

OCT 24 2011

Cynthia T. Brown  
Chief of the Section of Administration, Office of Proceedings Surface Transportation Board  
395 E. Street, SW  
Washington D.C.

**RE: Grenada Railway, LLC - Abandonment of railroad line in Mississippi - STB Docket AB-1087X**

ENTERED  
Office of Proceedings

Dear Mrs. Brown,

OCT 24 2011

This refers to Docket No. AB-1087X. Grenada Railway LLC--Petition for Abandonment Exemption-in Grenada, Montgomery, Carroll, Holmes, Yazoo and Madison Counties, Miss.

Part of  
Public Record

**Traffic Levels and Revenues**

In the Grenada Railway's ("GRYR) Petition for Abandonment Exemption, GRYR's main reason for abandoning this line was that the south end "has proved to be a financial fiasco". GRYR goes on to say that in 2010, the line had a total of 289 car loads that equated to 3.5 car loads per mile per year, and the line had an operating loss of \$100,927.

GRYR did not include traffic originating or terminating from customers Abitibowater ("Bowater") or Graeber Brothers in these figures. Both of these customers are not located in the part of the line to be abandoned, but until GRYR stopped running trains from Grenada, MS to Canton, MS in July of 2011, most of the traffic from Bowater and all of the traffic from Graeber Brothers traveled over this part of the line. The part of the line that GRYR is seeking to abandon is between mile 622.5, just south of Grenada, and mile 703.8, just north of Canton.

I have included a fax I received from the shipping manager at Bowater. This fax indicates that in 2010, Bowater shipped about 1000 cars over the south end of this line. Although not on the fax, the shipping manager told me that Bowater was paying GRYR \$1200 per car to ship cars south through Canton. This comes out to be a total of \$1.2 million for the year 2010. Bowater is located just north of Grenada, at mile 488.7, and is about 8.4 miles north of the proposed abandonment section. Please note that at mile 491.1, the milepost numbering changes to mile 616.5. The 1000 cars shipped south from Bowater in 2010 traveled 89.7 miles over the GRYR and 90.6% of that mileage was inside the proposed abandonment section.

I have also included a fax from Graeber Brothers. Graeber Brothers indicates that 45 cars were shipped from January 1, 2010 to the present time. Since Graeber Brothers does not specify the amount of cars used in 2010 or 2011, I will split the car numbers between the two years, with 23 cars for 2010 and 22 cars for 2011. Graeber Brothers is located at mile 429 near Senatobia, MS. The cars shipped south from Graeber Brothers in 2010 traveled 149.4 miles over the GRYR and 54.4% of that mileage was inside the proposed abandonment section.

With these additional figures, I totaled the southern portion of the GRYR to handle about 1312 revenue cars in 2010 or about 16.1 cars per mile per year instead of the 3.5 cars per mile per year as GRYR states. Although this falls short of the supposed industry rule of thumb of 35 cars per mile per year as GRYR states, I will show that this line is still profitable. In my 10 years of experience in the railroad industry, I have never heard of another railroad making that 35 car per mile per year claim. I have worked for one shortline railroad and have been around several other shortline railroads that had less cars per mile than GRYR and were still profitable.

With the additional revenue I calculated from Bowater, this changes the GRYR's bottom line. In the abandonment exemption, GRYR has a table showing revenues and expenses for the south end of the line for 2010. In that table, in item 2, GRYR reports bridge traffic to be \$434,200, and in item 17, avoidable loss from operations to be \$100,927. If you let the \$1,200,000 in revenue generated from Bowater alone go in item 2, item 17 would come out to be a gain of \$664,873.

I realize that the 1000 car figure is probably rounded and the \$1.2 million in revenue is not exact, but the amount of cars and revenue from Bowater is so large that an operating gain is definitely evident. My new bridge traffic figure also does not include the additional revenue from Graeber Brothers since I was not able to obtain that information. Regardless, these figures should have been included in GRYR's abandonment petition and I conclude that GRYR was earning substantially more revenue than indicated in their abandonment petition.

#### **Track Conditions and Rehabilitation**

In the Abandonment Exemption, GRYR indicates Landreth Engineering completed a report that estimates that it would cost \$28 million to completely refurbish the Grenada line to meet Class I railroad standards. I find this hard to believe considering the line is already a Class II track. Under the Federal Railroad Administration's ("FRA") guidelines, Class I track is good for a speed limit of 10 MPH for freight and Class II track is good for a speed limit of 25 MPH for freight. As evidenced in the document provided by Representative Bondurant, this line has temporary speed restrictions of 10 MPH, implying that the maximum speed limit is higher than 10 MPH.

For Landreth Engineering to state that the Grenada line does not meet Class I standards would imply that the line is the next lowest track class under Class I, which is FRA excepted track. If this were true, 10 MPH temporary speed restrictions would not be necessary. I have included a copy of the FRA's track classes and the associated speed limits. I would like to add that I worked as a conductor on this line right up until the time that CN sold this line two years ago and at that time, the track was a Class III track with speeds good for 40 MPH. I find it highly unlikely that the track has deteriorated past Class II, to Class I, to FRA excepted track in two years time with the light tonnage and traffic that GRYR has run over the line.

To me, the fact that GRYR has been able to operate trains over this line without any problems and then, after the two year time period expires after they purchased the line, find an

engineering firm to say that \$28 million is needed to be spent on the track to continue operating at speeds of 10 MPH is suspicious.

### **The "Bad" Bridge**

Another major reason for abandoning this track is the supposed bad bridge at mile 656.4. Representative Bondurant did a good job explaining the situation with this bridge and casts a lot of doubt as to the true condition of the bridge. I would like to add that I used to work as conductor on trains operating over this bridge right up until the time that CN sold this line and at that time, this bridge was not in bad shape. I find it highly unlikely that a solid concrete bridge could deteriorate to the point that trains can not safely operate over it in just two years with the light traffic and tonnage that GRYR has run over this bridge.

Once again, to me, the fact GRYR has been able to operate trains over this bridge without any problems, and then, after the two year time period expires after they purchased the line, say this bridge is so bad that trains can not operate over it is suspicious.

### **Winona Hardwood**

In the abandonment exemption, GRYR states that in the week of May 16, 2011, GRYR met with each of the 5 customers on the south end of the line. One of those customers was Winona Hardwood, whose spur is located at mile 639.2. According to GRYR, Winona Hardwood indicated that they would only be able to load another 5 cars before the end of the year and that their business was down due to the state of the economy. GRYR sent a letter to Winona Hardwood in June 17, 2011 asking them to commit to shipping at least 50 cars per year. GRYR states in the abandonment exemption that no response was ever received from Winona Hardwood.

After talking with the owner of Winona Hardwood, I learned that they had in fact, talked to GRYR officials about not only being able to commit to the 50 cars per year as they were asked, but were wanting to ship 80 cars per year. I also learned that shortly after the June 17 letter, Winona Hardwood became so disgusted with GRYR's unreliable service that they decided not to use rail service anymore. It seems that GRYR was delivering cars unexpectedly to Winona Hardwood's spur and before Winona Hardwood could get a fair chance to load the cars in a timely manner, they were being charged excessive demurrage. I have included a statement from Winona Hardwood.

### **Net Liquidation Value and OFAs**

The net liquidation value, in my opinion, is very inflated. To give the board an example of what A&K Railroad Materials ("A&K") really feels rail lines are worth, and for a general comparison of net liquidation values, I will cite a very recent appraisal of a nearby rail line by A&K. On October 18, 2011, the Mississippi & Skuna Valley Railroad ("MSV") filed a petition for exemption of its 21 mile rail line in nearby Yalobusha and Calhoun Counties (AB\_1089\_0\_X). The MSV line is so close to the GRYR that the two actually have an inactive interchange at Bruce JCT, MS located in

Yalobusha County, which is very relevant in comparing property values. A&K calculated the net salvage value of this 21 mile line to be \$1,832,000. The MSV indicates the line's property to be worth \$333,455, bringing the net liquidation value to \$2,165,455.

Before making this comparison, I do realize that the MSV line has a smaller rail size than the GRYR line but the difference should not be this large. The GRYR's line to be abandoned is 81.3 miles long with 112 lbs rail and Nevada Railroad Materials valued the track and materials to be worth \$17,755,000. George Ross of CCIM valued GRYR's property to be worth \$3,293,840. The MSV's 21 mile line, which I believe has 75 lbs rail, averages out to be worth \$87,238 per mile in track materials to the GRYR's \$218,388 per mile. The MSV's property averages out to be worth \$15,878 per mile to the GRYR's \$40,514 per mile.

I have tied A&K Railroad Materials to the Grenada Railway because the two are affiliated. GRYR's attorney made this apparent in a reply filed on June 29, 2009 (GRENADA RAILWAY, LLC--ACQUISITION AND OPERATION EXEMPTION--ILLINOIS CENTRAL RAILROAD COMPANY AND WATERLOO RAILWAY COMPANY, FD\_35247\_0). Once again, in my opinion, the appraisals from Nevada Railroad Materials and George Ross of CCIM are very inflated. It seems to me, that GRYR and these two companies have a some sort of sweetheart deal going on. One other thing that should be noted, is GRYR will not make public the amount of money paid to CN for the purchase of the Grenada line. To me, this number is being kept private because it would lessen the chances of GRYR getting as much money for the line as they are asking

The Mississippi Central Railway, owned by Pioneer Railcorp and Iowa Pacific Holdings LLC have indicated that they will make an Offer of Financial Assistance. I predict that these two companies will not be able to reach a price agreement with GRYR and the board will be requested to set the terms and conditions under 49 U.S.C. 10904(e). It is my hope that the board will take these highly inflated appraisals into consideration when setting a price and will set a price as close as possible to what these two companies offer. I am familiar with both of these companies, and in my opinion, both of these companies are truly in the railroad business and not the railroad salvage business. I am confident that either of these companies would do a good job of running a successful railroad and we would not have to go through another abandonment exemption in the near future.

### **Conclusion**

As time goes on, more accounts of GRYR's questionable business practices and false information presented in the abandonment petition continue to come forth from their customers. I am in strong support of an Oral Hearing/Argument requested by the Mississippi Transportation Commission. After talking to several of GRYR's customers, I believe these customers would be better at expressing themselves in person and would be more likely to participate in a local hearing than by using this current written process.

After talking to Winona Hardwood, and reading the online reply's to this abandonment exemption from rail customers New Weds Foods, Carlisle, and from the Kosciusko & Southwestern Railway, it is clear to me that traffic levels on the southern end of this rail line

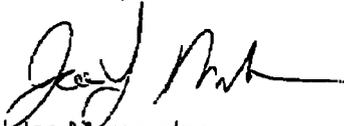
could be higher if GRYR wanted the business. Even with the current traffic levels, I have shown that the southern end of this line is profitable.

I also anticipate that the Mississippi Transportation Commission will ask for an extension of time of the due date for voicing opposition to the abandonment proposal. I will be strongly in support of this as more protests seem to come in almost on a daily basis.

There is no reason GRYR could not continue to operate this line with the current traffic levels, and track and bridge conditions in their current condition, and do so at a profit. I feel that because GRYR is misrepresenting the amount of revenue earned, the amount of carloads, the conditions of the track and bridges, projected traffic levels from customers, and net liquidation value, that GRYR did not meet the requirements of 49 U.S.C. 10502(a) and that additional regulation is needed and should go through the whole application process. I also find that due to the high opposition from various government agencies, government officials, and rail customers, that the present and future public convenience and necessity does not permit this abandonment under 49 U.S.C. 1152.1(a).

Please let me know if I can be of any further assistance.

Sincerely,

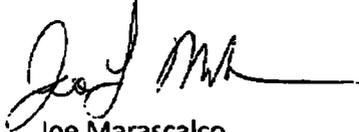


Joe Marascalco  
4744 W.E.Ross Parkway  
Apartment 49-104  
Southaven, MS 38671

Certificate of Service

**RE: Grenada Railway, LLC - Abandonment of railroad line in Mississippi - STB Docket AB-1087X**

I, Joe Marascalco, have served all parties of record listed below by first class mail on this date.



Joe Marascalco  
4744 W.E.Ross Parkway  
Apartment 49-104  
Southaven, MS 38671

Brown, Walter  
P O. Box 963  
Natchez, MS 39121

Bondurant, Honorable Sid  
P.O. Box 1045  
Grenada, MS 38902

Cockroft, Mayor Jimmy W.  
222 East Washington Street  
Kosciusko, MS 39090

Brown, Don  
P.O. Box 787  
Water Valley, MS 38965

Diaz, Pablo  
81 S. Church Street  
Grenada, MS 38901

Lakemper, Daniel A.  
1318 S. Johanson Rd.  
Peoria, IL 61607

Flanagan, Jim  
316 West Commerce Street  
Hernando, MS 38362

Masingill, Christopher  
444 North Capitol, N.W., Suite 445B  
Washington, D.C. 20001

Hart, Mayor Larry  
P.O. Box 888  
Water Valley, MS 38965

Riley, Robert  
1799 Greer Rd.  
Coldwater, MS 38618

Kahn, Fritz  
1920 N Street Nw 8Th Floor  
Washington, DC 20036-1601

Zea, Steve  
101 N. Natchez St.  
Kosciusko, MS 39090

Nichols, J. Burke  
1201 Scott Street  
Senatobia, MS 38668

Rone, James H.  
5980 Hunt Rd.  
Lake, MS 38367

Heffner, John D.  
1750 K Street, N.W., Suite 200  
Washington, D.C. 20006

# Operating Speed Limits by Class of Track

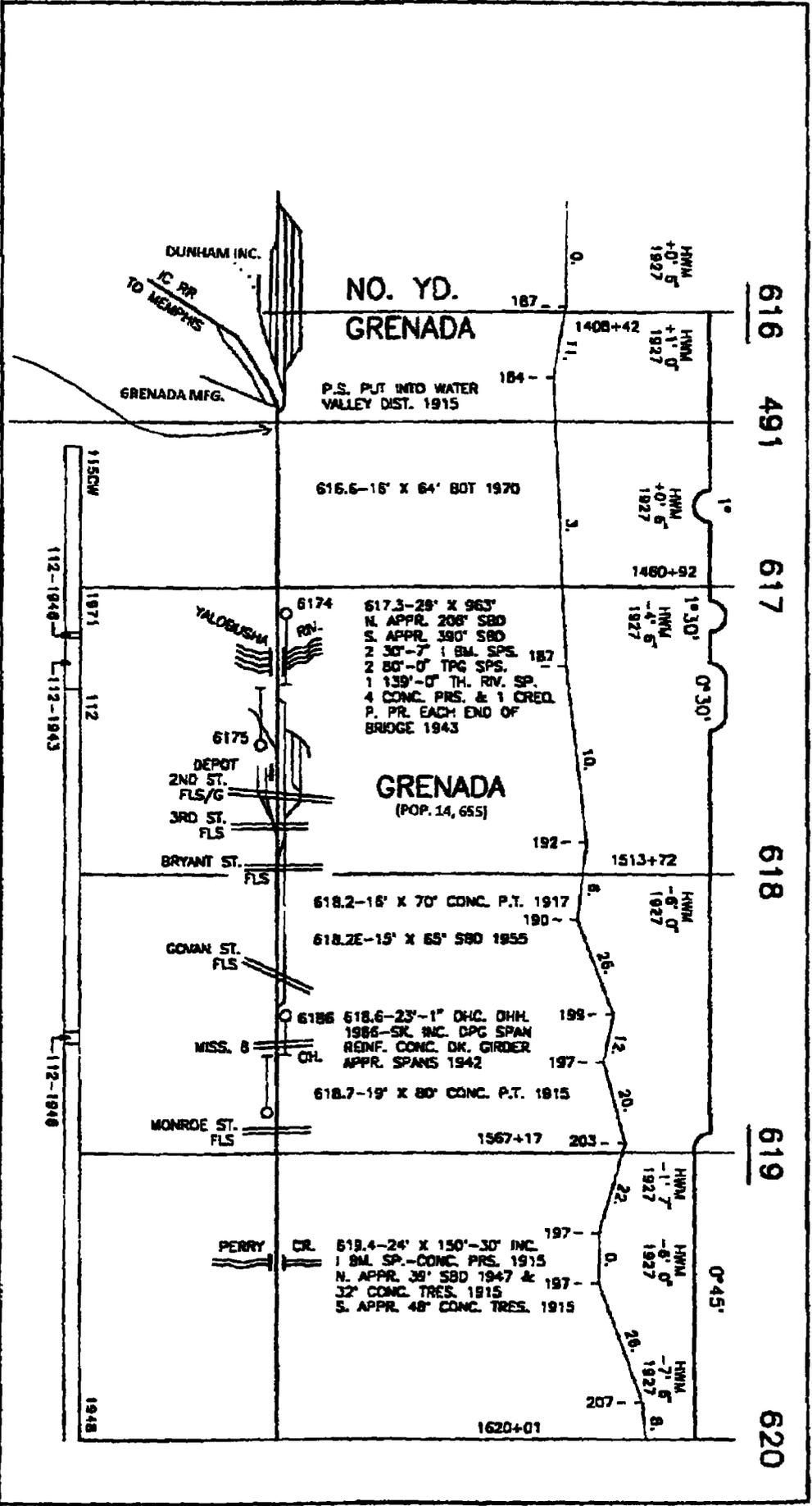
49 CFR 213.9 and 213.307

Sec. 213.9 Classes of track: operating speed limits.

(a) Except as provided in paragraph (b) of this section and Secs. 213.57(b), 213.59(a), 213.113(a), and 213.137(b) and (c), the following maximum allowable operating speeds apply--  
[In miles per hour]

| Over track that meets all of the requirements prescribed in this part for-- | The maximum allowable operating speed for freight trains is-- |  | The maximum allowable operating speed for passenger trains is-- |     |
|-----------------------------------------------------------------------------|---------------------------------------------------------------|--|-----------------------------------------------------------------|-----|
|                                                                             |                                                               |  |                                                                 |     |
| Excepted track.....                                                         | 10                                                            |  |                                                                 | N/A |
| Class 1 track.....                                                          | 10                                                            |  |                                                                 | 15  |
| Class 2 track.....                                                          | 25                                                            |  |                                                                 | 30  |
| Class 3 track.....                                                          | 40                                                            |  |                                                                 | 60  |
| Class 4 track.....                                                          | 60                                                            |  |                                                                 | 80  |
| Class 5 track.....                                                          | 80                                                            |  |                                                                 | 90  |

MILEPOST NUMBERING CHANGE  
MILE 491.1 = 616.5



TO MEMPHIS

1" = 3000'

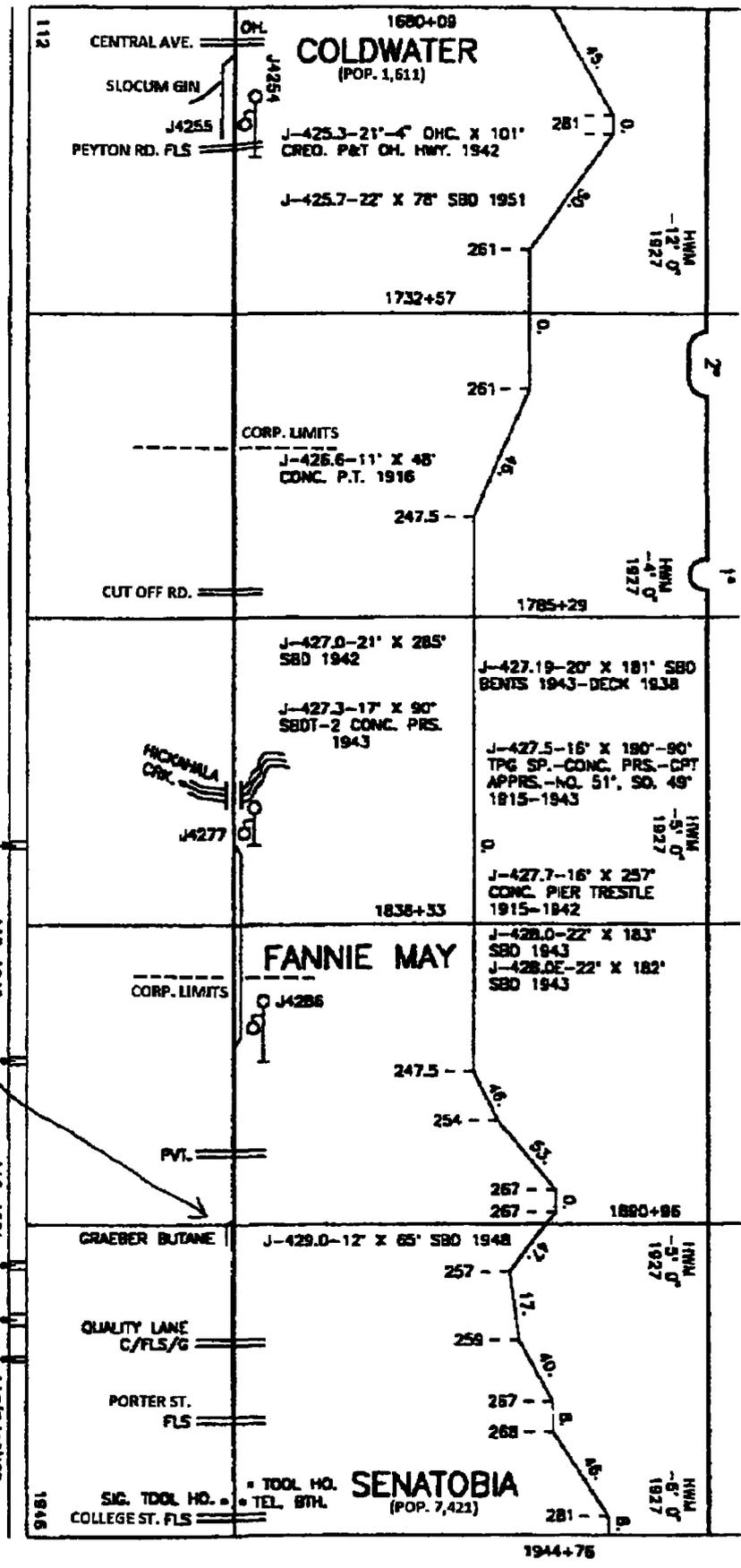
TO NEW ORLEANS

REV. AUG. 1, 2010



GRAEBER BROTHERS  
MP 429

REV. AUG. 1 2010



425  
426  
427  
428  
429  
430

TO MEMPHIS  
1" = 3000'  
TO NEW ORLEANS

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GRAEBER

PAGE 02/02

TO WHOM IT MAY CONCERN:

OCT. 12, 2011

GRAEBER BROS IN SENATOBIA HAS USED 45 CARS FROM JAN. 1, 2010 – PRESENT. MOST OF THESE IN THE FALL & WINTER. ALL OF THE CARS MENTIONED LEFT GOING SOUTH (MOSTLY GEISMAR, LA & PASCAGULA, MS). I HOPE THIS INFORMATION IS HELPFUL IN THE ATTEMPTS TO SAVE THE RAILROAD SERVICE NOW BEING USED BY MANY BUSINESSES. PLEASE GIVE ME A CALL IF I COULD BE OF MORE HELP.

THANKS.



GARRETT GLASER  
BRANCH MGR  
GRAEBER BROS OF SENATOBIA, MS  
(662)562-8286



Grenada Operations  
1000 Papermill Road  
Post Office Box 849  
Grenada, MS 38902-0849  
Phone 662-227-7900

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## FAX Cover Sheet

Date: 10/12/2011

To: Joe Marascalo

Fax: 662-229-0011

Phone:

cc:

Fax  
Phone:

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From: Dan Garlington

Fax: 662-227-7902

E-mail:

Phone: 662-227-7970

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Number of pages including cover sheet: 1

Subject:

**Abitibibowater shipped a total of 1400 cars in 2010  
1000 cars south bound to Canton and 400 north bound  
to Memphis.**

**We where paying GRYR \$400 more for south bound  
cars going to Canton than cars going north to  
Memphis.**

**Our cost at the present time is a wash with all the cars  
going north to Memphis.**

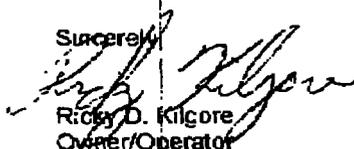
Winona Hardwood  
164 Sawyer Loop  
Winona, Ms. 38967

Per our conversation of October 14th, 2011, I am writing to let you know that we did talk with Grenada Railway, LLC about a guarantee of 80 rail cars per year after they made contact with us thru a letter dated June 17th, 2011. In the letter they stated that 50 cars for three years would be enough to keep the line in service.

We became dissatisfied when they got off the Tuesday night schedule they had agreed on and began sending cars twice a week. This resulted in us never knowing when the cars would be delivered or picked up.

For the first two months everything seemed to be working on a good schedule. They would bring the cars on a Tuesday night and that would give us the rest of the week to load before they picked up the cars on the following Tuesday night.

Sincerely,



Ricky D. Kilgore  
Owner/Operator  
Winona Hardwood