BEFORE THE

SURFACE TRANSPORTATION BOARD

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| CAMAS PRAIRIE RAILNET, INC. -- ABANDONMENT -- BETWEEN SPALDING AND GRANGEVILLE IN LEWIS, NEZ PERCE AND IDAHO COUNTIES, ID | ))))) | DOCKET NO.AB-564 |

PROTEST AND OPPOSITION STATEMENT

SAVE THE CAMAS PRAIRIE

    RAILROAD COMMITTEE (footnote: -6)

c/o JOHN BENNETT

SHEARER LUMBER COMPANY

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Protestants

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DUE DATE:  July 10, 2000

PUBLIC VERSION

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PROTEST AND OPPOSITION STATEMENT

Pursuant to 49 C.F.R. § 1152.25(a), SAVE THE CAMAS PRAIRIE RAILROAD COMMITTEE (“Save-the-Rail Committee”) hereby submits this Protest and Statement in Opposition to the abandonment application filed by Camas Prairie RailNet, Inc. (“CSPR”) on May 26, 2000.

IDENTITY AND INTEREST OF PROTESTANT

Save-the-Rail Committee is an ad hoc association of local interests in the area of the rail line between Spalding and Grangeville, ID (“the Grangeville line”), who are opposed to abandonment of that line.  The Committee consists of the seven largest shippers on the line; communities located along the line; representatives of grain producers, whose farms are located in rural areas near the line; and numerous citizens residing in the area, whose standard of living would be adversely affected if the line were to be abandoned.  Members of the Committee (except for those citizens) are listed in Appendix 1 attached to this Protest and Opposition Statement.  Appendix 2 consists of the signatures of  1,294 local citizens, denoting their opposition to the proposed abandonment.  As reflected in those appendices, local opposition to the proposed abandonment is broad and unified.

SUPPORTING VERIFIED STATEMENTS

This Protest and Opposition Statement is supported by the facts contained in the following verified statements, which appear as appendices in the order noted:

|  |  |  |
| --- | --- | --- |
| Verified Statement of: |                 Affiliation | Appendix No. |
| Paul Wyatt | Former General Manager of CSPR | 3 |
| Carl Younce | Lewiston Grain Growers | 4 |
| Russell Braun | Columbia Grain Int’l, Inc. | 5 |
| Brad Bower | US Timber Co. | 6 |
| Bill Roper | Union Warehouse & Supply Company | 7 |
| John Bennett | Shearer Lumber Company | 8 |
| Jay G. Eimers | Idaho County Light & Power Cooperative Assn., Inc. | 9 |
| Ronald Jensen | Atlas Sand & Rock, Inc. | 10 |
| Steve Johnson | Idaho Grain Producers Assn. | 11 |
| Lori Cox | Grangeville Chamber of Commerce | 12 |

ADOPTION OF PROTEST OF IDAHO PUBLIC UTILITIES COMMISSION

In addition to the evidence and argument contained in this Protest and Opposition Statement, Save-the-Rail Committee hereby endorses and adopts the evidence and argument contained in the Protest being submitted by the State of Idaho through the Idaho Public Utilities Commission (IPUC).  The Committee and IPUC worked closely together in preparing their respective Protests.  The Committee especially endorses and relies on the evidence in the IPUC Protest on harm to rural and community development from the proposed abandonment, including the detailed study performed by representatives of the University of Idaho.  That evidence corroborates and validates extensive anecdotal evidence of such harm in individual verified statements filed as part of the Committee and IPUC Protests.

OVERVIEW

This Protest and Opposition Statement demonstrates that abandonment of the Grangeville line is not permitted by public convenience and necessity because abandonment would have a serious adverse impact on rural and community development in the area of the rail line; because alternate transportation for traffic currently moving by rail to or from points on the line is economically and/or logistically infeasible; because abandonment would cause substantial and irreparable harm to shippers and receivers using the rail line; and because CSPR has not proven that continued operation of the line would be unduly burdensome.  Harm to local interests from abandonment decidedly outweighs harm to CSPR and interstate commerce from continued operation.

APPLICABLE LEGAL PRINCIPLES

Pursuant to 49 U.S.C. § 10903(d), a rail carrier can abandon a rail line only if the Board finds that “the present or future public convenience and necessity require or permit the abandonment”.  The statute does not define what is meant by “public convenience and necessity”.  With one exception identified below, neither does the statute specify factors that the Board is to consider in determining whether a proposed abandonment is permitted by public convenience and necessity.  The meaning of the statutory terms has been developed through case law.

The leading case is Colorado v. United States, 271 U.S. 153 (1926), in which Justice Brandeis authored the opinion for a unanimous Supreme Court.  That case establishes that the Board is to determine whether a proposed abandonment is permitted by public convenience and necessity through what is referred to as a “balancing test” or “weighing process”.  The harm to local interests that would result from abandonment is to be weighed against the harm to the rail carrier and interstate commerce that would result from a requirement of continued operation of the line.  Id. at 168.  In his typically perceptive manner, Justice Brandeis recognized that in some cases the result of that weighing would be readily apparent, but in others that would not be so, viz. at 168-169:

. . . In many cases, it is clear that the extent of the whole traffic, the degree of dependence of the communities directly affected upon the particular means of transportation, and other attendant conditions, are such that the carrier may not justly be required to continue to bear the financial loss necessarily entailed by operation (footnote omitted).  In some cases, although the volume of traffic is small, the question is whether abandonment may be justly permitted, in view of the fact that it would subject the communities directly affected to serious injury while continued operation would impose a relatively light burden upon a prosperous carrier (footnote omitted) . . . Whatever the precise nature of these conflicting needs, the determination is made upon a balancing of the respective interests - the effort being to decide what fairness to all concerned demands . . .

In 1976, the abandonment statute was amended to require specific consideration of the effect of abandonment on “rural and community development”.  (That is the exception referred to above).  The following provision was added to what is now 49 U.S.C. § 10903(d):

. . . In making the finding (about public convenience and necessity), the Board shall consider whether the abandonment or discontinuance will have a serious adverse impact on rural and community development.

That provision is sometimes referred to as the Humphrey Amendment after its sponsor, Senator Hubert Humphrey of Minnesota.  As explained by Senator Humphrey, the intent of the provision is to require recognition of the fact that often the adverse effect of abandonment is felt disproportionately by local citizens in small communities and family farmers in rural areas (in comparison to shippers), who lack the resources and mobility to easily relocate to other areas when the rail line in their area  disappears.  See 121 Cong. Rec. 38486 (Dec. 4, 1975).

Courts have been vigilant in ensuring that the criterion of rural and community development receive adequate consideration in the abandonment weighing process.  In Georgia Public Service Com’n v. United States, 704 F.2d 538 (11th Cir. 1983), the Board’s predecessor, in authorizing a proposed abandonment, gave the following short shrift to the issue of effect on rural and community development (as quoted by the Court, id. at 546):

Harm to shippers and local communities.  Under 49 U.S.C. 10903(a)(2), we are required to consider whether the proposed abandonment will have a serious adverse impact on rural and community development.  Here, protestants allege that the termination of service on the Murphy Branch will have a devastating effect on the local stone and pulpwood industries and, concomitantly on the entire economy of an already depressed region.  We agree that the loss of service over the Murphy Branch may burden shippers with increased costs, and thereby cause some of them to close or relocate.  However, this situation is not atypical of most abandonments, and inconvenience or increased costs to shippers, standing alone, do not warrant continuation of a losing operation.

Although the local communities served by the Murphy Branch may also be adversely affected by this abandonment, we cannot deny the application solely on this basis.  We must weigh the harm which abandonment causes against the burden on the carrier which continued operation imposes.  Colorado v. United States, supra.  Here, any potential loss of employment will be mitigated by possible relocation of pulpwood yards and transloading of shipper’s commodities at an alternate railhead.  The local economy also has industries that are not rail dependent and, in any event, a portion of the area will continue to be served by L & N’s other line.  We conclude that on balance, the continued drain on L & N of operating the line outweighs any adverse effect on the local community which abandonment would cause.

The Court held that such consideration was inadequate, viz., emphasis added (id. at 546-547):

This passage of the Commission’s opinion suffers a number of fatal defects.  First, the record is devoid of evidence of anything other than passing reference to “other industries that are not rail dependent.”  There is no testimony concerning the jobs provided by the “other industries,” or the contribution of these “other industries” to the local community.  This is in contrast to record evidence noted by the ALJ that the industries the Commission callously suggests will “relocate” provide essential jobs to a community whose rate of unemployment approaches twenty percent.  Second, service by another L & N line is irrelevant if the affected shippers cannot use the alternative line.  (footnote omitted).  Finally, we fail to see how “possible relocation” of the pulpwood or decorative stone industries can mitigate, or have anything to do with the injury to these communities.  The Commission’s conclusion is inadequate under the “arbitrary and capricious” standard.

In amending the statute to require specific consideration of a serious adverse impact on rural and community development, Congress clearly intended that any such impact be a strong factor militating against approval of abandonment.

A related factor in determining whether there would be significant harm to local interests from abandonment is whether there would be effective alternative transportation for users of the rail line.  Georgia Public Service Com’n v. United States, supra, is also a leading case on that subject matter.  The Court here held that in order to be effective, alternative transportation must be both logistically and economically feasible.  704 F.2d at 545.  A finding of the Board’s predecessor that shippers had alternative means of distributing their products was set aside as arbitrary and capricious in that case in the absence of evidence of logistic and economic feasibility of such transportation, id. at 545-546; see, also, Busboom Grain Co., Inc. v. ICC, 856 F.2d 790, 795-796 (7th Cir. 1988) (ICC finding that alternative transportation is readily available set aside as not adequately supported or explained where there was evidence that truck transportation would result in an increase in one shipper’s costs by $69,000 per year and by $6,000 per year for another shipper); Southern Pacific Transp. Co. v. ICC, 871 F.2d 838, 843 (9th Cir. 1989) (ICC finding that alternative transportation was not feasible upheld where such alternative would increase shippers’ costs by as much as 30 percent and decrease their revenue by as much as 10 percent - enough to force some of them out of business); and People of State of Ill. v. United States, 666 F.2d 1066, 1080 (7th Cir. 1981) (ICC findings regarding alternative transportation set aside where ICC failed to determine whether alternative transportation was feasible).

In view of the above judicial determinations, it is safe to say that an absence of alternative transportation that is logistically and/or economically feasible is also a strong factor militating against authorization of abandonment.

Harm to a rail carrier and interstate commerce can take one or more of three forms.  Most serious is operating losses, i.e., failure of revenues attributable to the line to cover the line’s operating costs.  Severe and permanent operating losses can compel a determination that abandonment is permitted by public convenience and necessity because a requirement of continued operation could be constitutionally confiscatory in that circumstance.  However, where operating losses are small and sporadic or where there is a reasonable prospect for profitable operation in the foreseeable future, an operating loss can be outweighed by serious harm to communities, rural interests and shippers.

A second form of carrier harm is rehabilitation costs, i.e., capital costs for repair or replacement of infrastructure on the line that cannot be recovered from operating profits within a reasonable period of time.  Minimum safety standards promulgated by the Federal Railroad Administration (FRA) determine whether such rehabilitation is required.  A reasonable period for amortization of rehabilitation costs takes into account the useful lives of the assets under consideration.

The third and least severe form of carrier harm is opportunity costs, i.e., the extent to which a profit from operating a line fails to provide a cost-of-capital return on the net liquidation value of the rail line assets.  Opportunity costs alone can justify an abandonment where there is no evidence of harm to local interests.  Chicago and North Western Transp. Co. - Abandonment, 366 I.C.C. 373, 380 (1982).  However, significant harm to local interests has consistently been found to outweigh even substantial opportunity costs.  Southern Pacific Transp. Co. v. ICC, supra, 871 F.2d at 843; CSX Transportation, Inc. -- Abandonment between Dayton and Arcanum -- in Darke, Preble and Montgomery Counties, OH, ICC Docket No. AB-55 (Sub-No. 336), decision served July 31, 1990 (not printed), at 19 and cases there cited.

APPLICATION OF LEGAL PRINCIPLES TO THE FACTS

A.SERIOUS ADVERSE IMPACT ON RURAL AND COMMUNITY DEVELOPMENT

The record in this proceeding compels a finding that the proposed abandonment would have a serious adverse impact on rural and community development in the area of the Grangeville line.  Indeed, this record undoubtedly contains the most specific and extensive evidence of harm to rural and community development from abandonment of any abandonment proceeding decided by this Board or its predecessor.  In that respect, a very scholarly and thorough study and research report submitted by representatives of the University of Idaho corroborates and validates extensive anecdotal evidence that this abandonment would have enormous adverse regional economic impacts.

Increased costs of about 6 cents per bushel for transporting wheat by truck instead of rail would be passed along by elevator operators to area wheat farmers in the form of correspondingly lower prices paid for their wheat.  (VS Peterson, Attach. 1 at 1-2; Appendices 4, 5 and 7 attached hereto).  That would be a very significant hardship for those family farmers, who have not participated in the booming economy in the United States in the past decade.  In 1989, the average price for wheat in Idaho was $3.67 per bushel.  In 1998, that average price was $2.25 per bushel, a decline of 39 percent!  (Appdx. 11 at 1).  The further reduction in farm prices resulting from abandonment would exacerbate this already-depressed rural farm economy.

Of equal or greater importance to the distressed farm economy of the region, abandonment would put an end to premiums paid by malting houses and breweries for high-quality malting barley grown in the local area.  (VS Scoville at 2; Appendices 4, 5 and 7).  The receivers of malt barley require that it be transported by rail.  Consequently, if the Grangeville line were to be abandoned, malt barley would have to be transloaded from truck to rail at an off-line point.  That would add costs of approximately $5 per ton for trucking, handling and shrinkage.  Increased costs of that magnitude would make barley producers in the area of the Grangeville line uncompetitive with producers in other areas, who would continue to enjoy direct rail service.  Loss of premiums paid for malting barley would be especially harmful for area farmers because they have offset to some extent declining market prices for wheat.  (VS Scoville at 2; Appdx. 11 at 2).

Abandonment of the Grangeville line would preclude agricultural infrastructure improvements that are essential for progress in the regional farm economy.  For example, Lewiston Grain Growers’ (LGG) plan to expand and improve its grain elevator at Ferdinand, ID, has been put on hold because of the pendency of the abandonment application.  (Appdx. 4).

The same kind of serious adverse impact would be felt by those in the region who rely on the local lumber industry.  Substantially-increased costs resulting from abandonment would jeopardize the continued existence of US Timber Co.’s lumber mill at Craigmont, ID.  (Appdx. 6 at 1).  That mill is the largest private employer in Craigmont, and among the largest employers in all of Lewis County.  (VS Gov. Kempthorne at 1-2; Appdx. 6 at 1).  That mill directly employs 18 persons, and the financial well-being of numerous others is largely dependent on the continued operation of that mill.  (Appdx. 6 at 1).  Loss of employment at the US Timber Co. mill would be devastating for Craigmont and for the rural economy of the surrounding area.  It would add a full percentage point to the unemployment rate in Lewis County, which, at 6.7 percent in 1999, is already 2.6 percentage points higher than the 4.1 percent national average.  (VS Peterson, Attach. 2 at 9, Fig. 2-13).

Abandonment of the Grangeville line would deprive the communities along the line and the surrounding rural economy of significant income from tourist-related activities.  Based on actual experience in 1999, the local economy derives $200,000 to $300,000 per year in revenue as a result of spending by participants in “speeder car” tours over the line (speeder cars are motorized railroad maintenance cars designed to operate over railroad lines).  The infusion of that revenue into the local economy is extremely beneficial to rural and community development in the local area; correspondingly, loss of that revenue would have a very serious adverse effect on rural and community development.  (Appdx. 12 at 1-2).  To make matters worse, that adverse effect would be felt primarily in the community of Grangeville, and in the surrounding rural area of Idaho County, where the unemployment rate in 1999 was 10.8 percent, more than double the national and Idaho-statewide average rates.  (VS Peterson, Attach. 2 at 9, Fig. 2-13).

Abandonment would deprive the local economy of substantial revenue from spending that occurs when the Grangeville line is used for filming railroad scenes in Western motion pictures.  Approximately $1 million was spent in the local area while railroad scenes from “Wild Wild West” were being filmed on the line in 1998.  (Appdx. 12 at 3).  The local economy is in dire need of large revenue infusions such as that.  Except for the proposed abandonment, the Grangeville line would likely be used for filming of Western railroad scenes in additional motion pictures.  The project manager of “Wild Wild West” was very pleased with the scenic nature of the Grangeville line for filming such scenes.  (Id.).

Abandonment would preclude the very beneficial effect on the local economy that occurs when a rail line is used for passenger dinner-train and/or excursion train service.  There is a strong current demand for such service.  (Appdx. 12 at 4).  Moreover, the predicted influx of 5 million to 12 million tourists in the area during the celebration of the Lewis & Clark Centennial during 2002-2006 will ensure a demand for ridership in the foreseeable future.  (Id.; Appdx. 3).  Contrary to CSPR’s claim, passenger service on the Grangeville line is not precluded by the length and curvature of tunnels on the line in relation to the passenger cars that would be used in the service.  (Appdx. 12 at 4).

Abandonment of the Grangeville line would preclude the kind of industrial development that is essential for diversification and improvement of the local and regional economy.  The complete rebuilding of the lumber mill at Craigmont would not have occurred unless CSPR had stated to US Timber Co. (falsely) that closing of the rail line was not foreseen.  (Appdx. 6 at 1).  Abandonment would threaten the continued existence of that plant.  (Id.).  The availability of rail service is an important factor in determining whether a lumber plant expansion project by Shearer Lumber Company at Grangeville will go forward.  (Appdx. 8 at 3).  It is highly unlikely that a strawboard plant now considering locating at Grangeville would do so if the rail line were to be abandoned.  (Appdx. 12).

A very scholarly and thorough study and research report by Steven Peterson, Research Economist, and Mike DiNoto, Professor of Economics, both of the University of Idaho, establishes that abandonment of the Grangeville line would have enormous negative impacts on the regional economy.  (VS Peterson).  For every $1 of costs to the region from abandonment, there would be only 23 to 24 cents of offsetting benefits.  Based on thorough analysis and using CSPR’s prediction of forecast year traffic, the Peterson-DiNoto study concludes that abandonment would result in the following:

(1)$1.249 million in direct lost income to regional producers from increased transportation costs, plus an indirect (multiplier) effect of $1.511 million in lost sales and $280,000 in lost labor income;

(2)$388,642 in lost railroad-related tourism sales, causing lost labor income of $170,546;

(3)an increase of approximately 18,000 trucks per year on US Highway 95, causing a regional loss of at least $114,980 in annualized sales and $50,456 in lost labor income from additional vehicle accidents;

(4)$6.4 million in lost sales and $1.57 million in lost labor income as a result of closure of the US Timber Co. lumber mill at Craigmont, ID;

(5)a total of $8.428 million in lost sales and $2.071 in lost labor income.  (VS Peterson at 1-2).

B.ECONOMIC INFEASIBILITY OF ALTERNATIVE TRANSPORTATION

The record establishes clearly that alternative transportation for shipments currently moving to and from the Grangeville line by rail is economically infeasible.

US Timber Co. (UST) would incur increased costs of approximately $648,000 per year as a result of use of truck-rail alternative transportation for the 720 carloads that it would ship or receive by rail at Craigmont in the forecast year.  (Appdx. 6 at 2).  Competitive conditions in the lumber industry would force UST to absorb those increased costs.  Increased costs of that magnitude would jeopardize the continued existence of the Craigmont mill.  (Id.).

Shearer Lumber Company (Shearer-Bennett) would incur increased costs of approximately $100,000 per year as a result of use of truck-rail alternative transportation for the 208 carloads that it would ship by rail from Grangeville in the forecast year.  (Appdx. 8 at 2).  That would greatly reduce the profitability of its lumber mill at Grangeville.  (Id. at 3).

Alternative truck-rail transportation would be wholly inadequate for barley shipped by Lewiston Grain Growers (LGG) by rail from the Grangeville line because the extra costs associated with the truck-rail alternative would make LGG uncompetitive with suppliers having direct rail service.  (Appdx. 4 at 5).  As a result, LGG would lose profitable malt barley sales amounting to approximately $150,000 per year.  In addition, LGG would incur approximately $20,000 in additional costs per year to ship wheat by truck and added costs of about $13,000 per year to receive fertilizer by truck.  (Id.).

Atlas Sand & Rock, Inc (Atlas) would incur added costs of approximately $12,150 per year to receive magnesium chloride by truck compared to receipt by rail.  (Appdx. 10 at 2).  The higher cost of truck service might well prevent Atlas from successfully bidding on road projects in the area.  (Id.).

In summary, in addition to the increased costs that would be passed on to farm families and other citizens in the region, abandonment of the Grangeville line would cause shippers on the line to suffer reduced sales and/or to absorb increased costs totaling nearly $1 million per year (i.e., $943,150 per year).

C.OTHER HARM TO SHIPPERS FROM ABANDONMENT

In addition to the foregoing harm from lost sales and/or increased costs, some shippers on the Grangeville line would lose the current depreciated value of their investments in rail-related facilities, which would be rendered obsolete in the event of abandonment of that line.

LGG would lose the current depreciated value ($92, 890) of a rail-loading facility and locomotive that were constructed and acquired in 1993 to permit efficient shipping by rail at its Craigmont facilities.  (Appdx. 4 at 6).  LGG would also lose the current depreciated value of ($15,400) of its grain elevator at Reubens, ID, which would be closed as a result of loss of rail service.  (Id. at 5).

Idaho County Light & Power Cooperative Association, Inc. (ICLPCA) would lose the current depreciated value ($49,800) of rail unloading facilities that it constructed at Grangeville 3 years ago for rail receipt of propane.  (Appdx. 10 at 2).

In the likely event of closure of its lumber mill at Craigmont as a result of abandonment, UST would lose its recent investment of approximately $400,000 in rebuilding that mill, as well as its initial investment in acquisition of that mill.  (Appdx. 6 at 2).

In total, therefore, abandonment of the Grangeville line would result in loss of the current value of investments totaling $558,090 rendered obsolete as a result of loss of rail service.

D.ABSENCE OF UNDUE BURDEN FROM CONTINUED OPERATION

The extensive harm to rural and community development and to shippers on the rail line identified above would outweigh all but a severe, permanent operating loss, if such were being suffered by CSPR.  This record does not establish that CSPR is suffering, or is likely to suffer, any such operating loss.

What the record does establish is that CSPR operated the line for less than two years before listing it on its diagram map for abandonment; that during such brief operation rail traffic increased dramatically; that CSPR acknowledges that rail traffic and revenues will continue to increase dramatically in the forecast year; and that when it filed the abandonment application, CSPR was in the midst of discussions with shippers and other local interests looking toward ways to even more dramatically increase CSPR’s revenues and decrease its costs.

In less than two years of operation, CSPR acknowledges an increase of 40 percent in rail traffic on the line, from 1500 cars per year to about 2100 per year.  (VS Spradlin at 3-4).  CSPR acknowledges that there will be another increase in traffic of 25 percent from 1999 to the forecast year (from 2100 cars to 2621), and an even more impressive increase of 36 percent in freight revenues in the forecast year.  (Applic., Ex. F at 3; VS Spradlin, Ex. 1 at 1, line 1).  As appears later in this Protest, all of those increases are understated, but even accepting them for the sake of argument they establish a remarkable turnaround in rail traffic and revenues on the line in a short period of time.

In light of such rapidly increasing traffic and revenues and CSPR’s hasty abandonment filing in the midst of talks with its shippers, there is a strong inference that CSPR’s action is premature at best, and at worst, was preconceived from the start.  Evidence submitted by a former General Manager of CSPR provides support for both such inferences.  (Appdx. 3 at 2-7).  The traffic and revenue increases appear to have occurred in spite of CSPR’s upper management.  (Id. at 2-3).  And CSPR commenced abandonment proceedings instead of following up on an opportunity to significantly increase its revenues on interline shipments by means of obtaining trackage rights between Ayer and UP’s main line at Hinkle, OR.  (Id. at 3-7).

Despite all these positives, CSPR contends that it will lose nearly $1 million in operating the line in the forecast year.  As appears hereafter, the forecast year traffic and revenues put forward by CSPR are significantly understated.  In addition, as established in the statement of IPUC’s expert financial witness, a number of the forecast year costs posited by CSPR were not developed in accordance with the Board’s abandonment regulations and/or are not sufficiently supported in the evidence.  However, without regard to those factors, it can be demonstrated that CSPR will not lose $1 million or any other amount in operating the line in the forecast year simply by showing that its costs for maintenance of way and structures (MWS) are vastly overstated and its locomotive and crew costs are double counted.  The claimed operating loss disappears entirely when those costs are correctly determined.

Of the claimed forecast year cost for MWS of $890,013, more than $500,000 is for alleged rehabilitation, not for recurring annual maintenance.  That is the case for $418,231 in capital costs for repairs to bridge structures described in the Parsons Brinckerhoff (PB) Report, Applic. Ex. D at 14.  The costs are there described as for repair of bridge problems over the next 2 to 3 years.  (Id.).  That is rehabilitation, not annual maintenance.

The same is true for $86,382 in costs for “track structure repair” listed at page 15 of the PB Report.  (Ex. D).  Although nominally listed under “normal maintenance” at page 13 of the PB Report, reference to Appendix C of the PB Report, Table 15, pages C-12 and C-13, shows that they are capital costs for replacement of differing quantities of bridge ties, ballast and approach work for different bridges.  A comparison of that Appendix with the notations under “comments” in Appendix D of the Report for the Grangeville line on March 6 and 10, 1998 shows that the capital costs contemplate replacement of every defective tie on every bridge and extensive application of ballast on bridge approaches.  The total of those capital costs was then spread over a 10-year period.  That, too, is rehabilitation, not annual maintenance.  Even if it was considered to be annual maintenance, it would be maintenance to a standard greatly in excess of FRA Class 1 or Class 2, neither of which requires replacement of every defective tie.  Moreover, if it was considered to be annual maintenance, it would be duplicated in CSPR’s estimate of $3,000 per mile for track maintenance.

Those items of rehabilitation are not required for safe operation of this rail line at FRA Class 1 or Class 2 safety standards.  The PB Report itself states that all elements of the track structure for bridges and their approaches are “within FRA allowances for their respective track classification”.  (Applic., Ex. D at 6).  The PB Report itself also undermines any contention that any particular bridge on the line requires rehabilitation, viz., (id at 14):

. . . Since measurements were not possible on PB’s brief inspection, it is not possible for the PB team to estimate the level of effort to correct existing stability problems, nor even exactly how many bridges are affected . . .

The PB Report estimated bridge rehabilitation costs on the basis of what it cost CSPR’s predecessor to rehabilitate Bridge 17 in 1996.  (Id.).  There is absolutely no evidence in the PB Report nor elsewhere in the abandonment application that any bridge on the line requires repairs similar to Bridge 17 in 1996, or requires repairs of any other kind.  Two FRA inspections and an inspection by IPUC’s expert engineering witness determined that no rehabilitation costs are required for any bridge on the line.  (Appdx. 3 at 7-8; VS McDonald).

There is insufficient support in CSPR’s evidence for items that are in the nature of annual maintenance rather than rehabilitation.  CSPR’s estimate of $3,000 per mile for track maintenance is not based on an inspection of the rail line or on the testimony of any expert witness.  CSPR’s estimate of $185,000 per year for bridge maintenance is based on the outdated PB Report, which advocates maintenance to a standard greatly in excess of applicable FRA standards.  No witness having recently inspected the bridges endorses that estimate.  In contrast, the $225,000 forecast year maintenance estimate made by IPUC’s expert engineering witness is based on a recent personal inspection of all of the rail line and all of its bridges, and takes into account the superior condition of the rail line when it was conveyed to CSPR and the extensive stockpiles of track and bridge materials that were left on the line by its former owners.  (VS McDonald).  A maintenance estimate based on a personal inspection of the line and which takes into account the superior current condition of the line is entitled to consideration in preference to an estimate that is not based on such an inspection and which ignores such current condition.  See Illinois Central Gulf R. Co. - Abandonment, 363 I.C.C. 690, 698 (1980), and Union Pacific RR Co. - Aban. - Wallace Branch, ID, 9 I.C.C.2d 325, 344-345, 373-375 (1992).  Consequently, the Board should find that the cost for MWS in the forecast year will be $225,000.

The other major overstatement of costs results from a double-count of locomotive and train crew costs.  CSPR’s on-branch locomotive costs consist of all costs associated with two specific locomotives used to provide service on the Grangeville line.  Similarly, CSPR’s on-branch train crew costs consist of all costs associated with two train crew members who provide service on the line.

That is not an appropriate manner of on-branch costing under the Board’s abandonment regulations.  That manner of costing results in a double-count of locomotive and crew costs in off-branch costs because the locomotives and crew that serve the Grangeville line also provide service on other CSPR rail lines, including the lines used for off-branch transportation of Grangeville line traffic.  (Appdx. 3 at 8-9).  The double-costing is most apparent in regard to shuttle cars transported to Lewiston.  The same locomotives and train crew that provide transportation of those cars on the Grangeville line also provide the off-branch portion of transportation of those cars between Spalding and Lewiston.  Even though CSPR charged all of the costs associated with those locomotives and crew in its on-branch costs, it charged locomotive and crew costs again in the off-branch costs for the same locomotives and crew.  The same improper double-costing applies to off-branch costs between Lewiston and Ayer.  The Grangeville line was set up to share locomotives with the line between Lewiston and Ayer, and the same locomotives and crew used on the Grangeville line often are used on other CSPR lines, including between Lewiston and Ayer.  (Id.).  CSPR’s forecast year off-branch costs are only $20,112 (for track maintenance) when locomotive and train crew costs are eliminated from off-branch costs because they were taken in full in on-branch costs.  (VS Plaistow).

Corrections just to forecast year costs for MWS and off-branch operations transform the large operating loss claimed by CSPR into an operating profit, viz.:

|  |  |  |
| --- | --- | --- |
|  | Cost claimed by CSPR | Corrected Cost |
| MWS | $  890,013 | $225,000 |
| Off-branch |     522,354 |    20,112 |
| Total | $1,412,367 | $245,112 |
|  |  |  |
| Decrease in Cost | $1,167,255 |  |
| Claimed Operating Loss |      941,782 |  |
| Operating Profit | $   225,473 |  |

The forecast year traffic and revenues contained in the abandonment application are significantly understated.  Based on evidence contained in Appendices 4-10 attached to this Protest, forecast year traffic will be as follows (CSPR estimates shown for comparison):

|  |  |
| --- | --- |
| Shipper | Forecast Year Carloads |
|  | CSPR | Save-the-Rail Committee |
| Lewiston Grain Growers | 805 | 870 |
| Columbia Grain | 671 | 808 |
| US Timber Co. | 660 | 720 |
| Union Warehouse | 210 | 296 |
| Shearer Lumber | 213 | 208 |
| Idaho County L&P | 24 | 33 |
| Atlas Sand & Rock | 5 | 18 |
| Lunders Logging | 11 | 11 |
| Boyer Land & Cattle | 2 | 2 |
| Idaho Lime | 14 | 0 |
| Lyman Dust Chem. |       6 |        0 |
| Total | 2621 | 2966 |

CSPR’s estimated forecast year carloads are the same as the carloads allegedly shipped by each shipper in the 1999 base year except for US Timber Co., which recently completed a rebuilding of its lumber mill.  The forecast year carloads estimated by Save-the-Rail Committee are based on responses to a survey conducted by IPUC and on the verified statements of seven of the shippers.  (Appdx. 4-10).  It should be noted that CSPR overstated 1999 carloads for Columbia Grain (the correct total is 628) and understated 1999 carloads for Lewiston grain Growers (the correct total is 945).  It should also be noted that use of 1999 carloads for Lewiston Grain Growers would not correctly reflect its forecast year traffic or revenues because although the number of cars that it will ship will decline, its total tonnage will increase, and the revenues from its traffic will significantly increase, because it will shift from primarily shuttle car transportation in 70-ton cars to primarily unit-train transportation in 100-ton cars.  (Appdx. 4 at 1-4).

The forecast year traffic and revenues estimated by Save-the-Rail Committee are supported by evidence; those estimated by CSPR are not.  It is not accurate to predicate forecast year grain traffic on 1999 carloads because 1999 rail traffic was adversely affected by much lower than usual grain production in the area due to adverse weather conditions for planting and growth.  Production of wheat and barley in Idaho, Lewis and Nez Perce Counties declined by 23 percent and 12 percent, respectively, from 1998 to 1999.  (Appdx. 11 at 1; see, also, Appdx. 5 at 2 and Appdx. 7 at 1).  Crop deliveries at the Union Warehouse in the 1999 crop year were only about half of what they were in the previous two years.  (Appdx. 7, Appdx. BR-1).  In contrast, a better-than-average grain crop for 2000-2001 is about to be harvested.  (Appdx. 11 at 1).  It is reasonable to expect that rail traffic in the area will increase correspondingly.  (Id.).

Increased forecast year traffic for Idaho County Light & Power Cooperative Assn., Inc. is based on consistent rail traffic growth each year for the past 3 years.  (Appdx. 9 at 1).  The increase for Atlas Sand & Rock, Inc. is predicated on a recent increase in its use of the rail line.  (Appdx. 10 at 1).  The increase for US Timber Co. is based on its increased ability to receive and ship lumber by rail as a result of its complete rebuilding of its mill at Craigmont.  (Appdx. 6 at 2).  The objectivity of the forecast year estimates made by Save-the-Rail Committee is illustrated by the fact that traffic declines for three shippers are acknowledged (Shearer Lumber Company, Idaho Lime Co. and Lyman Dust Chem.).

Save-the-Rail Committee’s evidence establishes that there are realistic prospects for CSPR to increase its traffic and revenues on the Grangeville line over and above the increase shown for the forecast year.  CSPR has an opportunity to increase its Grangeville line revenues by more than $100,000 per year by following up on the opportunity for trackage rights over UP between Ayer, WA and Hinkle, OR.  (Appdx. 3 at 3-6).  Ongoing discussions with Grangeville line shippers have the potential for reducing CSPR’s car-hire costs, diverting additional grain from truck to rail transportation and other concessions by shippers.  (Appdx. 4 at 6; Appdx. 11 at 2-3; Appdx. 8 at 2).  There are prospects for industrial development, such as a strawboard plant and expansion of a lumber mill, both at Grangeville.  (Appdx. 12 at 4; Appdx. 8 at 3).  The recent rebuilding of the lumber mill at Craigmont demonstrates that such prospects are realistic, but rail service must be available for them to happen.

In summary, the Grangeville line is currently profitable, will be profitable in the forecast year and has good prospects for even greater profitability in the future.

CONCLUSION AND REQUESTED RELIEF

Based on the foregoing, the Board is requested to find that the proposed abandonment would have a serious adverse impact on rural and community development in the area of the Grangeville line; that alternative transportation for traffic currently moving by rail to and from the Grangeville line would not be economically feasible; that the proposed abandonment would result in substantial and irreparable harm to shippers on the Grangeville line; that operation of the Grangeville line is profitable for CSPR, and will continue to be so; and that the harm to local interests from abandonment of the Grangeville line outweighs any harm to CSPR and interstate commerce that might result from continued operation of that line.

Based upon those findings, the Board is requested to find that abandonment of the Grangeville line is not required or permitted by the present or future public convenience and necessity.

Based upon those findings, the Board is respectfully requested to issue a decision denying the abandonment application.

Respectfully submitted,

SAVE THE CAMAS PRAIRIE

    RAILROAD COMMITTEE

c/o JOHN BENNETT

SHEARER LUMBER COMPANY

Route 1, Box 2L

Grangeville, ID  83530

Protestants

By:THOMAS F. McFARLAND, JR.

        McFARLAND & HERMAN

        20 North Wacker Drive, Suite 1330

        Chicago, IL  60606-2902

        (312) 236-0204

        Attorney for Protestants

DUE DATE:  July 10, 2000

CERTIFICATE OF SERVICE

I hereby certify that the foregoing document, Protest and Opposition Statement, was served on John D. Heffner, Rea, Cross & Auchincloss, 1707 L Street, N.W., Suite 570, Washington, DC  20036, one confidential version, one public version, by UPS overnight mail, Monday delivery, this 7th day of July, 2000.

Thomas F. McFarland, Jr.

STB Docket No. AB-564

APPENDIX 1

MEMBERS OF SAVE THE CAMAS PRAIRIE

RAILROAD COMMITTEE (see, also, Appendix 2

for signature of additional citizen-members

CENEX HARVEST STATES, LEWISTON GRAIN GROWERS DIVISION

COLUMBIA GRAIN INT’L, INC

US TIMBER CO.

UNION WAREHOUSE & SUPPLY COMPANY

SHEARER LUMBER COMPANY,

DIVISION OF BENNETT LUMBER PRODUCTS, INC.

IDAHO COUNTY LIGHT & POWER COOPERATIVE ASSOCIATION, INC.

ATLAS SAND & ROCK, INC

CITY OF GRANGEVILLE, ID and GRANGEVILLE ECONOMIC

MANAGEMENT TEAM

TOWN OF COTTONWOOD, ID

TOWN OF CRAIGMONT, ID

IDAHO GRAIN PRODUCERS ASSN. (representing local farm interests)

IDAHO FARM BUREAU FEDERATION (representing local farm interests)

UNITED TRANSPORTATION UNION - IDAHO LEGISLATIVE BOARD

TOM EIER, ALLSTATE LIFE INS. CO. - LEWISTON, ID

LORI COX, GRANGEVILLE, ID CHAMBER OF COMMERCE

YVONNE D. GLACKIN, NORTH CENTRAL IDAHO TRAVEL ASSN.

GENE WILSON, family farmer, Reubens, ID

LARRY HOUSTON, family farmer, Craigmont, ID

DALE L. WHEELER, Nampa, ID

STB Docket No. AB-564

VERIFIED STATEMENT OF PAUL WYATT

My name is Paul Wyatt.  I reside in Lenore, ID.  I was General Manager of Camas Prairie RailNet, Inc. (CSPR) from the inception of its operations on April 18, 1998 to January 6, 2000, when I was terminated.  Prior to commencement of CSPR’s operations, its parent corporation, North American Railnet, Inc., assigned me to coordinate the transition from the prior owners of its rail lines to CSPR.  That was in early February, 1998.  As General Manager of CSPR, I was responsible for all aspects of CSPR’s operations.  As a result of that experience, I am familiar with CSPR’s traffic, operations and service.  In particular, I am familiar with CSPR traffic, operations and service on its rail line between Spalding and Grangeville, ID.  That rail line is often referred to as the 2d Subdivision or the Grangeville line.

My career in the railroad industry spans nearly 36 years.  I began in railroading in 1964 as a brakeman-switchman.  In 1971 I started my management career as a management trainee and then Division Personnel Officer for Union Pacific Railroad Company (UP) at Pocatello, ID.  During a 29-year career with UP, I was Trainmaster, Assistant Superintendent and Superintendent.  Most of that career was spent in Idaho and Oregon.  I entered the shortline rail industry in 1993 as Special Assistant to the President of Rail Tex, Inc., an owner of numerous shortline railroads.  I was responsible for opening the Central Oregon & Pacific Railroad, Inc. for Rail Tex.  My first association with North American Railnet, Inc. was as Assistant General Manager of its subsidiary Nebraska, Kansas & Colorado Railnet, Inc. by whom I was employed immediately before joining CSPR.  By virtue of my experience, I am familiar with railroading in general, shortline railroading and rail traffic in Idaho.

Based upon the facts that I will identify in this statement, I am convinced that CSPR’s attempted abandonment of the Grangeville line is premature at best, and at worst was preconceived from the start.

My first request of Roger Nelson, President of CSPR, upon my appointment as General Manager, was for authority to hire a marketing manager to promote rail utilization and to explore industrial development on the existing lines.  I was informed by Mr. Nelson that he expected me to fulfill that responsibility.  Mr. Nelson had preached the gospel of not being able to bring the railroad to prosperity through cost reduction efforts such as force reductions and better equipment utilization - that we would have to generate new business or start planning for a going out of business sale.  I had emphasized to him that of the four subdivisions of CSPR, the Second was the only one with traffic diversification.

I brought Wayne Prohaska on as a marketing consultant in a good faith effort to grow CSPR’s business.  Mr. Prohaska has a stellar railroad background in marketing, specifically marketing transportation of grain and forest products by rail.  In addition, he had experience in railroad industrial development and in fact, he did bring significant new revenues to CSPR during the six months that he served as a consultant.  Mr. Prohaska was responsible for (1)     cars per week for      weeks at $     per car from Three Rivers (Kamiah) to Longview, WA; (2) barley traffic to eastern connections at Loddish, Jefferson Junction and St. Louis, February through April, 2000 at CSPR revenue of $        per car; and (3) all of the grain trains.  During one phone conversation, Mr. Nelson inquired about Mr Prohaska’s presence and asked me if his association with us was not contrary to our objective with the rail lines east of Lewiston, indicating that it was his plan to eliminate, not grow the Grangeville line.  On another occasion, he said that if we could reduce CSPR to only the Lewiston yard and the line to Ayer, the railroad would be a real money-maker.

The only two people with the specific charge of growing rail traffic on CSPR lines -- Wayne Prohaska and myself -- were terminated by CSPR President Nelson at approximately the same time that CSPR listed the Grangeville line on its system diagram map for probable abandonment.  That occurred less than two years after CSPR began to operate that line.  Those are strong indications to me that CSPR intended from the start to abandon the Grangeville line.

But even if abandonment of the Grangeville line was not preconceived, there is no doubt in my mind that CSPR did not give that line an adequate opportunity to succeed in the short time that it operated the line before seeking abandonment.  There has been a marked upward trend in traffic and revenues on the line that is apparent from CSPR’s own evidence.  In less than two years of CSPR operation, traffic on the line increased by 40 percent, from 1500 cars to 2100.  (Spradlin statement at 3-4).  CSPR predicts an additional increase of 25 percent in traffic (from 2100 cars to 2621) and 36 percent in revenue (from $653,143 to $891,263) from 1999 to the forecast year.  (Application, Ex. F at 3; Spradlin statement, Ex. 1 at 1, line 1).  It seems to me, therefore, that CSPR’s own evidence undercuts Mr. Spradlin’s contention at page 4 of his statement that traffic levels on the line have reached a plateau.

What’s more, there are additional opportunities for CSPR to grow traffic and revenues on the Grangeville line.  One such opportunity is to increase its share of revenues on 75-car unit-trains of wheat and other traffic interchanged with UP and BNSF.  When I was terminated, I was very close to an agreement with UP that would have resulted in such an increase, but CSPR has not pursued that matter.  Let me explain how this developed on unit-train traffic.

There are important advantages for CSPR and its shippers from unit-train transportation of grain from the Grangeville line direct to Portland, compared to truck-barge or rail-barge transportation between those points via Lewiston.  Unit-train shipments are not assessed storage and handling charges at Lewiston.  There is no loss of commodity in transloading from truck or rail to barges.  It is much more efficient to originate 75 cars as a unit rather than shipping and handling the same number of cars in multiple train trips.  For those reasons, Mr. Prohaska and I identified 75-car unit-trains as a significant potential source of additional revenue for CSPR.

It also made good economic sense for UP to participate in unit-train transportation of grain from the Camas Prairie because of the potential for significant advantages in equipment and crew utilization compared to grain originated in the Midwest.  It was taking UP approximately three weeks to turn equipment around on unit-train shipments from the Midwest to Portland.  The much closer proximity of the Camas Prairie to Portland offered the potential for as many as three round-trips in a three-week period.  The greater efficiency associated with shipments from the Camas Prairie would mean important cost savings for UP.

UP required that CSPR demonstrate its ability to originate 75-car unit-trains efficiently before it would agree to pay a significant portion of total revenue to CSPR.  On the first unit-train from the Grangeville line, CSPR received little more than $        per car.  That was not enough for CSPR to make a meaningful profit on that transportation.  Fortunately, CSPR was able to demonstrate its reliability in originating three 75-car unit-trains on the Grangeville line in 1999.  As a result, UP increased CSPR’s share of revenue to the point where I understand that it is now approximately $        per car.  That allows CSPR to make money on the service, but there is a realistic prospect for it to make considerably more.

The CSPR-UP unit-train arrangement would be more efficient and much more attractive to UP if CSPR were to transport the trains past Ayer to UP’s main line at Hinkle, OR.  Attached to my statement as Appendix PW-1 is a map which shows Hinkle on UP’s main line in relation to the present interchange point at Ayer.  If CSPR were to bring trains to Hinkle, UP would be able to perform its portion of the transportation with a single main-line crew between Hinkle and Portland.  UP would avoid the significant cost of a second crew that currently provides the portion of the transportation between Ayer and Hinkle.  The empty or loaded unit-train cars would move promptly through Hinkle.  Either UP or CSPR locomotives could be used for the transportation on CSPR.  It would be a very efficient operation for UP.

Such an arrangement would offer substantial economic benefits for CSPR.  The CSPR revenue share would be expected to increase materially on 75-car unit-trains (as well as on other UP interline traffic).  Moreover, UP agreed to consider having CSPR switch local industries between Ayer and Hinkle (i.e., the trackage rights would apply on local as well as overhead traffic).  That would mean new traffic for CSPR.

After CSPR had proven to be an efficient interchange partner for UP, I began to negotiate with UP for Ayer-Hinkle trackage rights for CSPR.  My negotiations were with John Miller of UP’s Short Line Group, Dick Meredith of UP’s Labor Relations Department, UP Executive Vice President John Rebensdorf and several representatives of UP’s Grain Marketing Group.  I went to Omaha shortly before Thanksgiving in 1999 to meet with UP representatives in furtherance of those negotiations.  The negotiations went very well.  Mr. Miller spent two days after that Thanksgiving hi-railing the UP and CSPR rail lines between Hinkle and the Grangeville line.  When I was terminated during the first week of January, 2000, UP was very close to agreeing to local trackage rights for CSPR between Hinkle and Ayer.  However, instead of following up on those negotiations after I left, CSPR took steps to seek abandonment of the Grangeville line.

Based on my discussions with UP representatives on that arrangement, I am confident that UP would have agreed to significantly increase CSPR’s revenue share on interline shipments.  On unit-train shipments to Portland, UP would likely have agreed to a 50-50 revenue split, assuming that CSPR locomotives were used between Hinkle and the Grangeville line.  In that event, CSPR would be performing transportation over about 50 percent of the mileage between the Grangeville line and Portland.  That would have increased CSPR revenues to approximately $        per car on those shipments.  That alone would increase CSPR revenues by over $             on the six 75-car unit-trains that would originate on the Grangeville line in the forecast year.

It seems strange to me that Burlington Northern and Santa Fe Railroad (BNSF) never indicated interest in grain train shipments from CSPR, even though they are a big participant in grain train shipments from Nebraska, Kansas & Colorado Railnet, and in light of UP’s interest in growing that business.  It was as if there was a pre-arranged agreement that BNSF would not participate in order to facilitate the demise of the Grangeville line.  All of the principals of CSPR’s parent company are former BN executives.

There are other realistic potential sources of increased CSPR revenues.  One is a plant expansion under consideration by Shearer Lumber Company of Grangeville.  Another is US Timber Co.  CSPR is beginning to enjoy significant benefits from increased lumber traffic as a result of a plant renovation by US Timber Co.  Additional new inbound and outbound rail traffic for CSPR would result from a new strawboard plant that is under consideration for location at Grangeville.  In light of those current industrial development plans and activities on the Grangeville line, CSPR Vice President and General Manager Kevin Spradlin is not correct in alleging at page 5 of his verified statement that the prospects for measurable traffic increases on the line are poor.

Based on my experience, a number of the avoidable costs alleged in CSPR’s abandonment application are not accurate.  There is no need for the costs to rehabilitate bridges, bridge decks and approaches contained in that application.  The Parsons, Brinckerhoff report on which those costs are based was issued in early 1998.  Two detailed FRA inspections of the track and bridges on the Grangeville line have been conducted after that time.  The first of those inspections resulted in a requirement that CSPR install crossties and rail in the track structure, and CSPR did so.  This requirement should not have come as a surprise to CSPR as a complete hirail inspection of the property had been made by Messrs. Nelson and Glavin of CSPR prior to acquisition.  Significantly, however, there have been no FRA exceptions to bridges, decks or approaches on the Grangeville line.  The second FRA inspection was performed approximately 60 days before I was terminated by CSPR.  It was stated in the report based on that inspection that the Grangeville line is in the best condition ever observed by that FRA inspector.

CSPR has a bridge and building crew that inspects bridges, decks and approaches on a regular basis.  That crew issues reports of its inspections.  Any need for rehabilitation of those bridges, decks and approaches would be expected to be reflected in those reports.  It is meaningful that CSPR did not submit any of those reports in the abandonment application as support for its contention that rehabilitation is required.

The companies from whom CSPR purchased its rail lines left very substantial track and bridge materials on those lines.  As a result, CSPR’s costs for maintenance of way and structures have been considerably less than normal, and will continue to be reduced in the foreseeable future.  According to the CSPR income statement filed as part of its abandonment application, CSPR spent $628,480 for maintenance of way and structures in 1999 on all of its rail lines.  That income statement does not show how much of that amount was expended on the Grangeville line.  On a mileage prorated basis, the 1999 cost for maintenance of way and structures on the Grangeville line was $171,575 (66.53 mi. ÷ 244.81 mi. = .273 x $628,480 = $171,575).

Locomotives CSPR1 and CSPR5, referred to at page 9 of the verified statement of CSPR Witness Finley, are not used exclusively on the Grangeville line.  Under CSPR’s operating plan, the Grangeville line was slated to share locomotives with the Lewiston-Ayer turn, operating between Lewiston and Ayer.  The same locomotives that provide service on the Grangeville line often are used to provide service between Lewiston and Ayer.  Therefore, inasmuch as CSPR has assigned all costs associated with those two locomotives as on-branch costs of the Grangeville line (e.g., rent, repairs, fuel, material and supplies, etc.), it would be a double-count to assign additional locomotive-related costs between Spalding and Lewiston and between Lewiston and Ayer as off-branch costs of Grangeville line traffic.

The same is true for the costs of the two-man train crew that provides service on the Grangeville line.  That crew provides service on other CSPR rail lines, including between Lewiston and Ayer.  CSPR assigned the entire salaries and fringe benefits of that crew as on-branch costs of the Grangeville line.  It would be a double-count to assign additional train crew-related costs between Spalding and Lewiston and between Lewiston and Ayer as off-branch costs of Grangeville traffic.

Car accounting for CSPR is performed by a consulting company in Texas pursuant to contract.  The contract is for a lump-sum amount, regardless of the number of cars involved in the accounting.  The same amount would be payable to that company in the forecast year whether or not the Grangeville line were to be abandoned.  Therefore, it would not be appropriate to charge the Grangeville line with a portion of the contract amount for that company based on a percentage reduction in the number of cars handled by CSPR as a result of abandonment of the Grangeville line.

There are existing and potential non-freight sources of revenue that were not considered in CSPR’s abandonment application.  One source is “speeder cars”, the details of which are contained in the verified statement of Lori Cox of the Grangeville Chamber of Commerce.  Another is passenger service, i.e., dinner and excursion trains.  An influx of 5 million to 12 million people in the area of the Grangeville line for the Lewis and Clark Bicentennial celebration beginning the year after next should ensure sufficient patronage for such a service.  Another is revenue from shooting motion pictures on the line.  CSPR made approximately $185,000 from shooting of railroad-related scenes in the motion picture “Wild Wild West” in 1998.  Because of its beautiful scenery, the Grangeville line is on the list of locations for shooting similar scenes in the future.

STB Docket No. AB-564

VERIFIED STATEMENT OF CARL YOUNCE

My name is Carl Younce.  I am Regional Director of Cenex Harvest States, Lewiston Grain Growers Division (LGG).  My business address is 1200 Snake River Avenue, Lewiston, ID  83501-0467.  I have been employed by the same grain cooperative for the past 23 years.  My present position requires that I be familiar with the transportation of grain and fertilizer to and from the rail line of Camas Prairie RailNet, Inc. (CSPR) between Spalding and Grangeville, ID (the Grangeville line).

LGG owns and operates the following grain storage facilities on the Grangeville line:

LocationStorage Capacity (bushels)

Cottonwood149,000

Cottonwood176,000

Cottonwood287,000

Ferdinand405,000

Craigmont (cement)655,000

Craigmont (steel)532,000

Craigmont (cribe)310,000

Reubens701,000

Culdesac366,000

Sweetwater425,000

Lapwai508,000

LGG owns or leases rail sidings at all of those facilities.

In its abandonment application, CSPR substantially understated the volume of rail traffic shipped by LGG on the Grangeville line in 1998 and 1999.  When LGG rail traffic shown by station in Exhibit F of the abandonment application is added together, the totals are 701 cars in 1998 and 805 cars in 1999.  LGG has rechecked its records of rail shipments from the Grangeville line in those years.  Our documents show a total of 1,009 cars in 1998 and 945 cars in 1999.  CSPR understated LGG’s rail traffic by 31 percent in 1998 and 15 percent in 1999.  CSPR’s rail revenues from LGG’s traffic in those years are likely to be correspondingly understated.

The above carloads are somewhat less than the historical amounts identified in LGG’s response to a shipper survey submitted by the Idaho Public Utilities Commission.  That is because we inadvertently included carloads that LGG originated off the Grangeville line at Lewiston.

LGG estimates that it will ship or receive 870 carloads by rail at points on the Grangeville line in the 12-month period beginning May 1, 2000.  That traffic will consist of 550 cars of wheat, 300 cars of barley and 20 cars of fertilizer.  The wheat traffic will consist of six 75-car unit-trains, one 25-car train, 25 cars moving in lesser units and 50 shuttle cars.  All except the shuttle cars would be moved by CSPR for interchange at Ayer.  The shuttle cars are destined to Lewiston.  Our barley and fertilizer are interchanged with connections at Ayer.  These forecast year totals exclude cars originated at Lewiston.

Although the number of carloads that LGG will ship in the forecast year will be about 8  percent less than the number shipped in 1999, LGG’s rail tonnage will increase by 11 percent.  That is because a much greater portion of LGG’s rail traffic in the forecast year will move in 100-ton cars compared to 70-ton cars, in which the majority of LGG’s traffic moved in 1999.  That is illustrated below:

1999

System Cars - 364 x 100 tons per car = 36,400 tons

Shuttle Cars - 581 x   70 tons per car = 40,670 tons

Total   77,070 tons

Forecast Year

System Cars - 820 x 100 tons per car = 82,000 tons

Shuttle Cars -  50 x   70 tons per car =   3,500 tons

Total   85,500 tons

More significantly, CSPR’s revenues on LGG’s rail traffic will increase considerably in the forecast year compared to 1999.  That is because CSPR will derive considerably more revenue on LGG’s unit-train shipments of wheat in the forecast year than it derived on LGG’s shuttle-car shipments of wheat in 1999.  We believe that CSPR’s share of revenue on unit-train traffic currently is $        per car.  That amounts to $               on the 450 cars that LGG will ship in six unit-trains in the forecast year.  That is substantially greater than the revenue that CSPR derived on the same number of shuttle cars in 1999, as illustrated below (car totals are extracted from Ex. F of the application).

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Location | No. of Cars | Total Cwt.(1400 per car) | Rate per Cwt. | Total Revenue |
| Cottonwood | 89 | 124,600 |  |  |
| Ferdinand\* | 121 | 169,400 |  |  |
| Craigmont\*\* | 25 | 35,000 |  |  |
| Craigmont\*\*\* | 180 | 252,000 |  |  |
| Reubens | 73 | 102,200 |  |  |
| Culdesac | 33 | 46,200 |  |  |
| Total | 521 |  |  |  |

\*LGG’s plan to expand the capacity of its Ferdinand elevator has been put on hold because of the proposed abandonment.

\*\*single-car rate

\*\*\*30-car rate

The average revenue per car on those shuttle-car shipments was $          per car ($          ÷ 521 = $159).  On that basis, total revenue for 450 shuttle cars would be $           ($         x 450 =

$          ).  That is $              less than CSPR will receive for transporting the same number of cars that LGG will ship in unit-train service in the forecast year.

LGG is switching from predominately shuttle cars for its rail shipments of wheat to predominately unit-trains because unit-trains are more efficient.  The shuttle cars only hold 2,200 to 2,300 bushels of wheat compared to 3,300 to 3,350 bushels for unit-train cars.  The holes in the top of the shuttle cars are very small.  Notwithstanding the lesser loading capacity for shuttle cars, it takes as long to load a shuttle car as it does a unit-train car.  LGG shipped two 75-car unit-trains in 1999, another in March of this year, and will ship six during the forecast year.

LGG usually ships one 25-car train of wheat at harvest in order to free up space.  The shuttle cars that we would ship in the forecast year would be for cleaning up the small quantities of wheat left in our country elevators.  The balance of wheat moving in lesser quantities consists of malting wheat and feed wheat cars.

The volume of barley that LGG has projected for the forecast year is very conservative.  It is about the same as our current rail volume of barley even though we have increased our malting barley production by about 10,000 tons per year, and we are shipping more feed barley by rail and less by barge because of the increase in dairy production in the Pacific Northwest and the decrease in export barley sales.

LGG expects to receive 20 carloads of fertilizer by rail in the forecast year.  As a result of oversight, we did not include those fertilizer cars in the projection of rail car usage that we provided to a representative of the Idaho Public Utilities Commission earlier this year.

Abandonment of the Grangeville line would have a serious adverse effect on LGG and on the producers of its grain.  Receivers of malt barley require that it be shipped by rail.  Increased costs associated with transloading barley from truck to rail would make LGG uncompetitive with suppliers that would continue to enjoy direct rail service.  That would jeopardize LGG’s malt barley contracts.  LGG would stand to lose $150,000 per year in revenues from malt barley sales.  That would be especially harmful because malt barley is the most profitable commodity that LGG handles.  Malt barley premiums lost by producers of LGG would amount to a minimum of 50 cents per bushel.  At over 800,000 bushels of malt barley handled each year by LGG, the grain producers would lose approximately $400,000 per year.  In addition, the cost of shipping wheat by truck would be about 5 cents per bushel more than by rail.  The increased cost incurred by LGG would be approximately $20,000 per year, while the grain producers would incur increased costs of about $40,000 per year on wheat.  LGG would also incur increased costs of about $13,000 per year for receipt of fertilizer.  The loss of business and increased costs would be very harmful to LGG and its grain producers, who are receiving very low market prices for their crops.

Abandonment could cause LGG to close several of its elevators on the Grangeville line.  Most likely to be closed is our elevator at Reubens, ID.  The current depreciated value of that elevator is $15,400.

In 1993, LGG invested over $523,000 in a rail-loading facility and locomotive at Craigmont to enable efficient shipping by rail.  Abandonment would make those assets obsolete.  Their current depreciated value is $92,890.  That would be a serious loss.

LGG has done all in its power to make CSPR’s operation of the Grangeville line a success, and will continue to do so.  LGG has responded affirmatively to CSPR’s specific requests that it ship as much grain as possible in unit-trains.

As part of a number of initiatives designed to make CSPR’s operation of the Grangeville line more efficient and profitable, LGG, along with other shippers on the Grangeville line, has under consideration the formation of a limited liability company to lease covered hopper cars for shipment of grain from the line.  That would be likely to reduce demurrage charges assessed against shippers on the line (approximately $40,000 for LGG in 1999), as well as car-hire costs paid by CSPR to freight car owners (alleged to be $62,505 in 1999).  The cars could be subleased to CSPR, whose reporting marks could be assigned to them.  The arrangement would enable CSPR to provide service on the line more efficiently.  Currently, CSPR provides more service than required in order to minimize its car-hire costs.

That and other initiatives were being discussed with CSPR this Spring, but CSPR refused to delay filing of its abandonment application while those talks progressed.  In our opinion, CSPR has not made a legitimate effort to make its operation of the Grangeville line more efficient.  Instead, CSPR’s goal seems to be to abandon the Grangeville line and its other subdivisions except for the portion of its line between Lewiston and Ayer.

STB Docket No. AB-564

VERIFIED STATEMENT OF RUSSELL BRAUN

My name is Russell Braun.  I am General Manager and Assistant Vice President of Columbia Grain Int’l., Inc. (Columbia).  My business address is 2051 Wilma Drive, Clarkston, WA.  I am familiar with the application that has been filed by Camas Prairie RailNet, Inc. (CSPR) for abandonment of its rail line between Spalding and Grangeville, ID (Grangeville line).  I am also familiar with shipments that Columbia makes by rail from that line.

Columbia owns and operates three grain elevators on the Grangeville line, as follows:

|  |  |
| --- | --- |
| Location | Licensed Storage Capacity (bushels) |
| Craigmont | 731,000 |
| Cottonwood | 923,000 |
| Grangeville | 760,000 |

In addition, Columbia rents a farmer-owned storage facility at Lapwai to use for malt barley segregation.

In 1999, Columbia made the following shipments by rail from points on the Grangeville line:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Commodity | From:       Lapwai | From:   Craigmont | From:Cottonwood | From:Grangeville | TOTAL |
| Wheat | -- | 223 | 64 | 116 | 403 |
| Barley | 1 | 88 | 91 | 14 | 194 |
| Pulses\* | -- | 11 | -- | 8 | 19 |
| Oats | -- | 2 | -- | 5 | 7 |
| Other | -- | -- | -- | 5 | 5 |
| TOTAL | 1 | 324 | 155 | 148 | 628 |

\*  Pulses include peas, lentils and beans

Columbia’s 1999 rail shipments were depressed as a result of a reduced grain crop in the area of the Grangeville line due to bad weather.

Current year grain crops in the area look extremely good, with an above-average yield forecasted.  The resulting increased production should translate into increases of at least 30 percent in our rail shipments of wheat (from 403 to 523) and barley (from 194 to 254).  Consequently, Columbia is likely to ship a total of 808 cars by rail in the forecast year beginning May 1, 2000.  Assuming that the increased wheat and barley traffic will be spread among Columbia’s elevators in roughly the same proportion as in 1999, Columbia’s forecast year rail shipments will be as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Commodity | From:       Lapwai | From:   Craigmont | From:Cottonwood | From:Grangeville | TOTAL |
| Wheat | -- | 289 | 83 | 151 | 523 |
| Barley | 2 | 115 | 119 | 18 | 254 |
| Pulses | -- | 11 | -- | 8 | 19 |
| Oats | -- | 2 | -- | 5 | 7 |
| Other | -- | -- | -- | 5 | 5 |
| TOTAL | 2 | 417 | 202 | 187 | 808 |

Earlier this year, Columbia provided a response to a shipper survey submitted by the Idaho Public Utilities Commission in which a greater number of carloads were shown for Columbia in the forecast year and 1999.  In preparing that response, Columbia inadvertently included carloads from origins on CSPR other than the Grangeville line.  The carloads in this verified statement are correct.

Columbia’s rail shipments of wheat from the Grangeville line primarily move in shuttle service to the Port of Wilma-Lewiston.  During harvest and shortly thereafter, it is common for Columbia to load 5 to 10 cars per train trip from each of its three major elevators.  Columbia’s rail rates on wheat in shuttle cars to Wilma-Lewiston are as follows:

|  |  |
| --- | --- |
| From | Rate per bushel |
| Craigmont |           |
| Cottonwood |           |
| Grangeville |  |

Our average load in shuttle cars is 2,200 bushels.

Columbia’s rail shipments are of malt-grade barley.  They move from the Grangeville line to Great Western Malting Company at Vancouver, WA or Los Angeles, CA, or to Anheuser Busch, Inc. at Manitowoc, WI or Duluth, MN.  The receivers require that the barley be shipped by rail.

In the event of abandonment of the Grangeville line, Columbia would attempt to pass the resulting increased transportation costs on to the producers of the grain.  On wheat, the additional cost for truck shipments would be more than 5¢ per bushel.  That would significantly decrease the net amount that farmers receive for their wheat.  That would be very harmful to the rural economy in the area of the Grangeville line inasmuch as market prices for wheat are already near historic lows.

Inasmuch as the receivers of malt barley require delivery by rail, barley from the Grangeville line would have to be transloaded from truck to rail at an off-line point.  That would add substantial additional costs for trucking, transloading and shrinkage compared to all-rail shipment.  Those added costs might well make it uneconomical for producers in the area of the Grangeville line to continue to raise malt barley.  That, too, would be very harmful to the rural economy in the area inasmuch as malt barley has been a successful diversified crop for area farmers.

I am attaching to my statement as Appendix RB-1 a copy of a one-page table headed “Camas Prairie Railnet, Inc., 2d Subdivision Economics”.  That table was distributed by representatives of CSPR to shippers on the Grangeville line at a meeting that occurred in 1999.  I note that the “avoidable cash costs” in that table differ significantly from the avoidable costs that are alleged in CSPR’s abandonment application in this proceeding.

STB Docket No. AB-564

VERIFIED STATEMENT OF BRAD BOWER

My name is Brad Bower.  I am President of US Timber Co. (UST).  I have held that position since that company was formed in October, 1995.  My business address is 1755 North Westgate Drive, Suite 230, Boise, ID  83704.

UST acquired a lumber mill formerly owned by Channel Lumber Company at Craigmont, ID, on the rail line now proposed to be abandoned by Camas Prairie RailNet, Inc. (CSPR).  In early June, 1999, UST had under consideration a complete rebuilding of that mill.  Inasmuch as rail service was considered to be essential to the financial success of that endeavor, I and other representatives of UST met with CSPR representatives to discuss our need for rail service.  Mr. Kevin Spradlin of CSPR was present at that meeting.  We told the CSPR representatives that UST was prepared to expend a large sum of money on the mill at Craigmont, but that rail service was essential to successful operation of the mill and that we must be assured that the rail line would continue to be operated for the foreseeable future.  We were advised that at that time the rail line was close to breaking even, and that with UST’s increased traffic CSPR would be in better shape, so they did not foresee the line closing.

Shortly thereafter, UST undertook a rebuilding of that mill at a cost of approximately $400,000.  Only 6 months later, in December, 1999, CSPR listed the line on its system diagram map for probable abandonment.  That action was taken even before the increased traffic resulting from the plant expansion began to move.  CSPR misled UST to our serious detriment.

UST’s Craigmont mill receives lumber primarily from Canada.  That lumber is split, trimmed and recut, and then is shipped outbound to customers throughout the United States.  Almost all of our inbound lumber shipments are received by rail.  Approximately 60 percent of our outbound shipments go by rail.

UST estimates that in the forecast year beginning May 1, 2000, it will receive 470 carloads of lumber by rail and that it will ship 250 carloads outbound by rail, for a total of 720 rail cars.  I have read Mr. Spradlin’s statement alleging that UST stated to him that they intended to increase rail traffic to 580 cars (Ver. Stat. Spradlin at 5).  If anyone from UST advised Mr. Spradlin to that effect, it was a preliminary, inaccurate estimate.  I note that other CSPR evidence acknowledges that UST will account for 660 cars -- 480 inbound and 180 outbound (Applic., Ex. F, p. 2).  That is closer to being accurate.  However, there is no question that the mill renovation will enable UST to receive and ship at least 720 carloads per year, and we fully intend to do so.

Abandonment of the rail line serving Craigmont would have a very serious adverse effect on UST.  If we were to utilize the existing truck-rail reload center at Lewiston, we would incur increased costs of approximately $900 per carload-equivalent, or a total of approximately $648,000 in added costs per year based on the 720 cars that would move by rail in the forecast year.  Competitive conditions in the lumber industry would force UST to absorb those increased costs.  Increased costs of that magnitude would jeopardize the continued existence of the Craigmont mill.  If that mill were to close, UST would lose its recent large investment in that mill and the local economy would suffer greatly.  The mill directly employs 18 persons and the financial well-being of numerous others is largely dependent on operation of that mill.  UST is the largest private employer in Craigmont, ID.

STB Docket No. AB-564

VERIFIED STATEMENT OF BILL ROPER

My name is Bill Roper.  I am General Manager of Union Warehouse & Supply Company (Union).  My business address is 1001 North A Street, P.O. Box 70, Grangeville, ID  83530.  I have held my current position since 1996.  I have been employed in grain cooperative marketing and management since 1970.

Union has two grain elevator warehouse locations on the rail line proposed to be abandoned by Camas Prairie RailNet, Inc. (CSPR).  One location is at Grangeville, ID.  The other location is at Fenn, ID.  Both elevators have storage capacities of approximately 850,000 bushels for a total of just over 1,705,000 bushels.  The main crops handled by Union are cereal grains of wheat and barley and canola oil seeds.  Our cooperative also has agronomy sales and services that include storage and sales of dry and liquid fertilizers.

Attached to my statement as Appendix BR-1 is a rail shipment review that shows rail shipments for Union from Fenn and Grangeville locations for the 1997-98 crop year (June through May), the 1998-99 crop year, and the recent 1999-00 crop year.  The appendix also shows deliveries to our elevators and Lewis-Clark Terminal in Lewiston, ID, during each of these crop years.  Those deliveries indicate the crop production in our area during these periods.

This appendix shows that crop production was reduced in the 1999-2000 crop year compared to the two previous years.  This was due to poor spring planting and growing conditions and crop damaging conditions at harvest including hail and rain sprout damage.

This reduction in crop size and quality reduced the rail shipments for the recent crop year.  There were only 204 rail cars loaded for this year.  This is only about 72 percent of the previous ‛98-‛99 rail volume and 67 percent of the ‛97-‛98 rail volume.

I estimate that we will ship about 296 rail cars of grain from our two warehouse locations in the coming crop year beginning May 1st of 2000-‛01.  We may bring a carload or two of fertilizer into our Grangeville location during this period as well.  Approximately 60 percent of our rail shipments will originate in Grangeville and 40 percent at Fenn.  I expect 268 of the total wheat cars will be shuttle cars to our Lewis-Clark Terminal in Lewiston, ID, 15 cars will be malt barley to Great Western Malting Company at Vancouver, WA, and 13 cars will be canola destined for Vancouver, B.C., Canada.  The fertilizer cars will likely originate in Canada.

Given the current, excellent new crop conditions, I feel confident that Union's rail shipments will return to at or above the volumes realized in the ‛97-‛98 and ‛98-‛99 crop years.  Current growth conditions are projected to be the best we've seen in the past several years.

I therefore do not agree with Mr. Spradlin's testimony that Union's rail shipments are likely to the be same as the 210 carloads shipped and received in the 1999 calendar year.  I deny telling Mr. Spradlin that our use of the railroad will stay about the same as it is now, as is alleged on page 4 of his verified statement.  In fact I have a copy of a letter I sent to him dated March 13, 2000, which is attached to his statement, as attachment 5, that is consistent with my statements here that Union will ship close to 300 cars in the coming crop year - which corresponds approximately to the forecast calendar year.

Union's rail rate on wheat in shuttle cars to Lewiston is      cents per bushel.  This compares to truck rates of 15 cents per bushel.  We load an average of 2,200 bushels in the 70 ton covered hopper cars supplied by CSPR for shuttle freight service.  Consequently, CSPR is paid an average of $        per rail shuttle car.  During harvest and immediate post-harvest months when most of our shipments are made, we ship approximately 20 cars at a time in shuttle service, averaging 10 cars from Fenn and 10 from Grangeville.  Therefore CSPR often derives nearly

$           per train trip from Union's shuttle shipments.

Union does not trade grain in sufficient large quantities to make 75 car unit train shipments of wheat from Grangeville and Fenn.  There are added costs and delays in accumulating the nearly 250,000 bushels needed for a 75 car unit train movement.  Union has not made unit train shipments, and it is not correct that CSPR has derived revenue from unit train grain moves for us in 1999, as stated by Mr. Robert Finley for CSPR on page 3 of his verified statement.

If the rail line serving our operations were to be abandoned, wheat formerly being moved by rail would move by truck to Lewiston at a higher cost of at least four cents per bushel more.  We will have no choice but to try and pass increased freight costs through to our farm customer in an already historically low market.  However, if our competitors might try to absorb this increased cost, we will be forced to also absorb it.  This would amount to an increased cost of

$           or more.

Malt barley and canola seed currently being moved by rail would have to be transloaded by truck to another rail loading point, because the receivers of these commodities require delivery by rail.  The added costs in such transloading could substantially reduce or eliminate the premium pad for these commodities, primarily by Great Western Malting Company and Intermountain Canola.  Farmers would most likely discontinue production of these commodities on the Camas Prairie if they no longer received a premium for them.  This would reduce their viable alternate crops and add to the economic squeeze being experienced by the area's rural economy.

STB Docket No. AB-564

VERIFIED STATEMENT OF JOHN BENNETT

My name is John Bennett.  I am General Manager of Shearer Lumber Company, a division of Bennett Lumber Products, Inc. (Shearer-Bennett).  I have been employed by Shearer-Bennett for 23 years.  As its General Manager, I am responsible for all aspects of Shearer-Bennett’s operations.

Since 1995, Shearer-Bennett has produced finished lumber at a mill at Grangeville, ID on the rail line proposed to be abandoned by Camas Prairie RailNet (CPRN).  That mill is capable of producing approximately 60 million board feet of lumber per year.

Shearer-Bennett’s customers determine whether lumber shipments from Grangeville are made by rail or by truck.  Historically, approximately 40 percent of those shipment are made by rail, primarily to points in the Midwestern and Southwestern United States.  That translates to about 200 carloads per year.  In 1999, Shearer-Bennett shipped 213 carloads by rail from Grangeville.  In the forecast year beginning May 1, 2000, Shearer-Bennett’s rail shipments are likely to be approximately the same as in 1999, or somewhat less because of market conditions in the lumber industry.  I estimate that Shearer-Bennett will ship about 208 cars in the forecast year.

Shearer-Bennett would be seriously harmed if the rail line were to be abandoned.  Lumber shipments formerly moved by rail from Grangeville would have to be transloaded from truck to rail at an off-line point.  The extra costs for trucking and transloading would amount to approximately $100,000 per year, compared to shipping directly by rail.  Competitive conditions in the lumber business would force Shearer-Bennett to absorb that additional cost.  The lumber business is very price-sensitive, with thin margins.  That would prevent Shearer-Bennett from passing the increased costs on to its customers.  The absorption of additional costs of that magnitude would greatly reduce the profitability of Shearer-Bennett’s Grangeville mill.

CPRN began to operate the Grangeville line in April, 1998.  Less than two years later in December, 1999, CPRN listed that line on its system diagram map for probable abandonment.  In my opinion, that action was premature and unjustified for the following reasons:

1.CPRN had failed to negotiate effectively with Union Pacific and Burlington Northern Santa Fe for an adequate share of revenues on Grangeville line traffic.  For example, on lumber shipments from Grangeville to Chicago, total freight charges are more than $        , but I believe that CPRN’s share is only about $       , even though CPRN performs terminal switching at origin and transports the empty and loaded cars between Ayer and Grangeville.  The services performed by CPRN appear to merit far more than the share of total revenue that it is receiving.

2.CPRN had failed to pursue available means to substantially reduce its car-hire costs.  Details regarding this matter are being provided in the verified statement being submitted in behalf of Lewiston Grain Growers, Inc.

3.CPRN had failed to request economic concessions from its shippers prior to seeking abandonment of the Grangeville line.  Shearer-Bennett was willing to make concessions if it was convinced that CPRN had taken reasonable steps to maximize its revenues and minimize its costs.  I understand that all major shippers on the line were also willing to do so.  However, CPRN refused to delay abandonment proceedings while discussions with its shippers were progressing.

4.Lumber traffic on the line is dramatically increasing, providing a diversified traffic base for CPRN along with grain.  The lumber shipper at Craigmont will substantially increase its rail traffic in the forecast year.  Shearer-Bennett has under consideration a plant expansion project at Grangeville that would result in a substantial increase in its rail traffic.  The availability of rail service is an important factor in determining whether that project will go forward.  The increasing lumber traffic is especially important because I understand that CPRN derives much greater revenue per car on lumber than on grain.

STB Docket No. AB-564

VERIFIED STATEMENT OF JAY G. EIMERS

My name is Jay G. Eimers.  I am General Manager of Idaho County Light & Power Cooperative Association, Inc. (ICLPCA).  My business address is Highway 13, P.O. Box 300, Grangeville, ID  83530.  I have been employed by ICLPCA for the past 23 years.  I have held my present position for 12 years.  As General Manager, I am familiar with all aspects of ICLPCA’s business, including transportation of the commodities that it distributes.

ICLPCA’s propane bulk plant in Grangeville is located adjacent to the rail line proposed to be abandoned by Camas Prairie RailNet, Inc. (CSPR).  In 1997, ICLPCA began to engage in the business of distributing propane.  Its propane is obtained primarily from Canada.  Virtually all of it is received by rail in tank cars.  Each tank car contains approximately 30,000 gallons of propane.  That translates to approximately 126,600 pounds (at 4.22 pounds per gallon), or about 63.3 tons per car.

ICLPCA’s propane business has enjoyed phenomenal growth.  A lot of our customers have switched to propane from other fuels, and many others traditionally using propane have switched to us from other suppliers.  In 1997, we received 3 cars of propane by rail.  That increased to 15 cars in 1998 and 24 cars in 1999.  Based on the continuing growth of our business, ICLPCA is likely to receive 33 cars of propane by rail in the forecast year beginning May 1, 2000.

If the rail line serving Grangeville were to be abandoned, ICLPCA would be forced to receive all of its propane by truck at an added cost of 5 cents per gallon compared to receipt by rail.  That would result in added costs of $49,500 in the forecast year to receive the propane that would have been received by rail in 33 carloads of 30,000 gallons each.  As a cooperative association, we would pass that increased cost on to our customers in the price of propane.  That would be a significant burden on our customers, many of whom are struggling financially because they are receiving low prices for their farm crops.  In addition, we would be required to transport our propane, which is a hazardous material, over a two-lane, mountainous highway on which truck traffic would substantially increase.  That would endanger the traveling public.

If the line is abandoned, ICLPCA would also suffer a loss of investment in rail unloading facilities that would be rendered obsolete.  Those facilities were installed 3 years ago at a cost of approximately $60,000.  Their current depreciated value is approximately $49,800.

STB Docket No. AB-564

VERIFIED STATEMENT OF RONALD JENSEN

My name is Ronald Jensen.  I am Manager of Atlas Sand & Rock, Inc. (Atlas).  I have been employed by Atlas for the past 28 years.  My business address is 3665 Snake River Avenue, Lewiston, ID  83501.

Atlas owns and operates a terminal at Lewiston, ID from which it makes shipments of magnesium chloride and lignate by rail to points on the rail line proposed to be abandoned by Camas Prairie RailNet, Inc. (CSPR).  Magnesium chloride and lignate are used to control dust and to stabilize road construction materials.  They are sometimes referred to as road-binding material.  Those commodities are unloaded from rail cars at Grangeville or Ferdinand.  Then they are hauled by truck to road-building sites.

I have been advised that CSPR’s abandonment application states that Atlas received 12 carloads of magnesium chloride at Grangeville or Ferdinand in 1997, 11 carloads in 1998, 5 carloads in 1999, and that in the year beginning May 1, 2000 Atlas will receive the same quantity that it received in 1999 (5 cars).

The totals received by Atlas in 1997, 1998 and 1999 are correct, but the total for the 12-month period beginning May 1, 2000 is not.  Atlas is likely to receive 18 carloads during that period.  I base that estimate on the fact that as of June 20, Atlas already has received 13 carloads during 2000 (more than any full year in the past 3 years), and Atlas expects to receive 5 more carloads during the remainder of calendar year 2000.  The reason for that increased rail traffic volume is that Atlas has been more successful in bidding for supplying road binding materials for road construction projects in the area.  We fully expect that success to continue in the 12-month period beginning May 1, 2000.

Atlas would be harmed if the rail line were to be abandoned.  Atlas pays $        per ton for rail service, or $       per car inasmuch as loads consist of 100 tons per car.  Truck service would cost at least $10 per ton, or approximately $1,000 per rail-carload equivalent.  At 18 carloads per year, the extra costs by truck would total $              per year.  In reality, however, the higher cost of truck service would prevent us from being able to successfully bid on road projects in the area of the rail line.  Atlas would be seriously harmed by the loss of that business.

STB Docket No. AB-564

VERIFIED STATEMENT OF STEVE JOHNSON

My name is Steve Johnson.  I am Executive Director of Idaho Grain Producers Assn. (IGPA).  My business address is 1109 Main Street, Boise, ID  83702-5642.  My position at IGPA requires that I be familiar with grain production and market prices paid to grain producers in Idaho.

According to statistics published by the Idaho Agricultural Statistics Service, United States Department of Agriculture, Boise, ID, the production of barley in Idaho, Lewis and Nez Perce Counties, ID declined by 23 percent from 1998 to 1999, and the production of wheat in those Counties declined by 12 percent from 1998 to 1999.  The declines were due to bad weather that adversely affected planting and growing conditions for those crops.  With appreciably less wheat and barley produced in those Counties in 1999, it would stand to reason that rail shipments of those grains from elevators in those Counties would decline correspondingly.  Grain production in those Counties should return to normal in 2000.  In fact, all indications are that a better-than-average crop is about to be harvested.  Consequently, rail shipments of wheat and barley in those Counties should exceed 1999 levels by wide margins.

Grain producers have not participated in the booming economy in the United States over the past decade.  Quite the opposite; farm prices nosedived over that period.  In 1989, the average price for wheat in Idaho was $3.67 per bushel.  In 1998, that average price was $2.25 per bushel, a decline of 39 percent.  In 1998, the average price for barley in Idaho was $2.73 per bushel.  In 1998, that average price was $2.35 per bushel, a decline of 14 percent.  With grain prices at or near historic lows, family farmers in the area of the Grangeville line cannot afford further reductions in price that would occur when grain elevators pass along the effect of increased transportation costs resulting from abandonment.

Virtually all of the malting barley grain in Idaho and Lewis Counties is transported by rail direct to malting companies or breweries located at distant points.  That amounts to approximately 40,000 tons per year, or about 400 carloads, for Camas Prairie RailNet, Inc. (CSPR).  Malting barley contractors require that barley be shipped to them by rail.  If the Grangeville line is abandoned, barley produced in the area of that line would have to be transloaded from truck to rail at an off-line point.  That would add costs of approximately $5 per ton for trucking, handling and shrinkage compared to direct rail transportation.  The added costs would threaten the future profitability of malting barley production on the Camas Prairie.  The barley receivers would be likely to look to barley suppliers able to ship to them directly by rail.  That would leave barley producers in the area of the Grangeville line with one less production option in an already-stressed farm economy.

IGPA has been a participant in recent discussions between CSPR and local interests designed to increase rail traffic and revenues on the Grangeville line.  Grain elevators and grain producers in the area are investigating a number of ways to divert wheat from truck-barge transportation via Lewiston to rail transportation either to Lewiston or beyond.  One of the grain companies, Lewiston Grain Growers, has begun to make extensive use of 75-car unit-train rail service from the Grangeville line to Portland, OR.  That was in response to requests by CSPR that shippers use that form of transportation.  Another grain company with a large elevator in Nez Perce County that is not served by rail is studying logistical and economical alternatives whereby a good portion of the grain stored in that elevator would be trucked to its elevators on the Grangeville line for rail movement beyond.

In behalf of grain producers in the area, I can state categorically that they are committed to serious negotiations with CSPR and the grain companies to increase the profitability of operating the Grangeville line.  I was very disappointed when CSPR filed an application to abandon the line during the midst of such negotiations.  Nevertheless, IGPA remains committed to continuation of beneficial dialogue among all affected parties.

STB Docket No. AB-564

VERIFIED STATEMENT OF LORI COX

My name is Lori Cox.  I am Executive Director of the Grangeville Chamber of Commerce.  Grangeville is a community located on the rail line proposed to be abandoned by Camas Prairie RailNet, Inc. (CSPR).  I have held my current position for the past 18 months.  I have been employed in public relations capacities for 18 years.

The existence of the rail line serving Grangeville enables a number of tourist-related activities that benefit CSPR, the communities along the rail line and the rural economy of the area.  One of such activities involves “speeder car” tours.  A speeder car is a motorized railroad maintenance car designed to operate over railroad lines.  There are approximately 300 speeder car clubs in the United States.  Those clubs transport speeder cars in highway trailers to various rail lines throughout the United States and Canada.  The speeder cars then operate over the rail lines for an average of 4 or 5 days.

I was instrumental in arranging for two speeder car tours over CSPR rail lines in 1999 (one in May, the other in September).  Those speeder car trips began in Lewiston and operated on the Grangeville line and on other CSPR rail lines.  A good deal of time involved in those trips was spent on the Grangeville line because that line is so scenic.  In fact, the scenic nature of the Grangeville line is a major attraction for speeder car clubs.  Speeder car operators pay $100 per car per day as compensation to CSPR for operating over its rail lines.

There are two speeder car trips scheduled over CSPR rail lines in the forecast year beginning May 1, 2000 (one in June, which has occurred, involving 40 speeder cars for 4 or 5 days, and the other in July involving 35 speeder cars for 4 or 5 days), with a third trip likely in September unless the rail line is abandoned.  Attached to my statement as Appendix LC-1

(4 pages) are copies of the itineraries for the June and July trips.  The itineraries show that the speeder cars were on the Grangeville line for 1½ days during the June trip and will be on that line for 2 days during the July trip.  On that basis, the Grangeville line would be responsible for $6,000 in speeder car revenue for the June trip ($100 x 40 x 1.5 = $6,000) and $7,000 for the July trip ($100 x 35 x 2 = $7,000).  Speeder car trips would be likely to continue and increase in number in the future because speeder car clubs are strongly drawn to the scenic surroundings of the CSPR rail lines (especially the Grangeville line).

Based on our experience in 1999, each person involved in speeder car trips spends an average of $267 per day in our region.  There are an average of two persons per speeder car.  That translates to average revenue of $106,800 for the local area each time there is a speeder car tour over CSPR rail lines ($267 per day x 80 persons x 5 days).  At two or three speeder car tours per year or more, that means pumping over $200,000 or $300,000 per year of new revenue into the local economy.  That is extremelybeneficial to rural and community development in the local area.  It would be veryharmful to rural and community development if abandonment of the Grangeville line were to cut off this important new source of revenue.

Another source of revenue for CSPR and the local economy is motion picture production on the Grangeville line.  In 1998, a number of scenes from the motion picture “Wild Wild West” were filmed on the scenic Grangeville line.  I have been advised that the producers of that motion picture paid CSPR approximately $185,000 as compensation for use of the facilities on the Grangeville line during the three weeks or so that filming was taking place.

The Idaho Film Bureau has advised me that it is likely that the Grangeville line will be used for filming railroad scenes in Western motion pictures on a recurring basis unless the line is abandoned.  The project manager for the railroad scenes in “Wild Wild West”, Mr. James Clark, advised the Bureau that he was very pleased with the scenic nature of the Grangeville line as a site for filming railroad-associated scenes for Western motion pictures.

The local economy benefits significantly when a motion picture is filmed in the area.  It is estimated that approximately $1 million was spent in the local area during the filming of the railroad scenes in “Wild Wild West”.  The local economy is in dire need of revenue infusions of that kind.

Another potential source of revenue for CSPR and the local economy is passenger service.  I have been advised that beginning in January of this year, the Lewiston Historic Live Steam Railroad Company has operated excursion “dinner trains” on Holidays between Lewiston and Lenore, ID (not on the Grangeville line).  The dinner train car accommodates 100 passengers.  Each of its trips has been sold out.

There is a definite market for dinner trains and/or excursion trains on the Grangeville line.  A dinner train operation up the scenic Winchester grade would attract numerous riders.  The train could turn at the wye-track at Reubens or at Craigmont in order to get passengers back to Lewiston on a timely basis.  There would also be strong demand for excursion-train service on an overnight basis between Lewiston and Grangeville.  Millions of visitors will be in the area during the Lewis & Clark Bicentennial Celebration that will occur between the years 2002 and 2006.  That will ensure continuation of a healthy market for a tourist train operation.

CSPR has claimed that the tunnels on the Grangeville line are not adequate to accommodate passenger cars and locomotives.  That is not true.  In 1999, Mr. D.F. Barnhardt of D.F. Barnhardt and Associates, a provider of international marketing services in railroad and tourist rail equipment, measured the length and curvature of those tunnels and concluded that they are adequate to accommodate the passenger equipment that would be operated through them.

Increased passenger service would enable CSPR to collect more revenue for passenger use of its rail lines.  Such increased revenue would be attributable to the Grangeville line.  Dinner train and/or excursion train service would be a bonanza for the local economies of the communities served by the Grangeville line.  Abandonment of the Grangeville line would cut off that sorely-needed source of revenue.

Attached to my statement as Appendix LC-2 is a copy of a letter to me from Mr. Mike Entenmann of Allwood Machinery.  That letter is a follow-up to telephone conversations I had with Mr. Entenmann on June 12 and June 14, 2000 about his company’s interest in locating a strawboard plant at Grangeville.  Mr. Entenmann’s letter provides details about that proposal.  A portion of the strawboard produced at the plant would be transported by rail.  There would also be rail transportation inbound of a glue agent used in the strawboard production process.  The Grangeville Economic Management Team is actively working on this project.

**FOOTNOTES**

-6:

Members of Save the Camas Prairie Railroad Committee are identified in Appendices 1 and 2 of this Protest and Opposition Statement.