

**Surface Transportation Board Allows Iowa, Chicago & Eastern Railroad Corp. to Proceed with Acquisition of "I&M Rail Link" Lines, Subject to Further Scrutiny Later**

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has denied requests by certain labor organizations and the Iowa Department of Transportation (IADOT) that the Board "stay" (hold up) the efforts of the Iowa, Chicago & Eastern Railroad Corporation (IC&E), a noncarrier (i.e., a non-railroad entity) affiliated with the Dakota, Minnesota and Eastern Railroad (DME), to acquire and operate the rail lines and assets of I&M Rail Link, LLC (IMRL). Under the Board's "class exemption" procedures, noncarriers may acquire lines of rail carriers without filing a detailed application and awaiting Board approval. By denying the stay requests and removing a "housekeeping" (temporary) stay earlier imposed (see Surface Transportation Board "News" release No. 02-23, issued June 26, 2002), the Board allowed the exemption authority to become effective today. That means that the transaction may now go forward, although it will be subject to further scrutiny when the Board considers requests made by some parties to "revoke" the exemption for this transaction, and when the Board considers the application that DME will file shortly to seek Board approval of its control of IC&E.

In denying the stay request, the Board concluded that allowing the acquisition to proceed as scheduled presents the best opportunity for uninterrupted, and possibly improved, service to shippers on the IMRL system. Under the asset-purchase agreement between IC&E and IMRL, IC&E must consummate its acquisition of IMRL's lines by the end of July 2002. And, according to IC&E, IMRL's lenders have indicated that, if the transaction is not completed in a timely manner, IMRL most likely will face bankruptcy. For that reason, the Board found that a stay, if imposed, would have potentially harmful consequences for IC&E, and for IMRL customers and employees. Today's decision found no evidence that allowing the transaction to proceed subject to further scrutiny later would harm any parties, given the evidence that current IMRL employees will benefit from the proposed transaction and that IC&E will be able to maintain, if not improve, the reliability and stability of rail service in the area.

Some parties, including IADOT and the U.S. Department of Transportation (DOT), raised concerns regarding the relationship between IC&E and DME, which was recently authorized by the Board to undertake a billion-dollar project to upgrade its existing system and to build a new rail line into Wyoming's Powder River Basin (see Surface Transportation Board "News" releases Nos. 02-05, issued January 30, 2002, and 02-21, issued June 16, 2002). In particular, IADOT and DOT noted that there could be cumulative effects of potential new DME coal traffic from the Powder River Basin moving over IC&E lines. The Board pointed out, however, that DME has not yet obtained the necessary authority to control IC&E and that IC&E must be operated independently of DME until it does. Also, the Board imposed a condition precluding IC&E from handling any traffic moving to or from the line the Board authorized DME to construct until an appropriate environmental inquiry has been conducted. That new environmental inquiry would not be initiated unless DME is allowed to control IC&E, notifies the Board that it has begun construction of the new rail line, and provides the Board with additional necessary traffic and environmental information.

The Board issued its decision today in the case entitled *Iowa, Chicago & Eastern Railroad Corporation-- Acquisition and Operation Exemption--Lines of I&M Rail Link, LLC*, STB Finance Docket No. 34177. A printed copy of the decision is available for a fee by contacting **D~ 2 D~ Legal Copy Service, Suite 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 293-7776**, or via [da2dalegal@earthlink.net](mailto:da2dalegal@earthlink.net). The decision also is available for viewing and downloading via the Board's website at <http://www.stb.dot.gov>.

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