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THOMAS F. MCFARLAND

April 24, 2008

By e-filing

Anne K. Quinlan, Esq.
Acting Secretary
Surface Transportation Board
395 E Street, S.W., Suite 1149
Washington, DC 20024

Re: Ex Parte No. 677, *Common Carrier Obligation of Railroads*

Dear Ms. Quinlan:

Arizona Grain, Inc. (AGI) respectfully begs the indulgence of the Board for leave to file brief comments out-of-time on its experience in regard to the common carrier obligation, particularly as related to the actions of Fortress Investments-Rail America subsidiary, Arizona & California Railroad Co. (ARZC), on its 49-mile rail line between Rice and Ripley, CA (Rice-Ripley line). AGI did not become aware of the opportunity to comment in this matter until the comment date had passed. Late filing of these comments would not be prejudicial inasmuch as replies to comments are not contemplated.

ARZC is in the process of slow-motion abandonment of the Rice-Ripley line. ARZC has ignored its track maintenance obligation on this former Santa Fe rail line for so long that it is now limited to train speed of 10 mph, with numerous track defects. ARZC reduced train service to twice per week, and then to only once per week, but it does not abide by even that bare-bones schedule. For example, the line went 16 days without service in May, 2006; 14 days without service in August, 2006; 25 days without service in October-November, 2006; 35 days without service in January, 2007, and so on. When that deplorable service chased much of the traffic off the line, ARZC imposed a surcharge of \$800 per car on remaining traffic on the ground that there was not enough traffic to pay operating expenses. That is truly a bizarre purported justification inasmuch as ARZC's own intolerably-poor service is responsible for the absence of traffic in the first place. ARZC collected that surcharge on 257 carloads in 2007, for added revenue of \$205,600, but has not put the first dollar of that revenue back into the rail line for maintenance.

The Rice-Ripley line has sufficient demand for rail service to ensure viability if adequate rail service were to be provided. Besides substantial volumes of grain and fertilizer, there is a gypsum mine at Inca, AZ that wants to ship large quantities by rail, as well as other specific rail

THOMAS F. MCFARLAND

Anne K. Quinlan, Esq.
April 24, 2008
Page 2

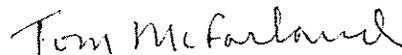
traffic opportunities in the Blythe, California area. I am attaching contemporary communications to the Board by Helena Chemical Company, the City of Blythe, and the Palo Verde Valley Community Improvement Fund. In addition, Ms. Diane Gray of Compton Ag Service has been in contact with Ms. Katherine C. Bezold of the Board's Office of Compliance and Consumer Assistance about ARZC's inadequate service and unjustified surcharge.

When AGI inquired in January, 2008 about potential acquisition of the line, Ms. Sandy Franger in behalf of ARZC stated that in the event of a sale, "ARZC expects to retain the current revenue stream." I take that to mean that on shipments to or from the Rice-Ripley line after a sale, ARZC would not pay a share of its total revenue for the transportation to the new carrier serving that line, notwithstanding that ARZC would save substantial costs by not having to operate over the line. That is a most unreasonable position. It would place an unreasonable handicap on viability of the line inasmuch as a new operator would have to assess a reasonable charge, which would be in addition to ARZC's unchanged rate.

ARZC embargoed the Rice-Ripley line as of mid-December, 2007. AGI and the other shippers on the line agreed not to request rail service for a period of time while they studied options for continuation of rail service on the line. That period expired on April 15, 2008, but ARZC has not removed the embargo of the line. The Board should consider taking action directed to ARZC similar to that which it took in regard to another Fortress-Rail America subsidiary, Central Oregon & Pacific Railroad, Inc. (CORP), in Finance Docket No. 35130, *Central Oregon & Pacific Railroad, Inc. - Coos Bay Rail Line*, decision served April 11, 2008 (CORP required to show cause why its ongoing failure to provide service on the Coos Bay line should not be considered to constitute an unlawful abandonment).

In any event, this matter is brought to the Board's attention in this proceeding because it constitutes a particularly egregious instance of a rail carrier's failure to abide by its common carrier obligation.

Very truly yours,



Thomas F. McFarland
Attorney for Arizona Grain, Inc.

THOMAS F. MCFARLAND

Anne K. Quinlan, Esq.
April 24, 2008
Page 3

cc: Ms. Sandy Franger
VP - Contracts
Arizona & California Railroad Co.
P.O. Box 3340
Parker, AZ 85344

Mr. Eric Wilkey, President, *ewilkey@arizonagrains.com*
Arizona Grain, Inc.
601 East Main Street
Casa Grande, AZ 85222

Mr. Paul Cooper
Helena Chemical Company
10821 15th Avenue
Blythe, CA 92225

Mr. Charles Hull
Assistant City Manager
City of Blythe
235 North Broadway
Blythe, CA 92225

Mr. Timothy J. Maley
Chief Executive Officer
Palo Verde Valley Community Improvement Fund
P.O. Box 211
Blythe, CA 92226

Ms. Diane Gray, *dgray@comptonag.com*
Operations Manager
Compton Ag Service
19751 South Defrain Boulevard
Blythe, CA 92225

Ms. Katherine C. Bezold, *bezoldk@stb.dot.gov*
Rail Consumer Assistance Program
Office of Compliance and Consumer Assistance
Surface Transportation Board
395 E Street, S.W.
Washington, DC 20423



HELENA CHEMICAL COMPANY

10821 15th Ave.
Blythe, CA 92225
Telephone: 760/922-0243
Facsimile: 760/922-0364

April 21, 2008

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

Dear Acting Secretary Quinlan,

As the local representative for Helena Chemical Company, a supplier of agricultural inputs for producers nationwide, and as such a shipper on a short line owned by RailAmerica, Inc., I would like to offer input on our experience, pertinent to the hearings being held in Washington April 24, and 25.

1. RailAmerica has not provided service as they are obligated to, despite the shippers continued need for their services. This refusal has occurred despite the shippers' willingness to pay normal freight charges, and added surcharges imposed by RailAmerica for delivery to their rural locations.
2. Once normal freight charges and surcharges are met by shippers, they should expect as a minimum, adequate service, and maintenance on the line from the carrier. (RailAmerica)
3. A carrier (RailAmerica) should not be allowed to deny needed service to a community under the guise of an embargo, implemented for safety protection, unless specifics on the cause for the condition of the line are approved by an independent entity, separate from the interests of the carrier.
4. Abandonment of a line should not be authorized until that same independent entity has successfully gathered the information necessary to act not only on the carrier's behalf, but the affected shippers, dependent consumers, and communities impacted by the proposed discontinuance of rail service.

Our experience has revealed unwillingness on the part of the railroad (RailAmerica), to discuss or negotiate any possible remedy to the issues they cite for the foundation of their embargo, or anticipated abandonment. This situation exists, despite a grassroots coalition of shippers and community leaders, seeking RailAmerica's input and cooperation to address the needs of both provider, and consumer with the goal of continued rail service. In this instance, RailAmerica maintains a reluctance to responsibly act in the upstanding manner, they profess, by utilizing the regulations that serve their interests best, ignoring any degree of good faith to those dependent on their services. These actions are jeopardizing our communities' ability to economically compete, and develop, as well as placing further burden on an already overused infrastructure, and delicate environment.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Paul Cooper".

Paul Cooper



CITY OF BLYTHE

235 North Broadway / Blythe, California 92225
Phone (760) 922-6161 / Fax (760) 922-4938

April 21, 2008

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

Re: Ex parte No. 677, Common Carrier Obligation of Railroads

Dear Acting Secretary Quinlan:

The City of Blythe, California is the only local agency on the Blythe Branch line of the Arizona California Railroad (ARZC) served by Rail America and would like to present this written comment on the matter captioned above. As a governmental agency, it is the City's position the importance of this line cannot be overstated. The rail line for years has brought heavy equipment, bulky commodities and hazardous materials into and out of the City and Palo Verde Valley. To lose this valuable resource is not an option.

The Palo Verde Valley has approximately 100,000 acres which produce a variety of crops totaling \$113,000,000 annually. A conservative current estimate of the number of railcars for agricultural needs is 800 cars annually, of which 150 would be hauling hazardous chemicals. Besides agricultural needs, other industries estimate they would utilize approximately 2,000 rail cars annually if the service were available. Over recent years, as dependable rail service declined, semi-trucks have been employed to transport those same commodities at a 4.2 trucks to one rail car ratio.

Besides the pavement to rail ratio for freight movement, another issue is the hazardous material component necessary for agricultural operations. Anhydrous ammonia historically was shipped into the valley in railcars straight to the distributor's yard. Today, with the lack of rail service, NH_3 is downloaded into a semi-truck over 60 miles away, trucked into the distributor then downloaded into his service vehicles. This process presents many more opportunities in the transportation chain for human and vehicle accidents.

There is an existing 520 Megawatt power plant located within the westerly city limits. The construction of that plant employed numerous rail cars to bring up to 520 ton loads of equipment into the plant site. The Interstate 10 Bridge over the Colorado River would

have to withstand that same load should the rail option not be available when the second energy plant is constructed, or the first plant needs to change out its turbine/generators.

There has been a consistent history of selling this line, three times in the last seventeen years, with minimal maintenance performed on the track bed by any of the subsequent owners. A recent independent survey of the track condition showed virtually no asset in the existing track materials. This is contrary to the escalated freight rates and "surcharges per car" identified for maintenance of the track bed.

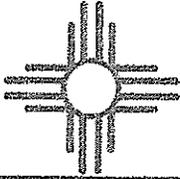
The City of Blythe would like to go on record opposing the closing the Blythe Branch in any manner. It is an integral part of the area economy and the reduction of goods movement on pavement.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles Hull".

Charles Hull
Assistant City Manager

Cc: Mayor and City Council



PALO VERDE VALLEY
COMMUNITY IMPROVEMENT FUND

April 21, 2008

Honorable Anne K. Quinlan
Acting Secretary
Surface Transportation Board
395 E Street South West
Washington, D. C. 20423

Board Members

Jere Allan
Floie Barrows
Geraldine Butler
Dan Figueroa
Quenton Hanson
Frank Kelly
Harry Ruzgerian
Jack Seifer
Max Schoenrock
George Thomas

Re: Ex parte No. 677, Common Carrier Obligation of Railroads

Dear Acting Secretary Quinlan:

The purpose of this letter is to express support for the City of Blythe and the surrounding communities of the Palo Verde Valley in their quest to retain rail service currently provided to the area by Rail America on the branch line of the Arizona California Railroad (ARZC).

The Palo Verde Valley Community Improvement Fund (PVVICIF) is a local non-profit board formed with the specific intent of bringing economic prosperity to the Palo Verde Valley. Many ambitious projects are currently in the works that will require the future need for rail service. For years, the rail line has brought heavy equipment, bulk commodities and hazardous materials into and out of the City of Blythe and the Palo Verde Valley.

Currently, 4.2 semi tractor-trailers rigs are required to facilitate the hauling capacity of one railcar. With the current move towards ecology and the need to eliminate pollution and the glut of truck traffic on our interstate highways it does not make any sense to allow the railroad to abandon this line not to mention the possible consequence that a hazardous material spill presents to emergency responders and to the general public as a result of a traffic collision involving a big truck.

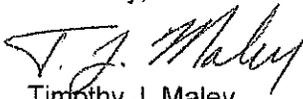
This track line has been sold three times within the last seventeen years.

Each time there has been a history of benign neglect in that little or no maintenance has been performed on the track which was contrary to the agreements signed with local shippers.

The PVVCIF is opposed to the abandonment of the track and looks forward to working with the City of Blythe, Rail America, and the Arizona California Railroad (ARZC) to reach an agreement to keep this vital rail link operational to continue to serve the needs of the citizens of the Palo Verde Valley.

Thank you for the opportunity to give the PVVCIF's perspective on this most important community issue.

Sincerely,

A handwritten signature in black ink, appearing to read "T. J. Maley". The signature is written in a cursive style with a large initial "T" and "J".

Timothy J. Maley

CEO, PVVCIF

cc: Charles Hull City of Blythe