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VIA ELECTRONIC FILING

Ms. Cynthia T. Brown
Chief, Section of Administration
Office of Proceedings
Surface Transportation Board
395 E Street, SW
Washington, D. C. 20423

re: Docket No. FD 35247, Grenada Railway LLC--Acquisition and Operation
Exemption--Illinois Central Railroad Company and Waterloo Railway
Company

Dear Ms. Brown:

Attached for filing in the subject docket is the Reply of Grenada Railway LLC to the letter of Mr. Don R. Brown, filed September 27, 2012.

Copies of this letter and its attachments this day have been served by me upon each of the parties of record.

If you have any question concerning this filling or if I otherwise can be of assistance, please let me know.

Sincerely yours,


Fritz R. Kahn

cc: Mr. Don R. Brown
Dr. Sidney Bondurant
Mr. Robert J. Riley

SURFACE TRANSPORTATION BOARD

Docket No. FD 35247

GRENADA RAILWAY LLC
--ACQUISITION AND OPERATION EXEMPTION--
ILLINOIS CENTRAL RILROAD COMPANY
AND WATERLOO RAILWAY COMPANY

REPLY
OF
GENADA RAILWAY LLC

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GRENADA RAILWAY LLC

Dated: October 11, 2012

SURFACE TRANSPORTATION BOARD

Docket No. FD 35247

GRENADA RAILWAY LLC
--ACQUISITION AND OPERATION EXEMPTION--
ILLINOIS CENTRAL RILROAD COMPANY
AND WATERLOO RAILWAY COMPANY

REPLY
OF
GENADA RAILWAY LLC

Grenada Railway LLC ("GRYR"), a Class III rail carrier subject to the Board's jurisdiction, pursuant to 49 C.F.R. §1104.13(a), replies to the letter of Mr. Don R. Brown, the former President of the Kosciusko & Southwestern Railway ("KSRY"), a Class III rail carrier subject to the Board's jurisdiction, filed September 27, 2012, as follows:

1. GRYR would note at the outset that Mr. Brown's letter is not verified, as required by 49 C.F.R. §1104.4(b)(3), and, accordingly, may more appropriately be treated as correspondence rather than as a pleading.

2. GRYR would note further that, as he concedes in his letter, Mr. Brown wrote his letter in response to the request of Mr. Robert J. Riley. Mr. Riley is the former locomotive engineer of the Canadian National Railway Company ("CN") who by his Petition, filed September 9, 2012, is trying to have the Board reject or revoke GRYR's Verified Notice of Exemption, filed May 13, 2009, pursuant to which GRYR acquired from CN and since then has operated the 175.4-mile Southaven-to-Canton, Mississippi, railroad line.

3. GRYR, moreover, is appreciative of the candor of Mr. Brown's letter.
4. Mr. Brown acknowledges that there is neither a shipper nor a receiver of freight on KSRV, and there has been none since Mr. Brown became the President and assumed the management of the railroad in 2008.
5. Mr. Brown acknowledges that KSRV has no locomotive, no engineer and no conductor; indeed, it has no employee.
6. Mr. Brown acknowledges that neither the bridges nor the tracks of the KSRV have been maintained in good repair. This evident violation of 49 C.F.R. Part 213 is a matter for the Federal Railroad Administration. It also is of concern to GRYR, because KSRV has expected GRYR to operate on its line to pull the cars which have been stored on KSRV.
7. Mr. Brown acknowledges that for the last several years -- even before GRYR acquired the Southaven-to-Canton railroad line from CN -- KSTR has been used solely for the storage of cars. Some of the stored cars have fallen into such a state of disrepair that they have had to be scrapped. Others, notably 31 cars owned by a division of the General Electric Company, have been removed.
8. What Mr. Brown fails to mention, however, is that the 31 stored cars which have been removed were pulled by GRYR to Aberdeen Junction, the GRYR station connecting with KSRV, and from there were hauled by GRYR to Durant..
9. Mr. Brown also fails to mention that, since it has neither the personnel nor the equipment to repair or remove the stored cars remaining on the KSRV, a third company, Progress Rail Services, has been hired by the cars' owner to retrieve the movable cars and haul them to Aberdeen Junction and to scrap the remaining ones.

11. Mr. Brown enclosed a draft of an interchange agreement between GRYR and KSYR with his letter, and goes on at length in his letter to contend that its terms were beneficial to GRYR and not as favorable to KSRY. That's not surprising for the document was drafted by GRYR in response to KSRY's request. Mr. Brown in his letter notes that he has 30 years' experience operating and managing short line railroads, and, thus, there was no reason why he couldn't have drafted an interchange agreement, one with terms beneficial to KSRY and less favorable to GRYR. Evidently he did not do so. The parties could have negotiated an interchange agreement that would have been mutually acceptable. Failing to reach such an agreement, KSYR could have turned to the Board, for GRYR is statutorily obligated, pursuant to 49 U.S.C. §10742, to have reasonable arrangements for the interchange of traffic with KSRY.

12. Mr. Brown also enclosed with his letter an e-mail from Mr. Aaron Parson, GRYR's Assistant Vice President, dated June 16, 2011, with the charges GRYR proposed to assess for switching and moving to Canton eight of the stored cars. Nothing obliged Mr. Brown to agree to those charges, and he very well could have countered with charges that he deemed to be more appropriate. Evidently, he did not do so. In the absence of an accord as to the charges to be assessed, KSRY could have turned to the Board, for GRYR is statutorily obligated, pursuant to 49 U.S.C. §10702, to establish and assess reasonable rates.

13. The eight cars which KSYR sought to have GRYR retrieve from its line evidently were among the 31 stored cars which were pulled out by GRYR and moved by it from Aberdeen Junction to Durant, and it was the cars' owner which paid the charges assessed by GRYR for the services it rendered.

14. It is the height of hypocrisy for Mr. Brown to try to minimize his failures as the President and manager of KSRY by claiming that GRYR avoided honoring the commitments it made when it acquired the Southaven-to-Canton railroad line from CN. GRYR has been prepared to interchange shipments of freight to or from KSRY, and it stands ready to do so even today. Mr. Brown, however, has been content to allow KSRY be a dormant and increasingly deteriorating railroad line, used solely for the storage of cars.

15. GRYR has reason to believe that the State of Mississippi, which owns the 21.5-mile railroad line between Aberdeen Junction and Kosciusko, is so dissatisfied with the KSRY that its Department of Transportation is looking into not extending the contract with the KSRY when it is due to expire in June 2013 and finding another operator for the State's railroad line.

Respectfully submitted,

GRENADA RAILWAY LLC

By its attorney,

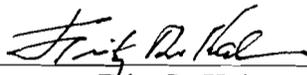

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Dated: October 11, 2012

CERTIFICATE OF SERVICE

I certify that I this day served the foregoing Reply of Grenada Railway LLC upon Mr. Don R. Brown, Dr. Sidney Bondurant and Mr. Robert J. Riley by mailing a copy to each of them by prepaid first-class mail.

Dated at Washington, DC, this 11th day of October 2012.



Fritz R. Kahn