

January 3, 2006



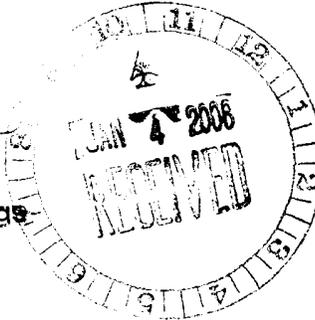
**CARVER
LUMBER**

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit
Suite 713
1925 K Street N.W.
Washington, D.C. 20423

8700 N. UNIVERSITY AVE.
PEORIA, ILLINOIS 61615
(309) 692-2000 • FAX (309) 693-7919

RE: STB Docket No. AB-1066X
STB Docket No. AB-878

ENTERED
Office of Proceedings



FILED

Dear Secretary Williams:

I would like to thank the Board for sending me a copy of the recent decision to discontinue service over the Kellar Line effective 1/22/06. As I understand the ruling, on that date the Cities will be entitled to begin removing the rails and ties from that portion of the line that is planned for a hiking/biking trail. The purpose of this letter is to kindly request that the Board reconsider that decision of 12/22/05 and allow for restoration of continued operation over the Kellar Line. We make this request for several reasons:

I. THE "WESTERN CONNECTION" TO THE UNION PACIFIC IS UNFINISHED:

At this writing, construction on the new connection to the UP from the West is not yet 100% complete, as things have not gone well in the later stages of the project between the City of Peoria and their contractor of choice (Metroplex). In late Summer 2005, a relatively short portion of the northern end of the Kellar Line was taken down for repairs (with this section being down, no cars can be delivered, either from the east side via the old Kellar Line or from a new Western connection). At this writing the project sits uncompleted and idle with virtually no substantial work having been done for at least three months or more. In fact, Metroplex appears to have abandoned the project. This past September we were given a completion date for a new UP connection of October 2005 by former acting president of the CIRY (Allen Brown). With no progress being made, I met with officials from the City of Peoria on 11/21/05 and was given assurances that work on the Kellar Line would be completed within 2-3 weeks (or by early December). Our letter of 11/22/05 to the City confirmed our conversations of the day before and informed them that after 12/30/05 if no progress had been made, it was our intention to seek assistance from the STB in order to hopefully help force the process forward towards restoring direct service to our business as soon as possible. Since we have had no response from the City or any requests for an extension of that date, we now have no choice but to ask for your help.

II: SIMPLY CONNECTING TWO SECTIONS OF TRACK DOES NOT EQUAL SERVICE:

We have been advised by several, informed, interested parties over the years that viable, affordable rail service is not necessarily accomplished by virtue of simply making a physical connection to the UP line from the West. It seems to be much more involved than that. I believe I am accurate in saying that the logistics surrounding making successful deliveries over the new line are far from being thoroughly worked out. A commonly-mentioned solution has been that the UP grant trackage rights over their line so that a CIRY could go directly to the switch yard, pick up our cars and deliver them back to us all in one move.

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I understand that the UP has so far declined to allow that, and the City of Peoria plans to make an appeal to the highest levels in order to try and make it happen. I've further been informed by the City that they have "mothballed" plans to construct a "wye" at the junction serving our industrial park (so cars could be switched out from either northbound or southbound UP trains) in favor of a less costly "J", which will allow only for switching out from northbound trains. Considering most of our freight comes from the North, the UP will need to bypass the junction, proceed to their yard downtown, and switch our car(s) to a northbound train for the trip back to Pioneer Junction, where arrangements will need to be made for the CIRY to send a crew from out of town to make the final move to our yard. With all of that in mind, it would be inaccurate to say that we do not have concerns about how well we will be served (and for how long), and what the eventual cost will be. Absent the City's ability to secure trackage rights from the UP for others to operate over their line, we expect potential significant delays in the delivery of our cars, not to mention the extra cost to us for all of this handling.

III. FINANCIAL HARDSHIP / FINANCIAL ISSUES:

It is my recollection that it was then-acting president Allen Brown of the CIRY who made the decision to voluntarily abandon service to the line this past September after a CIRY derailment during their very first delivery attempt to us (evidence points to possible negligence on CIRY's part). Up to that point we had been serviced quite well by Pioneer Industrial Railway Company (PIRY) over a track that seemed to present no major problems in terms of proper, low-speed operation. CIRY's action to abandon service to the line seems to have caused the City to forge ahead with plans to have Metroplex repair the section of the Kellar Line that remains unfinished today. Since we were assured on two different occasions that the interruption of direct rail service to our business would only last a few weeks, we went ahead and made arrangements to have our cars unloaded elsewhere and the material trucked in. We actually expected this arrangement to result in a near "break even" situation for our company, due to having less carriers involved in the delivery/switching chain. But in time I came to learn that there is in fact no savings to us for this arrangement (see attached letter from PAL, our buying group). As a result, our small business has already incurred over \$25,000 in additional cost to have our material unloaded elsewhere and trucked to our facility, with no end in sight. Since it's quite possible that our company will be unable to recoup all or even any of these additional costs, we were prompted to meet with the City on 11/21/05 in order to see if we could facilitate re-establishment of direct rail service. We wish to make you aware of this situation in hopes that it might expedite your process and shorten the time frame that adds to our financial risk.

On page 4 of the STB report of 12/23/05 it was mentioned that "Regulation is not necessary to protect shippers from abuse of market power." However, The Union Pacific has sole rights to the secondary main line that will serve the new connection from the West, a virtual monopoly due to the fact that they are the ultimate "gate" through which our rail traffic will flow. Likewise, I understand that our options to efficiently tie into other main-line railroads will be more restrictive with a "new connection" versus the options via a complete Kellar Line. And I understand, to date the UP has not shown a great deal of enthusiasm for a situation where they will be obliged to handle small lots of cars (even single cars), perhaps multiple times, when they have more important business to conduct. Is there some safeguard in place to prevent them from pricing themselves out of their obligation? If not, service to our business would surely be threatened if such a thing were to happen. Without significant new business to the line in the form of

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large-volume shippers I doubt we can garner proper attention and/or cost structure from the UP. I am unaware of any potential prospects for such new business whatsoever at this time, although I understand that in the past the UP has offered to assist the City in marketing the line. (Also, to correct the record, there are no longer three shippers on the line - only our company, and we take about 50 cars per year). We are not sure what regulations are available to insure that "abuse of market power" does not occur, but we urge the STB not to overlook certain realities regarding the UP's role in the upcoming "new connection".

IV. PAST ASSURANCES MADE TO THE SHIPPERS:

I have personally attended many meetings over the past several years regarding the City's plan to abandon the Kellar Line to the Park District in favor of a new connection from the West. **Multiple times the shippers were assured that service over the Kellar Line would not be discontinued until viable service from the West was established and running smoothly.** In fact, our early support of the Kellar Line conversion was tied by a letter from the shipper's group to just such an understanding with the City, along with the strong suggestion that new service from the UP/west endure a 24-month trial period before the Kellar Line was taken out of operation. That way, the different theories about how cars will actually be routed, handled, delivered and priced could be tested to be sure the system will in fact allow for fairly efficient operation and cost structure. Since we are largely still operating in the "realm of the theoretical" in terms of the new connection, we still feel that such a trial period would help prevent possible mistakes associated with removing a well-connected, time-honored line from operation. Just as soon as the logistical problems are resolved and a viable connection to the UP line from the West is successfully completed and considered fully operational at a reasonable cost, we will gladly abide by our promise to use that connection. Until such time, we ask that you order service restored over the Kellar Branch Line, as it still seems to offer us the best option in terms of service and cost structure to our company at this time.

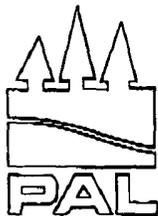
In closing we wish to acknowledge the past efforts of the City of Peoria in attempting to provide a long-term solution to the issue of direct rail service to our business, and to the STB for its work in attempting to reach some sort of balance point on some difficult issues. This letter is not meant to be critical of anyone's individual efforts. We only wish to protect our business from any and all of the elements of concern brought to light by this letter.

We look forward to your timely response. If you have questions or comments I can be reached at 309.692.2004 during regular business hours.

Most Respectfully,



Rob Happach
President / CEO
Carver Lumber Company



November 23, 2005

To: Rob Happach

From: Jeff Parish

Hello Rob,

As you know, PAL is your buying agent, and is a non-profit organization that works in your best interest. Keeping this in mind, I am very concerned about your rail freight situation, as it is negatively affecting your profitability.

I have investigated some freight rates for the main high volume products that you use, OSB, SPF dimension lumber, and Douglas Fir dimension lumber. I have determined that the delivered cost is the same, whether the carloads are delivered to Amerhart on the UP rail, or to Carver Lumber on the CIRY. The reason is that short line rail companies often contract with the large carriers to handle their local deliveries. The short line carriers are paid by the long haul companies to provide this service. This is part of the total freight charge, and does not represent an additional charge to the shipper or to the buyer.

Therefore, it is extremely financially beneficial to you if the cars are delivered to your yard, and not to another location. When the cars are delivered to another location, it adds handling charges, as well as another freight bill to get the material hauled to your yard.

Truck freight rates have risen dramatically this year, and will continue to do so, as some trucking companies have been forced out of business by rising fuel costs. Additionally, there are sometimes freight rebates available for multiple rail deliveries to a single location. If these cars aren't delivered to your yard, it will make you ineligible for any of these rebates.

In conclusion, as your agent, I hope that your local rail delivery can be back on line soon, as Carver Lumber is spending a lot of extra money on freight and handling, and in our competitive industry, no one can afford any unnecessary expenses.

Sincerely,

A handwritten signature in black ink that reads 'Jeff Parish'.

Jeff Parish

Forest Products Trader

Progressive Affiliated Lumbermen

PROGRESSIVE AFFILIATED LUMBERMEN

P.O. Box 823, Grand Rapids, Michigan 49518-0823 (616) 281-2826, Fax (616) 281-6823