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R.L.

FILED

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**SURFACE
TRANSPORTATION BOARD**

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Cynthia T. Brown, Chief
Section of Administration, Office of Proceedings
Surface Transportation Board
395 E Street, SW, Room #100
Washington, DC 20423-0001

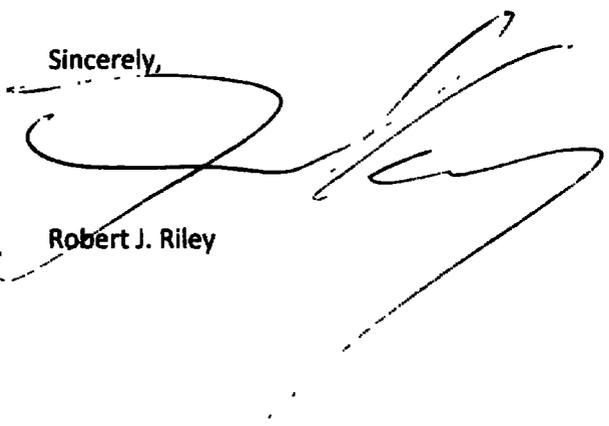
RE: STB Finance Docket No. 35247, Grenada Railway, LLC – Acquisition and Operation Exemption – Illinois Central Railroad Company STB Docket No. FD_35247_0, and Kern W. Schumacher-Continuance in Control Exemption-Grenada Railway, LLC and Natchez Railway LLC STB Docket No. FD_35249_0.

Dear Ms. Brown:

Enclosed is a "Petition to Reject or Revoke" filed in connection with the above captioned class exemption proceeding.

Also enclosed is a check for the \$250 filing fee for a petition to revoke. Copies of this petition are being served today on all parties of record. If there are any questions concerning this filing, please contact me by telephone at (662) 209-1549.

Sincerely,



Robert J. Riley

**ENTERED
Office of Proceedings**

SEP 11 2012

Part of
Public Record

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SURFACE TRANSPORTATION BOARD



Docket No. FD 35247

**Grenada Railway, LLC – Acquisition and Operation Exemption – Illinois Central Railroad
Company**

**Petition
of
Robert J. Riley**

**Robert J. Riley
1799 Greer RD.
Coldwater, MS 38618
Tel.: (662) 209-1549**

Dated September, 09, 2012

SURFACE TRANSPORTATION BOARD

Docket No. FD 35247

Grenada Railway, LLC – Acquisition and Operation Exemption – Illinois Central Railroad Company

**Petition
of
Robert J. Riley**

Petitioner, Robert J. Riley of Coldwater, MS respectfully petitions the Board to declare the Verified Notice of Exemption, filed May 13, 2009, in this proceeding void *ab initio* for having abused the Boards Processes to obtain an active rail line for the purposes of dismantling the infrastructure for profit.

I. GRENADA RAILWAY CASE SUMMARY

On May 13, 2009, CN sold its 175 mile line between Memphis, TN and Canton, MS (“the line”) to Grenada Railway LLC, an affiliate of V&S Railway and A&K Railroad materials. CN issued a press release stating that service would be preserved for at least two years (see exhibit A). The press release also

stated that "CN is pleased with this deal that Grenada Railway... will allow these rail lines to remain in place serving Mississippi business."

Also on May 13, 2009, the Grenada Railway LLC and Kern Schumacher filed an Acquisition and Operating Exemption to acquire and operate the line.

See Grenada Railway LLC, Acquisition and Operation Exemption-Illinois Central Railroad Company and Waterloo Railway Company, STB Docket No. FD_35247_0, and Kern W. Schumacher-Continuance in Control Exemption-Grenada Railway, LLC and Natchez Railway LLC STB Docket No. FD_35249_0.

In Mr. Schumacher's filing, it reads that "Mr. Schumacher has many years of experience managing short line railroads. He anticipates that with the substantial resources at his disposal, he will be able to maintain and where necessary, rehabilitate the lines of the Grenada and Natchez, to restore and improve service on the railroad's lines, to encourage shippers to locate their facilities along the railroad lines of the Grenada and Natchez and to create financially viable railroads in the Grenada and Natchez."

On June 9, 2009, Mississippi Representative Sidney Bondurant filed a Petition to Revoke the Grenada Railway's Notice of Exemption. Representative Bondurant feared that due to the Grenada Railway's affiliation with A&K Railroad materials that the Grenada Railway "will operate the line for a short time and then abandon part or all of the ICR (the line) and WLO lines."

On June 29, 2009, the Grenada Railway replied to Representative Bondurant's Petition to Revoke and tried to ease any concerns that the Grenada Railway may be acquiring the line for the purposes of abandoning the line. In the reply, it states "Grenada (Railway) is committed to working with the shippers and communities on the line and develop them into viable businesses." The Grenada Railway also assured that "...Grenada (Railway) clearly and unequivocally stated that it has no intent to abandon the properties.

On December 3, 2009, the board denied Representative Bondurant's Petition to Revoke. The board found that "...revocation of Grenada's exemption is not proper at this time because no one has brought

evidence to us that revocation is necessary to carry out the RTP of 49 U.S.C. 10101 and there is nothing in the record to indicate that Grenada is abusing the Board's processes." The board also pointed out that due to this lack of evidence that Representative Bondurant's Petition to Revoke was different from the SF&L case, which was a previous case involving A&K Railroad Materials in which the board did revoke an acquisition.

See SF&L Railway Inc.—Acquisition and Operation Exemption—Toledo, Peoria and Western Railway Corporation between La Harpe and Peoria, IL., STB Docket No. FD_33995_0.

However, now that the Grenada Railway and A&K Railroad materials have acquired and operated the line for 3 years, there is now sufficient evidence to show that the Grenada Railway acquired this line for the sole purposes of salvaging the track and has once again, abused the board's processes.

During the time that the Grenada Railway was trying to acquire the line and in the following months, Grenada Railway and V&S Railroad officials visited the communities, local government officials, and newspapers of the towns along the Grenada and Natchez lines, trying to assure the public that the Grenada Railway was here to stay and surely not abandon any track (see exhibit B). Here are a few quotes from local newspapers:

"Our intention is to operate these railroads... Class I railroads like CN are interested in heavy (traffic). We have the ability to turn over some rocks... we have a ready store ready to upgrade these lines." – Micheal Van Wagenen, VP/General Council of A&K Railroad Materials and VP of V&S Railway, from the Panolian June 5, 2009

"There is a lot of traffic on this line, even though its not where it should be... we're excited about a new railroad." –Micheal Van Wagenen, from the Panolian June 5, 2009

"Our goal as a rail line is to grow our traffic, to help customers realize every rail transportation opportunity they have."-Toby Van Altvorst, former GM of Grenada Railway, from the Grenada Star, August 27, 2009

"...our intent in purchasing these lines from CN is not to abandon these lines and salvage the rail and other materials, but rather we plan to do the opposite... we intend to turn each line into a profitable and healthy railroad for many years to come." –Micheal Van Wagenen, the Natchez Democrat July 17, 2010

On June 17, 2011, eleven months after the last quote, Michael Van Wagenen sent letters out to five customers located between Grenada, MS and Canton, MS indicating that the Grenada Railway was contemplating abandoning the line south of Grenada (see exhibit C). This letter was sent almost two years to the exact date from when the original press release that was issued indicating that the Grenada Railway would preserve service for at least two years. This is a good indication that there were not any long term plans to operate the line and that the Grenada Railway was waiting for the two year period to expire so they could move forward with their real goal of abandoning the line. Surely, Mr. Schumacher, who "has many years of experience managing short line railroads", would have been able to foresee that operating this line was not profitable before acquiring it.

On July 28, 2011, the Grenada Railway filed for an embargo between West and Canton due to a bridge being out of service (see exhibit D). I find it strange how the Grenada Railway could guarantee service for two years when they acquired the line, and how all the line's bridge could sustain traffic up until the two year period expired, then almost overnight, a bridge goes bad. This sudden and "good" timing of finding a bad bridge is yet another indication that there no long term plans existed to operate the line.

On September 20, 2011, Representative Bondurant's fears and predictions became true when the Grenada Railway filed a Petition for Exemption to abandon the southern portion of the line between Grenada, MS and Canton, MS, 81 miles.

See Grenada Railway LLC-Abandonment Exemption-in Grenada, Montgomery, Carroll, Holmes, Yazoo, and Madison Counties, Miss., STB Docket No. AB_1087_0_X.

The Grenada Railway's main reasons for abandoning the line was that the line had an operating loss of \$100,297 in 2010, an operating loss of \$94,674 so far for 2011, there was a bad bridge that needed

\$784,000 to be replaced, and \$28 million was needed to get the line back up to Class I standards. Not only did the Grenada Railway go back on all the promises that were made to the public and this board about acquiring this line for long term rail transportation, but even more misleading by the Grenada Railway was in store as it became evident that their abandonment application was full of erroneous information.

Nearly all of the information presented by the Grenada Railway in their abandonment application was false, misleading, and were questioned by protests sent to the board by numerous government officials, communities, shippers, economic development agencies, and career railroaders:

Highlights from the Mississippi Transportation Commission's reply:

- operating costs were overstated and revenues were likely understated
- Net Liquidation Value was overstated
- Found that the Net Liquidation Value should have been in the \$6.6 to \$7.1 million range instead of \$21 million as Grenada Railway stated
- rehabilitation costs were grossly overstated
- revenue from overhead traffic was not accurate
- Grenada Railway was showing a loss because it wanted to, not because the line was not an actual money loser
- the Grenada Railway did not aggressively seek new business and existing business was discouraged
- the Grenada Railway's business model was geared toward short term dismantling and removal of railroad assets rather than long term railroad operations
- the bridge which needed \$784,000 to repair was not in as bad of condition as the Grenada Railway stated, per on-site inspection
- the line was improperly segmented

Highlights from Joe Marascalco's comments:

- car count did not include overhead traffic
- revenues did not account for most of overhead traffic
- Grenada Railway should have recorded at least a \$664,000 gain for 2011 instead of a \$94,000 loss
- The bridge which needed \$784,000 to repair was not in as bad of condition as the Grenada Railway stated
- The line did not need \$28 million to be returned to Class I standards as the line was already a Class II track

- Customer Winona Hardwood was willing to increase shipments but instead were run-off from being a customer altogether
- Additional business was possible but Grenada Railway did not seem to want any new customers
- Net Liquidation Value was overstated

Highlights from my protest statement:

- raised rates to a level that made it hard for shippers to continue using rail service
- made overhead shipments cheaper to be rerouted through Memphis instead of continued routing over the southern end of the line
- Net Liquidation Value was overstated
- Net Liquidation Value should have been around \$7 million instead of \$21 million as the Grenada Railway stated

Highlight from Representative Sidney Bondurant's protest statement:

In regards to the bridge that needed \$784,000 to be repaired, Representative Bondurant brought into evidence a document that showed the Grenada Railway's slow orders and pointed out that there was not a slow order for the bridge in question and that trains were permitted to operate at maximum authorized speed over the bridge even after the Grenada Railway was aware of the bridge's condition.

Due to all of these protests, and having much of their abandonment application questioned or proved wrong, it is no surprise that on November 10, 2011, the Grenada Railway filed to dismiss their abandonment before the board made a ruling.

Case History Conclusion:

It is clear that the Grenada Railway's officers were willing to tell the public, government officials, and this board whatever they felt was necessary to gain the public's support and the board's favorable ruling to acquire this line. The Grenada Railway's officers were also willing to come up with whatever numbers and false and misleading information in their abandonment application they felt necessary to receive positive public support as well as this board's favorable ruling for a successful abandonment. Once again, a railway affiliated with A&K Railroad Materials has abused this board's processes.

II. SIMILARITIES BETWEEN GRENADA RAILWAY AND SF&L CASE:

Mr. Schumacher, the same owner of both the SF&L and Grenada Railways, filed a notice of exemption on January 10, 2001 to acquire a 71.5 mile rail line between La Harpe, IL and Peoria, IL

See SF&L Railway Inc.—Acquisition and Operation Exemption—Toledo, Peoria and Western Railway Corporation between La Harpe and Peoria, IL., STB Docket No. FD_33995_0.

On September 3, 2002, the SF&L filed to abandon the entire 71.5 mile line. It took Mr. Schumacher 20 months to file to abandon the SF&L from the purchase time whereas it took him 28 months to file to abandon the Grenada.

The SF&L and Grenada lines both had overhead traffic prior to being sold. The SF&L had 3,600 overhead carloads of freight per year that it delivered to the Keokuk Junction Railway Company (“KJRY”) as well as a 5 day per week intermodal train that were diverted as a result of the SF&L acquisition

See SF&L Railway INC-Abandonment Exemption-In Hancock, McDonough, Fulton, and Peoria Counties, IL., STB Docket No. AB_448_2_X.

This 3,600 car figure was argued as not being accurate by the KJRY Railway in their reply on September 23, 2002. As an engineer that worked for CN on the Grenada line the year prior to it being sold, I estimate that the Grenada line had around 16,380 overhead cars per year. These overhead cars mainly traveled in empty unit auto trains that took empties from Memphis, TN to a Nissan Automobile Plant near Canton, MS. This overhead traffic was also diverted as a result of the Grenada acquisition.

The SF&L and Grenada in both of their respective abandonment applications, had verified statements from Mr. Van Wagenen showing that each railroad’s revenues could not meet their expenses and that the carloads per mile per year were under industry standards. The car load numbers in the Grenada filing were disputed by several parties, including the Mississippi Transportation Commission and Joe Marascalco. Both of the SF&L and Grenada filings also had a long story about how each new carrier had

great expectations of operating the lines at a profit at the time of purchase but things just couldn't seem to go as planned.

The SF&L and Grenada both cut back on the frequency of services after purchasing the line. In the SF&L abandonment application, under the section "SF&L's Cost Reductions", the SF&L cut service back from twice a week to once a week. On the Grenada Line, the CN was operating Grenada to Memphis 6 days per week. The Grenada Railway cut back Grenada to Memphis service down to twice a week. I found out that the Grenada Railway was operating Grenada to Memphis 2 days per week when I heard Aaron Parsons speaking at a Grenada County Board of Supervisor's meeting in October of 2011. Aaron Parsons is an officer of the V&S Railway, an affiliate of the Grenada Railway.

The SF&L and Grenada both cut back on customer service after purchasing the line. In the SF&L case, in the Keokuk Junction Railway's (KJRY) reply on September 23, 2002, the KJRY states "It was also SF&L service or lack of service that caused the wheels an additional two weeks in transit. If anyone diverted the wheels from the SF&L line it was the SF&L itself. The diversion of wheels as well as the rest of the overhead traffic was all part of the SF&L plan when it purchased the line from TPW." I would like to point out that the KJRY indicated here that the SF&L had a "plan" to divert traffic and purposely provide poor service prior to purchasing the line. In the Grenada Railway abandonment, customer Winona Hardwood states in their reply on October 27, 2011 that "We became dissatisfied with the service when they got off the Thursday night schedule they had agreed on and began sending rail cars twice a week. This resulted in us never knowing when the cars would be delivered or picked up." This is further proof that the Grenada Railway intentionally provided poor and irregular service to a customer to discourage shipments prior to an abandonment.

The SF&L and Grenada both raised rates after purchasing the line. In the KJRY's Railway's reply to the SF&L abandonment on September 23, 2002, KJRY states "If the SF&L had not raised rates for the movement of grain to the levels it did then it would still be moving approximately 900 cars of grain over the line per year." In the Grenada Railway abandonment, the Grenada Railway admits to increasing rates in its Petition to Leave to File Responses filed on November 8, 2011. The Grenada Railway says "...until February of 2011, and then it (Grenada Railway) increased only the line-haul rates to and from Canton and not to and from Memphis." I would like to note that in the Grenada Railway case it seems strange that the Grenada Railway would only increase rates on the portion of track that was to be abandoned.

The SF&L and Grenada both lowered the operating class of track on each line. The SF&L lowered the line to FRA excepted track after purchasing the line and the Grenada was lowered from Class III to Class II when they purchased it from CN. Joe Marascalco's reply to the Grenada abandonment application on October 24, 2011 goes into great detail on the class of track. From his research, it seems that the Grenada Railway had planned to lower the track class from Class II to FRA excepted between Grenada and Canton for the purposes of making the track seem in worse shape than it actually was but never got around to doing so.

The SF&L and Grenada both conducted themselves unprofessionally and were not truly seeking partnership with connecting railroads. In the SF&L case, the connecting railroad KJRY states in their September 23, 2002 reply "...SF&L is simply wrong in its characterization of Mr. Brown's (COO of Pioneer Railway at the time) conduct in his voice mail message. Mr. Brown was simply pointing out the obvious fact which anyone with railroad knowledge should have already known. In order to interchange traffic tracks must actually connect with one another." KJRY also stated that "If SF&L was truly responsive to

customer needs and wherever possible helped to build customer's business, as claimed in its petition, SF&L would have rented hopper cars which would have been dedicated to the movement of grain.

Instead it attempts to paint the action of KJRY as unreasonable to divert attention from its own actions." In the Grenada case, the connecting Kosciusko & Southwestern Railway ("KSRY") stated in a reply filed by former President Don Brown on October 4, 2011 "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 Attalla 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 (Railway) quoted charges roughly 10 times those charged by a sample of other shortlines 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."

The SF&L and Grenada abandonments were both predicted shortly after the acquisition. In the KJRY's March 6, 2001 Petition to Revoke the SF&L acquisition, KJRY stated "SF&L has taken the same path that all other A&K affiliated railroads have taken in the past. Purchase the line, drive off business, file for abandonment, and scrap the entire line or as much as the board will allow." Representative Sidney Bondurant, in his Petition to Revoke the Grenada acquisition on June 9, 2009 stated that the (Grenada Railway) "will operate the line for a short time and then abandon part or all of the ICR (the line) and WLO lines."

In both the SF&L and Grenada cases, neither petitions for exemptions when the lines were acquired, contained any studies, reports, or analyses that should have been performed before the purchase agreement was signed to examine whether the lines could operate profitably. In the SF&L case, the KJRY stated that no pre-sale physical inspection of the line was made. In the Grenada case, no evidence of a pre-sale physical inspection was introduced either. Common industry practices when acquiring a new line would typically include an operating plan, personnel and operating budgets, traffic projections, evaluation of current and potential business, retaining or losing overhead traffic, and salvage value. Lack of these studies indicates that the SF&L and Grenada were only interested in these line's salvage values instead of their value as long term continued use of rail transportation.

The SF&L and Grenada's proposed abandonments were met with fierce opposition and public outcry. The SF&L abandonment was opposed by the City of Macomb, Keokuk Junction Railway, Farmer's Elevator Company, McDonough County, Peoria County, the United Transportation Union, whereas the Grenada Railway was opposed by Representative Sidney Bondurant, the DeSoto County Economic Development Council, Mississippi Transportation Commission, Grenada County Economic Development, the City of Water Valley, Newly Weds Foods, Carlisle Construction Materials, the City of Kosciusko, Robert Riley, the Kosciusko Attalla Development Corporation, the Kosciusko & Southwestern Railway, Christopher Masingill, The Honorable Thad Cochran, General Electric Rail Services, AbitibiBowater, Joe Marascalco, Burrows Paper Corporation, The Honorable Gregg Harper, Warner McBride, Winona Hardwood, Fly Timber Company, and May Joel Gill. The sheer amount of opposition should be proof that Mr. Schumacher's actions and his buying and scraping of railroads has a great negative effect on the local and regional economies of the regions his railroads serve and this should also serve as proof that **these transactions are not limited in scope.**

III. Line Segmentation:

The Entire Line from Memphis, TN to Jackson, MS:

I find to properly examine the Grenada Line, this line must be viewed as its entirety from mile 392.5 in Memphis, TN to mile 729.2 in Jackson, MS, a distance of 211.3 miles. I have chosen these endpoints because these are the first locations north and south of where the line was sold that allows interchange with other Class I Railroads. CN only sold a middle segment of this line from mile 403 to mile 703.8, a distance of 175.4 miles (see Exhibit E). The additional 35.9 miles of track that were not included in the sale makes a big difference as to the profitability of the line.

In both the SF&L and Grenada cases, critical segments of track were omitted from the acquisition that severely hinders the profitability of any potential buyers and/or traffic movements. In the SF&L case, a one mile of track between 194.5 and 195.5 was omitted from the acquisition that prevented a direct interchange of traffic between KJRY and SF&L.

In the Grenada Case, the Grenada line was sold between mile 403 near Horn Lake, MS and mile 703.8 near Canton, MS. Since this line was not sold north of mile 403 and extending to mile 392.5 in downtown Memphis, traffic bound for destinations north of the line are held captive by CN. If this line would have been sold all the way north to near mile 392.5 or given access up to that point, known as CN JCT, traffic could have been directly interchanged with not only the CN, but the BNSF, Norfolk Southern, CSX and the Union Pacific.

The same holds true for the south end. Since this line was not sold south of mile 703.8 and extending south to mile 729.2 in downtown Jackson, all traffic is once again held captive by CN. Should this line have been sold all the way to mile 729.2 known as Switchtender, or given access up to that point, any

buyer of the line could have direct interchange with not only the CN, but with also the Kansas City Southern.

Also, by not selling the line from mile 703.8 to mile 729.2, any potential buyer of the line would miss out on the opportunity to capture the traffic going to or from the large Nissan Plant at mile 709. Once again, since I worked as engineer for CN, I am able to estimate that an additional 16,380 cars per year that come from the Nissan Plant alone are being omitted from this line's car figures. Other customers that are included in the omitted sections of track include Valley Products, Space Center Warehouse, Martin Marietta, North American Plastics, and Air Liquide. Should this line have been sold between mile 392.5 and mile 729.2, this line would have a connection with every Class I railroad in North America except Canadian Pacific, and I estimate that this line would handle around 23,348 cars per year over the entire line, which equates to 110.4 cars per mile per year instead of the 3.5 cars per mile per year as GRYR states in the improperly segmented section (see Exhibit F). My estimates of these car counts come from my own observations of trains and from responses of customers to the September 2011 Grenada Railway abandonment application.

There have been previous cases where the board has considered the revenue from overhead traffic to be considered as to whether or not a line is profitable

(See CSX Transportation, Inc.-Abandonment Exemption-In Anderson County, SC, STB Docket No. AB-55 (Sub-No. 664X)(STB served Aug. 15, 2006)

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)

I find that just as the board found with the previous owners in the SF&L case "...that the TP&W and Rail America would support SF&L's future abandonment of the line; and the unstructured financing of the line." That the board should find that CN and A&K Railroad materials both understood before selling

the Grenada line that A&K would try to abandon the Grenada Line shortly after the two year period expired. The fact that a two year promise was even brought up makes it suspicious that CN and A&K were planning out the abandonment. It is clear to me that this line would be better off back in CN's ownership as CN never tried to abandon any part of the line. I also find that most profitable and best use of this track would be with CN operating the entire line instead of selling the middle portion of this line as this leaves any potential new operators of the line as being captive to CN at the two end points and missing out on the line's bigger customers.

Indeed, one could take the busiest rail line in the world, find a segment with little or no business on it, disregard the rest of the line and overhead traffic, and are sure to find that line to be unprofitable as well.

IV. A&K Railroad Materials/Kern Schumacher:

In making the case before the board, I feel that it is important to show what affiliate company A&K Railroad Materials and its chairman, Kern Schumacher is really all about.

Here is a list of some of the lines that Kern Schumacher has acquired and pulled up for scrap as well as some other failed attempts to acquire lines for scrap other than the SF&L and Grenada:

KCT Railway Corporation—Acquisition and Operation Exemption—Lines of The Atchison, Topeka and Santa Fe Railway Company, Finance Docket No. 31640 (ICC served May 4, 1990)

T and P Railway, Inc.—Acquisition and Operation Exemption—The Atchison, Topeka and Santa Fe Railway Company, Finance Docket No. 31901 (ICC served July 11, 1991)

Missouri Pacific Railroad Company—Abandonment Exemption—in Denton County, TX, Docket No. AB-3 (Sub-No. 99X) (ICC served June 3, 1992); Union Pacific Railroad Company—Abandonment Exemption—in Lancaster County, NE, Docket No. AB-33 (Sub-No. 71X) (ICC served Sept. 28 1992)

Missouri Pacific Railroad Company—Abandonment Exemption—in Ellis and Hill Counties, TX, Docket No. AB-3 (Sub-No. 101X) (ICC served Oct. 2, 1992)

Tulare Valley Railroad Company—Acquisition and Operation Exemption—The Atchison, Topeka and Santa Fe Railway Company, Finance Docket No. 32215 (ICC served Jan. 13, 1993)

V & S Railway, Inc.—Acquisition and Operation Exemption—Rail Line of St. Louis Southwestern Railway Company—in Franklin, Hopkins, Delta, Titus and Hunt Counties, TX, Finance Docket No. 32634 (ICC served Jan. 20, 1995) (V & S Ry. I)

Roaring Fork Railroad Holding Authority—Abandonment Exemption—in Garfield, Eagle, and Pitkin Counties, CO, STB Docket No. AB-547X (STB served May 21, 1999) *aff'd sub nom. Kulmer v. STB*, 236 F.3d 1255 (10th Cir. 2001)

Kern Valley Railroad Company—Acquisition and Operation Exemption—Trinidad Railway, Inc., STB Finance Docket No. 33956 (STB served Nov. 21, 2000) (Kern Valley); and V & S Railway, Inc.—Acquisition and Operation Exemption—Central Kansas Railway, L.L.C., STB Finance Docket No. 33964 (STB served Dec. 7, 2000) (V & S Ry. II). SF&L was the acquiring entity in three of these proceedings: Docket No. AB-3 (Sub-No. 99X), Docket No. AB-33 (Sub-No. 71X), and Docket No. AB-3 (Sub-No. 101X).

The other three proceedings in which A&K-affiliated railroads obtained lines were the two most recent acquisitions, Kern Valley and V & S Ry. II, and the acquisition in V & S Ry. I.

The earlier acquisition in V & S Ry. I apparently was never consummated, as evidenced by the fact that V & S used the class exemption in V & S Ry. II and there is no abandonment record in

V & S Ry. I. In Kern Valley Messrs. Schumacher and Kulmer conceded that they acquired the

30-mile rail line in that case with the intent to step into the abandoning carriers shoes and

conduct salvage once the line could be abandoned.

See Trinidad Railway, Inc.–Abandonment Exemption–in Los Animas County, CO, STB Docket No. AB-573X (STB served Aug. 13, 2001), reconsideration denied (Dec. 12, 2001)

Approximately 319 of the 370 miles of line acquired in the four proceedings were abandoned.

Another 45 miles of line were sold.

See San Joaquin Valley Railroad Company– Acquisition and Operation Exemption–Tulare Valley Railroad Company, STB Finance Docket No. 33723 (STB served Mar. 30 and May 12, 1999)

Seven line segments, approximately 43 miles of the 158 miles of rail line TVRC acquired in Finance Docket No. 32215, were sold to San Joaquin Valley Railroad Company (SJVR, the rail carrier that was operating them), and

SF&L Railway, Inc.–Abandonment Exemption–in Ellis and Hill Counties, TX, Docket No. AB-448 (Sub-No. 1X) (STB served July 30, 1996)

The municipality used OFA process to acquire 1.7 miles of the 18-mile rail line SF&L acquired in Docket No. AB-3 (Sub-No. 101X)). A 5.9-mile rail line between Ultra and Ducor, CA, the only remaining segment of the line acquired by TVRC in Finance Docket No. 32215, is currently being operated for TVRC

by SJVR, the connecting carrier. TVRC had filed a petition for exemption to abandon the 5.9-mile rail line but the petition was denied in Tulare Valley Railroad Company—Abandonment and Discontinuance Exemption—in Tulare and Kern Counties, CA, STB Docket No. AB-397 (Sub-No. 5X) (STB served Feb. 21, 1997, and Mar. 6, 1998).

In a reply filed by the Mississippi Transportation Commission (“MTC”) on October 27, 2011, MTC found that “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 track.”

V. THE REVOCATION PROCESS:

Under 49 U.S.C. 10502(d), the Board may revoke an exemption in whole or in part, if the Board finds that: (1) the notice of exemption (or request for exemption) contained false and/or misleading information; (2) regulation is necessary to carry out the rail transportation policy of 49 U.S.C.10101; or (3) revocation is necessary to ensure the integrity of the Board's processes.

1. The Grenada's notice of exemption did in fact contain misleading information as evident in the many promises that were made of continued long term rail transportation and building up their business that they later broke.

2. Under 49 U.S.C. 10101, In regulating the railroad industry, it is the policy of the United States Government-

(1) to allow, to the maximum extent possible, competition and demand for services to establish reasonable rates for transportation by rail.

Allowing A&K railroad materials to acquire a line for the purchases of salvaging track, which is now apparent, has resulted in the Grenada Railway reducing the demand for services on this line and increase rates to an unreasonable rate.

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

Allowing the Grenada Railway to acquire only the middle segment of this line prevents efficient rail operations as any traffic interchanged between the Grenada Railway and the Union Pacific, CSX, Norfolk Southern, BNSF, and Kansas City Southern has to be transferred by the CN, a move that could be skipped if this entire line was owned by one operator. Also by allowing the Grenada Railway to acquire only the middle segment of this line, this new operator misses out on the opportunity to earn additional revenue from some of the larger customers not located on the middle segment, which would more than likely, be adequate revenue for this entire line.

(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.

Allowing the Grenada Railway to acquire hinders effective competition among rail carriers as having to hand off traffic to CN to interchange with other Class I Railroads increases costs. It is also evident that the needs of the public are not being met when considering all the opposition and replies to the Grenada Railway's abandonment application.

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

Since the Grenada Railway has acquired only the middle section of this line, enough adequate revenue has not been earned to sustain the same level of safety as when CN operated the line. Since the acquisition, the line has been lowered from a Class III to Class II track, and the ABS signaling system has been discontinued over the south end of the line (see Exhibit G). The Grenada Railway also did not keep an equipment defect detector in operation (see Exhibit H).

(9) to encourage honest and efficient management of railroads

Allowing A&K Railroad Materials to acquire this line is not encouraging honest and efficient management of railroads. This apparent when examining every line A&K Railroad Materials and its affiliated companies have acquired, including the Grenada line.

(12) to prohibit predatory pricing and practices, to avoid undue concentrations of market power, and to prohibit unlawful discrimination

Allowing the Grenada Railway to acquire this line has resulted in discrimination of customers on the south end of this line in form of poor service and increased rates.

3. Revocation is in fact, necessary to ensure the integrity of the board's process. As I have shown over and over in this petition, Grenada Railway has abused this board's process just as was done in the SF&L case. I will go into more detail of this in the next section:

VI. ABUSE OF THE CLASS EXEMPTION PROCESS:

In the SF&L case, the board decided to revoke an acquisition and control exemption. I would like to point out a few things the board had to say about this decision as A&K Railroad Materials is doing the same thing in the Grenada Case as in the SF&L case:

“The class exemption process is intended to provide an expedited way for noncarriers to acquire rail lines so that rail service can be continued. We find that Respondents abused the class exemption process by using the procedures to acquire lines for salvage rather than for any meaningful operations. Because we are revoking the acquisition and control exemptions, the Board will soon issue a decision dismissing SF&L’s petition for an abandonment exemption as moot.”

“We take seriously the Congressional directive that we facilitate entry into the rail business, see, e.g., 49 U.S.C. 10101(7), and for that reason we do not revoke exemptions lightly. But the main purpose of the entry provisions of the statute is to promote the availability of rail service. Here, it is clear to us that the actions taken by Respondents reflect instead a scheme to use our processes to obtain active rail assets with a view toward dismantling and selling them. Therefore, we are revoking the exemptions that permitted this scheme to proceed.”

“Policy of Class Exemptions.

Our predecessor, the Interstate Commerce Commission (ICC), adopted the class exemption for the acquisition and operation of rail lines by noncarriers because the consideration of individual petitions for exemption from 49 U.S.C. 10901 had become a “burdensome and unnecessary expenditure of resources” on the agency and the individual petitioners. Class Exemption–Acq. & Oper. of R. Lines Under 49 U.S.C. § 10901, 1 I.C.C.2d 810, 811 (1985), aff’d sub nom. Illinois Commerce Comm’n v. ICC, 817 F.2d 145 (D.C. Cir. 1987). The exemption was intended to facilitate the continued operation of marginal and failing rail lines by expediting and reducing the costs of entry into the rail industry and by eliminating uncertainty in negotiations with potential purchasers, especially those unfamiliar with the regulatory process. Id.

As a general matter, the exemption process has worked well; many marginal lines have been saved after being bought by lower-cost new operators. However, as the ICC cautioned in Lone Star Railroad, Inc.–Abandonment and Discontinuance of Trackage Rights–in Wichita, Archer, Baylor, Knox, Haskell and Jones Counties, TX, Docket No. AB-425 et al. (ICC served June 9, 1995) (Lone Star),²⁵ we cannot allow the process to be abused by salvage operators seeking to take over lines for their salvage rather than their operational value, and we will take remedial action (both with regard to the underlying line sale and any subsequent abandonment attempt) where the facts warrant it to maintain the integrity of our practices and procedures.”

"The Prior Pattern of Conduct of Respondents and Their Affiliates

By themselves, the six factors discussed above amply justify revocation. The case for finding that the exemption process was abused here is further strengthened when SF&L's affiliation with A&K, and the record of A&K and its affiliates in acquiring, abandoning, and salvaging rail lines are considered. The fact that SF&L's affiliate deals in scrap rail materials is not by itself dispositive but, by the same token, it cannot be wholly ignored. We realize that not every rail line that is acquired will necessarily be a financial and operational success, and we do not wish to discourage or penalize sincere efforts by those endeavoring to preserve service and restore marginal lines to financial viability. In some cases, these efforts will not succeed.³⁴ But in this case, the La Harpe Line was not inherently unprofitable and the shippers wanted to continue to use the Line, yet service was deliberately downgraded and rates were substantially increased. Thus, our conclusion here finds further support in SF&L's affiliation with A&K and the record SF&L and other A&K affiliates have established in the past."

"After weighing the evidence, we conclude that Respondents wrongly purchased the La Harpe Line for the purpose of abandoning and salvaging it. Our exemption process is designed to facilitate continued service to shippers and continued maintenance of the transportation network. The integrity of that process is undermined by, and must be protected from, tactics such as those employed by Respondents in these cases, which have been detrimental to the shippers on the Line. We will not allow our class exemption processes to be abused by sales of active rail lines to persons whose intent is to degrade, abandon, and salvage those lines. Nor should the persons who engage in such abuses be allowed to profit from them. Accordingly, we revoke the exemptions granted in these cases."

It is very evident, as I have shown, that as usual, an A&K Railroad Material's affiliated company, in this case-the Grenada Railway, has once again abused this board's processes.

VII. CONCLUSION:

It is my opinion that this entire transaction is nothing more than a scam with the sole intention to realize profits, not from operating this railroad but from dismantling the infrastructure. I have shown throughout this filing the evidence that supports this claim. I will further break it down into a more digestible easy to follow chain of events in summary.

It was said by Mr. Van Wagenen that “we have no intention of abandoning these lines” Then why was there for all intents and purposes an EXPIRATION date placed on this railroad of a 2 year period? We expect a gallon of milk or a bag of potato chips at a grocery store to have a date of expiry stamped on it. After that date, throwing the item away is standard practice. Have we now reached a point in this country that our transportation infrastructure now has a date of expiry as well? If this wasn’t the case then why was a letter sent to customers saying that GRYR was going to file for abandonment of the south end of the Grenada line just prior to the time the 2 year time limit expired?

It was said by Mr. Van Wagenen “We have the ability to turn over some rocks.” Yes A&K Railroad Materials’ affiliated railroads suffer from the rocks being turned over. Unfortunately the rocks in question up to this point have always been the ballast being removed after the track is removed following abandonment. So far the A&K group has been trying feverishly to make that happen here.

It was said by Mr. Van Wagenen “it is our intention to build these railroads up into viable railroads” If this was in fact the case, why treat the customers on this railroad to a rate increase and a service decrease? As an example with Winona Hardwood, Spotting cars without first contacting the customer and then doing so after the close of business on Friday evening knowing full well by the time the customer realizes they have a car to load their 48 hour grace period on demurage has

expired leaving them with a stiff bill on newer centerbeam equipment. This makes it hard to be competitive due to the burdensome cost for the rail equipment. Intentional poor service isn't indicative of this claim to want to build up business, it's more likely to drive it away.

Further expounding on this, Why was a quote of 10 times in excess of industry standard quoted the KSRV railroad for a simple move of empty rail cars? Also the refusal to a joint effort at marketing.

See Don R. Brown's reply letter under AB-1087-0-X

This in the eyes of every railroad professional clearly spells trouble and tells a normal person that GRYR has another motive for being here in Mississippi buying railroads and operation isn't the reason.

A&K, V&S Railway and Grenada Railway and all persons involved obviously didn't consider the long term operation of this railroad. Anytime anyone buys a business, they normally do studies as to profitability and the health of the business before signing any checks. This wasn't done here, why? The intention was to buy these lines for the sole purpose of resale of the track components. In order to facilitate this, an abandonment was inevitable after the 2 years expired. We ALL saw this coming and it was no shock when this happened at the expiration of the 2 years in 2011.

Right as the two year time frame to operate the railroad expired, one month after the letter to customers telling of the impending abandonment application, Mr. Aaron Parsons with CN participating filed an embargo of the southern portion of this railroad claiming a defective bridge. The railroad then filed for abandonment. Keeping in mind that a letter stating the intent to abandon the track was sent to customers BEFORE this July 2011 filing for this embargo. A&K said it would cost nearly \$800,000 dollars to replace this bridge. Ok I cry foul here. Worst case senario this 30 foot section of the bridge could have been replaced in its entirety for a lot less money. Probably even less

still with this “store of materials” Mr. Van Wagenen talked about when they originally got this railroad. Why replace the entire span instead of repair it? I find it really convenient all of a sudden that a bridge that has been serving so well could go bad just as soon as the two year time frame expires. In this world timing is everything and the timing of the bridge going bad is a bit too convenient. I also find it funny that the worst case repair price for this bridge comes in well over \$700,000 dollars over a realistic repair cost. Then they file for abandonment and the CN withdraws it’s trackage rights over this railroad clearing the way for the abandonment proceedings.

When the abandonment proceeding was dropped in November 2011, CN wasted no time reinstating their trackage rights. Why? If CN agreed that this “BAD BRIDGE” was bad by participating in the embargo application, why would you want to reinstate your right to operate trains over this stretch of railroad. It is my opinion still as was with the Mississippi Transportation Commission that this bridge is in fact fit for service.

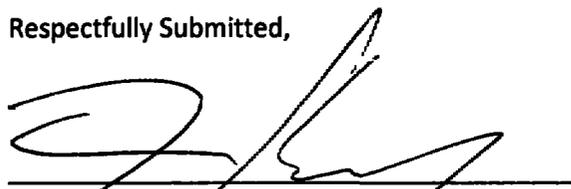
With the improper segmenting of this line that cut a considerable amount of the lines revenue, A&K/V&S Railway still went ahead with plans to buy this railroad even as stated above, they did not do a financial analysis of the physical plant for profitability. This tells me the CN kept the good meat and threw the bones to the dogs so to speak. They kept what was desirable and divested themselves of what they didn’t want. Then they turn over the bones to a known salvage company with a promise to run the railroad for 2 years.

Recently another letter was sent to Mr. Pablo Diaz of the North Mississippi Regional Rail Authority stating that A&K/GRYR was contemplating abandoning the track yet one more time (See Exhibit J). The letter went on to offer the line to the Authority for sale at the still overly inflated price of \$21,955,000.00 dollars. This letter had a RSVP date of August 20, 2012. In response to this

letter a request to tour the property was made in writing to which no tour has ever been granted as of this filing to my knowledge. Also on September 4, 2012 an anonymous tip was received by this office which stated the GRYR had dismantled the Main Line track at Elliott, MS and Canton, MS without prior board approval, See Exhibits K, L & M. This tip included Photographs of the dismantled track. It is glaringly obvious GRYR has no intention of ever operating this railroad again.

Pursuant to 49 U.S.C. 10101, I respectfully request the Board revoke the exemption that made this fiasco possible and transfer control over these properties back to the Canadian National D.B.A. Illinois Central Railroad without delay. By allowing this exemption to stand the Board would only be doing a dis-service to the fine people of the State of Mississippi.

Respectfully Submitted,



Robert J. Riley
1799 Greer RD.
Coldwater, MS 38618
(662) 209-1549



Dated September 09, 2012

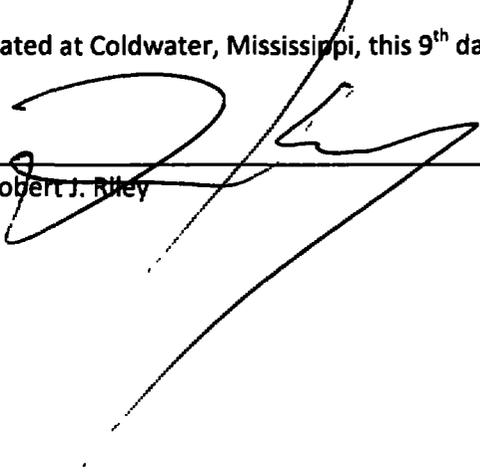


Notary

Certificate of Service

I certify that I this day have served all parties of record in this proceeding via common courier

Dated at Coldwater, Mississippi, this 9th day of September 2012



Robert J. Riley



North America's Railroad

NEWS RELEASE

CN completes Mississippi rail line sale agreements

HOMEWOOD, Ill., May 13, 2009 – CN (TSX: CNR)(NYSE: CNI) today announced the completion of agreements to sell three Mississippi line segments to Grenada Railway, LLC and Natchez Railway, LLC both non-carrier affiliates of V&S Railway and A&K Railroad Materials. This deal transfers ownership of 252 miles of track and preserves rail service on the two longest of these rail lines for at least the next two years. The terms of the transaction were not disclosed.

“CN is pleased that this deal with Grenada Railway and Natchez Railway will allow these rail lines to remain in place serving Mississippi business,” said Jim Vena, CN’s senior vice president, Southern Region. “CN will continue to offer interchange service to the new short lines, maintaining every customer’s seamless access to the broader CN network.

“CN recognizes the importance of rail service to Mississippi and remains committed to the state. We continue to operate nearly 600 miles of mainline track serving scores of Mississippi businesses and carrying Amtrak passenger service,” concluded Vena.

Since 2003, CN has worked with the State of Mississippi in its economic development efforts to bring additional rail business to these routes. Those efforts have not created a substantial increase in rail traffic, however, volume on these routes has dropped to the point where it is no longer economically viable for CN to continue their operation.

This transaction involves the former CN Grenada subdivision, the Water Valley Branch Line and the former CN Natchez subdivision. The Grenada line runs roughly 175 miles from the Mississippi/Tennessee border to approximately two miles north of Canton, Miss. The 11-mile Water Valley Branch Line intersects the Grenada Line at W.V. Junction and extends to Coffeerville, Miss. The 66-mile Natchez branch runs from Brookhaven, Miss., to Natchez, Miss.

V&S Railway LLC operates successful short lines in Kansas and Colorado.

Forward-Looking Statements

This news release contains forward-looking statements. CN cautions that, by their nature, forward-looking statements involve risk, uncertainties and assumptions. Implicit in these statements, particularly in respect of long-term growth opportunities, is the Company’s assumption that such growth opportunities are less affected by the current situation in the North American and global economies. The Company cautions that its assumptions may not materialize and that the current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. The Company cautions that its results could differ materially from those expressed or implied in such forward-looking statements. Important factors that could cause such differences include, but are not limited to, the effects of adverse general economic and business conditions, including the current deep recession in the North American economy and the possibility of a global economic contraction in 2009, industry competition, inflation,

currency fluctuations, changes in fuel prices, legislative and/or regulatory developments, compliance with environmental laws and regulations, various events which could disrupt operations, including natural events such as severe weather, droughts, floods and earthquakes, labor disruptions, environmental claims, investigations or proceedings, other types of claims and litigation, and other risks detailed from time to time in reports filed by CN with securities regulators in Canada and the United States. Reference should be made to "Management's Discussion and Analysis" in CN's annual and interim reports, Annual Information Form and Form 40-F filed with Canadian and U.S. securities regulators, available on CN's website, for a summary of major risks.

CN – Canadian National Railway Company and its operating railway subsidiaries – spans Canada and mid-America, from the Atlantic and Pacific oceans to the Gulf of Mexico, serving the ports of Vancouver, Prince Rupert, B.C., Montreal, Halifax, New Orleans, and Mobile, Ala., and the key metropolitan areas of Toronto, Buffalo, Chicago, Detroit, Duluth, Minn./Superior, Wis., Green Bay, Wis., Minneapolis/St. Paul, Memphis, and Jackson, Miss., with connections to all points in North America. For more information on CN, visit the company's website at www.cn.ca

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Manager
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Vice-President
Investor Relations
(514) 399-0052



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Grenada Rail gets on track 8/27/2009



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

By ALLEN BASWELL Staff Writer

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 Brockman," 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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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 retention and recruitment of industry, often serving as a lunch list item at young schools, church rallies 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 megacity at Canton from being 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 Wageningen 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 Wageningen 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 Wageningen said.

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A and K Railroad Materials is "not really a salvage company as much as a track company," Van Wageningen continued, "the grocery store for the railroad industry. We have a ready store to upgrade these lines."

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

"I think we'd be better off with them operating it than CN," said Simmons following Van Wageningen's presentation.

Quick Poll

What is your choice for primaries in Mississippi?

Open Primaries

Closed Primaries (current system)

No Primaries

Vote Results

"I'd like to make a motion that this group partner with the company," Pandora 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 Statham, 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 Wageningen'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 Wageningen said. Rail cars originating with Grenada Railway will enter CN's lines at either end, he pointed out.

Visitor Comments

Submit A Comment

Exhibit C-1

June 17, 2011

Page 1 of 1



Grenada Railway, LLC

1505 South Redwood Road
Salt Lake City, UT 84104

P.O. Box 26421
Salt Lake City, UT 84116
Phone: (801) 972-8330
Fax: (801) 478-2868

June 17, 2011

VIA OVERNIGHT MAIL

Mr. Richard Rothwell
Sales Manager
Hankins Lumber Sales
PO Box 370
Grenada, MS 38902

RE: Freight Service

Dear Mr. Rothwell:

Grenada Railway has suffered extensive losses, during the past two years of operation, on the portion of the railroad between MP 622.5 south of Grenada, MS and MP 703 1/2 near Canton, MS ("Rail Line"). At the present time, we have five shippers who are located on this segment of the Rail Line. The total car volume, during 2010, of cars originating or terminating on the line, was 121. We can no longer continue to sustain the losses which we are incurring on an annual basis.

After extensive review, Grenada Railway ("Grenada") is contemplating the abandonment of the Rail Line in the near future. In order for Grenada to avoid abandonment and continue service on the Rail Line, we will need to have (1) a substantial increase in traffic, with a guaranteed volume commitment from the shippers on the Rail Line and (2) government assistance in improving the Rail Line. I am requesting that each of the involved shippers make a volume commitment, on a take-or-pay basis, for the next three years.

We are asking Hankins to make a three year guarantee to ship 300 cars per year. If Grenada is able to receive the above-stated commitments from the shippers and the government, then we will be able to keep the line in service. If Hankins and the other shippers are unable to make such a commitment, it will become necessary for Grenada to file for the abandon the Rail Line. If such becomes the case, Grenada Railway ("Grenada") is willing to provide Hankins Lumber with the following benefit, in order to retain your business:

- Grenada is willing to construct a transload, at its yard in Grenada, to allow you to transload your products into rail cars.
- Grenada will provide you with a \$150 per car credit, against the tariff freight rate, for all cars transloaded during the first year and \$100 per car for an additional four years.

Mississippi Address: 64th First Street, Grenada, MS 38901 Phone: 662) 226-8364 Fax: (662) 226-8165

Exhibit C-2

JUL 12 2011 10:55 AM FROM

7/12/11 8:00:03 AM

We have appreciated the opportunity of serving you in the past and hope that one of the above alternatives will be acceptable to you. We will appreciate a response from you by the July 10, 2011. Thank you.

Sincerely yours,



Michael J. Van Wagenen
Vice President

Embargo Details

Embargo No. GRYR000111		Amendment No. 1	
Effective Date 07-28-2011	Expiration Date 07-28-2012	Effective Immediately: Yes	
Status Effective	Issuing Road GRYR - GREYHOUND RAILWAY LLC		
Allow Permits: Yes	Tier 2 Effective Date: 07-28-2011		
Include Empty Revenue Cars: No	Include All Empty Cars: No	Max Car Allowed	Bypass Local Waybills: No
Permit Officer: Aaron Parsons	Email: apersons@greycarailway.com	Phone Number: 1 801 9776377	
Original Requester: Aaron Parsons	Email: apersons@greycarailway.com	Phone Number: 1 801 9776377	
Participating Roads: CN			

Target All Commodities

Cause: Bridge out of service
 Cause Detail: Structural damage to bridge

Include These Locations:

Block ID	Station Name	Side/Direction	# of Trains per Day
GRYR 58826	WEST	MS	Y
GRYR 58830	DURANT	MS	
GRYR 58838	GOODMAN	MS	
GRYR 58842	PICKENS	MS	
GRYR 58846	VAUGHAN	MS	
GRYR 58850	CANTON	MS	

Condition: OR
 Interchanges (Via Interchange Junctions)

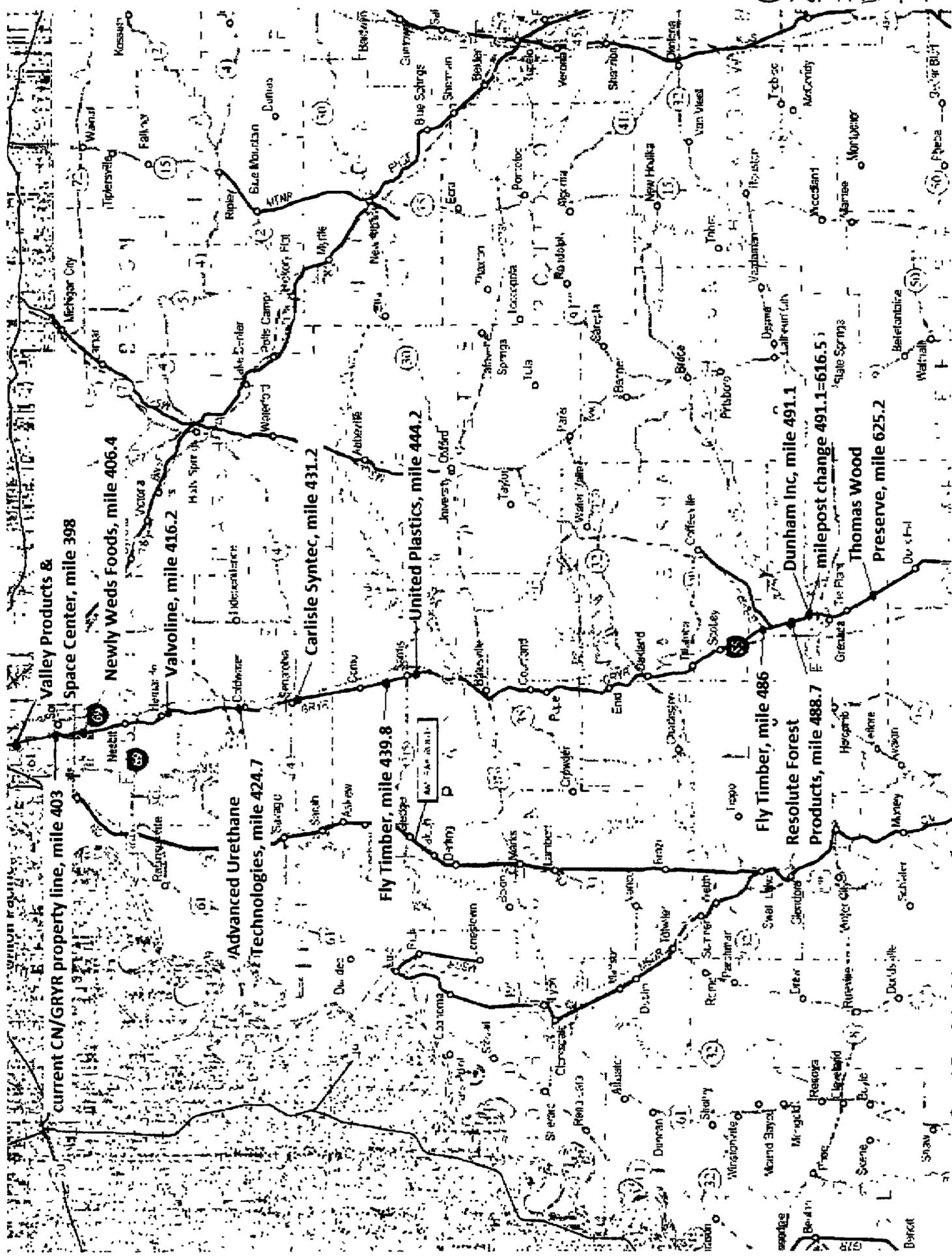


Exhibit F

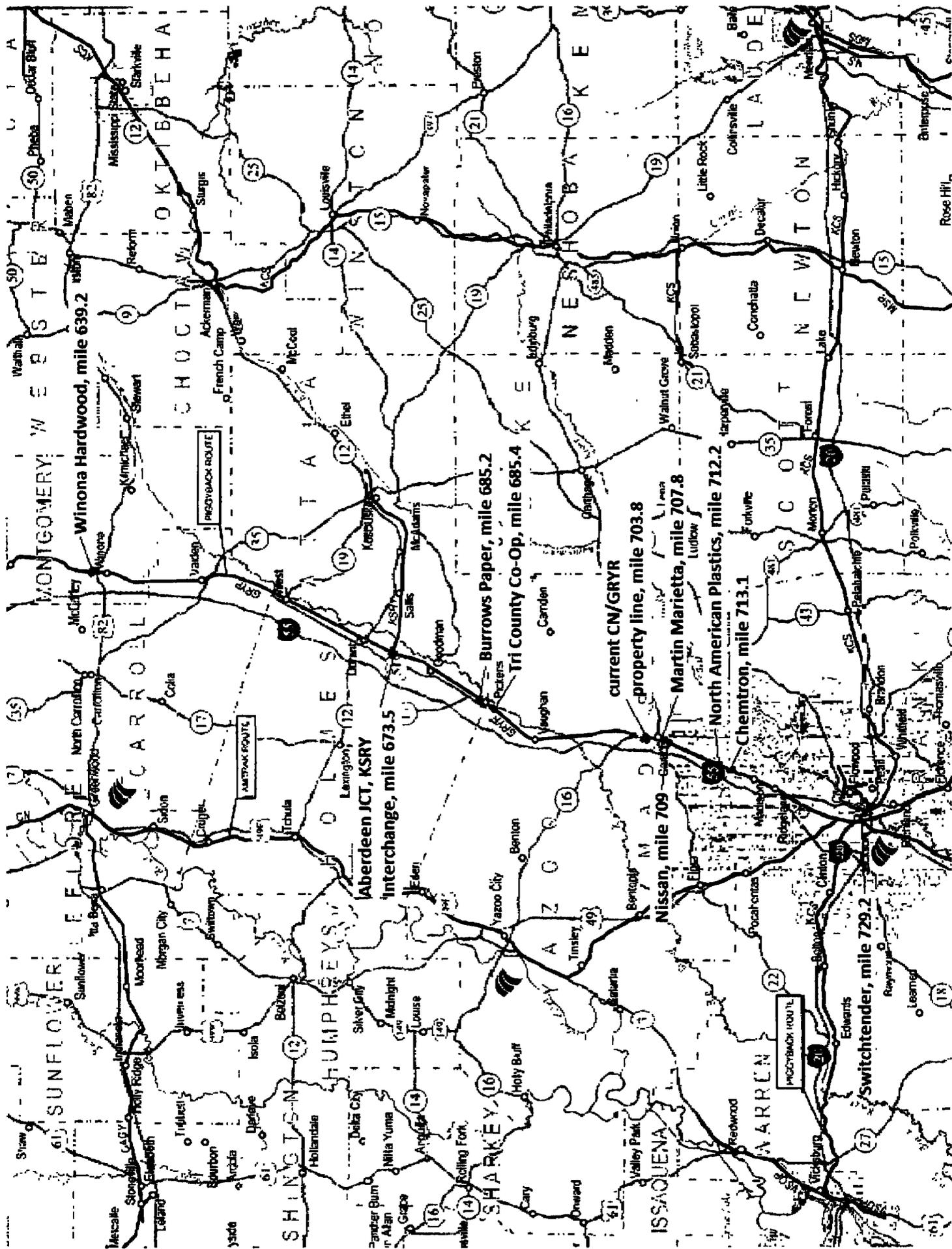


Exhibit G

GRENADA LINE CUSTOMERS

<u>Customer</u>	<u>Location</u>	<u>cars per week</u>	
Valley Products	397.8	15	
<u>Space Center Warehouse</u>	<u>398.3</u>	<u>2</u>	<u>CN property</u>
Newly Weds Foods	406.4	8	GRYR property
Valvoline	416.2	1	
Advanced Urethane Technologies	424.7	3	
Carlisle Syntec	431.2	7	
Fly Timber	439.8	5	
United Plastics	444.2	3	
Fly Timber	486.0	1	
Resolute Forest Products	488.7	27	
Dunham Inc.	491.1	7	
Thomas Wood Preserve	625.2	1	
Winona Hardwood	639.2	1	
Burrows Paper	685.2	1	
<u>Tri County Co-Op</u>	<u>685.4</u>	<u>1</u>	<u>GRYR property</u>
Martin Marietta	707.8	20	CN property
Nissan	709.0	315	
North American Plastics	712.6	23	
<u>Air Liquide</u>	<u>713.1</u>	<u>8</u>	
Total cars per week		449	
Total cars per year: 23,348			
Average cars per year per mile: 110.4			

Exhibit H-1



U.S. Department
of Transportation

Federal Railroad
Administration

1200 New Jersey Avenue, SE
Washington, DC 20590

OCT 15 2010

Ms. Rhonda Nicoloff
Managing Member
Grenada Railway, LLC
643 First Street
Grenada, Mississippi 38901

Re: Docket Number FRA-2009-0122

Dear Ms. Nicoloff:

This letter is in response to the Grenada Railway's (GRYR) December 2, 2009, block signal application which was assigned Docket Number FRA-2009-0122.

The application seeks approval of the proposed discontinuance and removal of the automatic block signal system (ABS) on the entire railroad line between, but not including, the point of ownership at the Tennessee State Line (Canadian National Railway (CN) connection at Milepost (MP) 403.3) and the point of ownership near Davis, MS (CN connection at MP 703.8).

The Federal Railroad Administration (FRA) issued a Public Notice seeking comments from interested parties. FRA also conducted its own field investigation, which included a site visit by members of the FRA Railroad Safety Board (Board).

After careful consideration of the application, FRA's own field investigation, comments submitted to the docket, and the Board's site visit, the Board is granting, in part, and denying, in part, GRYR's application.

Specifically, the Board grants GRYR approval to discontinue and remove the ABS from North Grenada, MS (MP 616.5), south, to the CN connection at Annalynne, MS (MP 703.8). The Board denies GRYR's application from North Grenada (MP 491.1), north, to the CN connection at Mississiee (MP 403.0).

The Board's decision to deny the request to remove ABS between MP 491.1 and 403.0 is based on (1) the level of hazardous material traffic over that territory; (2) the terrain (e.g., track grade); and (3) the presence of ecologically sensitive areas, such as the Cold Water River and reservoir. These characteristics of the rail operation and the physical territory GRYR traverses between MPs 491.1 and 403.0 are significantly different than that between

MPs 616.5 and 703.8. Therefore, the Board has concluded that removal of ABS on that territory would not be in the public interest and consistent with railroad safety. The Board further notes the retention of trackage rights by CN and the possible increase in traffic in the future.

The Board's approval to discontinue and remove ABS from MP 616.5, south, to MP 703.8 is conditioned upon the hot box detectors, currently in place on both the north section (at MP 456.0) and the south section (at MP 681.7), being retained by GRYR and maintained in good repair.

In any future correspondence regarding this request, please refer to Docket Number FRA-2009-0122.

Sincerely,



Robert C. Lauby
Deputy Associate Administrator
for Regulatory and Legislative Operations

Exhibit I

From: Weber, Paul (FRA)
Sent: Thursday, January 20, 2011 1:02 PM
To: rparker@cableone.net
Cc: Web Inquiries (FRA); McFarlin, Tom (FRA); Adams, David (FRA)
Subject: Control 015227 closeout Granada Railway

Mr. Parker;

On January 19, 2011, a Federal Railroad Administration (FRA) Signal & Train Control Specialist inspected two hotbox detectors on the Granada Railway in Grenada, Mississippi. Both detectors, that you were concerned with in your January 14, 2011 email, were not functioning when inspected. This condition is in non-compliance with an FRA order approving an application. That application being FRA-2009-0122.

The Granada Railway was cited for these conditions. The FRA ordered that the hot box detectors be restored to service immediately with an Action Plan outlining the timeline and action required to accomplish this without delay. As part of the Action Plan, bi-weekly updates are required to be made to the FRA Atlanta Regional Office.

The FRA hopes that this action satisfies your concerns, as well as increasing safety for all concerned.

Thank you for your interest in railroad safety.



Grenada Railway, LLC

1505 South Redwood Road
Salt Lake City, UT 84104

P.O. Box 26421
Salt Lake City, UT 84126
Phone: (801) 972-8330
Fax: (801) 478-2868

Exhibit (J)

July 13, 2012

Pablo Diaz, CECD
Executive Director
Grenada Economic Development District
81 South Church Street
Grenada, MS 38901

RE: Grenada Railway Line between MP 619 at Grenada, MS
and MP 703.8 near Canton, MS ("Rail Line")

Dear Mr. Diaz:

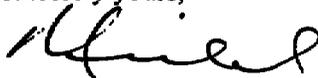
In my discussion with Larry Hart, he informs me that the newly created railroad authority ("Authority") covering the area of our above-described Rail Line, will be meeting within the next few weeks. Mr. Hart further advises that you, as one of the organizers of the railroad authority, are the proper person to receive this offering letter.

Since the filing of our abandonment last fall, the Grenada Railway has lost a number of other shippers and the Rail Line continues to be out of service due to a defective bridge. We have, therefore, elected to file for the abandonment of the Rail Line. Before doing so, however, we would like to offer the Rail Line to the Authority for purchase.

We are prepared to sell the assets associated with Rail Line, including the: (1) one-hundred foot right-of-way, (2) railroad track materials incorporating the main line and the side track, (3) bridges, (4) culverts, (5) crossings, (6) signal equipment and (7) assignment of operating authority. The purchase price is \$21,955,000.00.

If the Authority has an interest in acquiring the Rail Line, will you please so advise, no later than August 20, 2012. Thank you.

Sincerely yours,


Michael J. Van Wagenen
Vice President

cc: Larry Hart

Exhibit K



