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August 3, 2009

Honorable Anne K. Quinlan  
Acting Secretary  
Surface Transportation Board  
395 E Street S.W.  
Washington, DC 20423

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MANAGEMENT  
STB

Re: STB Docket No. AB-570 (Sub-No.3X), Palouse River and Coulee City Railroad, Inc.—Abandonment Exemption—In Latah County, Idaho.

Dear Secretary:

We learned late last week that the Palouse River and Coulee City Railroad (PRCC) has filed for an exception to the abandonment process to allow it to eliminate just over two miles of rail line near Moscow, Idaho. We are a major shipper dependent upon service only accessible to us by using a portion of this line. Even with some huge shipping obstacles—particularly a wildfire that destroyed a trestle and forced us to reroute shipments—for the past seven years we have averaged 243 cars per year that have arrived at our warehouse over the line in question.

We have made a major good faith effort for more than two years to keep rail service and to work with WATCO, the owner of the PRCC, so we could retain rail access if their firm decided to abandon the line. Railroad senior vice president Mark Blazer shared with two of my colleagues, during the winter of 2007, salvage value information that we could use in making them an offer---discussions that provided the basis for our purchase proposal for track and right of way. We, accordingly, offered WATCO \$35,000 for a half mile of the line and its right of way. The realtor employed by WATCO, Shelly Bennett, the Commercial Specialist of Team Idaho Real Estate, informed us via e-mail on March 4, 2008: "I spoke with Mark Blazer and the company has agreed to your offer of \$35,000 for the track and the land from the WA state line to Perimeter Drive. I will draft a contract and email it to you." She said she would "draft a note for the earnest money which will not be due until the RR completes the abandonment."

We agreed that the sale was contingent upon WATCO's ability to abandon the line, that we would not protest their efforts to "abandon the balance of their RR right of way" and that WATCO would leave the track in place on the property they would sell us from Perimeter Drive to the Washington State line. Working with their commercial real estate specialist, we ended up reluctantly acceding to WATCO's refusal to take any environmental responsibility. We signed the "purchase and sale agreement" and the "earnest money agreement" prepared by Ms. Bennett on October 22, 2008. Since then we have not heard anything from WATCO until follow

up calls from my colleague Jerry Linehan on July 16 brought these responses: Mark Blazer told him WATCO was going ahead and filing for abandonment, that by doing so they'd help us be able to keep rail access without as much red tape, and that they were thus honoring their agreement with us. Shelly Bennett told Jerry that WATCO was considering converting the property to "rail banking" in conjunction with the University of Idaho. She indicated that the UI had done an appraisal and come up with a higher value. The Lewiston, Idaho *Tribune* reported on July 29, 2009 "UI eyes future use of old rail line: abandonment of track next to campus opens several possibilities," and mentioned the WATCO claim that "shippers haven't used the line in two years" and stated that "the railroad has expressed interest in making the land available for public purposes by doing things such as leaving bridges and the right of way in place."

We ask your assistance so that we are not deprived of essential rail service. If WATCO will sign the agreement and honor the representations made by its officer and the real estate firm acting upon its behalf, we will be satisfied and will have no objections. We ask your help in calling upon them to live up to the representations made to us, to sell track and right of way from the state line to Perimeter Drive for \$35,000. To keep service, and to allow WATCO room to sell the remaining portions of the line in downtown Moscow, we made a good faith offer based upon information they provided and we were told that they accepted the offer. The Washington and Idaho Railroad has provided us service over this small segment of WATCO line in the past and they have agreed to do so in the future, too.

We learned about this process very recently—it was mentioned in passing by a representative of the Washington State Department of Transportation who had just learned of it. We've been in touch with him as we have worked to get federal grant money to help improve the 243 miles of short line WATCO and another carrier use to handle agricultural shipments to and from our region. He provided us copies of the letters the railroad attorney sent, on the eighth of May, 2009, to eight state or federal agencies or governmental bodies and of the environmental report submitted by them to you.

I hurriedly found the STB website this past weekend. I read that the Board may choose to exempt from the abandonment process a line over which no local traffic has moved for at least two years and that, for "out-of-service" lines, the carrier must show any overhead traffic that has moved over the track can be rerouted over other lines. The proposal here falls short on both counts. We do not know whether this is presented as an "individual exemption" under CFR 1152.60—if so, it is worth noting that we long ago took steps working directly with the railroad to purchase the line so that our siding was not cut off from all connecting rail service.

We note that "parties interested in preserving rail service need not wait until abandonment is approved to negotiate a voluntary purchase of a line proposed for abandonment..." and we have already, for two years, worked hard, in good faith, to

do just that. We have a contract for real estate and track purchase, based upon information provided by WATCO, drafted by their representative, and to which we committed our company. But we've gotten nothing substantive from the railroad for a long time and their attorney has told you they will be removing all the track and that much, perhaps all, the track will be used as a "rail bank." The recent assurance that we will be able to continue to get service, with less red tape, after you've approved their requests has a hollow ring under these circumstances. The added costs of transporting all by truck means substantially higher costs and risks of delayed deliveries of essential fertilizer nutrients we supply to farmers across a wide stretch of the agricultural heartland known as the Palouse.

We must share with you our deep concern about glaring inaccuracies and inconsistencies in the environmental report submitted to you by the railroad attorney, specifically:

- 1) "Upon receipt of abandonment authority, PRCC intends to remove the rail, track material, and ties." This does not sound like honoring their agreement to sell us property and track so we can continue to receive rail service.
- 2) "Local entities are interested in rail-banking all or most of the Lines." If maintaining rail service and encouraging shippers willing to help do so is a priority, it is well hidden here.
- 3) "No local or overhead traffic has been handled on the Lines for over two years. There currently are no active rail shippers located along the Lines." This is incorrect and disingenuous and PRCC representatives are well aware of it being so.
- 4) "The only alternative to abandonment would be not to abandon the Lines and force PRCC to absorb the opportunity costs of retaining those inactive Lines." We offered an alternative—the senior vice president of the railroad told the real estate specialist acting upon its behalf he accepted our offer. We, and she, acted upon this assurance, she prepared an agreement and we signed it.
- 5) "No passenger or freight traffic will be diverted to other modes as a result of the proposed abandonment." Untrue unless PRCC honors its statements made to us so our good faith efforts to keep rail service can be realized. If PRCC pulls the lines as stated, we will have to try to bring fertilizer long distances by large numbers of semi-truck trips per year in a last ditch effort to avoid having to close the facility.
- 6) "Since the Lines no longer handle rail traffic, the proposed abandonment will have no adverse effects on regional or local transportation systems and patterns." The addition of substantial semi-truck traffic on the heavily traveled Moscow-Pullman corridor will be significant, and adverse.
- 7) "The proposed abandonment will have no effect on overall energy efficiency as no local or overhead traffic has been handled on the Lines for over two years." Four trucks as substitutes for every one of the 243 or more annual rail shipments, transporting product hundreds of miles from fertilizer manufacturers. Nine hundred seventy two additional trips or more annually with truck and trailer. No effect on energy efficiency? Incorrect.

- 8) "The proposed abandonment will not cause any diversions of rail traffic to motor carriage, since no local or overhead traffic has been handled on the Lines for over two years.' Incorrect.
- 9) "The proposed abandonment will have no detrimental effects on public health and safety." We have already worked for several years with state and county transportation officials trying to ensure safe and efficient transit for our outbound trucks and trailers on a heavily used corridor. Adding inbound trucks on a scale such as this would be detrimental to safety in a substantial way.

We employ 340 full time people and serve two thousand growers across the Inland Northwest. We wish to preserve rail service important to our region and we are a well established firm with agricultural roots here that date back 127 years, to territorial days. Substantially higher transportation costs and delays in deliveries will impact our business and farm families who face plenty of challenges already.

I note, in the section about the abandonment process, page five, that the "first indication that a railroad intends to abandon a line comes at least 60 days before the carrier's application is filed. This time should not be wasted." It may well be that this is a part of the process that PRCC has asked to wire around. Either way, time is short and we have just now come to realize that the trust and goodwill we have offered the railroad may leave us stranded with an expedited formal process already underway. We aren't attorneys specializing in rail issues, we've not wasted any time other than, perhaps, in taking WATCO representations at face value when we've taken the lead in working constructively with them. Now that we have learned of a formal process underway, we hope you will keep the door open long enough for our concerns to be addressed before we are deprived of rail access over what has been erroneously represented to you as an inactive line.

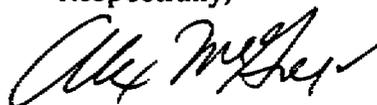
We will provide information and move forward working through the appropriate processes and procedures though we felt your website information about time being of the essence, and our late start in learning that we might be deprived of rail service, meant that we needed to make initial contact as soon as possible. We will learn all we can as fast as we can and endeavor to provide you with whatever information that will be of value as you evaluate the circumstances of this PRCC request.

We are interested in acquiring the line and we have already agreed upon terms with the railroad. We will work with our attorney as fast as we possibly can to ensure we go through the appropriate processes working with you. We are stunned to learn, reading the representations of the railroad attorney, that a formal process has been instituted without our knowledge and without indication to your Board that we've been a major shipper, that we have worked closely with them, and that we offered the PRCC a constructive solution to their concerns a long time ago, an offer they agreed to accept. We will be happy to assist in any way as you consider

this matter. We will be in touch as soon as we possibly can with whatever appears to be appropriate and of value in your deliberations.

We would ask that we be copied on all filings or activity pertaining to STB Docket No. AB-570 (Sub-No. 3X), Palouse River and Coulee City Railroad, Inc.—Abandonment Exemption—In Latah County, Idaho.

Respectfully,

A handwritten signature in black ink, appearing to read "Alex McGregor". The signature is fluid and cursive, with a long horizontal stroke at the end.

Alex McGregor  
President

cc: Senator Patty Murray  
Representative Walt Minnick  
Representative Cathy McMorris-Rodgers