



J. Michael Hemmer  
Senior Vice President - Law & General Counsel

April 29, 2008

22257

RECEIVED  
SURFACE TRANSPORTATION  
BOARD  
2008 APR 30 P 2:41  
OFFICE OF CHAIRMAN  
NOTTINGHAM

**By UPS Next Day Air**

The Honorable Charles D Nottingham, Chairman  
The Honorable Francis P Mulvey, Vice Chairman  
The Honorable W Douglas Buttrey, Commissioner  
Surface Transportation Board  
395 E Street, SW  
Washington, DC 20423

Re STB Ex Parte No 677 – Common Carrier Obligation of Railroads

Dear Chairman Nottingham, Vice Chairman Mulvey, and Commissioner Buttrey

During your hearing in Ex Parte No 677 on April 25, 2008, a representative from RailAmerica provided inaccurate information about UP's economic relationship with the Central Oregon & Pacific Railroad. RailAmerica stated that UP's compensation to CORP consists of \$400 per car, plus 50 percent of RCAF-U adjustments up to a maximum of 3 percent annually. That information is not correct.

UP's compensation to CORP is currently about \$600 per car, not \$400 per car. As fuel prices have escalated, Union Pacific has voluntarily agreed to pass along additional fuel support to CORP. In addition, Union Pacific provides CORP a 3 percent supplement for reporting car movements through Railinc, which improves interline operations and information for customers.

Union Pacific has also given CORP approximately \$1 million since 2004 to help it repair tunnels on the Siskiyou line and maintain a key bridge on the Coos Bay line.

CORP also complained that its contract with Union Pacific limits the amount it can charge its shippers. In fact, CORP has unilaterally imposed surcharges on its shippers and is proposing additional surcharges without objection from Union Pacific.

Finally, while this does not represent compensation to CORP, during the Coos Bay line service interruption, Union Pacific has provided significant financial support to CORP customers who lack rail service, so that those customers can use transload services on Union Pacific.

ENTERED  
Office of Proceedings

MAY 2 2008

Part of  
Record

From our external perspective, the basic problem facing the Coos Bay line is that, since several major customers closed large shipping facilities on the line in the 1990s, the Coos Bay line has generated insufficient traffic to support reinvestment in the line. Accordingly, as I testified on April 24, 2008, private entities are unlikely to recover any return on investment in the line, unless traffic volumes increase substantially

Respectfully,

A handwritten signature in black ink that reads "Mike Hemmer". The signature is written in a cursive, slightly slanted style.

J Michael Hemmer

cc: All Participants *(by US first-class mail)*