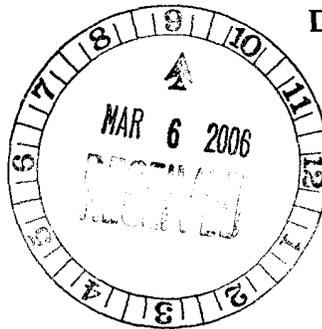


215913



Oregon

Theodore R. Kulongoski, Governor



Department of Transportation

Rail Division
555 13th Street NE, Suite 3
Salem, OR 97301-4179
Telephone (503) 986-4321
FAX (503) 986-3183
TTY (503) 986-3416

File Code:

March 6, 2006

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street NW
Washington, D.C. 20423

ENTERED
Office of Proceedings
MAR 6 - 2006
Part of
Public Record

Re: STB Ex Parte No. 647

Dear Secretary Williams:

Enclosed herewith are original and 10 copies of written comments submitted by the State of Oregon by and through its Department of Transportation with respect to the above-entitled action proposing a class exemption for expedited abandonment procedure for Class II and Class III railroads.

Sincerely,

Kelly C. Taylor
Administrator, Rail Division

Enclosures



SURFACE TRANSPORTATION BOARD
UNITED STATES DEPARTMENT OF TRANSPORTATION

STB EX PARTE NO. 647

WRITTEN COMMENTS SUBMITTED BY
THE STATE OF OREGON
THROUGH ITS
DEPARTMENT OF TRANSPORTATION

ENTERED
Office of Proceedings

MAR - 6 2006

Part of
Public Record

Communications with respect
to this document should be
addressed to:

Kelly C. Taylor, Administrator
Rail Division
Oregon Department of Transportation
555 13th Street, N.E., Suite 3
Salem OR 97301-4179

SURFACE TRANSPORTATION BOARD
UNITED STATES DEPARTMENT OF TRANSPORTATION

STB EX PARTE NO. 647

**CLASS EXEMPTION FOR EXPEDITED ABANDONMENT PROCEDURE
FOR CLASS II AND CLASS III RAILROADS**

WRITTEN COMMENTS SUBMITTED BY
THE STATE OF OREGON
THROUGH ITS
DEPARTMENT OF TRANSPORTATION

INTRODUCTION

My name is Kelly C. Taylor, Administrator of the Oregon Department of Transportation's Rail Division. I am authorized to submit this statement on behalf of the State of Oregon (Oregon) and the Oregon Department of Transportation (ODOT). Theodore R. Kulongoski, Governor of Oregon, and Oregon Statute have designated ODOT to represent shippers, port districts, local governments and the public generally in Surface Transportation Board proceedings.

ODOT's Rail Division is responsible for both the railroad safety regulations consistent with federal law, railroad crossing safety and the planning and implementation of freight and passenger rail programs.

BACKGROUND

Oregon has 2,402 rail route miles operated by 23 freight railroads and the National Railroad Passenger Corporation (Amtrak). Freight railroads include two Class I, one Class II and 20 Class III carriers. Class I railroads operate 45.9 percent of Oregon's rail miles while regional and short line companies operate 54.1 percent, making Class II and III carriers an essential part of the state's rail system. This is significantly different than 15 years ago when Class I railroads operated 90 percent of our route miles. A majority of our state's rail freight customers are now located on small railroads and depend upon them for reliable service.

COMMENTS AND CONCLUSION

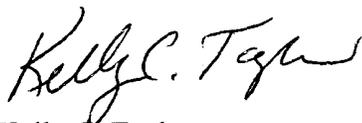
All growth in regional and short line operation in Oregon since 1991 can be attributed to line spin-offs by Class I carriers. Oregon has been involved in and generally supportive of the efforts of its Class I railroads to transfer ownership and operations to short line railroad companies and Oregon has provided funds for short line infrastructure improvements. ODOT works closely with all of the state's short line railroads to retain rail service to Oregon shippers. We believe this transition to small railroads has been generally beneficial to the Oregon economy but there is a disquieting side as well. Of 1,299.5 miles in Oregon under short line operation, 853.6 miles (65.7 percent) belong to just two of our 21 short lines. These regional carriers are, in turn, subsidiaries of two larger corporations whose principal business is operating regional and short line railroads. The annual revenue of these parent companies is such that they could be considered Class I carriers if income was reported on a unitary basis.

Recently, Oregon has noticed some trending toward Class I management practices on the part of short line conglomerates that we worry could evolve into diminution of rail services in one form or another to Oregon shippers. Our primary concern is that

corporate conglomerates that own short lines evaluate differently than locally-owned enterprises decisions affecting reinvestment and long-term planning, particularly when weighing continued operation of marginal rail lines. Oregon notes that the present regulatory process overseen by the Board provides for careful entry into and careful exit from the business of rail transportation. We do not think that loosening the rules for Class II and III carriers to abandon their operations would be good for our state, especially since 65 percent of our low-density rail lines actually are controlled by entities operating rail systems more akin to Class I properties.

Consequently, Oregon does not support the changes proposed under Ex Parte No. 647. We believe the existing process is satisfactory, fair and balanced and provides adequate mechanisms for evaluating the issue of public convenience and necessity. Moreover, ODOT concurs with comments and conclusions filed in this proceeding on behalf of the State of Washington through the joint effort of its Department of Transportation and the Washington State Utilities and Transportation Commission.

Respectfully submitted,



Kelly C. Taylor
Administrator, Rail Division
Oregon Department of Transportation
March 6, 2006