Simmons.

"I'd like to make a motion that this group partner with the company," Panola County Board of Supervisors President Gary Thompson said near the conclusion of the 90-minute meeting. The group unanimously adopted a resolution based on Thompson's motion to support Grenada Railway LLC's proposal to purchase the line from CN and to promote its use in the counties it serves.

In another move, the coalition selected executive and advisory committees to allow further flexibility and input.

Executive committee members are Collins, Hart, Simmons, Carroll County Chancery Clerk Sugar Mullins, Tate County Planning Director Steve Hale, Montgomery Partnership CEO Sue Stidham, Jim Flanagan of DeSoto County and Bruce Mayor Robert Oakley.

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A viable Grenada line also gives CN an alternate route when there is a derailment on its Valley line, Hart said.

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Submitted By: concerned citizen

Submitted: 6/28/2009

There have been some comments on here regarding free market principles and comparing our railroad situation with GM. These 2 are completely different animals. If GM or any other car company goes bankrupt, a new company can buy a plot of land somewhere and start all over. If our railroad is pulled up. We will more than likely never get it back. The problem lies not in the investment or start up capital, but the ability to gain access to the right of way. Can you imagine how many land deeds you would need to acquire to build a 200 mile long track from Memphis to Canton. You would be in courts for years trying to get that accomplished. Most of the towns and people's land that you would want to buy would fight you to the end. Most the rail lines in this country were built in the 1800's when land was basically unused and you could buy 1000's of acres from one person. There was also hardly any towns to dodge and hardly any government red tape to go through. So, while we still have an active rail line that runs through our town, by all means, I believe the government should step in and save it before it is lost forever.

Submitted By: tompame

Submitted: 6/11/2009

rfr, I'll choose whatever handle I wish, and you can too. I notice you neither gave evidence Obama has turned off any wells, nor proof that his energy policies (supported overwhelmingly at the polls) has had any influence on the price of crude. Of course this isn't surprising since your 'information' was pulled from thin air or plagiarized from some right-wing hate monger on the radio who pulled it from thin air. No need for me to look up Ermächtigungsgesetz. I'm well schooled on WWII and pre-war Germany. Perhaps you should look up Goodwin's Law. The only Nazi are, THE Nazis. Anyone who intimates otherwise is a fool lacking an understanding of history. After you freshen up on Goodwin move on to Econ 101. There you may grasp a basic understanding of supply and demand: If the economy is bad all over the world, oil drops in price; as the economy recovers oil prices go up because more people are using more oil. Funny how oil can go to an all-time high under GWB and a Republican Congress and not a peep for the NGOPers on blame. But if it cost HALF of what it did under GWB, that is evidence "the messiah" doesn't know what he is doing.-----
----- p s Punctuation and proof reading are free and FUNDamental. However, a valid point (which you lack) might take some effort and research on your part. Do you wanna try again?

Submitted By: rfr

Submitted: 6/10/2009

Viability of M&SV "Being Evaluated"

Attachment 3



By JOHN HOWELL and JOEL McNEECE

The future of the Mississippi and Skuna Valley Railroad remains unclear, but more promising than a month ago after the formation of the North Mississippi Rail Coalition.

Bruce Mayor Robert Edward Oakley has agreed to serve on the executive committee of the coalition formed over concern about the loss of rail service in north Mississippi.

Representatives from counties with interest in continued rail service over the Grenada line currently owned by Canadian National (CN) Railroad formed the North Mississippi Rail Coalition and voted to assist Grenada Railway, LLC – the company that plans to buy the line – with marketing.

CN announced its intention to sell the line, which runs 175 miles between Memphis and Canton, on May 12.

The move to support the line's buyer came June 3 at a Grenada meeting of the coalition. Its members – a sprinkling of county and city officials and economic developers from 10 counties – were swayed by Michael J. Van Wagenen of Salt Lake City, Utah, a spokesman for Grenada Railway, LLC.

"Our intention is to operate these railroads," Van Wagenen said, referring to the Canton-to-Memphis track to be purchased by Grenada Railway LLC and the 65-mile Brookhaven-to-Natchez track to be purchased by Natchez Railway LLC. "Our intention is to build these railroads up."

Oakley expressed interest in the 11-mile Water Valley branch line that connects the CN line to the 22-mile Mississippi and Skuna Valley Railroad line which serves Bruce.

"We haven't fully evaluated that line," Van Wagenen said.

Weyerhaeuser shipped 300 carloads from Bruce annually, according to CN's May 12 news release. Shipments over the line were discontinued in April, 2008 due to bridge and track conditions.

The next month Weyerhaeuser announced plans to sell its four short line railroads – the DeQueen & Eastern; Columbia & Cowlitz; Mississippi and Skuna Valley; and Golden Triangle railroads. Weyerhaeuser primarily used the short line railroads to source mills in Arkansas, Oklahoma, Mississippi and Washington. In addition, some third-party customers also use the lines for select transportation needs.

At this time, Weyerhaeuser has not confirmed a timetable for completing the sell. Calls placed on Tuesday to Weyerhaeuser officials confirmed no sale of the lines has been completed and they are still available.

"We believe that we have some local industry – and we hope that would include Weyerhaeuser – that would use the line," Oakley said in an interview following the meeting.

The June 3 meeting was a scaled-back version of a crowd concerned about a possible loss of the rail line that had overflowed the North Mississippi Fish Hatchery auditorium at Enid on May 26. The larger group had agreed that a smaller committee could be more flexible in efforts to meet with prospective new owners to learn their plans for the line.

Water Valley Mayor-elect Larry Hart had reached Van Wagenen by phone prior to the May 26 meeting. Van Wagenen is vice president and general counsel of several short line railroads and rail suppliers including Grenada Railway LLC and A & K Railroad Materials. A & K Railroad Materials was identified in the May 12 press release as a "non-carrier affiliate" of the CN line buyers. At the earlier meeting, Hart said that he had been favorably impressed during the conversation by the official who had told him "he would be glad to meet."

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"There's a lot of traffic on this line, even though it's not where it should be," Van Wagenen said. "We're excited about a new railroad."

"Class I railroads like CN are interested in heavy (traffic). We have the ability to turn over some rocks," said the spokesman for the short line railroad companies. Larger railroad companies are "interested in large, unit trains," Van Wagenen continued.

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The coalition selected executive and advisory committees to allow further flexibility and input.

Executive committee members in addition to Oakley are Grenada Mayor Billy Collins, Hart, Simmons, Carroll County Chancery Clerk Sugar Mullins, Tate County Planning Director Steve Hale, Montgomery Partnership CEO Mike Stidham, and Jim Flanagan of DeSoto County.

Advisory committee members include state representatives Warner McBride and Tommy Reynolds, Chip Morgan of the Delta Council and Yalobusha County supervisor Tommy Vaughn. Also included on the advisory committee is Bob "Coach" Tyler, Director of the Yalobusha County Economic Development District who has served unofficially as secretary and facilitator as the coalition evolves.

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Editor's Note: John Howell is publisher of The Panolian in Batesville.



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By ALLEN BASWELL Staff Writer

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New Grenada Railway LLC General Manager Toby Van Altvorst climbs aboard one of the engines parked at the Grenada Depot. Staff photo / Allen Baswell

As the new general manager of Grenada Railway LLC., Toby Van Altvorst wants his company to have a presence in the communities they serve. "We are an independent company and a local service provider. We want to have face to face contact with our customers. We want to sit down with our customers when they need us," he said.

The line now operating as Grenada Railway LLC was purchased by Kern Schumacher from Canadian National Railway, Van Altvorst said. Before Canadian National, the line was operated by Illinois Central

Van Altvorst said he has been on the job for a few weeks. Before taking this job, he was an independent consultant and worked with the Portland & Western railroad in Portland, Ore.

"It was a 550-mile railroad, and we served paper mills, as well as agricultural and manufacturing facilities," he said.

Van Altvorst said he worked in several positions with the company, including manager of sales and marketing.

Van Altvorst said he also manages Natchez Railway, a rail line that runs through the southern part of the state.

"It runs from Natchez to Brookhaven," he said.

The Grenada Railway line runs from Memphis to Canton.

"It is 175 miles long. Among our customers are AbitibiBowater and Koppers. Our line will also carry plastic products by rail, rock for construction projects, and agricultural products including corn soybeans and grain" he said.

Van Altvorst said he has already met with Grenada Mayor Billy Collins, and he also wants to meet with government and economic development leaders from other communities the railway serves.

"I have spoken with Mayor Collins, and I want to meet with other mayors and those working in local economic development. I want them to recognize the economic advantages of rail travel," he said.

Van Altvorst said many businesses need the use of rail service in order to stay competitive.

"Our goal as a rail line is to grow our traffic, to help customers realize every rail transportation opportunity they have," he said.

Van Altvorst said with the rising cost of fuel, companies can ship products by rail.

"Railroads are beginning to have a resurgence due to fuel costs. Trains are more fuel efficient, and can carry a ton of freight three times further than a truck," he said.

Van Altvorst said he is excited about how Grenada Railway can serve the area.

"I am excited about the traffic potential as we work to build it up. This is a great town and seems to have a pro-business attitude," he said.

Collins said he is looking forward to seeing what Van Altvorst can accomplish with the rail line.

"We need people like him here in Grenada. He is young and aggressive, and his leadership will be valuable to the company and to this community. He wants to make this rail line work, and we need to show him all the support we can," he said.

AbitibiBowater General Manager Wade Taylor said his business relies on rail transportation for some of its clients.

"At least 30 percent of our shipment volume is by rail. We want them to be successful in maintaining this rail line," he said.

An analysis by Water Valley Mayor Larry Hart can be found on the editorial page.

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Submitted By: Ron Detwiler

Submitted: 8/27/2009

Grenada Railway, Natchez Railway and the businesses they serve are indeed fortunate to have Mr. VanAltvorst engaged in their communities. Ron Detwiler Director of Operations FOOD for Lane County Eugene, Oregon



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Railroad Retreats 8/26/2011



Staff Writer

After promising to keep the railroad from Southaven to Canton open for at least two years, Grenada Railways has filed notice that it plans to abandon the southern line from south of Grenada to north of Canton.

Legal notice of the intent was published in the GrenadaStar on Aug. 12, and it is believed by many area officials and businesses that the abandonment of the approximate 81.3 miles of line will have devastating

effects on the local economies

According to the legal notice, Grenada Railways states that it plans to abandon the track in Grenada, Montgomery, Carroll, Holmes, Yazoo and Madison Counties.

According to Michael Van Wagenen, vice president of Grenada Railways LLC, which is based in Salt Lake City but has headquarters in the Grenada railroad depot, the company is losing more money on the southern line than is being made.

"We have gotten to the point that we can no longer operate the line," Van Wagenen said. "The closing of this line won't have any effects going north, and we have been in contact with the shippers along the line and with the various government entities."

Grenada Railways is currently investing hundreds of thousands of dollars into the north end of the line by updating two bridges, including new railroad timbers for a bridge in Grenada that spans the Yalobusha River, Van Wagenen said.

The bridge Van Wagenen mentioned can be seen from the North Main Street across from the street department.

"We're certainly anxious to keep the business going on the north end and anxious to make it successful," Van Wagenen said. "We are putting our money into the side of the railroad that is more profitable."

Local effect

According to Pablo Diaz, executive director for the Grenada County Economic Development District (EDD), the potential abandonment of the southern end will negatively affect the ability of some Grenada companies to get their products to market.

"The EDD is working closely with elected officials and other economic development partners in the region to weigh the options and do whatever is necessary to find a solution to this threat or reduce its potential effect on our local economies," Diaz said.

For complete details read the print edition of the GrenadaStar or subscribe to the online edition.

Visitor Comments

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Submitted By: Roadman

Submitted: 9/1/2011

I would worry about losing it. If the track gets pulled up, it will never be back. Name one that has come back. Grenada has several rail customers that use the track now, and so does Winona and Picketts. What is really going on here is this track is owned by a railroad salvage company out of Utah that could care less about Grenada, they just want the rail pulled up so they can resell it. Our government officials should buy this line when it is abandoned and then resold to an operator that is really in the railroad business and not the railroad scrap business

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Submitted By: Clay P

Submitted: 8/31/2011

Went on a train when I was a kid, to Chicago then D.C., maybe 5th grade also. I remember the excitement, at first, then the long discomfort. And again, not long ago, from New Hampshire to The City (should've taken the bus). I wouldn't worry about losing it. It will come back when they put something on the tracks people will use.

Submitted By: Arnold Dyre

Submitted: 8/30/2011

It saddens me to contemplate the demise of the railroad South of Grenada. I first rode the train as a 4th or 5th grader on a Gore Springs School field trip. We rode from Grenada to Winona and rode back on a school bus and had a sack lunch. It was a great outing. I rode the train home from Navy bootcamp. In mid-September, Beverly and I are riding the City of New Orleans from Jackson to New Orleans to attend the reunion of shipmates from the fighting destroyer, USS Ernest G. Small (DD-838).

Submitted By:

Submitted: 8/30/2011

I hear the train going its going down to greenwood i cant sit on my porch and waych it anymore. greenwood has a train grenada dont

Submitted By: stillhope

Submitted: 8/29/2011

Thank goodness we still have the senior citizens building. Let's count our blessings.

Submitted By: The slow death of a once great town

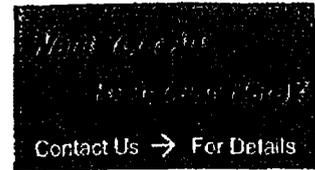
Submitted: 8/28/2011

One more nail in the coffin for the once great town of Grenada, MS. It has been dying slowly for a long time, looks like it demise is speeding up. So very sad.

Submitted By: dilobas

Submitted: 8/28/2011

Well... this is just going to mess everything up!



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Railway Owner
6/5/2009

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Railway's new owner assures will keep line

By John Howell Sr.
and Billy Davis

Representatives from counties with interest in continued rail service over the Grenada line currently owned by CN Railroad have voted to partner with the company that plans to buy the line.

The move came Wednesday night at a meeting in Grenada of the newly organized North Mississippi Railroad Coalition. Its members — a sprinkling of county and city officials and economic developers from eight counties — were swayed by Michael J. Van Wageningen of Salt Lake City, Utah, a spokesman for Grenada Railway, LLC, the proposed buyer of the line that runs 175 miles between Memphis and Canton.

"Our intention is to operate these railroads," Van Wageningen said, referring to the Canton-to-Memphis track to be purchased by Grenada Railway LLC and the 65-mile Brookhaven-to-Natchez track to be purchased by Natchez Railway LLC. "Our intention is to build these railroads up."

That stated plan served as reassurance to government and economic development officials who had become concerned that the railway could be abandoned and sold as salvage.

The railway line is vital to northwest Mississippi's retention and recruitment of industry, often serving as a punch list item among schools, crime rates and job skills.

Panola Partnership CEO Sonny Simmons, addressing county supervisors two days prior, called the sale of the CN line a "serious matter."

Losing the rail line would likely eliminate the so called megasite at Como from luring an industry there, Simmons told the board.

But following the Wednesday meeting's meeting, Simmons said that he was "extremely encouraged."

The June 3 meeting was a scaled-back version of a crowd concerned about a possible loss of the rail line that had overflowed the North Mississippi Fish Hatchery auditorium: on May 26. The larger group on May 26 had agreed that a smaller committee could be more flexible in efforts to meet with prospective new owners to learn their plans for the line.

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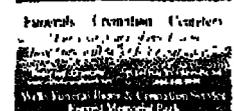
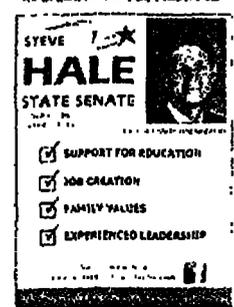
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"I'd like to make a motion that this group partner with the company," Pandia County Board of Supervisors President Gary Thompson said near the conclusion of the 90-minute meeting. The group unanimously adopted a resolution based on Thompson's motion to support Grenada Railway LLC's proposal to purchase the line from CN and to promote its use in the counties it serves

In another move, the coalition selected executive and advisory committees to allow further flexibility and input

Executive committee members are Grenada Mayor Billy Collins, Hart, Simmons, Carroll County Chancery Clerk Sugar Mullins, Tate County Planning Director Steve Hale, Montgomery Partnership CEO Sue Slidham, Jim Flanagan of DeSoto County and Bruce Mayor Robert Oakley

Advisory committee members include state representatives Warner McBride and Tommy Reynolds, Chip Morgan of the Delta Council and Yalobusha County supervisor Tommy Vaughn. Also included on the advisory committee is Bob "Coach" Tyler, Director of the Yalobusha County Economic Development District who has served unofficially as secretary and facilitator as the coalition evolves.

Other related railroad business discussed Wednesday night included:

- Van Wagenen's unofficial announcement that Grenada would serve as the railroad's headquarters. "Our crews will be based here in Grenada," he said. He hopes to use Grenada's depot for the headquarters, he said. Eight to 10 people would be hired, he added
- An 11-mile spur in Yalobusha County connecting the main line to the Mississippi and Skuna Valley Railroad serving Calhoun County has not been "fully evaluated," the railroad official said.
- "CN wants the deal to work; it's to their benefit," Van Wagenen said. Rail cars originating with Grenada Railway will enter CN's lines at either end, he pointed out.

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**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Docket No. AB 1087X

**GRENADA RAILWAY LLC
– ABANDONMENT EXEMPTION –
IN GRENADA, MONTGOMERY, CARROLL,
HOLMES, YAZOO, AND MADISON COUNTIES, MS**

**MISSISSIPPI TRANSPORTATION COMMISSION'S REPLY AND PROTEST
TO ABANDONMENT PETITION FOR EXEMPTION
FILED BY GRENADA RAILWAY LLC**

Exhibit B

VERIFIED STATEMENT OF SNAVELY KING MAJOROS & O'CONNOR, INC.

Economic and Management Consultants

**Grenada Railway LLC
Petition for Abandonment Exemption
Docket No. AB-1087X
Surface Transportation Board**

**Analysis of
The Verified Statement of Aaron Parsons
And Reports of Other Grenada Witnesses
As filed on Sept. 20, 2011**

**Prepared by
Tom O'Connor
Vice President
Snavely King Majoros & O'Connor, Inc.
8100 Professional Place, Suite 306
Landover, MD 20785
October 27, 2011**

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I. Introduction

My name is Tom O'Connor; I am Vice President of Snavely King Majoros & O'Connor, Inc. ("Snavely King" or "SK"). Snavely King is an economic and management consulting company with offices located at 8100 Professional Place, Suite 306, Landover, MD 20785. Throughout Snavely King's 40 year history our practice has been focused on transportation, telecom and public utility industries. A statement of my qualifications and experience is included as Exhibit No. (TOC__1) to this Opening Verified Statement. At the request of counsel I have examined the Parsons Verified Statement and related expert reports filed by Grenada Railway LLC ("Grenada") on September 20, 2011. I have found the Parsons Verified Statement and the related expert reports deficient in many respects.

II. Background

On September 20, 2011 Grenada Railway LLC filed a Petition for Abandonment Exemption to abandon the southern portion of their line. Grenada acquired the line from the Illinois Central in STB Finance Docket No. 35247, Grenada Railway LLC – Acquisition and Operation Exemption – Illinois Central Railroad Company and Waterloo Railway Company. The railway proposes to abandon 81.3 miles of the southern segment of the line from Grenada, MS (Milepost 622.2) to Canton, MS (Milepost 703.8). The line is owed by Kern W. Schumacher¹, who has a history of

¹ See STB FD 35249, Kern W. Schumacher--Continuance In Control Exemption--Grenada Railway, LLC and Natchez Railway, LLC

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acquiring divested lines and later filing for abandonment. Mr. Schumacher is the owner of A&K Railroad Materials, Inc. which runs railroad salvage and railroad material resale operations.

III. Findings

In summary, my findings are as follows:

Avoidable (Operating Costs) are overstated and revenues are likely understated

- Grenada has overstated costs.
- Grenada has in effect understated local revenue. They would have had more revenue if they had encouraged more local shipments rather than driving off traffic.
- Grenada has in effect understated overhead revenue. Grenada would have reported more overhead revenue if they had recognized and properly counted the overhead traffic.
- Review of the record submitted in this case indicates significant current and potential traffic, both local and overhead, has failed to be recognized by Grenada in its Petition.² The error of overlooking this traffic adversely affects both operating cost and revenue. The error is compounded by failure to recognize the adverse effects of loss of rail service on the local and regional economy, including further loss of jobs during the worst recession since the 1930's.
- In my professional opinion, the Grenada line could be profitable and likely was profitable when Grenada took over the line and began implementing policies which have discouraged traffic and perhaps were designed to discourage traffic; possibly to benefit Mr. Schumacher's other company, A&K Railroad Materials, Inc. in its "dismantling and removal" salvage strategy.

² See, for example, the letter filed on October 3, 2011 by Carlisle Construction which estimates that 9 companies using the Grenada Railway line move 3,695 cars per year. The companies using the line collectively employ 1,895 people; many of those jobs would be at risk if rail service were removed

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- There are serious doubts about other aspects of the Grenada analysis, as discussed in my verified statement.

Rehabilitation Costs are Overstated

- Bridge rehabilitation costs are overstated based on Snavely King preliminary field work and subsequent on site analysis. Snavely King placed an experienced field engineering team on site to determine whether Grenada is overstating their case on the bridge repair. For example, Grenada says the bridge at milepost 656 is "falling apart" at page 7 of their petition. However we do not see in the Grenada petition any documentation or other evidence of "slow orders" on the bridge. If a bridge is in fact "falling apart" railroad operations management will often slow trains so as not to shock the structure.
- We are further checking to see if there were any such "slow orders". The fact that the term is not even mentioned in the Grenada petition makes it seem unlikely they had slow orders in effect. Absence of slow orders would challenge Grenada claims as to the condition of the bridge.³
- The Snavely King field team, which includes Chet Rhodes, an engineer and certified FRA track inspector⁴ and Carl Rode, a thoroughly experienced bridge engineer and inspector, went on site and have done a summary review of the key bridge at milepost 656.

³ A comment filed on October 6, 2011 by Representative Sidney Bondurant included a copy of GRYR's DOB No.271, which contains the speed restrictions for the entire GRYR line from Southaven, Mississippi to Canton, Mississippi on September 28, 2011. There is not a speed restriction at milepost 656.4. The only speed restriction nearby is a 10 MPH at milepost 656.3. Since there is not a bridge at milepost 656.3 and the closest bridge is at milepost 656.4, he assumed this was an error and the restriction was intended for the bridge in question at milepost 656.4. He noted that the speed restriction was added on August 16, 2011.

⁴ Chet Rhodes is a former Division Engineer on two Class I railroads, including Conrail. He has also served as a trainer and certified track inspector with FRA. He has also served as General Manager of Engineering for the Genesee and Wyoming in charge of engineering requirements for 16 railroads including railroads operating in Mississippi, Louisiana and Alabama. Resumes for both members of Snavely King's engineering team are included in this verified statement.

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- Our bridge inspector stated that other than needing a 2" shim, it is his opinion that the bridge is in good condition overall. There is some spalling on one of the abutments, but that is minor. There is no reason to replace the decking or the bridge timbers (ties).
- The Snavely King field team subsequently performed a more detailed study and this report summarizes their findings.
- As with the bridge, the preliminary report is that rail is in good shape. Our FRA certified track inspector, Chet Rhodes, inspected rail-highway crossings, and the adjacent track walking track in both directions, sampling the track and the crossings. Based on what he has seen, other than some tie replacement, and tightening of joint bar bolts, the line looks good. This statement summarizes the findings.

Opportunity Costs are likely overstated

- Net Liquidation Value (NLV) is likely overstated, which results in an overstatement of the lost opportunity costs. Based upon my preliminary review and analysis using Snavely King NLV models and available data entered by other parties in recent Mississippi abandonment cases, the NLV of the line could range from \$6.6 million to \$7.1 million. This reflects a wide range of variables including estimates of the proportions of the assets, such as ties and rail, which are suitable for resale or scrap; as well as steel prices, dismantling and removal costs and other factors
- A review of other abandonment cases in Mississippi shows that NLV estimate stated in the petition is unreasonably high. The table below shows the NLV estimates in those cases compared to estimates in Grenada's filing.

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Ln.	Railroad	Mississippi Tennessee Railroad LLC	Grenada Railway LLC	Mississippi & Skuna Valley Railroad LLC
1.	Docket	AB-868X	AB-1087X	AB-1089X
2.	Year	2004	2011	2011
3.	Net Liquidation Amount ("NLV")	\$ 2,714,688	\$ 17,755,000	\$ 1,832,000
4.	Miles	43.2	81.3	21
5.	NLV Per Mile	\$ 62,840	\$ 218,389	\$ 87,238
6.	Index to 2011 Levels	1.30	1	1
7.	NLV Per Mile Indexed	\$ 81,692	\$ 218,389	\$ 87,238
8.	Projected NLV for 81.3 miles	\$ 6,641,560	\$ 17,755,000	\$ 7,092,457

The preceding table shows that Grenada's NLV estimate is unreasonably high. It should be noted that the NLV used by the Mississippi & Skuna Valley Railroad LLC was prepared by A&K Railroad Materials and submitted by Michael J. Van Wagenen, A&K's Executive Vice President and General Counsel. Mr. Van Wagenen is also Grenada's vice president and submitted a verified statement in the Grenada Petition. If we use the NLV per mile from the two other abandonment cases listed above and apply it to the 81.3 miles of track Grenada proposes to abandon, we get an NLV amount ranging from \$7,092,449 (\$87,238 x 81.3) down to \$6,641,560 (\$81,692 x 81.3). The higher of these two estimates is more than \$10 million below Grenada's estimate.

- Grenada Land Values are also inaccurate and unreliable as shown in the Grenada witness's own statement which is further discussed below.

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Land Value is based on inconsistent or contradictory assumptions and data

I found notable instances of defects in the use of assumptions in Grenada's presentation regarding land value. George Ross clearly stated that he had developed an estimate of land value based on a key assumption. His assumption deals with reversion rights and is stated in the first paragraph⁵ of the cover letter caption to his report:

RE: An appraisal of a 985.45 acre railroad corridor under the assumption that the subject in Whole or Part does not revert back to the adjacent owners or the original Grantors due to any change in use, beginning at mile post 622.5, approximately 5 miles south of Grenada, Mississippi, going in a south southwesterly direction through the counties of Grenada, Montgomery, Carroll, Holmes, Yazoo and Madison, Mississippi. (emphasis supplied)

In the final paragraph of the same cover letter Mr. Ross states:

The appraisal of the subject assumes that property is "Fee Simple" and has no rights of reversion.

This key assumption on rights of reversion is the basis of Mr. Ross's findings as to land value. However Mr. Ross's assumption is contradicted by a table that Mr. Ross also introduced. The discussion opens at page 5 and the table is presented at page 6 of Mr. Ross's report.

Mr. Ross notes that "The maps showing deed information raise a question of how much of the land is owned in fee simple interest." The following table, prepared by Mr. Ross, shows

- the instrument of conveyance,
- the number of miles conveyed by that type of instrument, and
- the number of acres acquired by that type of instrument.

On the following table, which is shown at page 6 of his report, Mr. Ross's indicates that **reversion is likely to occur on most of the real estate at issue. This clearly contradicts**

⁵ See Appraisal filed by George Ross III; Grenada Petition, op.cit page 131-138.

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Mr. Ross's own assumption that the property is "Fee Simple" and has no rights of reversion.

<u>The land was acquired by the following instruments</u>		
<u>Instrument of Conveyance</u>	<u>Number of Miles</u>	<u>Number of Acres</u>
Warranty Deed	3.5 miles	42.42 acres.
Deed	1.5 miles	18.18 acres
Agreements	1.0 mile	12.12 acres
Right of Way	6.25 miles	75.75 acres
Condemnation	1.75 miles	21.21 acres
Special Warranty Deed	2.5 miles	30.30 acres
Adverse Possession	64.8 miles	785.38 acres
TOTALS	81.3 miles	985.36 acres

Mr. Ross further states:

"Although this appraisal is based on fee simple interest, the client must understand that if the railroad ever discontinued service, the land that was acquired by any means other than by warranty deeds may be subject to rights of reversion.

Railroad land acquired by condemnation typically protected the original grantor if the railroad ever discontinued service. Land acquired by an agreement would depend on the terms of each agreement, suggesting a reversionary clause or a deed would have been issued.

The bulk of the land was acquired by adverse possession. This fact would certainly raise the question of fee ownership and this land may revert to the original grantor." (emphasis supplied)

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Preliminary Conclusion on Land Values

Mr. Ross's assumption states that the property "...has no rights of reversion." Conversely, Mr. Ross's data indicates that over 80 percent of the property does have rights of reversion. This "disconnect" between his assumptions and the facts calls into serious question the validity of the real estate market value estimates produced by Mr. Ross.

- In summary, opportunity costs are overstated in both the land aspects and NLV aspects.

Below we discuss further defects in the Grenada analytical approach; specifically assumptions, data and methodology

IV. Some Key Grenada assumptions are inconsistent and contradictory

As illustrated above, the Grenada witnesses excessively rely on, and mis-apply, assumptions in their testimony and reports. The Grenada witnesses extend the use of assumptions beyond what is either productive or necessary. For example, in some instances, the Grenada witnesses rely on assumptions rather than readily available data. The failure to gather and use readily available data on overhead traffic is a prime example of this failing.

I found instances in which the treatment of assumptions is internally inconsistent. As noted above, in the case of one Grenada witness estimating land value, both the assumption and the mis-application occurred in the same testimony.

In some instances Mr. Parsons and other Grenada witnesses present statements, which are, at best, weakly supported and rely on assumptions that become increasingly tenuous. For example the consistent failure to focus on and develop data on overhead traffic is a prominent and persistent defect throughout the Grenada filing. Overhead traffic accounts for more than 60 percent of the traffic on the line and is a key to profitability. However discussion of

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overhead traffic and any Grenada efforts to develop overhead traffic is largely absent from the Grenada analysis.

V. Data

Data is a basic building block in analysis. We found many instances in which Mr. Parsons has over reached with his use of the data. Errors and unexplained anomalies in Mr. Parsons' statement include cost estimates which inexplicably show a dramatic and unexplained increase.

- The following Table I⁶ shows that Grenada forecast revenues to increase 6% above the 2010 base year. In contrast, total on branch costs were forecast by Parsons to increase 39% and maintenance of way costs were forecast to rise to 306% of the 2010 base year. These estimates and the discrepancies among them are shown in Table I. Neither explanation nor support of these forecasts or discrepancies was offered.

⁶ Source: Grenada Petition, Parsons Verified Statement, Grenada Exhibit H, page 127

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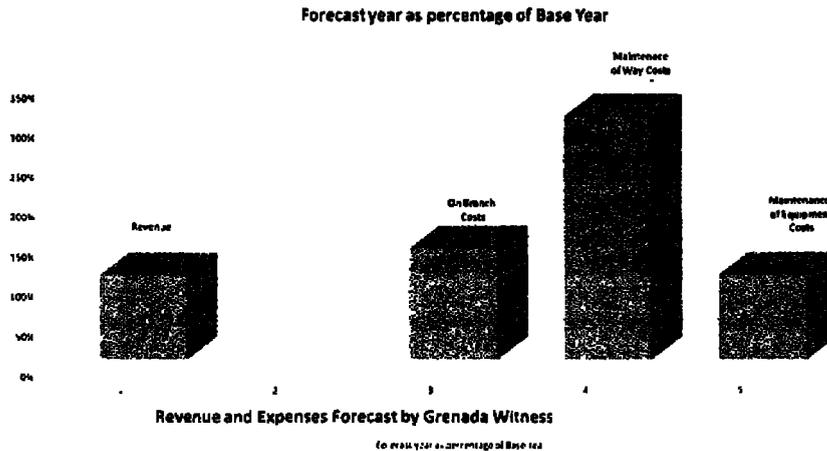
Table I

Grenada (south end)	Base Year operations (2010)	Forecast Year Operations	Projected Subsidy Year	Forecast Year	
				As Percent of Base year	Exhibit Line Number
Revenues attributable for:					
1 Freight originated and/or terminated on branch	\$ 245,650	\$ 260,389	\$ 260,389	106%	1
2 Bridge Traffic	\$ 434,200	\$ 460,252	\$ 460,252	106%	2
3 All other revenue and income	\$ 29,300	\$ 31,058	\$ 31,058	106%	3
4 Total Revenues attributable (lines 1 through 3)	\$ 709,150	\$ 751,699	\$ 751,699	106%	4
Available costs for:					
5 On-branch costs (lines 5a through 5k)	\$ 810,877	\$ 1,127,969	\$ 1,127,969	139%	5
a Maintenance of way and structure	\$ 137,220	\$ 419,893	\$ 419,893	306%	5a
b Maintenance of equipment	\$ 111,450	\$ 118,137	\$ 118,137	106%	5b
c Transportation	\$ 95,100	\$ 100,806	\$ 100,806	106%	5c
d General administrative	\$ 103,500	\$ 109,710	\$ 109,710	107%	5d
e Deadheading, taxi, and hotel	\$ 23,850	\$ 25,281	\$ 25,281	106%	5e
f Overhead movements	\$ -	\$ -	\$ -	106%	5g
g Freight car costs (other than return on freight cars)	\$ 198,800	\$ 210,728	\$ 210,728	106%	5h
h Return on value-locomotives	\$ 37,100	\$ 39,326	\$ 39,326	106%	
i Return on value-freight cars	\$ -	\$ -	\$ -		
j Revenue taxes	\$ -	\$ -	\$ -		
k Property taxes	\$ 103,057	\$ 104,088	\$ 104,088	101%	5k

The disparity between the revenue forecast with a 6% increase and the cost forecast with a 39% increase is both dramatic and unexplained. The even wider disparities among the individual cost items are even more striking and equally unexplained. Cost increases, as shown on Table I, vary from a 1% increase in property taxes to a 306% increase over the base year for maintenance of way and structures. Grenada offers no explanation of these wide disparities. The following graph, Chart I, makes these disparities in cost and revenue clear:

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Chart I



Our review of the available information suggests that Grenada may be presenting only part of the story. Referring back to Table I, we see that transportation costs are forecast to increase 6% and deadheading, taxi and hotel costs are slated also to increase by 6%. We have done some preliminary field research and found reports that Grenada crews were sometimes diverted to serve the Natchez line, which is also owned and operated by Mr. Schumacher. This raises questions about both the transportation costs and deadheading, taxi and hotel costs. It is possible that some of both cost categories assigned to the Grenada line might, in fact, be more properly associated with the Natchez line.

Crew costs

As indicated above, it appears that Mr. Schumacher, who owns both lines, may be using one crew to cover both the Grenada and the Natchez lines. Under the revised hours of service law, if a crew goes to work on line A (for say 5 hours) then gets transported to line B, the travel time counts as "Train Service". So if the taxi trip is one hour, the crew has only 6 hours left to work in its maximum 12 hour day (12-5-1=6).

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That remaining 6 hours must include travel time back to Line A; or the overage is considered "Limbo" time. Limbo time is non-train time, after the 12 hour limits on hours of service. The total accumulation of Limbo time is not to exceed 30 hours per crew member per month. In this case, the crew comes back with 1 hour limbo time. That means the crew will be required to take 10 hours rest from the time they mark off.

This is an acceptable practice, but it diminishes the ability to provide consistent service to the customers. Service is allowed to fall off in the interests of covering the entire territory with reduced crew costs. This is not very conducive to building growing traffic based on satisfied customers.

The record in this case indicates a consistent lack of interest on the part of Grenada in developing additional traffic on the line. For example Kosciusko and Southwestern Railway (KSRY) reported that in its experience Grenada failed to pursue marketing opportunities. Moreover, in instances when they do respond, Grenada proposed rates as much as 10 times higher than what other short lines offer⁷, as the following excerpt of its letter indicates:

Kosciusko and Southwestern Railway (KSRY), a d/b/a of Mississippi Rail Group Inc. was formed in 1998. The company operates approximately 21 miles of the former Illinois Central Aberdeen Branch, by lease from the Mississippi Transportation Commission, through the Mississippi Department of Transportation

This line was previously selected for abandonment in the 1990's and was preserved in an effort to maintain transportation options for present and future firms in the area. KSRY has provided both carload freight service, and more recently, storage of surplus railcars.

Working with Kosciusko Attala Development Corporation, we have identified several local customers desirous of rail service, including a steel fabrication plant and two metal recyclers. Additionally, we were approached regarding movement of some large transformers for a power plant.

⁷ See October 4, 2011 letter filed by the Kosciusko and Southwestern Railway in STB AB 1087 X

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Since Grenada Railway assumed operations KSRY has approached two of their managers with the suggestion of joint marketing efforts. There was no response from either, although those individuals are no longer with their company as far as we can tell Neither KSRY itself, the Kosciusko Attala Development Corp, nor any of our local industries have ever been contacted by Grenada Railway to determine what rail traffic may be available. When an attempt was made to ship out some rail cars from storage, Grenada quoted charges roughly 10 times those charged by a sample of other short lines for a similar move. It is our opinion that a sincere, bona fide attempt to maintain and grow the traffic base has not been made by Grenada Railway (Emphasis supplied)

Overhead Traffic

Our review of the available data suggests instances in which Mr. Parsons' analysis may have been based on incomplete facts. Overhead traffic is an example of the use of incomplete facts. In the first instance, overhead traffic is the largest component of revenue, as shown on Table I; it accounts for more than 60% of the revenue on the line. However no mention is made of the off branch origins or destinations of that overhead traffic; thus encumbering in-depth analysis of this key component of the line's profitability.

Snavely King has requested access to five years of the full STB Carload Waybill Sample to enable a more complete analysis of both current and potential overhead traffic moving in Mississippi.

We see the overhead traffic as crucial to the financial strength of the line. The current volumes of overhead traffic show that it is a viable line of business for GRYR. Comments entered in the record in this case show indications of significant overhead traffic.⁸

Preliminary Conclusion on Operating Costs

Our review indicates that Grenada has overestimated how much the line loses on an operating cost basis. In fact the line may well be profitable if the already substantial overhead traffic were being cultivated as opposed to being driven away. Simply put, GRYR could make more money if it captured more overhead traffic and was more aggressive in seeking and capturing

⁸ An October 11, 2011 comment entered in the STB AB 1087 X record by Representative Sidney Bondurant also suggests gaps in the overhead traffic reported by Grenada

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available shipper traffic throughout the length of the line and beyond. The record indicates Grenada has declined to pursue traffic and has discouraged offers of traffic by proposing exorbitant rates. The data suggests that other matters have a higher priority for Grenada than revenue growth. This indicates a Grenada business model geared to short term dismantling and removal of railroad assets rather than long term railroad operations leading to profitable growth.

In fact the Grenada business model looks like it is designed to fail when compared with characteristics of successful short line railroads. The success of short lines depends on developing the available traffic and proactively meeting the needs of the shippers with responsive service and competitive rates. As comments cited in this statement have indicated Grenada has declined to reach out and develop traffic, particularly overhead traffic, and Grenada has also chosen to price itself out of much of the traffic which came to its door looking for rail service. The Grenada management approach almost predetermines failure to operate the line profitably.

This behavior contradicts promises made by Michael J. Van Wagenen, vice president of Grenada Railway in STB Finance Docket No. 35247, Grenada Railway LLC – Acquisition and Operation Exemption – Illinois Central Railroad Company and Waterloo Railway Company, in an open letter stating:

“Although the current traffic volume is low, the Grenada Railway will endeavor to work with local shippers, economic development officials and communities to turn this railroad line into a variable business. With the support of these

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parties and the development of additional business on the line, the Grenada Railway should be in business for the foreseeable future. (Emphasis Added)⁹

Rehabilitation Costs

One alternative to operating the line profitably over the long term is dismantling and salvaging the line in the short term. Mr. Schumacher's and the A&K record in Mississippi and elsewhere indicates Mr. Schumacher and A&K appear to have a preference for short term railroad salvage rather than long term railroad operations.

The data in this case shows a familiar pattern in which bridges are presented as the stumbling block preventing profitable operations.

Our initial research and on site inspection by our team of professional engineers indicates that the Grenada analysis has overestimated the rehabilitation costs. Table II presents this portion of their costs.

⁹ See STB Finance Docket No. 35247, Grenada Railway LLC – Acquisition and Operation Exemption – Illinois Central Railroad Company and Waterloo Railway Company, Reply of Grenada Railway LLC on June 29, 2009

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Table II¹

Subsidization cost for-			
8 Rehabilitation ¹		\$ 12,858,600	\$ 12,906,700
9 Administration costs (subsidy year only) ²		\$ 150,000	\$ 150,000
10 Casualty reserve account ²		\$ 10,000	\$ 10,000
11 Total subsidization costs (lines 8 through 10)		\$ 12,868,600	\$ 13,066,700
Return on value:			
12 Valuation of property (lines 12a through 12c)		\$ 21,079,671	\$ 21,079,671
a Working capital		\$ 30,831	\$ 30,831
b Income tax consequences		\$ -	\$ -
c Net liquidation value		\$ 21,048,840	\$ 21,048,840
13 Nominal rate of return		10.43%	10.43%
14 Nominal return on value (line 12 times line 13) ³		\$ 2,198,610	\$ 2,198,610
15 Holding gain (loss)		\$ -	\$ -
16 Total return on value (line 14 minus 15) ³		\$ 2,198,610	\$ 2,198,610
17 avoidable loss from operations (line 4 minus line 7)	\$ (100,927)	\$ (376,270)	\$ (376,270)
18 Estimated forecast year loss from operations (line 4 minus line 7)	\$ (100,927)	\$ (2,574,879)	\$ (2,574,879)
19 Estimated subsidy (line 4 minus line 7, 11 and 16)	\$ (100,927)	\$ (15,448,479)	\$ (15,641,579)

¹This projection shall be computed in accordance with § 1152.32(m)

²Omit in applications pursuant to § 1152.22 and § 1152.23

³If the amount in line 12c is a negative for the "Forecast Year operations" insert "0" in this line

¹ Source: Grenada Petition, Appendix H, page 127

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The underlying analysis is shown on Tables III and IV.

Table III

 Landroth Engineering 12251 Academy Rd. NE #301-304 Albuquerque, New Mexico 87111 Office 505-228-1010 -- Email EWLandroth@aol.com							
August 24, 2011							
Rehabilitation Estimate							
FRA Maintenance S&M Class 1 (288K Weight Limiting)							
Granada Railway LLC (BNSF CH) Line Segment							
MP 692.5 (2.5 Miles S Granada, NM) to MP704 (N of Carter, NM)							
(B1 S Items)							
Description	Quantity	Units	EA/ft	Extended Cost	Year 1 with S Vc Program	Year 2 w/ Program Mt	Year 3 No S year Prg
Clearing & Grubbing Including Chokers (Site Disturbance)	15	Miles	\$12,300	\$184,500	\$20,640.00	\$20,640.00	\$21,820.00
Mowing of Station (On-site)	100	Acres	\$175	\$17,500	\$17,500.00	\$17,500.00	\$17,500.00
Severed Fencing (10%)	5	Miles	\$28,400	\$142,000	\$42,240.00	\$147,040.00	\$165,000.00
Vegetation Control (Spray Roadway)	81.5	Miles	\$650	\$52,975	\$18,740.00	\$16,740.00	\$16,740.00
Vegetation Control (Spray Grade Crossings)	115	EA	\$50	\$5,750	\$5,750.00	\$5,750.00	\$5,750.00
Vegetation Control (Spray Right of Way)	81.5	Miles	\$650	\$52,975	\$18,480.00	\$16,480.00	\$16,480.00
Rehabilitation/Replacement of Bridge Abutments (10%)	20	EA	\$12,000	\$240,000	\$240,000.00	\$240,000.00	\$240,000.00
Replace Bridge Walks (14'11" C/P) @ 112' Length	1	LS	\$794,000	\$794,000	\$794,000.00	\$794,000.00	\$794,000.00
Bridge Renewal Program (Bridges > 50 Years Service / No Year Program)	1	LS	\$5,000,000	\$5,000,000	\$5,000,000.00	\$5,000,000.00	\$5,000,000.00
Remove Bridge Ties (100%)	8800	EA	\$175	\$1,540,000	\$440,000.00	\$440,000.00	\$440,000.00
Remove Storage adjacent to Track	81.5	Miles	\$5,000	\$407,500	\$407,500.00	\$407,500.00	\$407,500.00
Remove Public Grade Crossing Surfaces	1800	LF	\$60	\$108,000	\$22,110.00	\$22,110.00	\$22,110.00
Remove Cross Ties in Public Grade Crossings	2875	EA	\$100	\$287,500	\$22,400.00	\$22,400.00	\$22,400.00
Replace Rail Through Public Grade Crossings	4344	TF	\$100	\$434,400	\$17,204.00	\$17,204.00	\$17,204.00
Remove Public Grade Crossing Surfaces w/Concrete	1800	LF	\$500	\$900,000	\$100,000.00	\$100,000.00	\$100,000.00
Remove Private Grade Crossing Surfaces w/Asphalt	800	LF	\$500	\$400,000	\$40,000.00	\$40,000.00	\$40,000.00
Replace Private Grade Crossing Warning Devices (SA)	80	EA	\$1,000	\$80,000	\$12,000.00	\$12,000.00	\$12,000.00
Rehabilitate Access Grade Crossing Warning Devices	10	EA	\$100,000	\$1,000,000	\$200,000.00	\$200,000.00	\$200,000.00
Remove Ties (FRA Class 1 Maintenance S1)	68125	EA	\$75	\$5,109,375	\$801,070.00	\$801,070.00	\$801,070.00
Replace 1% Point Rail (118 Pw 307)	250	EA	\$4,000	\$1,000,000	\$60,000.00	\$60,000.00	\$60,000.00
Reinforcement Track Repairs	81.5	Miles	\$4,345	\$354,117	\$40,000.00	\$40,000.00	\$40,000.00
Sublot for Track	24000	Sq	\$45	\$1,080,000	\$250,000.00	\$250,000.00	\$250,000.00
Distribute Ballast 3 Railcars / mile	245	EA	\$1,000	\$245,000	\$40,000.00	\$40,000.00	\$40,000.00
Surface Track	81.5	Miles	\$11,800	\$965,200	\$192,044.00	\$192,044.00	\$192,044.00
Subtotal				\$22,300,040			
Engineering, Supervision & Management (10%)				\$2,230,044	\$1,016,468	\$1,016,468	\$1,016,468
Contingency (10%)				\$2,230,044	\$1,016,468	\$1,016,468	\$1,016,468
Total				\$26,760,128	\$12,048,977.00	\$12,048,977.00	\$12,048,977.00

Note 1: Some Locations may qualify for PRRM - MDOT Heavy Crossing Safety Program

A more legible excerpt of Table III is shown below as Table IV

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Table IV Rehabilitation Estimates

August 24, 2011				
Rehabilitation Estimate				
FRA Maintenance Std Class 1 (250K Wght Limitation)				
Grenada Railway LLC (former CN) Line Segment				
MP 622.5 (2.5 Miles S Grenada, MS) to MP704 (N of Canton, MS) (81.5 Miles)				
Description	Quantities	Units	\$/Unit	Extended Cost
Clearing & Grubbing Including Chipping (Site Distances)	15	Miles	\$12,280	\$184,200
Mowing at Station Grounds	100	Acres	\$175	\$17,500
Renew Fencing (10%)	8	Miles	\$26,400	\$211,200
Vegetation Control (Spray Roadway)	81.5	Miles	\$230	\$18,745
Vegetation Control (Spray Grade Crossings)	115	EA	\$50	\$5,750
Vegetation Control (Spray Right of Way)	81.5	Miles	\$300	\$24,450
Embankment Restoration at Bridge Abutments (10%)	20	EA	\$12,000	\$240,000
Replace Bridge 626.4 (1014 CPT / 112' Length)	1	LE	\$784,000	\$784,000
Bridge Renewal Program (Bridges > 80 Years Service / 10 Year Program)		LS	\$5,600,000-	\$5,600,000
Renew Bridge Ties (100%)	8800	EA	\$175	\$1,515,000
Restore Drainage adjacent to Track	81.5	Miles	\$8,000	\$648,000
Remove Public Grade Crossing Surfaces	1826	LF	\$60	\$115,560
Renew Cross Ties in Public Grade Crossings	2675	EA	\$100	\$267,500
Replace Rail Through Public Grade Crossings	4344	TF	\$105	\$456,120
Renew Public Grade Crossing Surfaces w/Concrete	1926	LF	\$500	\$963,000
Renew Private Grade Crossing Surfaces w/Asphalt	882	LF	\$200	\$176,400
Replace Passive Grade Crossing Warning Devices (XB)	82	EA	\$2,000	\$164,000
Rehabilitate Active Grade Crossing Warning Devices	18	EA	\$165,000	\$3,330,000
Renew Ties (FRA Class 1 Maintenance Std)	80125	EA	\$75	\$6,009,375
Replace 1% Failed Rail (115 # x 39')	220	EA	\$1,500	\$330,000
Miscellaneous Track Repairs	81.5	Miles	\$5,315	\$433,173
Ballast for Track	24450	Tons	\$45	\$1,100,250
Distribute Ballast 3 Railcars / mile	245	EA	\$1,000	\$245,000
Surface Track	81.5	Miles	\$11,680	\$966,220
Subtotal				\$22,330,443
Engineering, Supervision & Management (10%)			\$2,233,044	\$2,233,044
Contingency (15%)			\$3,684,521	\$3,684,523
Total				\$28,248,010

Note 1 Some Locations may qualify for FHWA - MDOT Grade Crossing Safety Programs

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The driving costs on Tables II and III and IV all center on bridge costs. Snavely King has conducted preliminary reviews and on site field research on this. Based on our preliminary "desk audit" analysis and subsequent on site review by our team of engineers¹⁰, Grenada is overstating their case on the bridge repair. The findings of the onsite field inspection of the bridge at mile post 656.4 can be briefly summarized as follows:

[the] bridge is in good condition overall and is safe for normal operation. With the exception of the settlement of Pier 5 and the resulting effects on the span 5 and 6 ballast pans, the structure primarily has cosmetic surface blemishes consisting of minor surface cracking, isolated spalling and hollow sounding areas and some areas of efflorescence.

This on site review by professional engineers provides conclusions very different from the expansive and expensive line items in the Grenada rehabilitation estimate shown in Table IV. Grenada called for replacing the entire bridge at a cost of \$784,000 and replacing 100% of the bridge ties at a cost of \$1,715,000¹¹.

Our onsite review by professional engineers also provides a very different report than the Grenada claim that the bridge at milepost 656.4 is "falling apart"¹². Moreover we do not see any evidence of "slow orders" at the bridge. The term "slow order" is not even mentioned in the Grenada petition so it seems unlikely they had slow orders in effect. We note that one of the comments indicates a slow order may have been entered "after the fact". Representative

¹⁰ The professional resumes and certification of our engineers appear in the Field Engineering Team section of this statement

¹¹ Our engineers note that the bridge at milepost 656.4 is a ballast deck bridge and therefore bridge ties are not required but rather standard 7" x 9" x 8'6" cross ties are the requirements. This standard tie is much lower cost than bridge ties

¹² See page 7 of the Grenada Abandonment petition

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Bondurant observes that the documents he reviewed suggest "a bad bridge had to be "found" between milepost 622.5 and milepost 703.8 in the proposed abandonment area to help the case for a successful abandonment"¹³

Direct observation on site by our experienced team of professional engineers and a certified track inspector strongly challenges Grenada's claims as to the condition of the bridge. We are further checking to see if there were any such "slow orders", and if so when they were applied or posted.

We further note that review of our market sources indicates the market for 112 lb and 115 lb rail is now very strong. This is the dominant rail weight on the Grenada line. The fact that 112 lb and 115 lb rail can be easily sold in today's marketplace goes into the calculus of choosing between a strategy of short term railroad dismantling versus a strategy of long term railroad operations.

Our field team included Chet Rhodes, a FRA Certified Track Inspector. His findings indicate track in generally good condition, which could use some minor maintenance such as joint bar bolt tightening and spot tie replacement. The findings can be summarized as follows:

¹³ See comment filed on October 6, 2011 by Representative Sidney Bondurant

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October 23, 2011

From: Mr. C. C. Rhodes RRTS, Inc.

Subject: Grenada Railway – Track Inspection – 10/22/11

I inspected segments of the Grenada Railway (GRYR) between Pickens, MS (MP 685.28) and Elliott, MS (MP 624.64)

The segments were 5 rail lengths at 39' per rail for 195' each except one segment of 8 rail lengths at 28' per rail for 224' and one segment of mixed 39' rail lengths and pieces of CWR totaling 200'.

A summary of the segments inspected are as follows:

- Loose joint bar bolts – Of the 116 joint bars checked, 28 have loose bolts but all 116 joints have at least one tight bolt in each rail end therefore they are in compliance with FRA regulations.
- Joint bars – No joint bars were found to be cracked or broken
- Joint ties – 27 of 116 joints are in non-compliance requiring one tie at each of those joints in non-compliance
- Ties in a 39' track segment – Of the 56 each 39' track segments 16 are in non-compliance for tie requirements
- Track surface deviation – None was found at or exceeding the FRA limits
- Track surface variation – None was found at or exceeding the FRA limits
- Track gage – Maximum gage found was 57-1/8" which is within the limits of 58" required by the FRA
- Ballast condition – The existing ballast in the tie cribs and at tie ends appear to adequately drain the roadbed
- Ballast distribution – All segments have full cribs and a minimum of 6" of shoulder on the tie ends
- Vegetation – Overall, the right-of-way meets the requirements of the FRA. No locations were noted as even close for brush contacting the sides of rolling stock
- Drainage – There is no evidence of standing water on the right-of-way
- Track alignment – No alignment deviations exceeding FRA limits were found

The only FRA exceptions found in these segments as stated above are joint ties and tie requirements in a 39' track segment. A detailed inspection report of each segment accompanies this summary in an e-mail attachment.

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Highway Grade Crossings

A total of 12 public highway and 2 private grade crossings were inspected. No vertical rail deflections were noted in any of the crossings indicating sub-grade saturation is not present to the extent that the crossings are pumping.

Of the 14 crossings inspected 4 public crossings require attention, First St. in Pickens, MS, SR 14 in Goodman, MS, Divide Ridge Rd. in Eskridge, MS and SR 19 in West, MS. At the least, the failed surface materials can be removed and replaced with asphalt. A detailed grade crossing report accompanies this summary in an e-mail attachment.

VI. Methodology

The methodologies used by Grenada rely on incomplete facts and fail to reflect appropriate design criteria.

The Facts

Regarding the facts, Mr. Parsons has reviewed only part of the picture. His thin and undocumented statement of the revenues and costs is one such instance. Moreover, he failed to present a complete or accurate picture of the rail situation. For example he could have used readily available information in the STB Waybill Sample. The STB waybill sample is a proven measuring instrument with both commodity and geographic coverage aspects. Simply put, the sample can tell us about events describing and linked to railroad shipments which are currently or potentially served by the Grenada line. However, the STB Waybill Sample is totally absent from Grenada's assessment of potential rail traffic. The record also includes comments filed by other parties which indicate Grenada showed little to no interest in identifying or developing either local or overhead traffic.¹⁴

¹⁴ See October 7, 2011 letter filed by Kosciusko and Southwestern Railway.

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Mr. Parsons' limited and weakly supported revenue and cost analysis ignores readily available data. This is one of the instances of his defective analytical methodology.¹⁵ Because Grenada did not file an application for abandonment, we are unable to determine the full extent of underlying issues in Mr. Parsons analysis and if Grenada in fact correctly followed STB procedures. The reasonableness and accuracy of Mr. Parsons' analyses are also clearly areas of concern, as noted above in the discussion of operating costs.

VII. Findings

The application of the analytical methodologies to the data leads one to findings. By this stage in the process errors and gaps in data and methodology can either be removed or they will tend to be compounded. Unfortunately we observe that the seeds of the errors found in the Grenada Petition persist. For example Mr. Parsons' data and methodology have borne fruit in his findings. At page 1 Mr. Parsons asserts that Grenada Railway LLC (GRYR) lost \$100,927 operating the line at issue in 2010 and lost \$94,674 operating the line during the first six months of 2011. Mr. Parsons fails to present either a detailed description of his methodology, or the development of the data he used. More importantly he also fails to mention or reflect the relevant and readily available data he did not use, such as current overhead traffic and sources of potential new traffic. His findings are doubly flawed.

VIII. Conclusions

In considering the conclusions we reflect on whether the facts were accurately analyzed and whether the conclusions are fairly drawn.

¹⁵ See Parsons VS, Grenada (south end) table following page 2

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In my preliminary analysis, I found that Mr. Parsons neglected consideration of the surrounding region, which could have led to identifying more extensive overhead rail shipments in the area surrounding the line at issue.

- Mr. Parsons also neglected the waybill sample and other data which provide access to and information on rail rates and rail service; data which is readily available to the shipping public. This data illustrates the widely available information on rail rates and service which is absent from the Grenada Petition.
- Grenada failed to identify or develop the significant volumes of rail shipments which originate from, or pass through, or are received on the line or in the area surrounding the line at issue.
- Mr. Parsons' data prominently includes extensive rail shipments by rail into, out of, or overhead to the line at issue. As noted above overhead traffic is one of the keys to profitable operations. This is an area Grenada neglects but others have noted and we are further exploring.
 - Grenada offered transloading from rail to truck. However shippers correctly saw this as a weak substitute for adequate rail service.
 - When it is properly managed we see the logistics costs associated with rail shipment to and from the line at issue as being competitive with, and in some cases below, the costs associated with truck transportation.
 - Grenada focused on the limited volumes produced by a handful of shippers but they failed to explore the power of modest increases in the current volumes of overhead traffic which is the most relevant and achievable source of traffic gain.
 - Many current and potential shippers who could use the line at issue appear to have been excluded from the Grenada analysis. This renders the Grenada analysis and its findings incomplete at best and very likely inaccurate. Overhead traffic is the largest component of the existing traffic base. As shown on Table I it accounts for \$460,000 of the \$752,000 total revenue, more than 60 percent of

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the total. Overhead traffic is a key to profitable long term traffic growth. However, it has been largely ignored in the Grenada analysis.

In general when properly managed by committed professionals, we find rail to provide competitive alternatives for transportation of shipments to, from and over the line at issue.

As noted above, the Grenada analysis is fatally flawed by its failure to examine or even recognize the readily available and relevant data on shipments by rail into, out of and most importantly overhead traffic serving the line and the area surrounding the line at issue.

IX. Recommendations

Finally we consider whether the recommendations in the Grenada Petition are reasonable and supported by the facts and analysis. My verified statement indicates the Grenada analyses and its Petition falls seriously short of the mark. Further gaps and deficiencies in the Grenada approach include:

- Limits of the Grenada approach and business model, particularly as to Grenada's neglect of rail negotiations and good faith efforts to build rail traffic into, out of and most importantly through the area surrounding the line at issue.
- Undue reliance of the Grenada Petition on pre-emptive conclusions from a limited selection of adverse witnesses.
- Conceptual flaws in the Grenada analysis and plan such as both failing to cultivate existing overhead traffic and then creating long term obstacles to its development
- We have noted many areas which call for explanation but were not even mentioned in passing by Grenada
- My testimony has identified address key issues which can alter the results. Examples of this include unexplained surges in operating cost, unsupported

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rehabilitation cost estimates and significant gaps in both pursuit and recognition of the key to revenue growth; overhead traffic.

Finally we note the issues on which we agree. The existing overhead traffic reported by Grenada accounts for more than 60 percent of the revenue on the line. This supports our fundamental position that rail is a feasible option for moving freight into, out of and most importantly through the area surrounding the line at issue. Grenada has not shown much interest in developing the freight traffic. This strategy predetermines failure of the line as an ongoing entity and if uncorrected can lead to dismantling and removal and sale of the assets.

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Exhibit No. (TOC__1) Background and Qualifications

Capabilities and Experience of

Tom O'Connor

Vice President

Snavelly King Majoros & O'Connor, Inc.

8100 Professional Drive

Suite 306

Landover, MD 20785

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This Exhibit sketches some of the highlights of Tom O'Connor's background and strengths, focusing on experience in the following areas:

- Acquisitions and mergers
- Analysis of operations
- Divestiture and line abandonment
- Fuel and other Surcharge Analyses
- Litigation and settlement
- Mediation and arbitration
- Mergers and divestitures
- Negotiations
- Operations analysis
- Transportation Cost and Economics Methodologies

The presentation of capabilities is developed in four principal parts:

- Attachment I covers the broader range of assignments.
- Attachment II sketches his litigation experience, and cases in which he has testified.
- Attachment III summarizes some of the projects he has led or participated in
- Attachment IV provides a list of some of our clients over the years

In each of these four components, complex analysis is one of the prominent themes. Much of this experience centers on

- economic and analytical methodologies for rail freight, passenger and commuter services,
- economic and analytical methodologies for truck transportation,
- economic and analytical methodologies for water transportation
- policy issues analysis and system design.

Attachment I

Resume of

Tom O'Connor

Vice President

Snavely King Majoros & O'Connor, Inc.

8100 Professional Drive Suite 306

Landover, MD 20785

Experience

Snavely King Majoros & O'Connor Inc.,

- **Vice President (1988-Present)**

Mr. O'Connor has more than twenty five years experience in business and economic analysis. His experience includes key and increasingly responsible management and policy positions with government agencies and private industry.

Mr. O'Connor has authored a series of guidelines on transportation negotiations and contracting and has conducted transportation negotiations and contracting seminars for a wide range of clients. Mr. O'Connor has also designed and helped lead transportation contract negotiations resulting in tens of millions in cost savings.

Mr. O'Connor has appeared as an expert witness on rail merger cases and in rail rate litigation, achieving millions of dollars in savings for the client. He has served many clients as an expert advisor on the Rail cost Adjustment Factor (RCAF).

He has also created and managed numerous computerized management and regulatory systems to address complex problems and is a widely recognized expert on costing and economics. He has appeared as an expert on the ICC-STB rail abandonment regulations. He also developed the most widely used line economic analysis system in the US rail industry; the United States Railway Association Light Density Line Analysis system.

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He conducted a study of loading practices for the Brick Industry Association focusing on highway transport. He has also conducted analyses of waterborne transportation including tug and barge operations, both inland and off shore, for governmental and private sector clients.

Mr. O'Connor has conducted analyses for the Government of Canada used to shape policy for freight transportation and studies for the U.S. Government used to shape Freight and Passenger Transport Policy, including two in depth analyses of Amtrak.

For Metro North commuter railroad, he developed a methodology for allocating the revenues, costs and deficits involved in providing commuter rail service to customers in New York and New Jersey. Mr. O'Connor successfully presented and defended this methodology and its results in testimony; resulting in a substantial reallocation of the deficit between New York and Connecticut.

For the Government of Bulgaria, in the Balkans, he developed the Master Plan for Management Information Systems, including telecom and computer facilities designed to operate, measure, manage and monitor both rail freight and rail passenger operations of the Bulgarian State Railways, in Bulgaria and the Balkan Peninsula.

Mr. O'Connor has analyzed more than 45 rail merger scenarios and cases. He has provided expert testimony before state and federal courts and commissions in the U.S. and Canada on economic and policy issues. He has also testified as an expert on computerized transportation analytical systems, rail operations, antitrust issues and transportation economics and costing. Mr. O'Connor has served as an impartial and expert monitor of data and processes at issue in litigation on transportation.

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Mr. O'Connor has also conducted management audits, focused on identifying the cause and effect relationships underlying claimed cost incidence. The management audits were directed toward testing the cost basis of claims asserted by major railroads.

Mr. O'Connor also has experience in telecoms spanning the period since 1995. During this period, on a succession of government and commercial projects, Mr. O'Connor directed and participated in the review, design and operation of telecoms systems.

He also designed and developed the business and operations plan for an Eastern European telecoms startup company, BDZCOM. Mr. O'Connor designed and presented the plan and conducted liaison with international commercial, banking and government interests in the United States and Europe.

DNS Associates Inc., Washington, DC

- **Vice President (1982 - 1988)**

Mr. O'Connor directed and participated in numerous projects including merger analyses, transportation infrastructure analyses, plant and network rationalization and feasibility studies.

He designed and implemented mainframe and microcomputerized systems for analyzing rail, truck and barge logistics. The computerized cost systems Mr. O'Connor created are in widespread use throughout the United States and Canada.

Mr. O'Connor also advised the U.S. Rail Accounting Principles Board (RAPB) on the costing aspects of regulatory reform policies. The RAPB mission included advising the ICC as to the inclusion of productivity in the RCAF.

He also provided expert testimony on coal rates, computerized data bases and cost systems and rail cost issues before the Interstate Commerce Commission.

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Association of American Railroads, Washington, DC

- **Assistant Vice President, Economics (1979 - 1982)**

Managing a large staff of professionals, Mr. O'Connor designed and managed major economic analysis projects. He helped formulate industry economic policy positions culminating in the Staggers Rail Act of 1980. He submitted expert testimony on behalf of the railroad industry in numerous cases before the Interstate Commerce Commission and state regulatory commissions. He also appeared regularly in national forums on economic issues.

Mr. O'Connor directed the most significant computerized industry Costing System project in 40 years, URCS, the cost system now used by all major US railroads. Mr. O'Connor's staff was responsible for development of the Rail Cost Adjustment Factor (RCAF). He also conducted industry seminars on URCS and related economic issues. Mr. O'Connor also directed the operation of the Truck and Waterway Information Center studying highway transport operations.

Mr. O'Connor also testified before the Interstate Commerce Commission on the design and application of the path breaking URCS rail cost system since adopted by the Commission and the rail industry

He also directed development and installation of a commercial computerized economic and market analysis system now used by virtually all major US railroads.

Consolidated Rail Corporation, PA

- **Assistant Director, Cost & Economics (1977 - 1979)**

Managing a staff of about 30 professionals, Mr. O'Connor was responsible for all Conrail management and regulatory cost analyses in both freight and passenger areas, including line

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abandonments. He testified before the ICC on the development of line subsidy standards now widely used in the US railroad industry.

He also finalized the design, installed and managed Contribution Simulator and Calculator (COSAC), a computerized internal management economic analysis system at Conrail. The COSAC system uses specific management accounting data to develop economic costs. COSAC replaced earlier systems and was used to guide virtually all transportation management decisions, including competitive market initiatives, consolidations, line abandonments and service discontinuance.

Mr. O'Connor also participated in cost allocation negotiations between Amtrak and Conrail on cost sharing of joint facilities on the North East corridor. He initiated and directed profit maximization and plant rationalization programs. He also designed and implemented computerization and improvement of a wide range of economic and cost analysis systems used to manage and turn around this multi-billion dollar corporation.

R.L. Banks & Associates Inc., Washington, DC

- **Consultant (1976 - 1977)**

Mr. O'Connor conducted and directed numerous transportation- related projects in the U.S. and Canada ranging from national logistics analyses to site-specific studies. He specialized in costing systems and appeared as an expert witness on such systems in a precedent setting proceeding before a Canadian Crown Commission.

U.S. Railway Association, Washington, DC

- **Manager, Local Rail Service Planning (1974 - 1976)**

In a project of unprecedented scope and historic impact, Mr. O'Connor developed, computerized, and implemented the light density lines cost analysis system, which defined Conrail. This system was used to reach asset disposition and line service decisions for

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thousands of miles of railroad. He served as liaison with congressional staffs and shipper groups, as well as federal, state, and local governments, and planning agencies. The system he created was a major element in the design and implementation of the streamlined Midwest-Northeast regional rail system. Mr. O'Connor subsequently appeared as an expert witness to present and defend the operation of the USRA costing system.

Interstate Commerce Commission,

- **Economist, Washington, DC (1973-1974)**

Mr. O'Connor served as a staff economist and authored a report analyzing industry investment patterns and ICC regulatory policy, including ICC use of cost evidence.

Education

- University of Massachusetts, Amherst, B.A. Economics
- University of Wisconsin, Graduate Course Work, Economics
- University of Delaware, Graduate Course Work, Business Management
- The American University, Graduate Course Work, Computer Science

Professional Organizations

- Transportation Research Board
 - Past Chairman of the Transportation Regulation Committee
- Transportation Research Forum
 - Past President of the Cost Analysis Chapter
- National Defense Transportation Association
 - Past Member of Board of Directors, National Capital Chapter

Academic honors

- Phi Kappa Phi academic honors society
- Phi Beta Kappa academic honors society

Military

- U.S. Army; Sergeant, Combat Engineers

Security Clearance

- Secret

Attachment II
Summary of Expert Testimony
of
Tom O'Connor
Vice President
Snavely King Majoros & O'Connor, Inc.
8100 Professional Drive Suite 306
Landover, MD 20785

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Tom O'Connor is Vice-President of Snavely King Majoros & O'Connor (Snavely King), an economic and management consulting company. He has been engaged in the business of economic analysis for more than twenty-five years, beginning in 1973 as an economist with the Interstate Commerce Commission (now the Surface Transportation Board) and later in economic consulting and management positions of increasing responsibility with the United States Railway Association, Conrail, the Association of American Railroads and, from 1982 through 1988 with DNS, Associates and since 1988 with Snavely King Majoros & O'Connor (Snavely King), an economic and management consulting company focusing on telecommunications and transportation. Mr. O'Connor was Vice President at DNS Associates and has been Vice President and principal of Snavely King since joining the firm.

He has provided testimony in a number of proceedings before courts and regulatory commissions in the United States and Canada including:

- Arbitration Panel in New York,
- Canadian Crown Commission,
- Fairfax County Board of Supervisors,
- Fairfax County Courts,
- Mediation Panel in Massachusetts
- Mediation Panels in Washington DC
- Regulatory Commission in Indiana,
- Regulatory Commission in New York,
- Regulatory Commission in Pennsylvania,
- State Court in Indiana
- State Court in Montana,
- State Court in Virginia,
- United States Railway Association,
- US District Court for Arizona
- US District Court for Eastern District of Virginia,
- US Interstate Commerce Commission,
- US Surface Transportation Board,

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Tom O'Connor's practice centers on transportation and logistics with specific focus on negotiations, litigation and infrastructure issues including rationalization and redesign of the railroad infrastructure in the US as well as rebuilding of the railway infrastructure in Eastern Europe.

Mr. O'Connor's work in Eastern Europe focused on transportation and telecommunications.

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Tom O'Connor Testimony in Federal Regulatory Cases

- The comparative merits of the Interstate Commerce Commission's Uniform Rail Costing System (URCS) and Cost Center Accounting submitted to the ICC on behalf of the US Railroad industry in February 1980 in Docket No. 37203.
- The economics and computer technology of the Light Density Line Methodology used to define Conrail, submitted to USRA before a special hearing in 1980.
- Computerized transportation database design and use. Verified statement was submitted to ICC on behalf of the US Railroad industry in Nov 1980 in Ex Parte No. 385.
- The comparative merits of two regulatory rail-costing systems, URCS and the predecessor rail costing system, Rail Form A, submitted to the ICC on behalf of the US Railroad industry in March 1981, in Ex Parte 399.
- Testimony on the Preliminary 1979 Rail Cost Study as released by the ICC, calling for adopting and improving URCS. This was submitted to the ICC on behalf of the US Railroad industry in Docket No. 37203 in February 1982.
- Rail costing using Rail Form a costs applied to service units generated by a computerized rail network model. This verified statement was submitted to the ICC on behalf of a shipper located in Nevada in July 1985 in ICC Docket Nos. 37809 and 37815S.
- Rail costing, also using Rail Form A costs applied to service units generated by computerized network model. This verified statement was submitted to ICC on behalf of a shipper located in Nevada in November, 1986 in Docket No. 37809, 37815S.
- Stand Alone Rail Costing, for use in rate reasonableness, using service units developed with a series of computerized network model. This verified statement was submitted to the ICC on behalf of the Association of American Railroads in September, 1988 in Docket No. 38239S
- Rail merger conditions, developed using rail costs and a computerized network model. This verified statement was submitted to the ICC in March 1994 in Finance Docket No. 21215 (Sub. No. 5)

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- The effects of computerized methods on rail operations and costs. This verified statement was submitted to the ICC on behalf of Coletto Creek Utility in July 1994 in Docket No. 41242.
- The cost of rail coal transportation using URCS costs and A Stand Alone Network. This verified statement was submitted to the ICC on behalf of West Texas Utilities in April 1995 in Docket No. 41191.
- Further testimony on the cost of rail coal transportation using URCS costs and a Stand Alone Network. This verified statement was submitted to the ICC on behalf of West Texas Utilities in July 1995 in Docket No. 41191.
- Oral Argument on the effects of the BN-SF merger on rail costs and service presented before the full Commission in August 1995 on behalf of Universal Forest Products in Finance Docket No. 32549.
- The effects of the UP-SP merger on costs, infrastructure and operations. Verified statement was submitted to ICC on Behalf of Kansas City Southern Railroad in March 1996 in Finance Docket No. 32760.
- Competitive truck transportation market. Joint Verified Statement with James Wells was submitted to Surface Transportation Board (STB) on behalf of TJ MAXX on June 22, 1998 in Docket No. 41192
- The investment plans of UP-SP to remedy effects of the UP-SP merger. Verified statement was submitted to STB on Behalf of Kansas City Southern Railroad in June, 1998 in Finance Docket No. 32760 UP-SP Merger Oversight Proceeding
- The Arkansas and Missouri Railroad Request For Discontinuance Waiver Filed on Behalf of Kansas City Southern Railroad. Verified statement was submitted to Surface Transportation Board (STB) in November 1998 in Finance Docket No. 32670.
- Further testimony on the competitive truck transportation market. Joint Verified Statement with James Wells was submitted to Surface Transportation Board (STB) on behalf of TJMAXX in January, 1999 in Docket No. 41192
- Rail Merger Guidelines to develop new and improved merger analysis processes. Verified statements were submitted to Surface Transportation Board (STB) on behalf of OxyChem, Oxy Vinyls, BASF and Williams Energy Services in May 2000 in Ex Parte 582.

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- Reply Testimony on Rail Merger Guidelines to develop new and improved merger analysis processes. Reply Verified statements were submitted to Surface Transportation Board (STB) on behalf of OxyChem, Oxy Vinyls, BASF and Williams Energy Services in June 2000 in Ex Parte 582.
- Testimony on STB Rate Guidelines in small Shipment Cases. Verified statement was submitted to Surface Transportation Board (STB) on behalf of SK clients in STB Ex Parte 646 in June 2004.
- Oral Testimony on STB Rate Guidelines in small Shipment Cases. Oral Testimony was presented to the full Surface Transportation Board to Surface Transportation Board (STB) on behalf of SK clients in STB Ex Parte 646 in July 2004.
- Testimony on STB Stand Alone Costs focusing on alternatives. Comments submitted to Surface Transportation Board (STB) on behalf of SK in STB Ex Parte 657 in April 2005.
- Oral Testimony on STB Stand Alone Costs focusing on alternatives. Presented to Surface Transportation Board (STB) on behalf of SK in STB Ex Parte 657 in April 2005.
- Oral and Written Testimony on the first ever STB Small Shipment Rate Case. Comments submitted to Surface Transportation Board (STB) on behalf of BP Amoco in STB Docket NOR 42093 in May-June 2005. The case was resolved successfully through mediation.
- Oral and Written Testimony on Rail Fuel Surcharges. Comments were submitted to the Surface Transportation Board (STB) in April 2006 and oral testimony was presented the STB in May 2006 on behalf the American Chemistry Council. The testimony was submitted in STB Ex Parte 661. The issue is under adjudication.
- Testimony on Rail line Abandonments and related Environmental Damages. Comments were submitted to the Surface Transportation Board (STB) in June 2006 and July 2006 on behalf of ALCOA. The testimony was filed in STB Docket No AB-290 and No. AB-149. The issues are under adjudication.
- Oral and Written Testimony on the second STB Small Shipment Rate Case. Comments submitted to Surface Transportation Board (STB) on behalf of Williams in STB Docket NOR 42098 in 2006-2007. The case was resolved successfully through mediation.

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- Testimony on a third STB Small Shipment Rate Case. Comments submitted to Surface Transportation Board (STB) on behalf of US Magnesium in STB Docket NOR 42014 in 2009. The case was decided by the STB in favor of US Magnesium, and was affirmed by the Court on appeal in 2010.
- In 2010, two additional medium shipment cases on behalf of US Magnesium were resolved successfully through mediation prior to filing evidence.

Tom O'Connor -- State, Regional and Canadian Testimony

- Expert testimony centering on the costs of providing transportation to Medicaid care recipients. This testimony involved design and development of computerized costing models of highway transportation. The evidence was central to resolution of long standing issues. This evidence was submitted on behalf of Medicaid transportation providers and was accepted by the Court in Marion Superior Court in the State of Indiana in Cause No. 49D01 9309 MI952 on November 21, 2005. Oral testimony was presented in October, 2005. The case was decided in favor of the client.
- Expert antitrust testimony centering on the availability of construction materials. This was submitted in an antitrust case and was filed on behalf of Solcon in Solcon Constructions adv. Asphalt Busters Case No. CIV 01 01269 PHX ROS, United States District Court for the District of Arizona. This evidence was developed and submitted in May 2003.
- Expert testimony centering on commuter railroad operations and costs. This testimony involved design and development of computerized costing models of commuter rail operations. The evidence was central to arbitration to resolve subsidy disputes between New York and Connecticut. This evidence was developed and submitted on behalf of Metro North Commuter Railroad in August 1996 with oral testimony presented in February 1997. The case was decided successfully in favor of the client.
- Expert testimony centering on the effects of a series of explosions on transportation operations and costs. This was submitted on behalf of Washington construction Company in a damages case filed by Burlington Northern Railroad in state court in Montana, First Judicial District Court, and Cause Number ADV 91-1885. The case

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went to a jury trial and was decided successfully in favor of the client in September 1993.

- Expert antitrust testimony centering on computerized network models. This was submitted in an antitrust case filed on behalf of Geoplex in U.S. District Court for the Eastern District of Virginia, *Geoplex Corporation v. CACI, Inc.* Civil Action No. 89-610-A. This evidence was developed and submitted in November 1989.
- Expert testimony centering on transportation operations and costs. This was submitted on behalf of the Canadian provinces of Alberta, Manitoba and Saskatchewan before a Canadian Crown Commission in a series of hearings held in Winnipeg, Manitoba and Regina, Saskatchewan in 1976. This led to an historic change in Canadian transportation regulation.
- In addition to these cases Mr. O'Connor has also submitted testimony on rail costs and operations before State regulatory commissions in Indiana, Pennsylvania and New York.

Attachment III

Selected Project Summaries

Resume of

Tom O'Connor

Vice President

Snavely King Majoros & O'Connor, Inc.

8100 Professional Drive Suite 306

Landover, MD 20785

Introduction

Throughout more than two decades of providing consulting services in transportation, and telecommunications, Tom O'Connor has developed and defended practical operations, market and economic analyses. The projects he has directed include: developing economic analyses; analyzing mergers, acquisitions, and start-up companies, and in providing strategic planning services to commercial, institutional and government clients. In dozens of projects, these analyses have significantly influenced decision making in both the private and public sectors

Tom O'Connor has conducted many studies for government and commercial clients which involved developing, gathering and analyzing market and cost and pricing data. Mr. O'Connor's recent assignments have involved:

- Analysis of rail freight and passenger service
- Business planning for companies in emerging economies
- Comparative analyses of alternative product sourcing
- Cost analysis of transportation rates
- Design and management of a multi-million dollar nationwide rail and truck transportation procurement on behalf of a Fortune 500 company
- Evaluation of telecoms installations in Eastern Europe
- Evaluation of telecoms service in the USA
- Evaluation of transportation operations in Eastern Europe
- Evaluation of transportation operations in North America
- Merger analyses of manufacturing companies
- Merger analyses of railroads
- Pricing analyses for commercial telecoms technologies and services in emerging economies
- Rail and truck Fuel Surcharges analyses
- Rail Line analysis cases and methodologies
- Rail, water and truck transportation cost and operations
- Transportation contract negotiations
- Waterborne transport cost analyses

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Mr. O'Connor has also conducted organizational and commercial studies relating to major European telecommunications projects.

Tom O'Connor led a project for the Bulgarian State Railways (BDZ). The project involved an on-site in-depth study of rail operations in Eastern Europe and long range planning for the transition from a controlled economy to a market economy. The project included identifying the specifications for upgrading the rail-related telecommunications and management information systems. BDZ was the client in this project.

In a related multi-year project Mr. O'Connor designed an international telecoms company to provide service in Europe. He developed the blue print for this telecoms company, BDZCOM, and presented the business plan to banking, and commercial interests and government agencies in the United States and Europe.

Tom O'Connor has held key management positions in government, private industry and trade association. He has direct experience planning deregulation and assisting companies adjust to decreased regulation, proliferation of competition and rapid changes in technology for producing and delivering services.

Tom O'Connor works closely with the client to develop economic analyses and supporting studies designed to meet the project and longer range objectives. The results of the analyses and studies are often presented as expert testimony in proceedings before state and federal regulatory agencies and courts in the US and Canada.

Some specific services offered by Tom O'Connor include:

- Analysis and Design of telecoms networks
- Analysis of data and evidence
- Analysis of rail operations in the context of mergers
- Anti-trust analyses on behalf of both plaintiff and defendant

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- Assessment of economic and market evidence
- Damages Analyses and
- Damage Estimates
- Mediations and Arbitration
- Operations analysis and process maps
- Planning, designing and marketing a telecoms startup company
- Preparation and presentation of expert testimony in a range of cases
- Transportation Analyses
- Transportation Cost and Economic Analysis Methodologies
- Transportation model design
- Transportation rate and service litigation
- Transportation rate negotiations,

He regularly produces expert analysis and supporting studies that address:

- Analysis of relevant organizational policies and procedures;
- Competitive characteristics of markets;
- Cost of service,
- Market definition, impact, and potential for growth,
- Pricing, and
- Revenue requirements and return on investment,

In a long series of assignments in the US, Canada and overseas, Tom O'Connor has established a consistent record of success.

Attachment IV

Selected Clients

Snavely King Majoros & O'Connor, Inc.

Snavely King Majoros & O'Connor, Inc.

8100 Professional Drive Suite 306

Landover, MD 20785

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Industry	
ALCOA	Chicago Central Pacific
Allegheny Ludlum	Church and Dwight
American Hoechst	City of San Antonio
Amtrak	Continental Grain
Applied Arts Software	CP Forest Products
Association of American Railroads	CSX Corporation
AT&T	Davison Chemical
Atchison, Topeka & Santa Fe Railway Systems	Del Monte
Atlantic Richfield	Degussa
Arcadian	Denver & Rio Grande Western Railroad
Armco Steel	Detroit and Mackinac Railway
Ashland Chemical	DuPont
ATLA	Econorail
BDZ	Edison Electric Institute
BDZCOM	Elf Atochem
Bethlehem Steel	El Paso Field Services
Blue Circle Cement	Ernst & Young
BOC	Erco Worldwide
Boston & Maine Corporation	Family Lines Rail System
BP Amoco	Farmland Foods
Brick Industry Association	Fertilizer Institute
Burlington Northern Railroad	Florida East Coast Railway
Cabot Corporation	Ford Motor Company
Cargill	Formosa Plastics
C-I-L	FTS Trucking
Canadian National Railway	Gaylord Container
Canadian Pacific Railroad	Genstar Stone Products
Chesapeake & Ohio Railway	Henson Associates
Chessie System Railroads	Houston Light & Power
Chicago and Illinois Midland RR	Houston Port Bureau
Chicago Milwaukee Corporation	I-C-I
	Illinois Central Gulf Railroad

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Intermountain Power	
Kansas City Southern Railway	Procter & Gamble
Koppers	Sandwell, Inc.
Kraft Foods	Seaboard Coast Line Railroad
Kemira Pigments	Shintech
Kobe Steel	Shell
Louis Dreyfus	Southern Pacific Transportation Company
Louisville & Nashville Railroad	Southern Railway Company
Lubrizon	Star Recycling
Lufkin Foundry	Sun Marketing and Refining Co.
Maersk	System Fuels, Inc
Marsulex	Tejas
Mead	Tennessee Eastman Chemical
MeadWestvaco	Timken
Metro North Commuter Railroad	T J. Maxx
Mississippi Chemical Corporation	Transportation Marketing Services, Inc
National Coal Association	Tropicana
National Mining Association	U S F & G Insurance Co
National Data Corporation	US Magnesium
National Industrial Transportation League	Union Pacific-Missouri Pacific Railroad
National Mining Association	Universal Forest Products
National Paint & Coatings Association	Williams Brothers
National Retail Merchants Association	Williams Olefins, LLP
Norfolk Southern Corporation	Weirton Steel
Occidental Chemical Corporation	West Texas Utilities
Operation Respond	Westvaco
Oxy Vinyls	WMI
Peabody Coal	W R. Grace

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Government and Public Agencies

Bulgarian Ministry of Transport
Canadian Ministry of Transport
Canadian Transport Commission
Houston Port Bureau
Metro North Commuter Railroad
Montana Department of Commerce
Montana Department of Transportation
New York City Transit Authority
Ontario Ministry of Transport
Port Authority of New York and New Jersey
San Antonio's Natural Gas & Electric Utility
Transport Canada
U.S. Department of Defense
U.S. Department of Transportation
U.S. General Accounting Office
U.S. General Services Administration
U.S. Military Traffic Management Command
U.S. Trade Development Agency
Washington Metropolitan Area Transit Authority
World Bank

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Counsel

Baker and Miller

Caffrey & Smith

Cleveland Thornton

Covington & Burling

Garlington, Lohn & Robinson

GKG Law

Gust Rosenfeld

Hogan & Hartson

Kronish, Lieb, Wiener & Hellman

Laroe, Winn, Moorman and Donovan

LeBoeuf, Lamb, Greene & MacRae

Lewes & Kappes, P C.

McNamar & Associates

Pepper, Hamilton & Scheetz

Reid & Priest

Ropes and Gray

Rubenstein & Thornton

Sidley & Austin

Slover & Loftus

Steptoe & Johnson

Sugarman & Rogers

Thompson Hine

Troutman Sanders

Van Ness Feldman

Verner, Lipfert, Bernhard, McPherson & Hand

Walter Brown Law Firm

X. Snavely King Field Engineering Team

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**Education**

B.S., Civil Engineering,
Clarkson University, 2000

M.E., Civil Engineering,
Clarkson University, 2000

**Registration and
Certifications**

Professional Engineer,
New York, # 81958

E-Rulstate Security Clearance

Memberships

ASCE - Full Member

AREMA - Member 018

Special Training

FRA 49 CFR 214 B, C, D,
& F Certification

OSHA Safety Training on
Fall Arrest, Scaffolding,
Work over Water

Load Rating Training

Bridge Inspection Training

Carl W. Rode, P.E.
Senior Project Engineer

Mr. Rode serves as a railroad and bridge design engineer on a variety of projects. Carl's experience includes track layout, corridor design, and bridge inspection and design for both rail and vehicular bridges. Additionally, Mr. Rode has significant experience in roadway design, site grading and drainage layout/design. Typical project responsibilities include coordination and preparation of reports, contract plans, contract bid documents, shop drawing reviews and construction support. Carl has specialized training with 3-Dimensional corridor and site modeling software including Bentley InRoads Design Suite and Autodesk Civil 3D (formerly Land Desktop). He also has specialized training in bridge design including load rating of steel and concrete railroad bridges, load and resistance factor design of bridges, reinforced concrete design, and finite element analysis and is experienced with structural analysis and bridge design software, including STAAD.

Experience**Sample Bridge Design & Inspection Assignments**

Flushing Avenue Railroad Bridge Modifications - Queens, New York Mr. Rode is the Project Engineer for this project which involves the mounding of two (26") cantilevered end signals and mounding by 6" by 8" bridge, ex cantilevered at the existing through-rail end bridge. Responsibility included analysis and strengthening of existing bridge and detailing connections to cantilever signals and mounding at the bridge, load rating of the bridge and shop drawing review/construction support. Construction Cost: \$1.2 million. C&S Engineers - Sub (100% of work) 2009

South Buffalo Railway Bridge 14-F Rehabilitation for 236-K Loading This C&W bridge was upgraded by replacing the existing direct truss deck, reinforcing the floor beams and bracing for longitudinal live load forces along with bearing to floor beam replacements on the new "East Harbor" lead serving Gateway Grade, Enter Port and Business Plaza Leads. Work location is in Buffalo, NY. Mr. Rode also provided design for a new 2' x 14' 8" diameter CMP at the South Return Trench on the lead. Mr. Rode was the Project Engineer for the project and was responsible for the design of all aspects of the project including the civil lead. Construction Cost: \$4.5 million. C&S Engineers Prime (100% of work) 2010

Nucor Steel Industrial Lead & Grade Separation Ongoing. Mr. Rode is the Project Engineer for this project on the industrial site which phase of a new 2 mile industrial lead with significant grade issues, brown lot property and an at grade crossing and a grade separation to rail which was construction cost \$5.1 million. C&S Engineers Prime (100% of work)

SMS Rail Voorheesville Running Track Mr. Rode has provided annual bridge inspections for the bridges on this 16 mile existing track between CSX and CP.

11UR US 250 15.54, PID 76975; Ongoing; Fitchville Bridge Replacement of a 168 foot long Nationally Eligible Historical open spandrel concrete arch bridge with a 175 foot long single span SMS bridge for ODOT. Carl is project engineer responsible for the bridge design which includes and 8 foot raise in road profile to correct stopping sight deficiency and purchase and relocation of 3 private homes in Huron County, Ohio to accommodate the new embankment footprint on the bridge approaches. Cost \$3M excluding ROW.

Replacement of Denning Road Bridge over East Branch of Neversink Creek; Ulster County, Ongoing - Serving as project manager for this federally funded locally administered project involving the replacement of the present structure of the existing alignment. The replacement bridge is a precast prestressed adjacent concrete box girders on pile-supported concrete abutments with permanent steel sheet pile scour protection.

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QEM, Inc.
1554 Paoli Pike
179
West Chester, PA 19380
610-701-0629

Chet Rhodes

Railroad Career

Worked his, over a 28 year period, way up from an entry level position to Division Engineer on two Class I railroads (Penn Central and Conrail)

The initial experiences were primarily associated with track (and the associated roadbed that supports the track structure). He established the foundation of his career repairing and maintaining track, followed by supervising multiple gangs that performed this function.

With this experience, he supervised crews who were responsible for enforcing the Federal Railroad Administration (FRA)'s required inspections of main lines, secondary lines, and yard track of two major trunk lines.

With this background, he was selected to go to the newly formed Engineering Training Center (Conrail) as an Instructor. The duties entailed conducting classes on track and track standards, going out to work locations to evaluate workmanship and recommend new policies and procedures that would improve the production and serviceability of the track operation.

After serving at the Training Center, he was sent back out to the "field" as Engineer, Track Bridges and Structures. In addition to

Division Engineer of a Class I Railroad
FRA Certified Track Inspector
FRA Instructor (sections 213,214)
Holds a USA Federal Transportation Worker Credentials (TWIC)

maintenance and repairs, he was also responsible for optimizing the physical assets (track and structures) on his territory.

Promoted from this position, he was appointed to (Operating) Division Engineer, which has responsibility over track, signal, bridge and structures (in addition to personnel and equipment necessary to maintain them). During his career he was in charge of two distinctive Operations Division (one 700 miles of track, 450 miles of track) for Conrail.

FRA Career

After the purchase of Conrail by CSX and Norfolk Southern, Chet chose to work in a different venue.

Joining the FRA he became a trainer of the Federal Railroad Administration's responsibilities contained in the Consolidated Federal Regulations (CFR) section 49; sections 213 and 214 specifically.

In between training as a Certified Track Inspector he also performed track inspections, handled Congressional and local complaint investigations, performed accident derailment investigations, and inspected all steel wood

Bridges of all public railroads within his district's responsibility.

His career with the FRA lasted 10 years.

Genesee & Wyoming Railroad

For the last three years, Chet was employed by the Genesee & Wyoming Railroad (G&W) as General Manager of Engineering. This placed him over the Engineering requirements for 16 independently owned railroads of the G&W organization.

Accomplishments

Distinguished himself as an Engineer of Track and was promoted through the ranks of 2 Class I railroads.

Was an instructor as well as an inspector and investigator for the FRA.

Performed track inspections for U.S. Army and U.S. Navy at various facilities (Chambersburg, Yorktown to name a few).

Holds a TWIC certification card issued by USA for workers that work at strategic locations.

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Grenada Railway
Bridge Inspection Report
for
Mile Post 656.4

Prepared by C&S Engineers, Inc

Syracuse, NY

October 21, 2011

Summary

The Mile Post 656.4 bridge is in good condition overall and is safe for normal operation. With the exception of the settlement of Pier 5 and the resulting effects on the span 5 and 6 ballast pans, the structure primarily has cosmetic surface blemishes consisting of minor surface cracking, isolated spalling and hollow sounding areas and some areas of efflorescence.

The settlement of Pier 5 could have occurred due to pile deterioration, though the actual foundation type and subsurface soils are presently unknown due to lack of record plans or information. The west end of pier appears to have a greater degree of settlement than the east end due to the size of the gap between the span 5 and span 6 ballast pans. This settlement may also have occurred at original construction. The settlement has also induced compressive forces at the ends of the span 5 and 6 ballast pans resulting in cracking and spalling of the concrete due to crushing.

Work Order Suggestions

1. **Prompt Remedial Action (Next 60 Days)**
 - a. *Monitor settlement at Pier 5 with bridge under train loads.*
 - b. *Excavate ballast at Pier 5 in ballast pans and determine length of cracking thru pan base from east fascia so loss of bearing area can be determined.*
2. **Remedial Action (1 Year)**
 - a. *Bridge Engineer shall evaluate results from Prompt Remedial Action to determine work needed.*
 - b. *Bridge Engineer to check superstructure for excessive ballast loading.*

Condition Ratings

P1 – Requires immediate attention

P2 – Poor Condition, keep under observation until repaired

P3 – Fair Condition, should be monitored

P4 – Item noted, but of no concern

Railroad Information

1. **Railroad Name:** *Grenada Railway*
2. **Rail Line Name:** *Grenada Railway*
3. **Railroad Owner:** *Grenada Railway, LLC.*
4. **FRA Track Classification:** *FRA Class 1 (assumed)*
5. **Speed:** *10mph (assumed)*
6. **Line Capacity:** *Unknown (assume 286k)*

Inspection Information

1. **Inspection Date:** *10/21/2011*
2. **Inspection Type:** *Visual*
3. **Weather Conditions:** *70°F, sunny*
4. **Inspector:** *Carl Rode, P.E.*

Track Geometry

1. **Track Alignment:** *Tangent*
2. **Grade:** *0.00%*

Track Condition

1. **Surface of Track on Structure and Approaches:** *Track surface is in good condition.*
2. **Alignment of track and its location with reference to structure:** *Track is centered on structure*
3. **Location, amount, and probable causes of any track out of line or surface:** *Not Applicable, track surface and alignment are good.*
4. **Ballast condition and depth:** *Ballast is clean, section is good and is approximately 30" deep on structure. (12" original depth plus 18" additional with ballast retainer)*
5. **Track Condition:** **(P4)**

Bridge Information

1. **Mile Post:** 656.4
2. **Structure Type:** *Superstructure is 24" deep concrete ballast pans with 12" high ballast retainers. The abutments are concrete gravity abutments with in-line wingwalls. The piers are solid stem concrete piers. Abutments and piers are both assumed to be supported on piles. (Refer to photos 1 thru 6 and Sketches in-lieu of Plans)*
3. **Record Plans:** *Not available*
4. **Inspection Reports:** *Not available*
5. **Work Orders:** *Not Available*
6. **Total Bridge Length:** 112'-0"
7. **Bridge Skew:** *None*
8. **Number of Tracks:** 1
9. **Number of Spans:** 7
10. **Span Length:** 16'-0" (14'-0"± clear span)
11. **Superstructure Width:** 14'-0"
12. **Superstructure Type:** *24" deep concrete ballast pans with 12" original ballast retainer. 18" ballast retainers added in 1981. Ballast retainers are adequately fastened to existing slab panels and are in good condition.*
13. **Feature Crossed:** *Backwater of nearby Big Black River*
14. **Town:** *West*
15. **County:** *Carroll County*
16. **State:** *Mississippi*
17. **Year Built:** *Track Chart states original construction of bridge in 1914. Based on visual inspection, current bridge appears to have been built in late 1930's or early 1940's.*

Substructures

1. Waterway

- a. **Alignment of waterway and evidence of debris:** *Bridge crosses a backwater of nearby Big Black River. Waterway alignment is good. Spans 1 thru 3 have old ballast piles approximately 3' deep outside of fascia with some light vegetative growth. Spans 4 thru 7 are clear from debris and provide good opening for flow.*
- b. **Channel stability, dikes and bank protection, obstruction (above and below site) backwater from flooding:** *Bridge crosses backwater of nearby Big Black River and does not have evidence of scour and erosion. Banks are vegetated with no present evidence of erosion. Stream east of bridge is densely vegetated with windfalls. Stream west of bridge is clear with timber trestle highway bridge (Rte 51) approximately 50 feet away.*
- c. **Evidence of buried cable, conduit, tile or pipe lines crossing under the bridge.**
None found during inspection
- d. **High water mark:** Bridge crosses backwater of nearby Big Black River. No water present in channel at time of inspection and no obvious staining on piers/abutments indicating a water mark.
- e. **Condition of Waterway: (P3)**

Abutments

1. **Type of Abutments:** *Abutments are concrete gravity abutments with in-line wingwalls. Unable to determine presence of piles or location and type of foundations. Would assume piles support the abutment because of the presence of cut-off timber piles from previous structure and adjacent vehicular bridge to west is a timber trestle structure. (Refer to Photos 7 thru 14)*
2. **Evidence of scour (undermining or settlement):** *None.*
2. **Drift or ice damage:** *None*
3. **Condition of Abutments:**
 - a. **Begin Abutment: (P4)** *Abutment is solid with small amount of efflorescence and very minimal amount of minor cracks on surface.*
 - b. **End Abutment: (P4)** *Abutment is solid with small amount of efflorescence and very minimal amount of minor cracks on surface.*
4. **Condition of Wingwalls: (P4)** *Wingwalls are solid and with small amount of efflorescence and minimal amount of minor surface cracking. Additional ballast retainers at top of wingwalls are in good condition and adequately anchored.*
5. **Alignment of Abutment:** *Alignment is perpendicular to track alignment for both east and west abutments. Abutments are not tilted vertically or rotated out of plane.*
6. **Clearance between beam and backwall:** *No backwall. Ballast pans serve as backwall.*

Piers

1. **Type of Piers:** *Piers are solid stem concrete piers. Unable to determine presence of piles or location and type of foundations. Would assume piles support the pier cap because of the presence of cut-off timber piles from previous structure and adjacent vehicular bridge to west is a timber trestle structure. (Refer to Photo 15 for Typical Pier and Sketches in-lieu of Plans)*
2. **Evidence of scour (undermining or settlement):** *No piers have evidence of scour. Piers 1 thru 4 and 6 have no visual signs of settlement. Pier 5 has settled approximately 3".*
3. **Drift or ice damage:** *None*
4. **Condition of Piers:** *Concrete generally sound with minor surface cracks and small amounts of efflorescence over surface. Joint between tops of piers and ballast pans are typically wet along full length. Pier seats are in good condition with some areas along the edges having minor spalled, delaminated/hollow sounding, areas and minor surface cracks resulting in very minimal loss of bearing area. The bearing area between the pans and the top of pier do not have visible bearing pads or slide plates and appears to be a concrete on concrete interaction. No joint filler material was observed between the pan and the pier/abutment seat. The pier cap or top of footing is not exposed.*
 - a. **Pier 1: (P4)**
 - i. **Span 1 side:** *6" diameter, ½" deep spall at top of pier approx 2' from west edge.*
 - ii. **Span 2 side:** *Heavy efflorescence present along 1' (±) strip at ground line of pier).*
 - iii. **Pier Ends:** *East end has 1' by 1' spall area approximately 1' below bottom of slab.*
 - b. **Pier 2: (P4)**
 - i. **Span 2 side:** *5' wide by 2' high hollow sounding area centrally located at top of the pier.*
 - ii. **Span 3 side:** *10' long by 1' tall hollow sounding area centrally located at top of pier.*
 - c. **Pier 3: (P4)**
 - d. **Pier 4: (P3)**
 - i. **Span 5 side:** *2' tall by 1' wide hollow sounding area at top of west end of pier. 2' tall by 5' long by 5" deep honeycombed area with exposed reinforcement centrally located at bottom of pier. (see photo 16)*
 - e. **Pier 5: (P2)** *Pier has settled approximately 3". The settlement of Pier 5 could have occurred due to pile deterioration, though the actual foundation type and*

subsurface soils are presently unknown due to lack of record plans or information. The west end of pier appears to have greater degree of settlement than the east end due to the size of the gap between the span 5 and span 6 ballast pans. This settlement may also have occurred at original construction.

- i. **Span 5 side:** 2' by 2' honeycombed and hollow sounding area centrally located at top of pier. (see photo 17.)
 - ii. **Span 6 side:** 3' long by 18" tall by 2 ½" deep honeycombed and hollow sounding area centrally located at top of pier. (see photo 18.)
- f. **Pier 6: (P4)**
- g. **Alignment of Piers:** Alignment is perpendicular to track alignment for all piers. Piers 1 thru 4 and 6 do not appear to be tilted vertically or rotated out of plane. Due to the settlement of Pier 5, the west end of the pier appears to have greater degree of settlement than the east end due to the size of the gap between the span 5 and span 6 ballast pans. This settlement may also have occurred at original construction.

Superstructure

1. Condition of Superstructure: *The ballast pans are generally in good overall condition. The undersides typically exhibit a few surface cracks and small spall areas with exposed reinforcement bars and some areas of efflorescence. The bearing area between the pans and the top of pier do not have visible bearing pads or slide plates and appears to be a concrete on concrete interaction. No joint filler material was observed in the either the longitudinal joint between pans or the joint between the pans and the pier/abutment. Longitudinal joint between ballast pans are typically wet along the full length of the span. Drainage weeps are present at all corners of the ballast pans and are wet. The ballast pan fascias typically have surface cracking and efflorescence. From the top edge of the 2½" deep recessed inlay to the upper chamfered edge of the pan, the fascias are typically cracked and/or spalling and have areas of loose concrete. Additional ballast retainers have also been added, are solidly anchored to the original ballast pans and are in good condition.*

a. **Span 1: (P4)**

b. **Span 2: (P4)**

c. **Span 3: (P4)**

d. **Span 4: (P4)**

e. **Span 5: (P2)** (Refer to Photo 17)

i. *On the underside of the ballast pans, along the longitudinal joint between pans, the east pan has a 4"-6" wide by 6" deep spall extending 4' from the face of pier 5.*

ii. *(Refer to Photos 25, 27 & 28) Due to settlement of pier 5, there are ¼" – ½" wide structural cracks, loose concrete and spalled areas. The depths of cracks visually appear to be at least 6" in depth. Along fascia surfaces, cracking and spalled areas extend approximately 5' to 6' from the end of ballast pans. This cracking and spalling of concrete is likely due to compressive forces induced into the top half of the Span 5 and 6 ballast pans. No cracking or spalling resulting from pier settlement are visible from the underside of the ballast pans along the joint with the pier.*

iii. *(Refer to Photos 25 & 26) Pier 5, west elevation, the gap between span 5 and span 6 ballast pan is approximately 2" at the top of the pier (base of pan). No ballast is being lost through the gap. The east elevation (Photo 19) does not have a gap. This may be an indication that pier settlement is larger at the west end of the pier.*



Project GRANADA RAILWAY

Sheet 1 of 2

PIER 5, EAST END

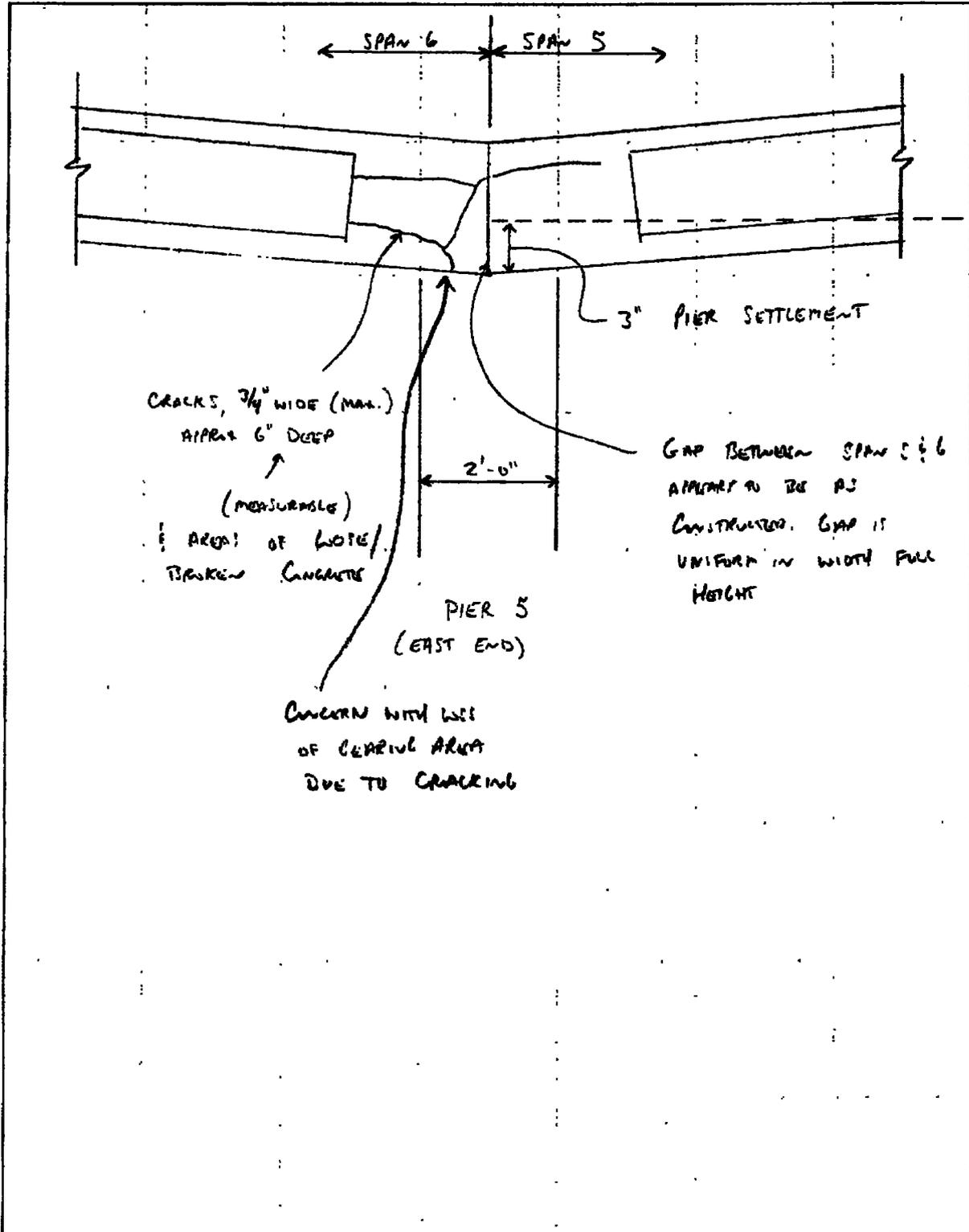
File #

Prepared by CM

Date 10/21/2011

Checked by

Date





Project GRENAOA RAILWAY

Sheet 2 of 2

Pier 5, WEST END

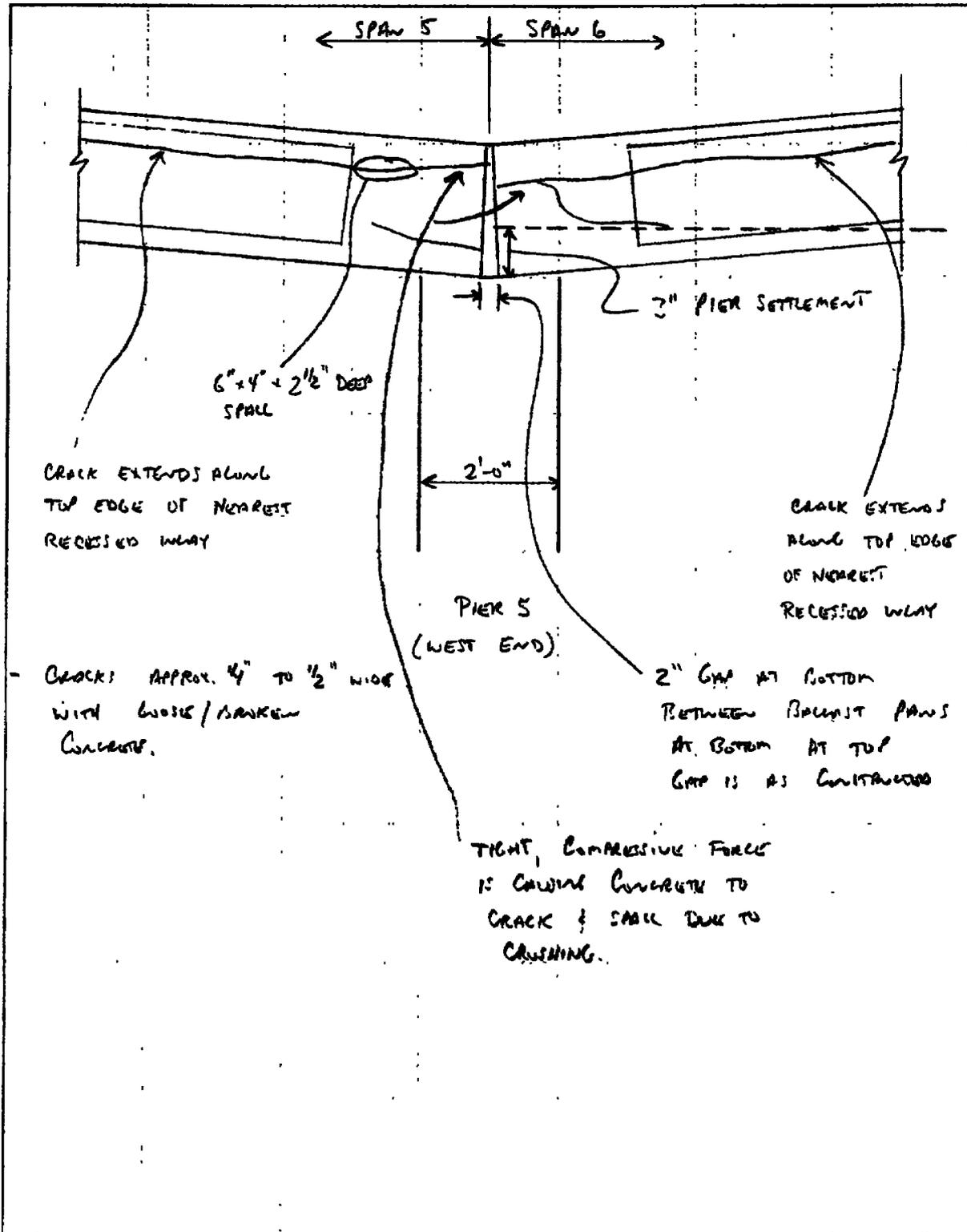
File #

Prepared by *Car*

Date 10/21/2011

Checked by

Date



- f. **Span 6: (P2)** *(Refer to Photos 19 thru 25, 29 & 30) Due to settlement of pier 5, there are large cracks (approaching $\frac{3}{4}$ " in width) and loose concrete. The measured depth of the cracks is approximately 6" into the ballast pans. Cracks are likely extend deeper into the pans. There is some concern that due to this cracking, that a percentage of the slabs bearing area with the pier may be compromised and further investigation will be required to determine the extents. Along fascia surfaces, cracking and spalled areas extend approximately 5' to 6' from the end of ballast pans. No cracking or spalling resulting from pier settlement are visible from the underside of the ballast pans along the joint with the pier.*
- g. **Span 7: (P4)**

Grenada Railway

Bridge Inspection, MP 656.4

Photos



Project GRANDDA RAILWAY, MP 656.4

Sheet 1 of 1

Photo Log

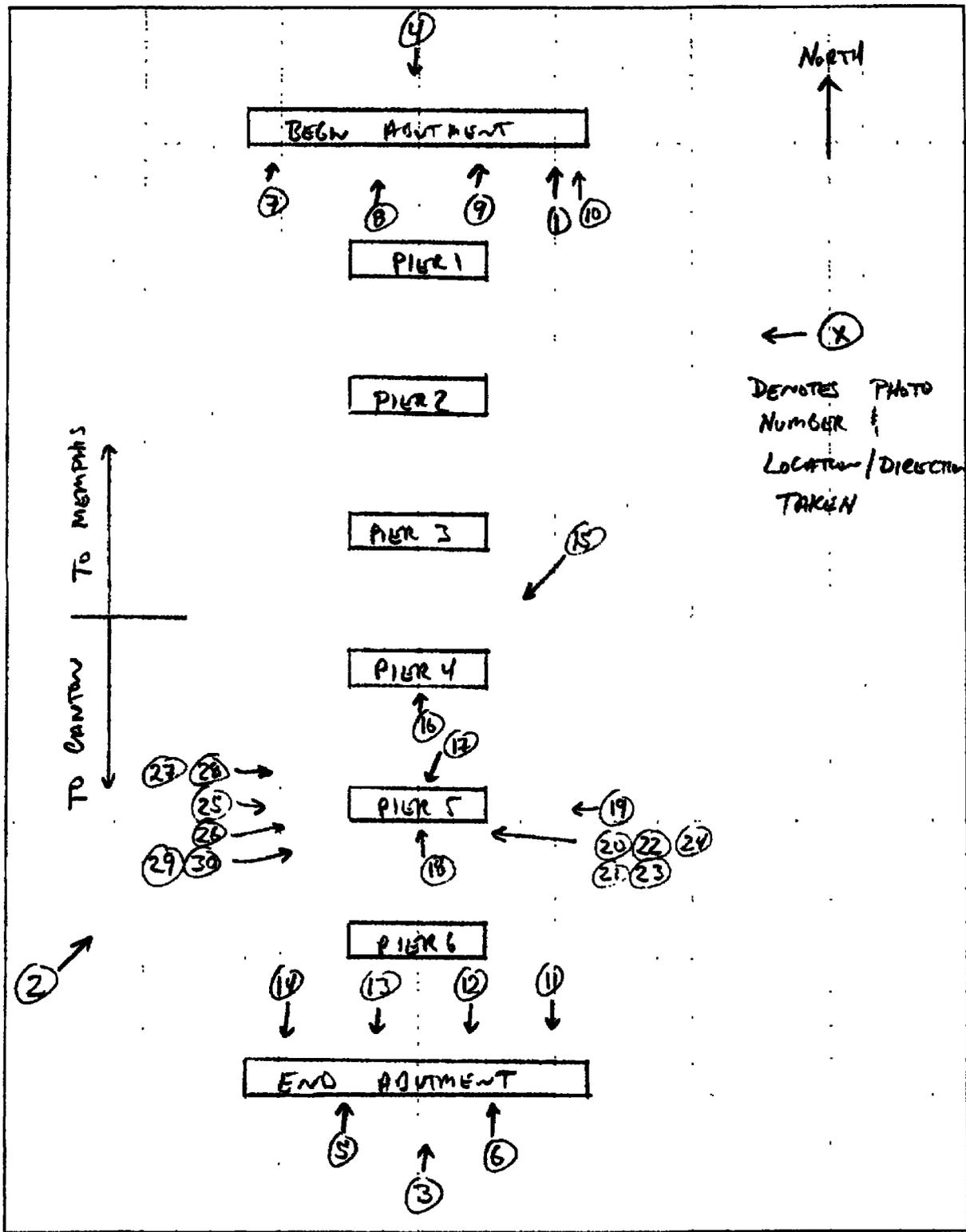
File # _____

Prepared by Carl

Date 12/21/2011

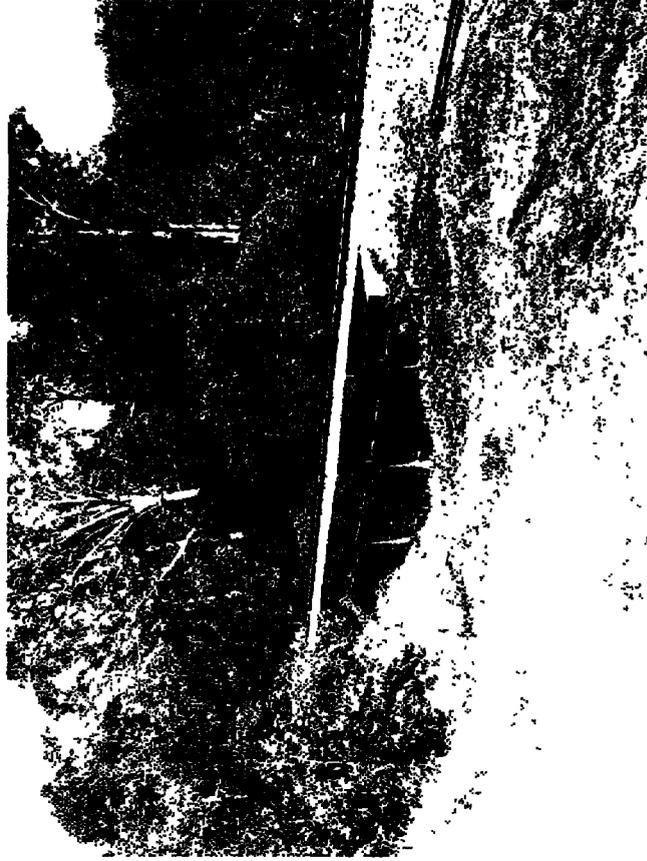
Checked by _____

Date _____





1. Milepost



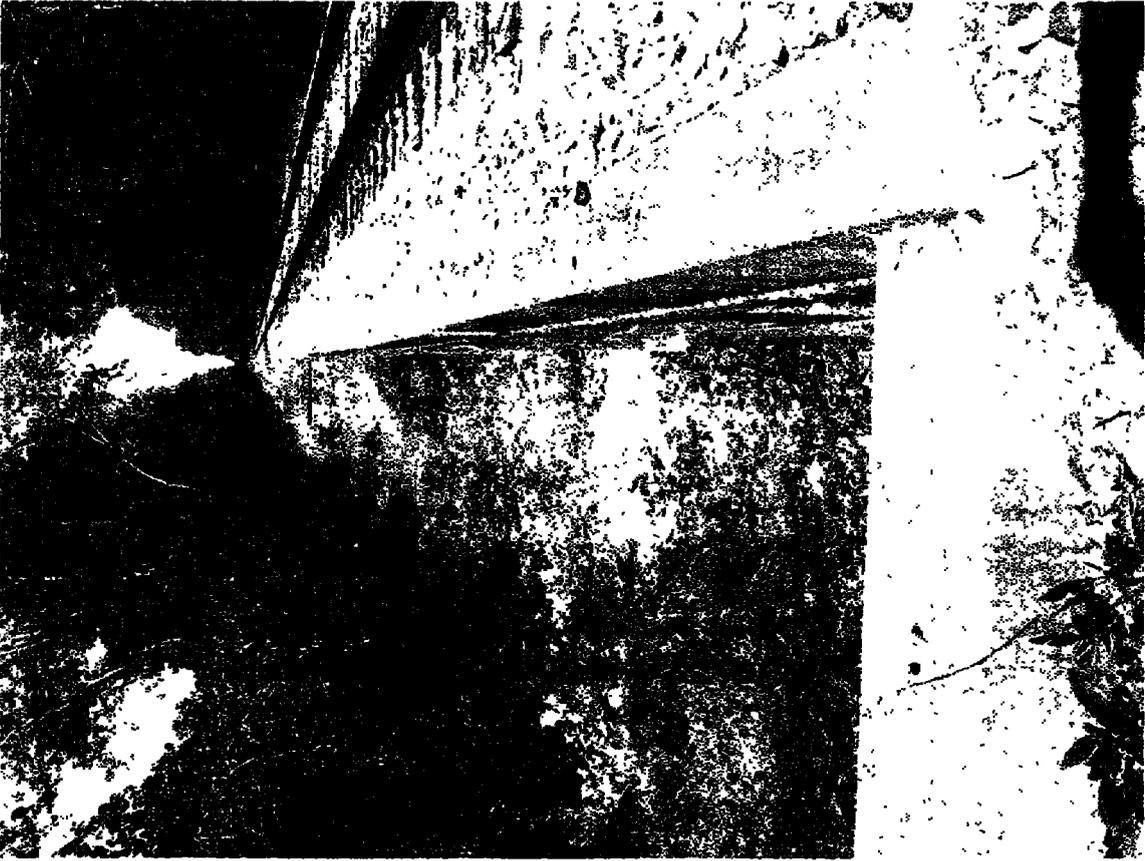
2. Bridge - West Elevation



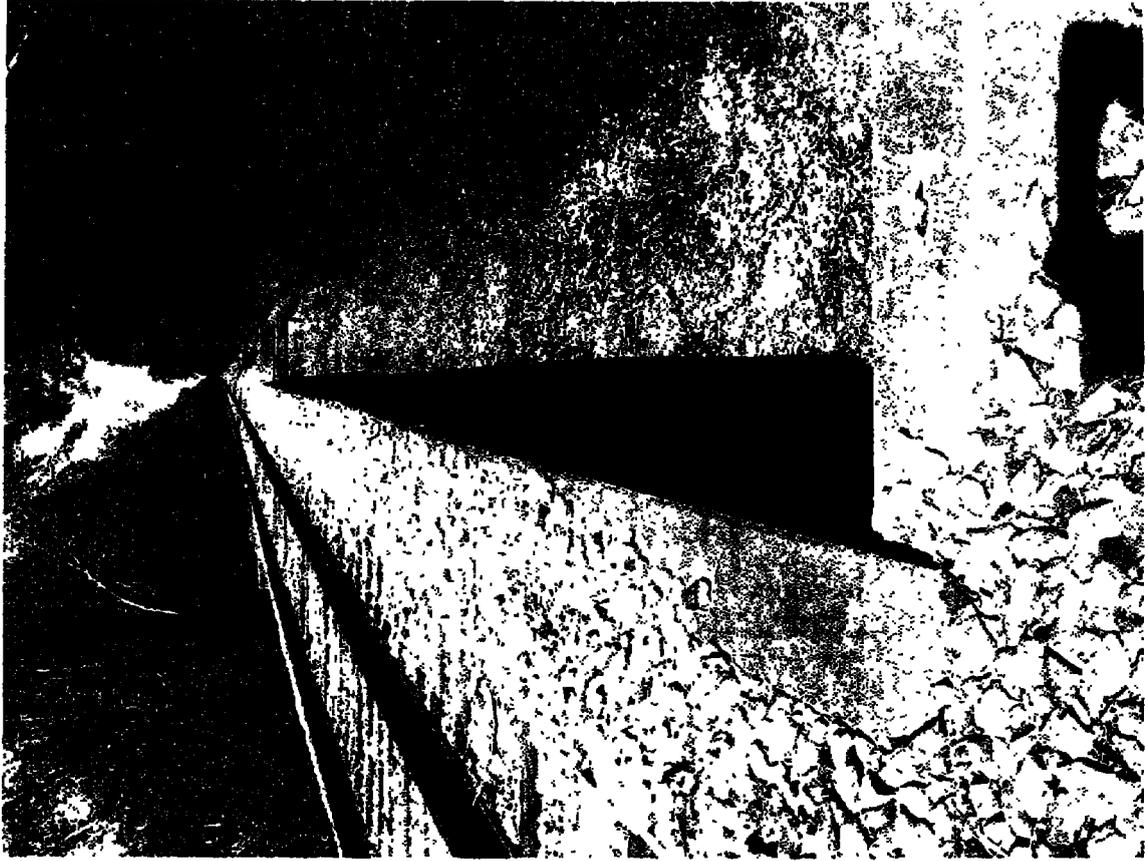
3. Bridge - Trackside Looking North



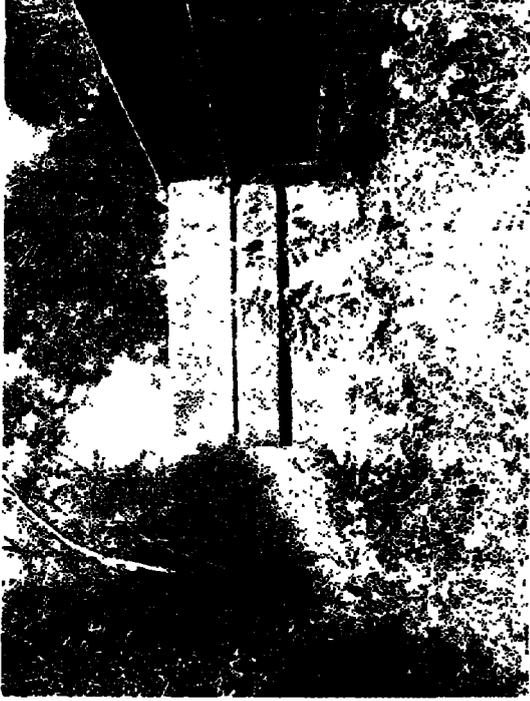
4. Bridge - Trackside Looking South



5. Bridge - West Fascia Alignment



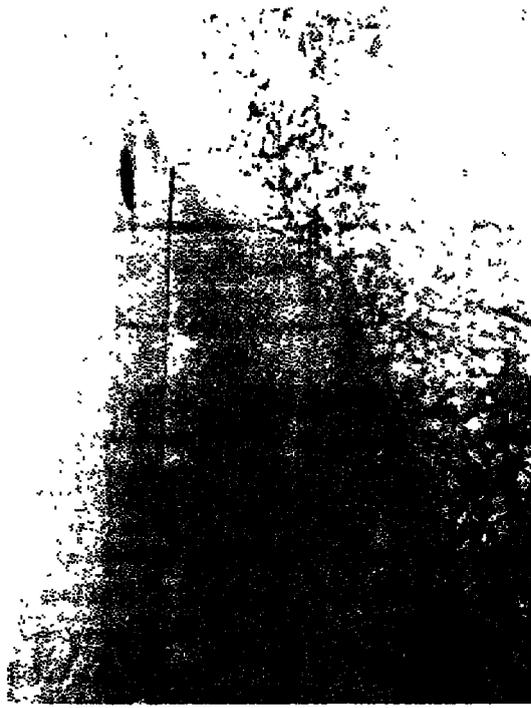
6. Bridge - East Fascia Alignment



7. Begin Abutment - West Wingwall



8. Begin Abutment West Side



9. Begin Abutment East Side



10. Begin Abutment - East Wingwall



11. End Abutment - East Wingwall



12. End Abutment - East Side



13. End Abutment - West Side



14. End Abutment - West Wingwall



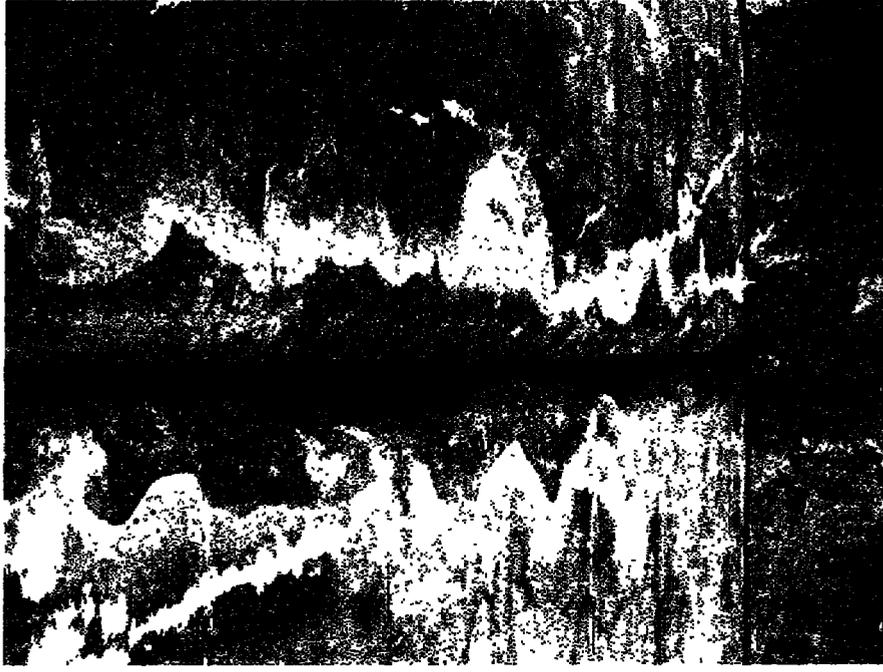
15. Typical Pier Elevation



16. Pier 4 - Span 5, Honeycombing at bottom of pier



18. Pier 5 - Span 6, Honeycombing and hollow sounding area at top of pier



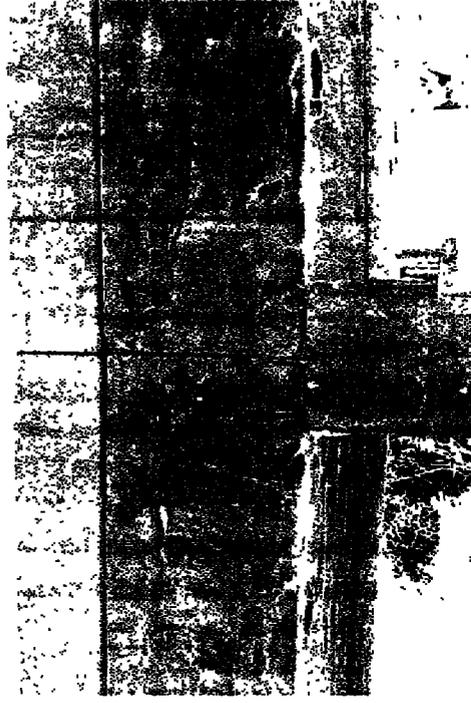
17. Span 5, Longitudinal Ballast Pan Joint at Pier 5 & Spalled, Hollow Sounding Area at top of pier.



20. Pier 5, East Elevation - Span 6,
Crack Resulting in Full Bearing Loss



22. Pier 5, East Elevation - Span 6,
Crack resulting in Full Bearing Loss



19. Pier 5 Settlement, East Elevation (Span 6 Left Side)



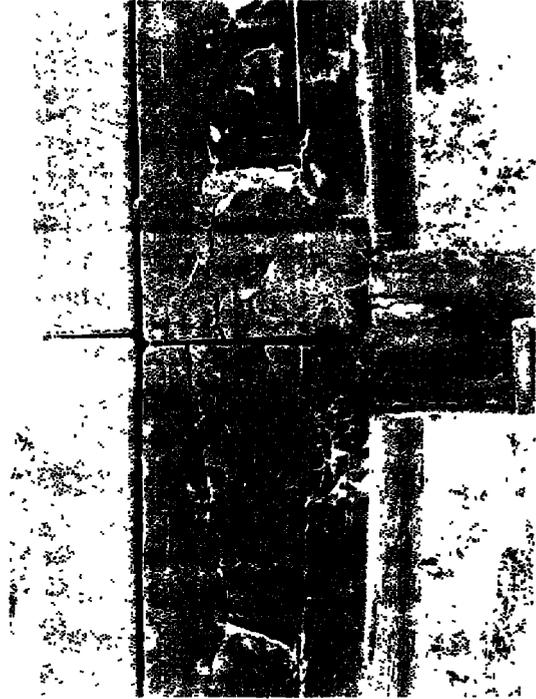
21. Pier 5, East Elevation - Span 6,
Crack Resulting in Full Bearing Loss



23. Pier 5, East Elevation - Span 6, Crack Resulting in Full Bearing Loss



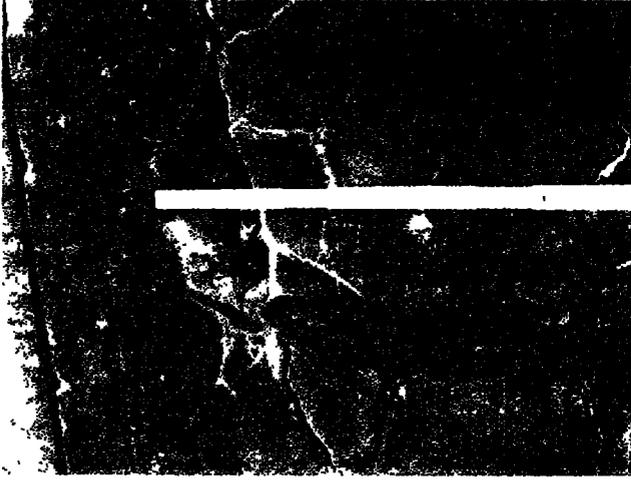
24. Pier 5, East Elevation - Span 6, Crack Resulting in Full Bearing Loss



25. Pier 5 Settlement, West Elevation, (Span 6 Right Side)



26. Pier 5, West Elevation, Gap Between Span 5 and 6 at Bottom of Ballast Pans



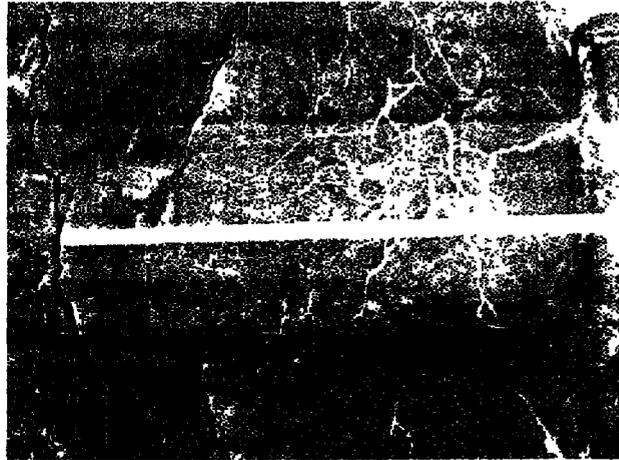
28. Pier 5, West Elevation - Span 5, Cracks & Spalling Resulting from Compressive Forces Between Span 5 and 6 Ballast Pans



30. Pier 5, West Elevation - Span 6, Cracks & Spalling Resulting from Compressive Forces Between Span 5 and 6 Ballast Pans



27. Pier 5, West Elevation - Span 5, Cracks & Spalling Resulting from Compressive Forces Between Span 5 and 6 Ballast Pans



29. Pier 5, West Elevation - Span 6, Cracks & Spalling Resulting from Compressive Forces Between Span 5 and 6 Ballast Pans

Sketches in-lieu of Plans



Project GRENADA RAILWAY

Sheet 1 of 3

BRIDGE PLAN | ELEVATION

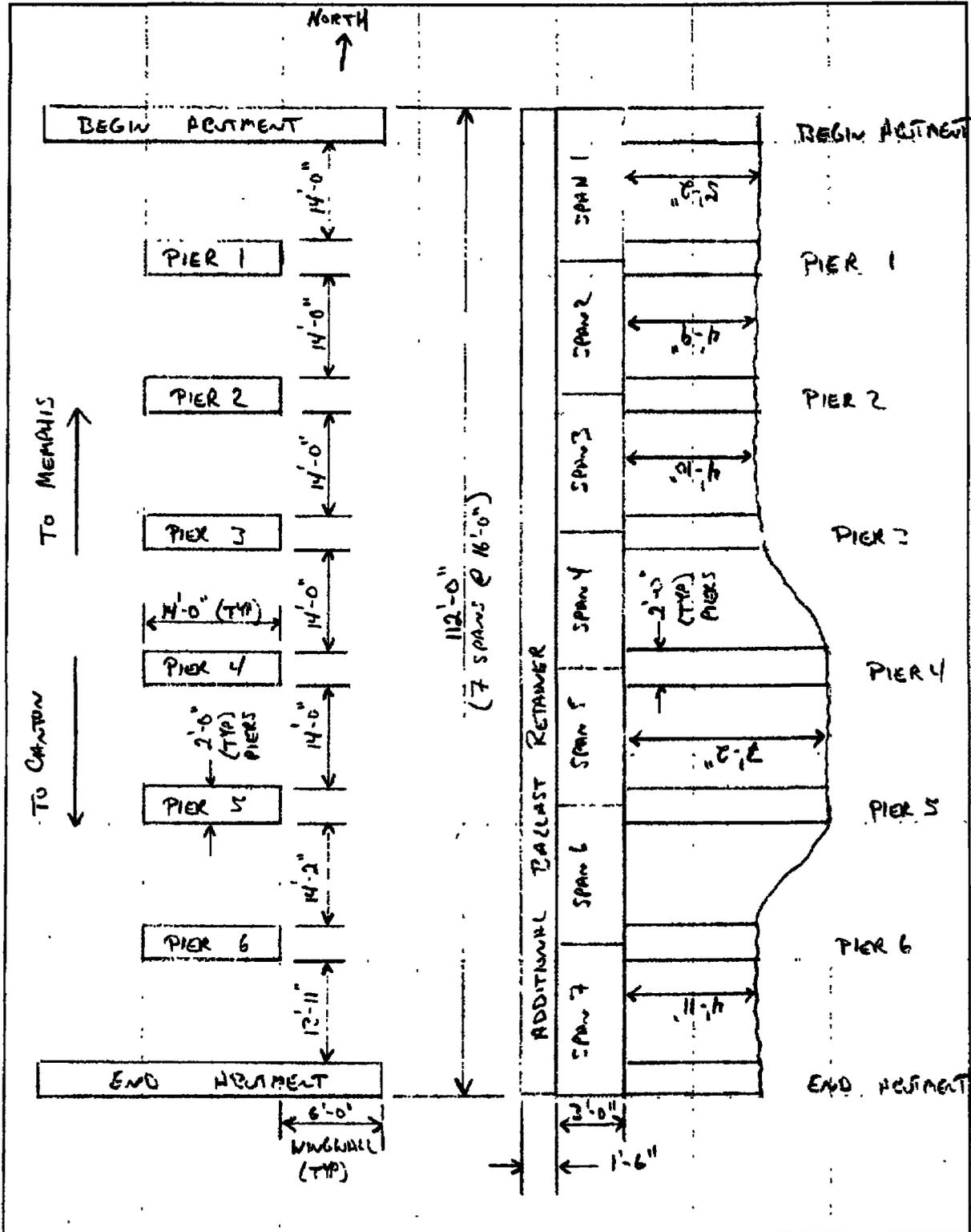
File #

Prepared by CK

Date 10/21/2011

Checked by

Date





Project GREENAQA RAILWAY

Sheet 2 of 3

TYP WWG WALL

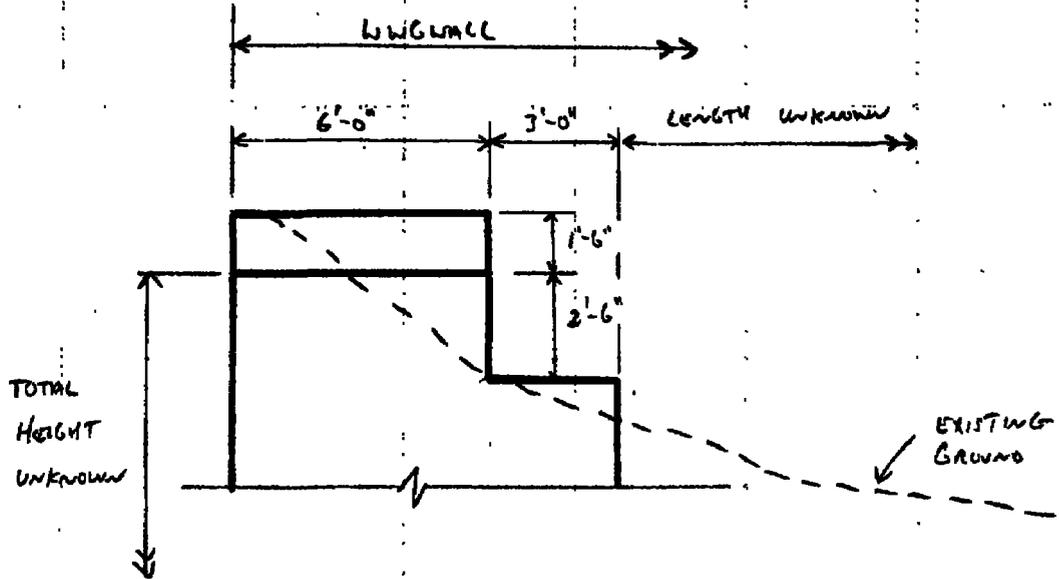
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Prepared by CRK

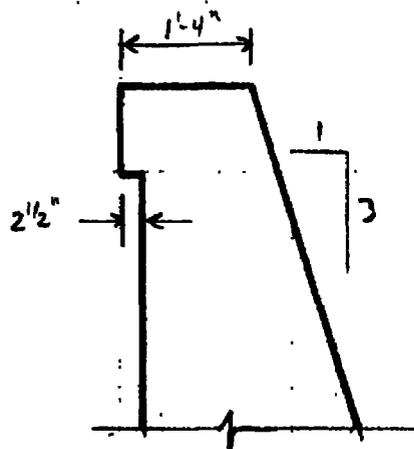
Date 10/21/2011

Checked by

Date



ELEVATION
(TYP ALL CORNERS)



SECTION
(TYP ALL CORNERS)



Project GERMADIA RAILWAY

Sheet 3 of 3

BALLAST PAN SECTION

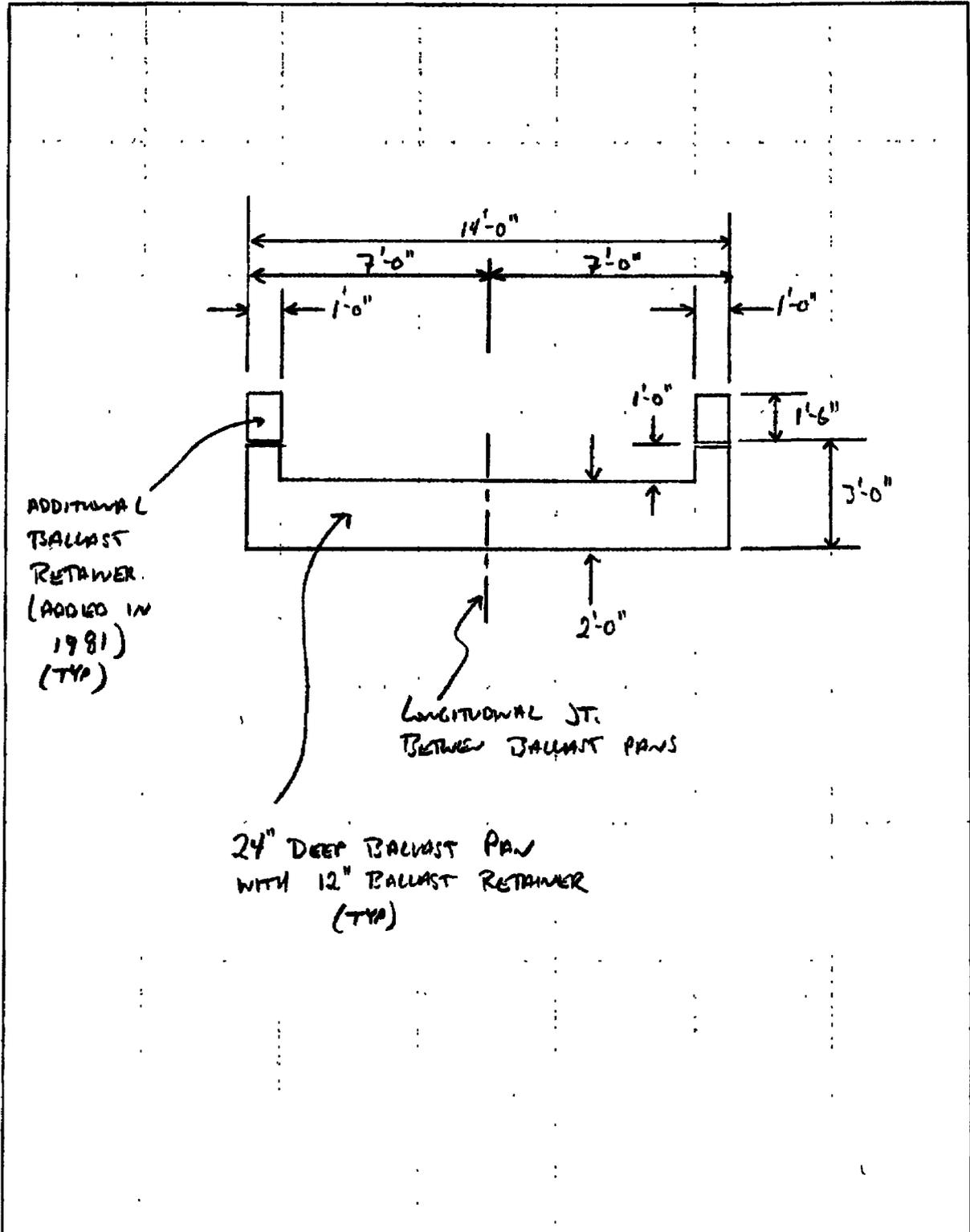
File # _____

Prepared by CNE

Date 10/21/2011

Checked by _____

Date _____



Grenada Railway

Bridge Inspection, MP 656.4

Field Notes



Project GRANDRA RAILWAY

Sheet 1 of 7

SPAN 1

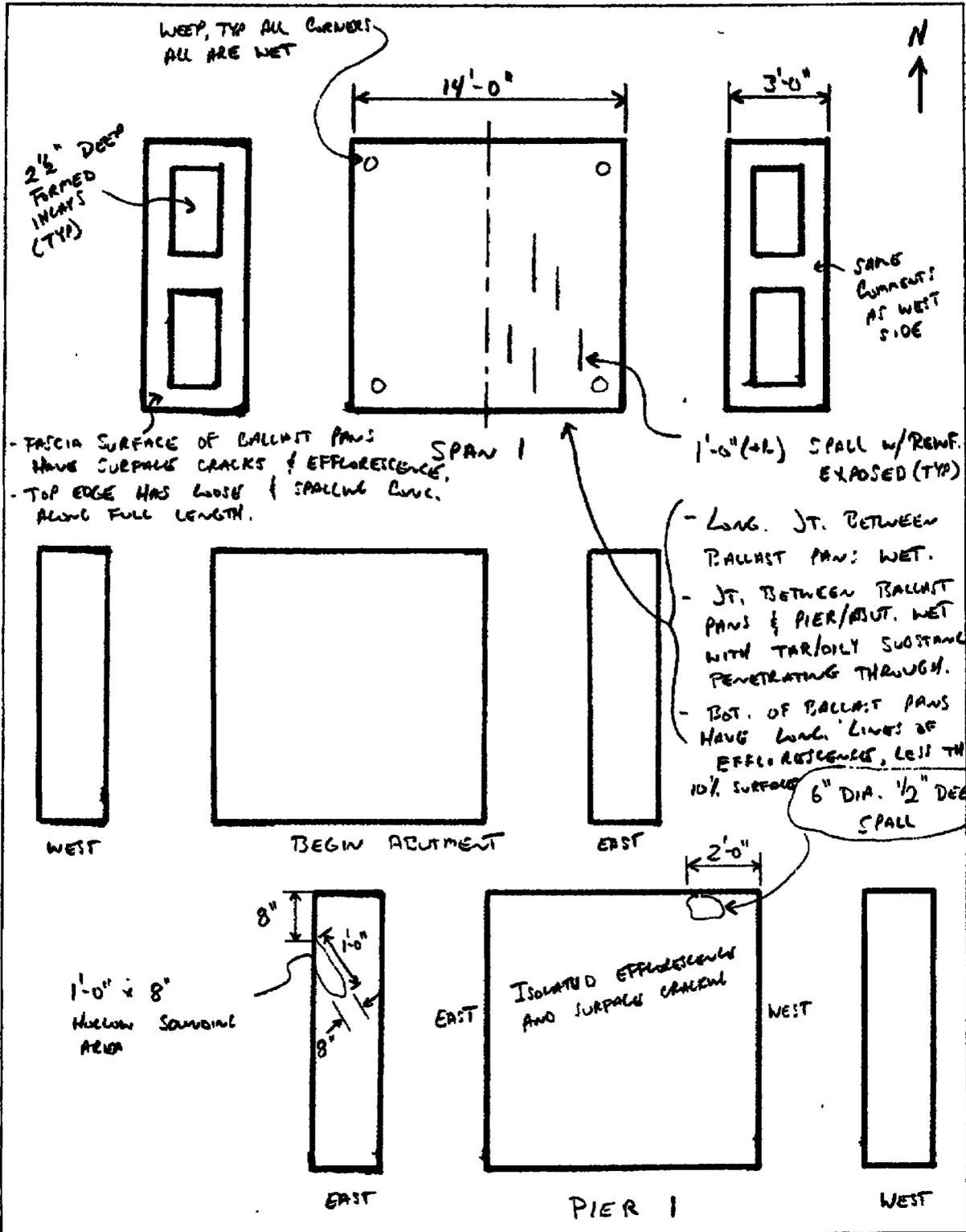
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Prepared by Carl

Date 10/21/2011

Checked by

Date





Project GRANADA RAILWAY

Sheet 2 of 7

SPAN 2

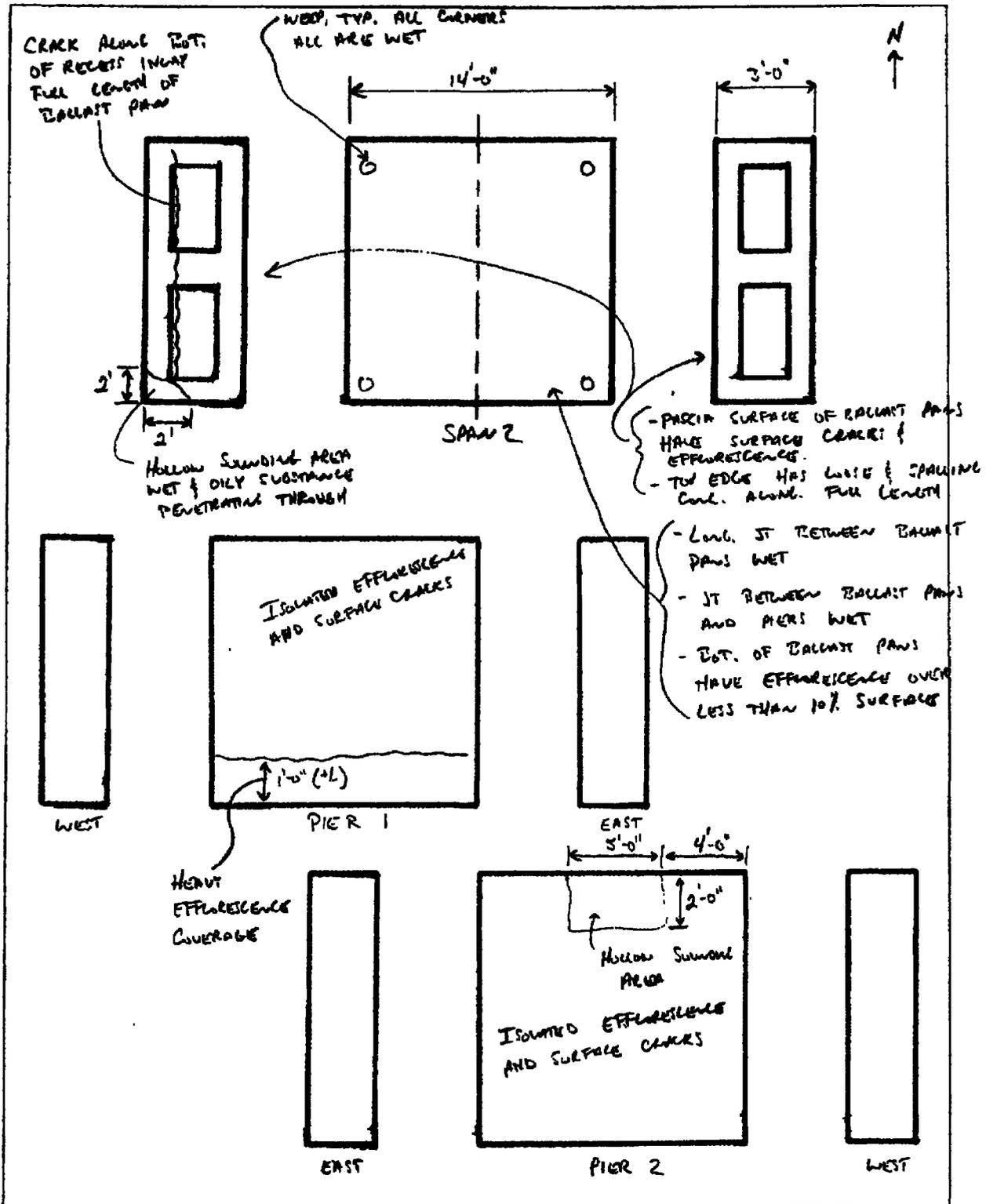
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Prepared by Cmd

Date 10/21/2011

Checked by

Date





Project Green ADA RAILWAY

Sheet 3 of 7

SPAN 3

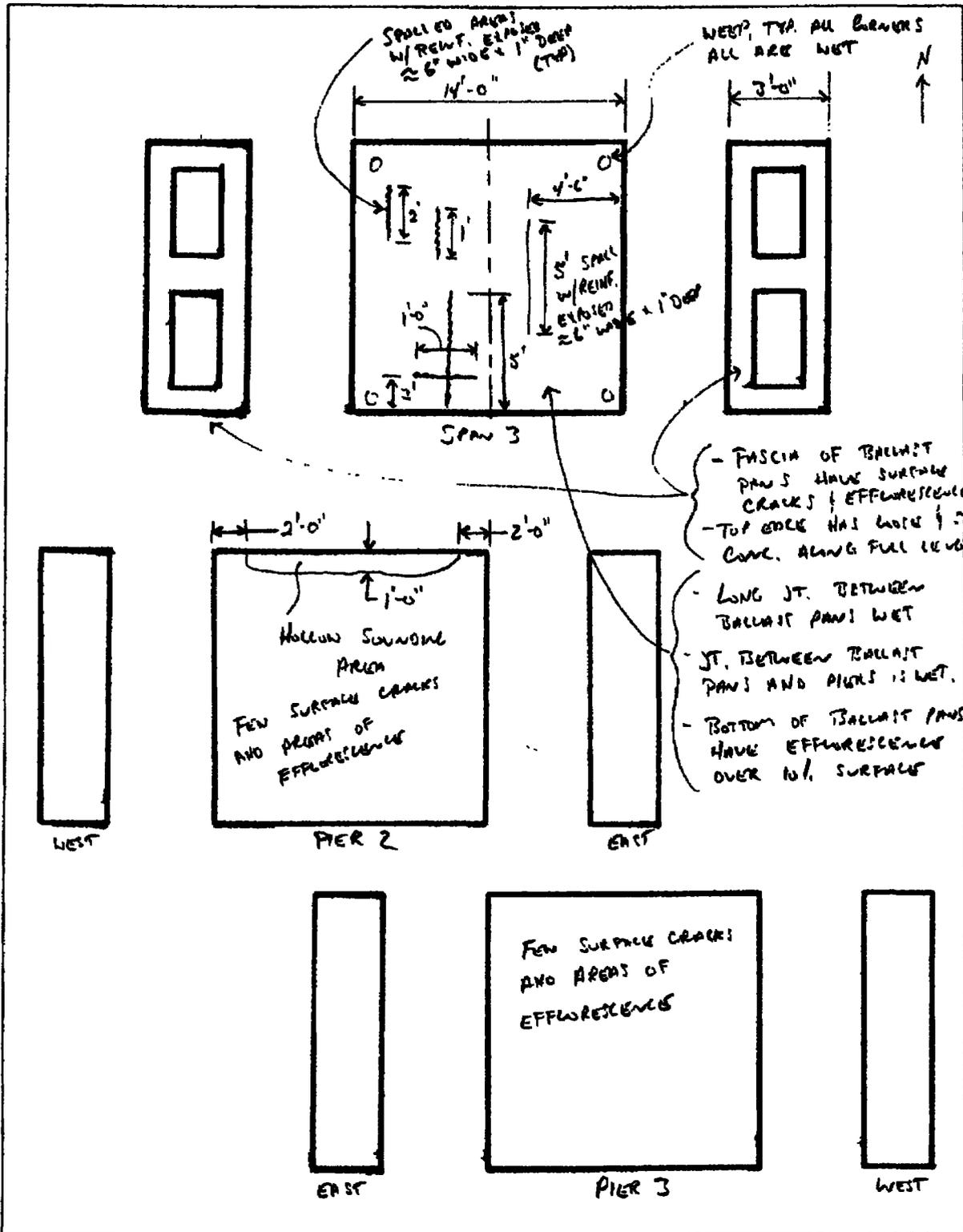
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Prepared by CRJ

Date 10/21/2011

Checked by

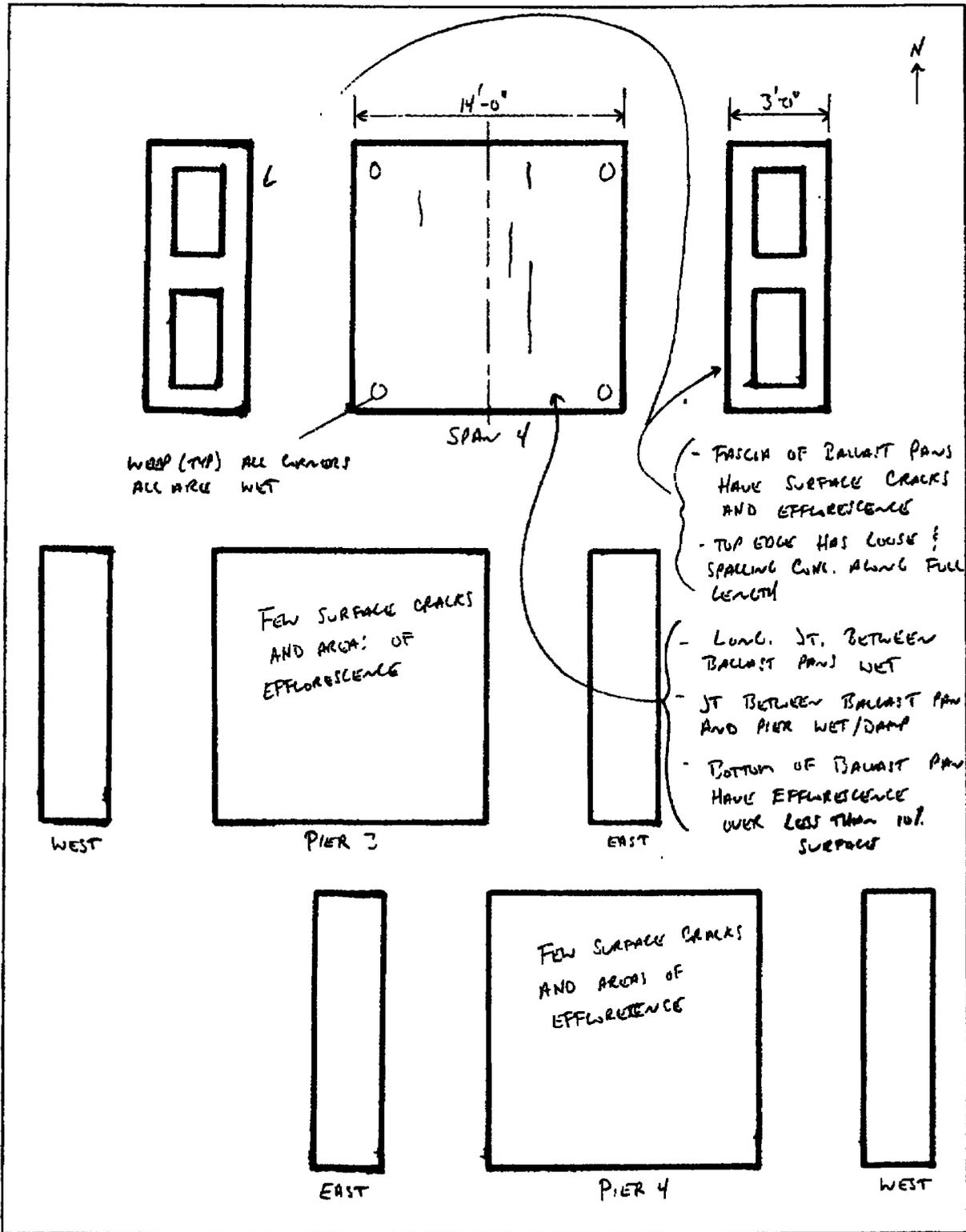
Date





Project GRAND RAPIDS RAILWAY
SPAN 4
Prepared by CMR
Checked by _____

Sheet 4 of 7
File # _____
Date 10/21/2011
Date _____





Project Greenwood Railway

Sheet 5 of 7

Span 5

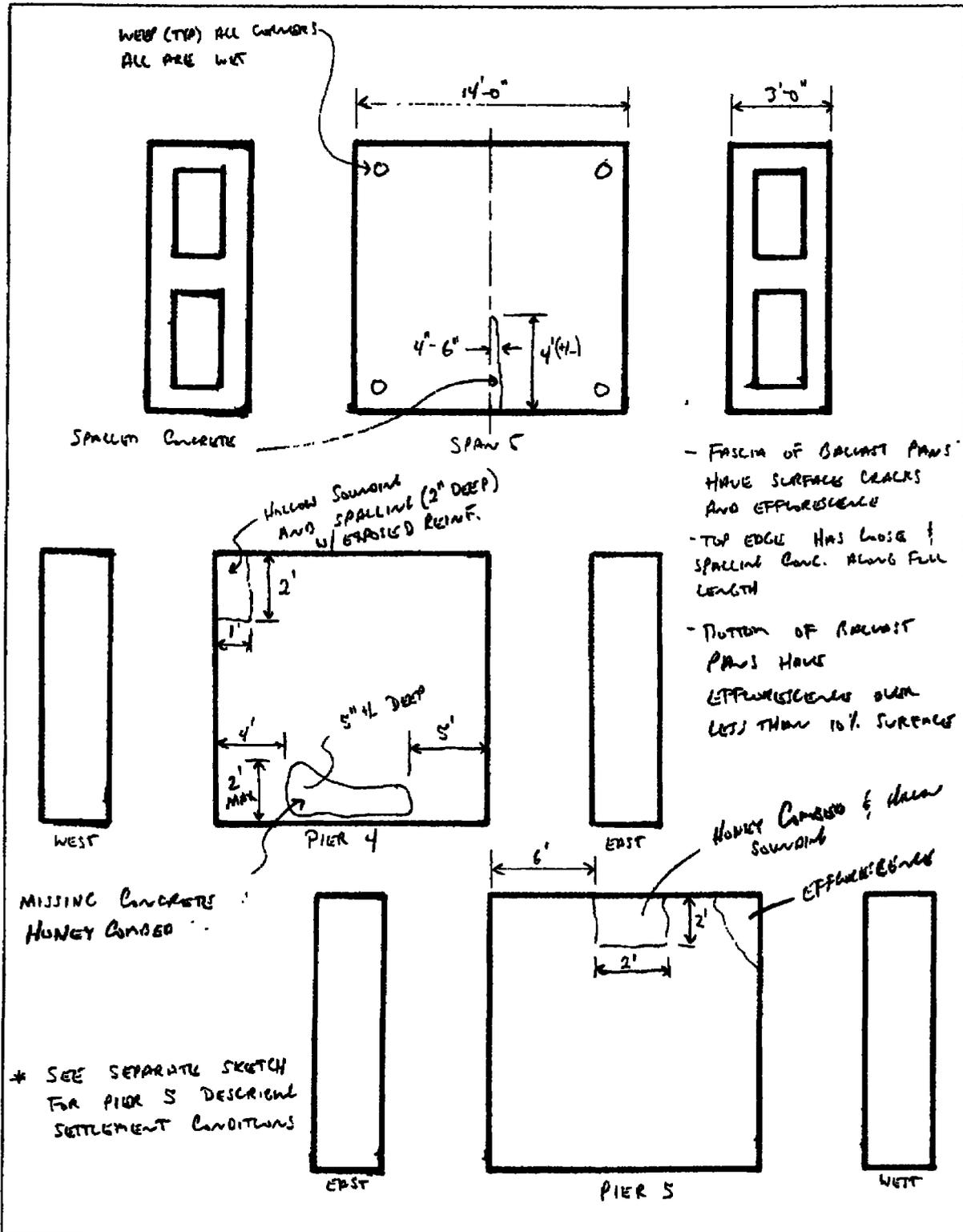
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Prepared by Cal

Date 10/21/2011

Checked by

Date





Project GREYADA RAILWAY

Sheet 6 of 7

SPAN 6

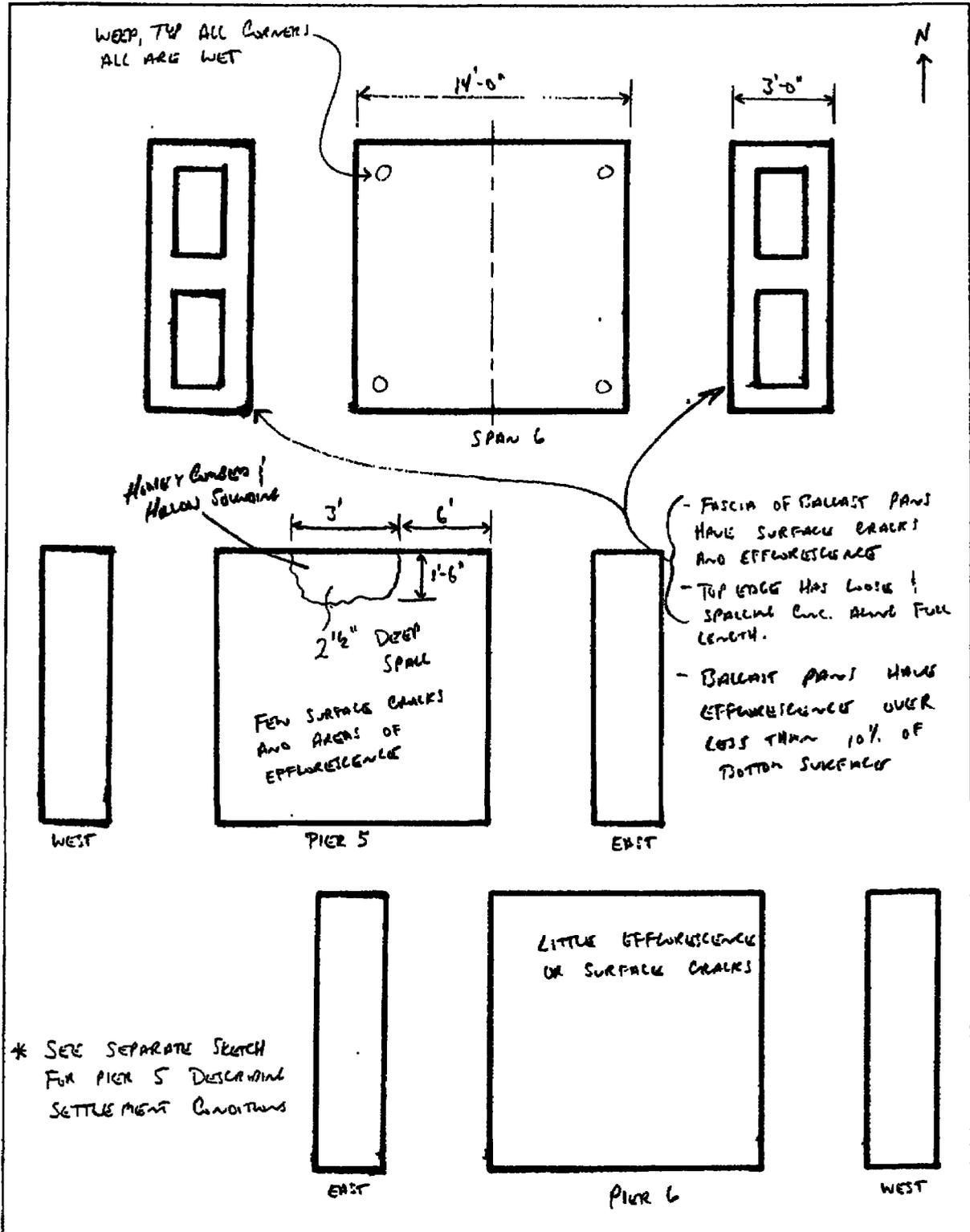
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Prepared by CR

Date 10/21/2011

Checked by

Date





Project GREENHAWK PARKWAY

Sheet 7 of 7

Span 7

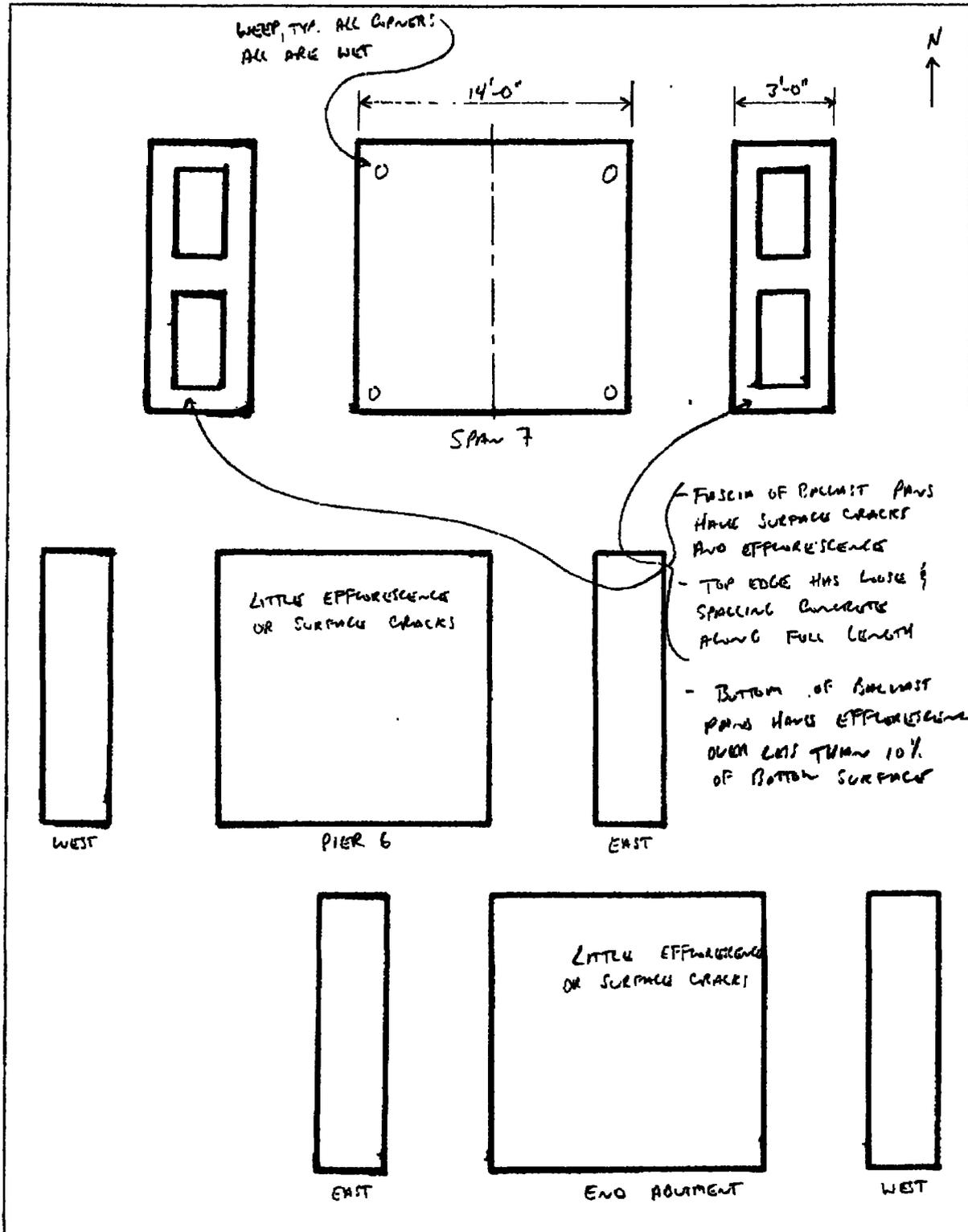
File #

Prepared by End

Date 10/21/2011

Checked by

Date



Verification

I declare under penalty of perjury that the foregoing is true and correct. I further certify that I am qualified and authorized to sponsor and file this statement

Executed on October 26, 2011



Tom O'Connor


DONNA ANN JEFFRIES
PUBLIC DISTRICT OF COLUMBIA
My Commission Expires July 14, 2015

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB Docket No. AB 1087X

**GRENADA RAILWAY LLC
- ABANDONMENT EXEMPTION -
IN GRENADA, MONTGOMERY, CARROLL,
HOLMES, YAZOO, AND MADISON COUNTIES, MS**

**MISSISSIPPI TRANSPORTATION COMMISSION'S REPLY AND PROTEST
TO ABANDONMENT PETITION FOR EXEMPTION
FILED BY GRENADA RAILWAY LLC**

Exhibit C

LETTER - HOWARD B. HERRING OF RIDGE POINT CONSULTANTS

Ridge Point Consultants

Main Office.
710 Homochitto Campout Road SE
Meadville, MS 39653
Phone: (601) 532-7159
Fax: (601) 532-6012
Email: howard@ridge-point.com

Madison Office:
309 Lakeshore Drive
Madison, MS 39110
Phone: (601) 573-0204
Email: dixie@ridge-point.com

October 19, 2011

Mississippi Transportation Commission
C/O Mr. Walter Brown
Walter Brown Law Firm, PLLC
P.O. Box 963
Natchez, MS 39121

RE: Grenada Railway Abandonment

Dear Walter:

I have received the valuation completed by George J. Ross for the Grenada Railway, LLC. In analyzing the report I found several errors or inaccuracies in the report. These are broken down below:

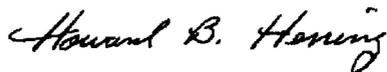
- Mr. George J. Ross does not appear to be a licensed appraiser. There is neither a certification number listed on the report nor could we find his name associated with any appraisal licensing board through the ASC Registering Website. There is no reciprocal agreement with the State of Mississippi attached to the valuation. He refers to "appraisal" and "appraiser" throughout the documentation without certification. Valuation can be completed internally, but "appraisal" and "appraiser" must be governed by USPAP. It appears this report is only viable as an internal document for the railroad.
- Other USPAP violations include (1) Mr. Ross does not disclose his position relative to bias, working on condition of an expected value, or previous work on the subject property. (2) He does not discuss sales history of the subject, which we know was purchased by the current owner in 2009.
- The Ross valuation considers Fee Simple value with no rights of reversion to the total 81.3 miles of railroad right-of-way. An assumption was made that the subject in whole or part does not revert back to the adjacent owner. As stated in his report the property was acquired by deed, agreements, right-of-way, condemnation, and adverse possession. Depending on the type of ownership, the railroad land could revert to the adjoining landowner. We feel a breakdown of ownership is needed in the report and value adjusted to exhibit those differences in ownership.

- The report provided for our consideration did not have any sales comparable data listed or referenced. A single value of \$2,200 per acre was used for property both inside and outside of the developed areas. We feel there should at least be a breakdown of the number of acres considered rural vs town and values associated with each.
- A twenty year old *Appraisal Journal* article is referenced and utilized in the discount of gross proceeds to expected net proceeds. He addresses properties that are Continued Use properties for his adjustment factor that would be consistent with selling the properties as a single unit, not as multiple unit as he states in his extraordinary assumption.
- He discussed several conditions that are not adjusted. (1) Mr. Ross states that 51.5 miles has no access with no adjustment to value. (2) He assumes 20% of the property is not saleable with no adjustment to value.
- According to the NRM letter concerning the acquisition of the rails, ties, and other personal property, the bridges will remain. Due to safety issues, a value for demolition of the bridges or transfer of the liability to adjoining property owners, counties or cities should be considered.

Ridge Point Consultants would be happy to complete a self contained summary appraisal report. The report would have the input of two licensed appraisers and two certified general appraisers all of which are registered and licensed in the State of Mississippi. In doing this we would need time to complete either a full title opinion to determine ownership or a partial title to determine a percentage of the different ownership types. In Mississippi title searches require examining each individual deed to ascertain title ownership. If given sufficient time, at least 45-60 days, Ridge Point Consultants will develop a report that considers both the rural and community type properties and also include considerable sales data with recent sales in the market area. The report will most definitely address the values of the different types of ownership (fee, easement, condemnation).

We are looking forward to working with you on this project. If I can be of more assistance, please do not hesitate to call.

Sincerely,



Howard Herring
Certified General Appraiser # GA 169
Ridge Point Consultants