IOWA FALLS GATEWAY

SHORT LINE R.R. STUDY

by

MORRISON-KNUDSEN COMPANY INC.

CONTRACTORS
ENGINEERS
DEVELOPERS

MORRISON-KNUDSEN COMPANY, INC.

EXECUTIVE OFFICE
TWO MORRISON-KNUDSEN PLAZA
P.O. BOX 7808 / BOISE, IDAHO 83729 / U.S.A.
PHONE: (208) 345-5000 / TELEX: 368439

February 25, 1980

Mr. Fred McKim
General Manager
West Bend Elevator Company
West Bend, Iowa 50597

Dear Mr. McKim:

Please find attached for your information, fifty (50) copies of the Errata Sheets for the IOWA FALLS GATEWAY - SHORT LINE R.R. STUDY, submitted on February 15, 1980.

The first correction relates to the misconception on my part that the Palmer to Royal lines was already owned by the shippers. The second correction is required because of the use of revenue and cost figures based on the shipper data rather than the corrected data due to unreported revenues, as well as the fact that maintenance costs on the line would be reduced due to the rehabilitation being performed. Finally, the car movements per month as shown on the third correction, had two errors; (i) a typographical error on November in the first column and (ii) an incorrect calculation in the second column (should have been (50% rather than 33%, thereby changing the total movements per month to reflect the total movements after inclusion of the unreported data.)

We regret the errors have occurred and sincerely hope they do not inconvenience the use of of the report. Please place one copy of the errata sheets in your report and distribute the remaining copies to those holders of the remaining reports.

Sincerely yours,

MORRISON-KNUDSEN COMPANY, INC.

R. A. Presnell
Manager - Project Support

RAP:dv

attachments

IOWA FALLS GATEWAY STUDY

ERRATA SHEET

FEBRUARY 25, 1980

LOCATION	CORRECTION REQUIRED
Page 3-1, Subsection 3.2 Property Acquisition, paragraph 1.	~~The Rock Island Railroad trackage between Royal and Palmer is presently owned by a shipper's association involved in the Gateway study and is therefore not a part of the proposed acquisition.~~ No costing for the Rock Island trackage acquisition between Royal and Palmer has been addressed in this study, as it is assumed that this trackage will be purchased by the shippers group on this line and not by the Iowa Falls Gateway Shippers Group.
Page 6-3, Subsection 6.2 Truck Transportation Alternative, paragraph 3 of page 6-3.	~~From the previously generated railroad operations costs, the yearly direct operating cost comparison between rail and truck haul is as follows:~~

~~Yearly Operating~~

~~Railroad Haul~~	~~Truck Haul~~
~~$9.6 Million~~	~~$17.1 Million~~
~~8.4 Million (approx. yearly revenue)~~	------
~~$1.2 Million Net Oper. Cost~~	~~$17.1 Million~~

Morrison-Knudsen has developed a cost comparison between railroad haul and truck haul, for movement of the products to Iowa Falls. Since the rates would then be computed from Iowa Falls to the final destination, revenue within the Gateway has been considered to be common To both modes.

YEAR 1 OPERATING COST COMPARISON

RAILROAD VS. TRUCKING

	RAILROAD HAUL	TRUCK HAUL
Operating Cost	$ 8.0 Million	$17.1 Million
Revenue	$11.4 Million	$11.4 Million
OPERATING RESULT	$ 3.4 Million	($ 5.7 Million)

LOCATION	CORRECTION REQUIRED
Page 7.4, entire page	Revised as follows:

MONTHLY CAR MOVEMENTS

Month	Car Loads per Month		
	Present	Present Plus 50%	Iowa D.O.T. Projection
January	1,179	1,768	2,030
February	927	1,391	1,638
March	1,043	1,564	2,020
April	1,563	2,345	3,250
May	2,141	3,211	4,423
June	1,985	2,978	3,630
July	1,892	2,838	3,570
August	1,419	2,128	2,850
September	1,737	2,606	3,600
October	2,344	3,516	4,825
November	2,272	3,408	4,840
December	1,858	2,787	3,530
Total	20,360	30,540	40,206

CONTRACTORS
ENGINEERS
DEVELOPERS

MORRISON-KNUDSEN COMPANY, INC.

EXECUTIVE OFFICE
TWO MORRISON-KNUDSEN PLAZA
P.O. BOX 7808 / BOISE, IDAHO 83729 / U.S.A.
PHONE: (208) 345-5000 / TELEX: 368439

February 13, 1980

Mr. Fred McKim
General Manager
West Bend Elevator Company
West Bend, Iowa 50597

Dear Mr. McKim:

In a meeting on November 29, 1979, West Bend Elevator Company together with the Iowa Falls Gateway Shippers Group, authorized Morrison-Knudsen to perform a short line railroad study and prepare a report which would provide the shippers with an alternative approach to the outcome of the Rock Island bankruptcy as well as an economic data base from which to determine the potential for a short line railroad owned by the shippers and contract operated by another party.

We believe that within the constraints of both time and money, that this report will satisfy those requirements. This report sets out the findings, operating recommendations, management requirements and conclusions reached by Morrison-Knudsen in determining the economic feasibility of such a short line operation.

This report is conservative in its approach to that portion of car movements which are deemed to be unreported, and we therefore believe that potential for additional revenue increases is excellent. The projections as provided by the IDOT appear to be realistic and attainable within a period of five years.

Throughout the report, we have addressed the estimates and conclusions as if M-K were the contract operator. It is practical to consider that the assumptions made would be applicable to operation by the shippers group also.

An actual determination of the amount of rehabilitation to be performed would reduce the capital requirements considerably. However, we believe that the program as outlined by M-K within the report will provide the necessary long term base on which to build a successful operation.

We have found this study challenging and stand ready to proceed as the contract operator for the Iowa Falls Gateway including the rehabilitation portion. We are confident that the Iowa Falls Gateway is one of the few potential short lines which has all the attributes to be a successful and a worthwhile contribution to the business community of Iowa.

Morrison-Knudsen appreciates the opportunity of performing this study and we look forward to an ongoing and mutually beneficial relationship.

Very truly yours,

Richard A. Presnell

Richard A. Presnell
Manager Project Support
Railroad Division

RAP/cdk

IOWA FALLS GATEWAY STUDY

TABLE OF CONTENTS

SECTION 1

INTRODUCTION

The proposed Iowa Falls Gateway railroad network (Gateway), shown on the following Exhibit 1, is a portion of the Chicago, Rock Island and Pacific Railroad Company (Rock Island Railroad) presently operating within north-central Iowa. This railroad system consists of approximately 346.3 route miles of track and operating rights over an additional 54.9 miles of track owned by the Chicago, Milwaukee, St. Paul and Pacific Railroad Company (Milwaukee Railroad).

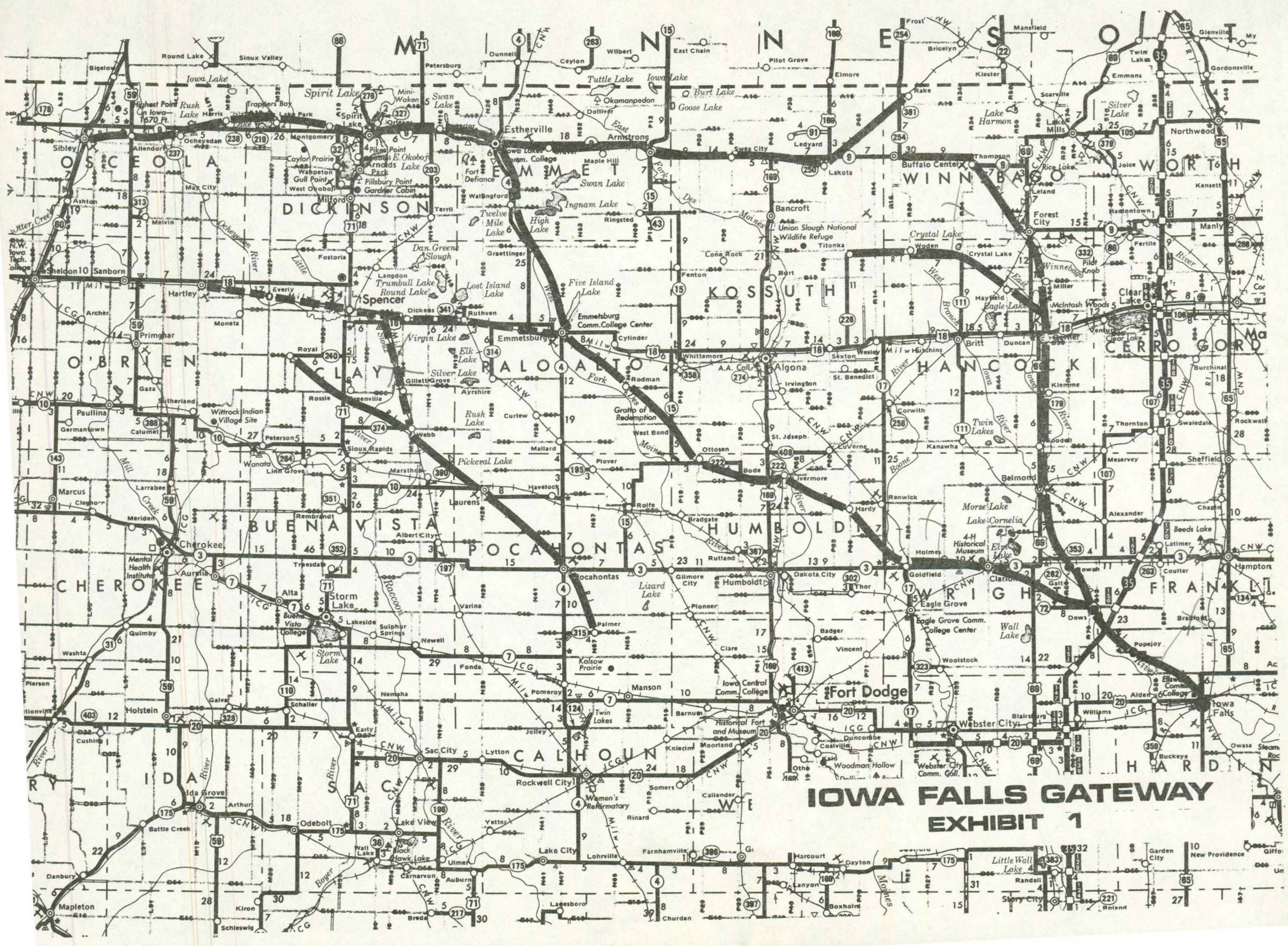
A schematic line diagram of the Gateway network is shown on the following Exhibit 2. For the purpose of this study, the railroad network has been divided into the 13 distinct segments indicated on Exhibit 2.

The Gateway crosses and interchanges with three railroads operating in north-central Iowa: the Milwaukee Railroad, the Chicago and Northwestern Transportation Company (Northwestern Railroad) and the Illinois Central Gulf Railroad Company (Illinois Central Railroad). Schematic diagrams of these crossings and interchanges are also shown on Exhibit 2.

At present there are insignificant quantities of rail traffic that enter or leave the Gateway at the interchanges, and no bridge traffic traveling across the Gateway.

Corn and soybeans grown within the Gateway area are the principal transportation commodity, with New Orleans, Louisiana and Houston, Texas being primary destinations for overseas grain shipment.

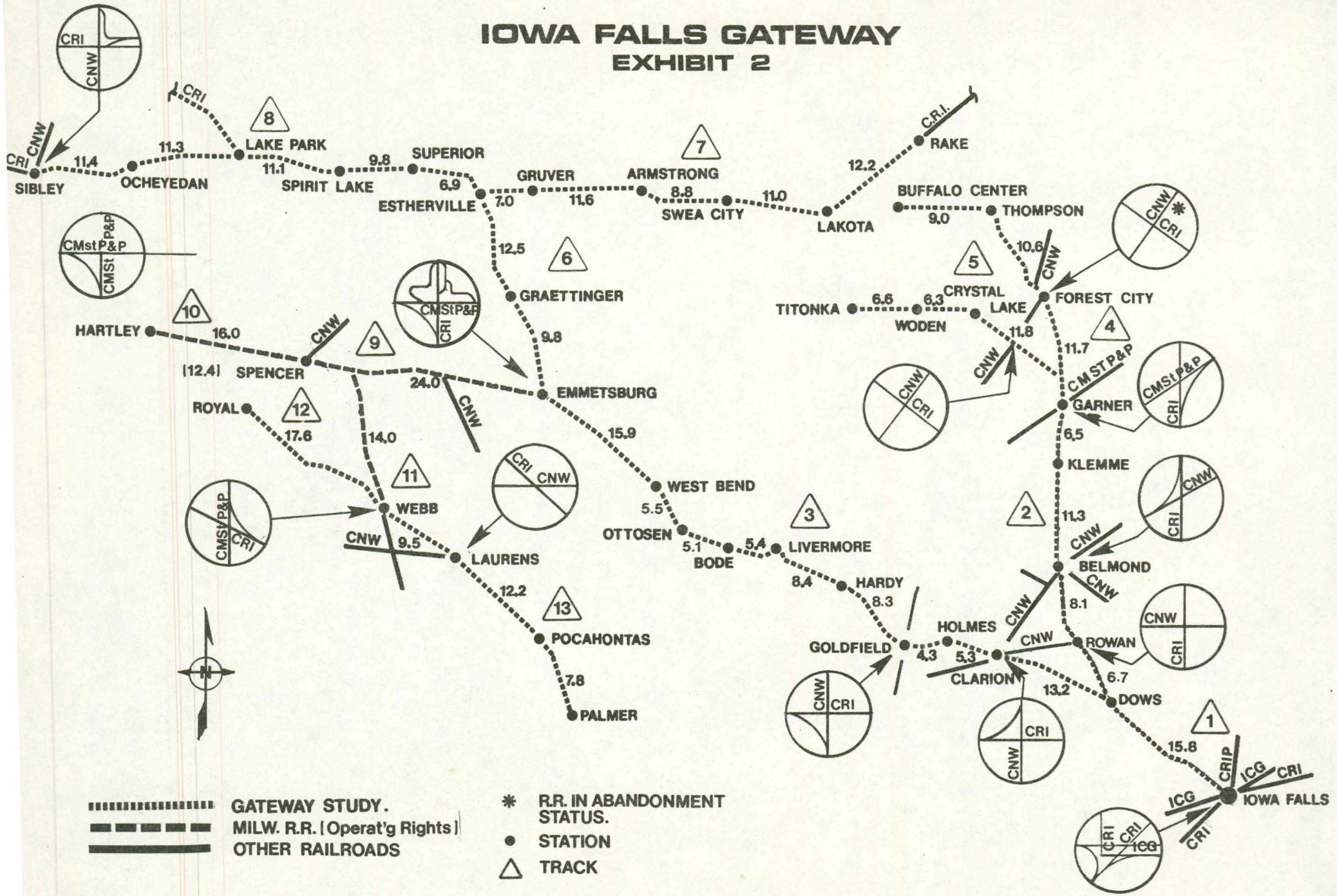
This report summarizes the capital and operating costs to be anticipated in the Gateway operation, and evaluates the economic feasibility of a private railroad operation.



IOWA FALLS GATEWAY

EXHIBIT 1

IOWA FALLS GATEWAY
EXHIBIT 2



Approximate Traffic Density By Segment (Net Ton-miles Per Mile)
(1978)

Iowa Falls – Estherville	1.66	million x
Sibley – Estherville	0.35	million
Estherville – Rake	0.15	million
Royal - Palmer	0.09	million
Webb – Hartley-Emmetsburg (MILW)	0.30	million
Titonka - Hayfield Jct.	0.02	million
Buffalo Center - Dows	0.23	million
Gateway Average	0.60	million

SECTION 2

EXECUTIVE SUMMARY

2.1 General

Morrison-Knudsen Company, Inc. has submitted this report, based on the preliminary outline for a Shortline Railroad Study, as presented to the Iowa Falls Gateway Shippers Group, based on the carload statistics provided by the shippers, data supplied by the Iowa Department of Transportation, spot-checks which were made by M-K of the right-of-way and shop facilities, data supplied by the Rock Island, and M-K's observations from discussion with present operating personnel.

It was immediately clear that the rehabilitation programs as outlined within this report, would be an essential part of the success of a new railroad operation. M-K realizes that no detailed cost analysis can be made from a limited inspection such as was performed by M-K personnel on the Gateway. However, experience from previous rehabilitation work, sound engineering practices based on component life of track structure and estimated tonnages to be transported, verify that the rehabilitation costs as outlined in Section 3 of this report are reasonable.

The estimated operating costs for the Gateway operation are detailed in Section 4. Since the products which move over the Iowa Falls Gateway are seasonal and controlled by the commodity pricing or the marketplace, car movements vary considerably from month to month. It appears impractical to attempt to levelize these movements; however, M-K believes that a joint effort between the shippers and the contract operator to trim some of the monthly peaks in car movements would result in substantial savings in both operating costs and equipment requirements.

The operation as outlined by M-K, has sufficient flexibility to handle the car movements as projected by the Iowa Department of Transportation, with only minor additions in manpower and rolling stock. Based on the assump-

tions that the car movements reported by the shippers is incomplete and that the unreported portion of the actual car movements is approximately one-half the reported number of cars, M-K has estimated the revenue as outlined in Section 5 of this report at $11+ million per year. Additionally, M-K has estimated the revenue based on the IDOT projections for 1980 and determined that this revenue is possible but, that it will be attained over a period of five years.

In the event that a major rehabilitation program is implemented, as recommended by M-K, the annual normalized maintenance costs for years one and two will be considerably diminished. The cost and revenue projections through year 5, as shown in Section 6 of this report, reflect this reduced maintenance program during the first years of operation. Superficial logic might suggest that take over and operation of the Iowa Falls Gateway properties by one of the major connecting carriers (C&NW or KCS) offers an attractive solution for the shippers group as well as the State of Iowa. However, M-K believes that a new company, formed by the shippers group, whether operated by the shippers group themselves or through contract operations, will: (i) have no inherent conflict on traffic routing or assignment of equipment by reason of serving other rail gateways, as do the principal carriers interested in the take over; (ii) be able to effect labor savings that could not be realized by any of the major carriers because of their existing union contract commitments; (iii) eliminate the Iowa Falls Gateway Shippers complete dependence upon poor service, continued deferred maintenance of the roadbed and haphazard availability of rolling stock.

On the negative side, several factors and potential bottlenecks must be considered before concluding that a potential short line is in fact the best solution. The cost of insurance for a short line operation is extremely high, depending upon the liability limit, condition of the properties to be operated over, mix of traffic (hazardous materials) accident history (crossings, derailments, washouts, etc.) and finally, the ability of the property owners (in this case, the Iowa Falls Gateway Shippers Group's ability) to indemnify the operator for any losses in excess of the chosen insurance limit.

Further, the ability of a shortline operation to obtain adequate "divisions" will be an important factor in the final economic feasibility of the operation. Since it is anticipated that the shippers will own the line, their representatives should be a party to the negotiations with connecting carriers concerning divisions, rates and switching charges if applicable.

2.1 Conclusions

The financial projections developed for the Iowa Falls Gateway system indicate that the railroad will realize positive cash flow from operations beginning in the first year. Current dollar projections for the first year operation for revenue are $11.4 million, and $8.0 million for operating costs.

The annual costs of capital have been estimated at $3.8 million per year over fifteen (15) years based on an eight percent (8%) capital recovery factor. It may be possible to secure a low interest government loan or outright government participation which would further reduce the estimated capital requirements.

Based upon the estimated revenues, operating costs and capital requirements, M-K recommends that the Iowa Fall Gateway Shippers Group, establish a corporation (new railroad) to own and operate the Iowa Falls Gateway trackage as described in Exhibit 2 of this report.

SECTION 3

CAPITAL COST

3.1 General

The "Acquisition Procedures for Lines of Railroads in Reorganization", Interstate Commerce Commission, 49 CFR Part 1111, [Exparte No. 282 (Sub. No. 4)], as published in the Federal Register/Vol. 45, No. 18/ January 25, 1980, will not be restated here but will be included in the appendix to this report.

Should the Iowa Falls Gateway Shippers conclude that acquisition of the Rock Island properties is appropriate, then such application must be within the above guidelines. In the event that uninterrupted service on the line is essential, as it appears to be in this case, the operator of the line should simultaneously seek temporary authority to operate. Additionally, it should be remembered that the Bankruptcy Court, in accordance with Iowa's condemnation laws and the Fifth Amendment to the United States Constitution, will determine the fair market value of the properties.

In addition to acquiring the Rock Island Railroad right-of-way, tracks and structures, the Gateway will also require some additional construction to facilitate train operation. Furthermore extensive track rehabilitation is recommended to correct sub-standard track conditions that are presently restricting efficient train operations.

Table 3-3 is a summary of estimated capital costs and includes property acquisition, rehabilitation, yard track construction, additional interchanges, a track scale and the initial capital or mobilization costs.

3.2 Property Acquisition

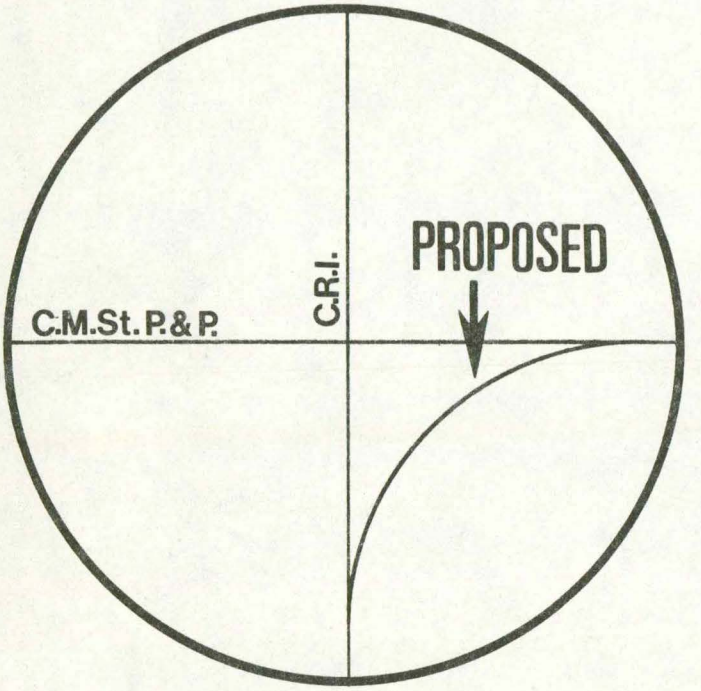
The Rock Island Railroad trackage between Royal and Palmer is presently owned by a shipper's association involved in the Gateway study and is therefore not a part of the proposed acquisition. The following table summarizes the additional route lengths to be acquired:

SECTION DESCRIPTION	SEGMENT NUMBER	ROUTE LENGTH (Miles)
Iowa Falls - Dows	1	15.8
Dows - Hayfield Junction	2	34.9
Hayfield Junction - Buffalo Center	4	29.0
Hayfield Junction - Titonka	5	24.7
Dows - Emmetsburg	3	71.1
Emmetsburg - Estherville	6	22.6
Estherville - Rake	7	50.6
Estherville - Sibley	8	50.5
		299.2

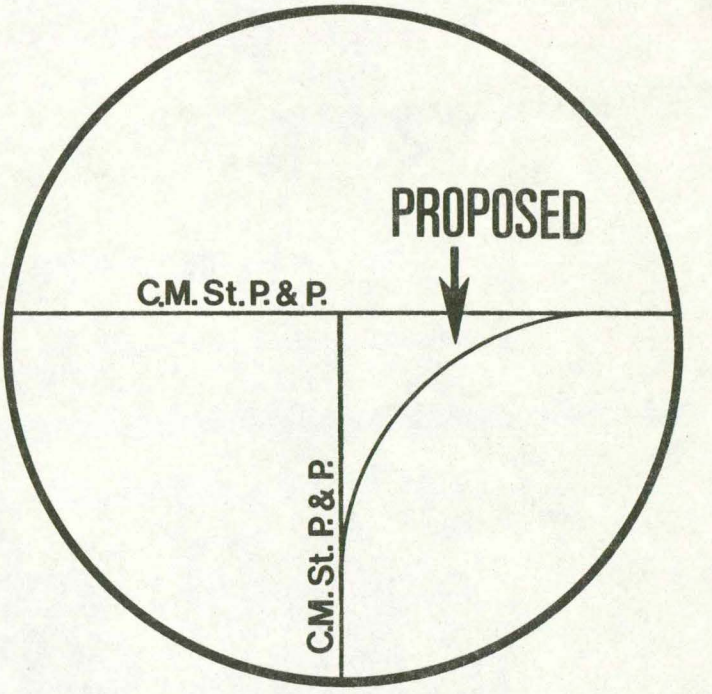
During initial discussions with the shippers group and the Iowa Department of Transportation, it was anticipated that the purchase price of the properties would be approximately $60,000.00 per mile including all structures. However, after reviewing the potential salvage value of the track structure and property; and further, reviewing the results of recent purchases of the Milwaukee by the State of Wisconsin, M-K believes that the properties can be acquired for considerably less. Wisconsin Department of Transportation purchased 378.6 miles of trackage for the total sum of $8,000,000.00 or $21,130.48/mile. M-K estimates that the Rock Island properties, proposed for purchase by the shippers group, are of considerably higher value than the above referenced Milwaukee trackage due to heavier rail sections, existing improvements in track structure and traffic density. Therefore, M-K estimates that a figure of $40,000.00/ mile for the properties within the Iowa Falls Gateway is reasonable. The total purchase price of the Gateway properties would then be $11,968,000.00.

It has been assumed for this study that the acquisition cost includes the various sidings, yards and buildings located on the property, and there will be no separate purchase costs associated with the property acquisition.

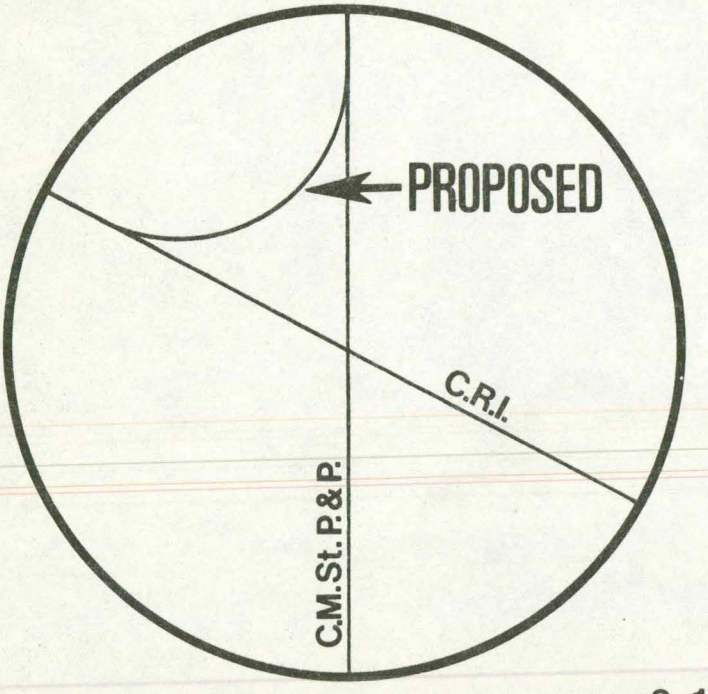
IOWA FALLS GATEWAY
PROPOSED ADDITIONAL INTERCHANGES



EMMETSBURG



JUNCTION EAST OF SPENCER



WEBB

3.3 Track and Facility Construction

The existing Rock Island system has several handicaps that impair the overall efficiency of train operation. Additional capital expenditure is recommended to facilitate the operation of the Gateway system.

The yard at Iowa Falls has a capacity of 250 railcars and a maximum track length that will accommodate 60 railcars. There is neither the yard capacity nor track length to accomodate the 75-car unit trains. These trains are presently stored on the mainline to the north and to the south of the yard. Two tracks capable of storing a 75 car train should be constructed. The probable location for these tracks will be along the mainline to the north of the Iowa Falls yard.

There is no track scale on the Gateway system. At present, shipping charges are disseminated from an estimated weight and the shipping charges are adjusted following the weighing of the rail car at the destination. Railcar trip cycle time and revenue cash flow are both delayed with the present procedure. The construction of a weigh-in-motion track scale at Iowa Falls will correct this condition. The installed cost is approximately $155,000.

Train movement to deliver and collect railcars on the track between Royal and Palmer requires locomotives at both ends of the train because there is not a complete Y-connection at the track junctions at Emmetsburg, Iowa Junction and Webb. Train engineers cannot pull directly to Royal or Palmer. Backing the trains would be required over long distances, a practice that is both time consuming and unsafe.

In order to eliminate backing, trains are currently being operated with locomotives at each end so that the trains may be pulled in either direction. This is an uneconomic use of equipment and manpower. The construction of an additional connecting track at Emmetsburg, the Junction east of Spencer and Webb will eliminate this problem and cost approximately $330,000. The proposed additional interchanges are shown on Figure 3.1 of this section.

Minor locomotive maintenance facilities are presently located at Estherville. The locomotives for the Gateway operation will be maintained at this location for all maintenance except a major overhaul. (The proposed locomotive maintenance schedule is shown in the Appendix.) In order to perform regular maintenance for the 17 locomotives additional basic shop equipment will be required. Equipment requirements for the locomotive shop are as follows:

- o 4 each 75 ton rotating head floor jacks
- o 2 each jib crane with 1-ton hoist
- o 2 each 400-amp welder
- o 2 each set oxy-acetylene cylinders
- o 2 each set of engine tools
- o 1 each jet steam cleaner

3.4 Track Rehabilitation

The work required for the rehabilitation of the Iowa Falls Gateway proposed rail line is based on information obtained from 1968 and 1976 Rock Island track charts, a Rock Island rail summary sheet, and field observations conducted by Morrison-Knudsen Company. The rehabilitation of the line is based on upgrading the track to FRA Class II safety standards to handle the existing loads at 25 miles per hour over all sections of track except from Iowa Falls to Hardy. The track from Iowa Falls to Hardy currently meets the FRA Class III safety standards, however it is recommended that this section be slightly rehabilitated in order to maintain the Class III standard for operation at 40 miles per hour.

The proposed rehabilitation consists of seven major items:

(1) application of ballast
(2) replacement of all existing rail less than 80 lbs.,
(3) installation of rail anchors,
(4) replacement of 5% of all existing bolted rail greater than or equal to 80 lbs.,
(5) installation of ties,
(6) reconstruction of road crossings, and
(7) replacement of turnouts.

It is recommended that the rehabilitation be performed over an 18 month period.

Rehabilitation is estimated to be completed by November 1, 1981, and requires a concentrated, coordinated effort, directed by experienced personnel, to be completed within this time frame.

All rehabilitation programs will be scheduled for performance during the months of May through October to optimize construction during mild weather.

A detailed description of each major rehabilitation item is presented in the following summary.

(1) Ballast - Clean, well-draining ballast is required for track support, to hold the track in regular alignment with a good riding surface. Two to four inches of clean ballast is recommended for rehabilitation.

(2) Rail Replacement - All rail less than 80 lbs., will be removed and replaced with used 100 lb. or greater in order to meet FRA Class II Safety Standards. This work is to occur on Segments 2, 4 and 13 where light rail exists. All bars, plates, bolts, washers, spikes and anchors are replaced when replacing the rail.

(3) Rail Anchors - 6 ties per 39 feet rail length will be anchored to prevent the rails from buckling in the summer and pulling apart in the winter. A field inspection revealed that very few anchors now exist and those that do exist must be reset.

(4) Rail Replacement - Approximately 5% of all existing bolted rail is broken or otherwise defective and must be replaced. For every rail section, 1 joint bar, 12 bolts, 2 plates and 8 spikes will be replaced. Sperry Car Inspection of the rail may reveal hidden defects which might further escalate this figure.

It is recommended that the rehabilitation be performed over an 18 month period.

Rehabilitation is estimated to be completed by November 1, 1981, and requires a concentrated, coordinated effort, directed by experienced personnel, to be completed within this time frame.

All rehabilitation programs will be scheduled for performance during the months of May through October to optimize construction during mild weather.

A detailed description of each major rehabilitation item is presented in the following summary.

(1) Ballast - Clean, well-draining ballast is required for track support, to hold the track in regular alignment with a good riding surface. Two to four inches of clean ballast is recommended for rehabilitation.

(2) Rail Replacement - All rail less than 80 lbs., will be removed and replaced with used 100 lb. or greater in order to meet FRA Class II Safety Standards. This work is to occur on Segments 2, 4 and 13 where light rail exists. All bars, plates, bolts, washers, spikes and anchors are replaced when replacing the rail.

(3) Rail Anchors - 6 ties per 39 feet rail length will be anchored to prevent the rails from buckling in the summer and pulling apart in the winter. A field inspection revealed that very few anchors now exist and those that do exist must be reset.

(4) Rail Replacement - Approximately 5% of all existing bolted rail is broken or otherwise defective and must be replaced. For every rail section, 1 joint bar, 12 bolts, 2 plates and 8 spikes will be replaced. Sperry Car Inspection of the rail may reveal hidden defects which might further escalate this figure.

(5) Ties - This rehabilitation item varies with each segment. Tie requirements vary from 50% tie replacement to 0% tie replacement. Most segments needed a 20% tie renewal on the average. Spikes are also replaced with each tie.

(6) Road Crossings - Existing paved and gravel road crossing conditions require that 60% of all crossings be rehabilitated. Approximately 31% are gravel and 69% are paved. (Percentages calculated from Iowa Department of Transportation Study January 1, 1979.) Crossings to be rehabilitated will be removed and completely reconstructed.

(7) Turnouts - Rehabilitating the turnouts will require on the average that one turnout per elevator station be replaced. The existing turnout will be removed and a new #10 turnout will be installed.

In addition to these rehabilitation requirements vegetation control is required for Segment #5 from Hayfield Junction to Woden.

In the event that rail freight service is anticipated from Thompson to Buffalo Center (Segment 4) and from Woden to Titonka (Segment 5) the complete track structure should be replaced. (New subballast, ballast and trackwork.)

The Iowa Falls Gateway has been identified by segments as shown on Exhibit 2 and summarized by location and mileage in Table 3-1. Morrison-Knudsen has developed the following rehabilitation costs by Segment and by item as shown on Table 3-2. These cost estimate summaries were prepared assuming average man hour productivity currently existing in the Midwestern United States. Labor dollars were calculated using labor rates from M-K's current operation of the Wabash Valley Railroad in Illinois.

Labor costs and equipment rental rates were calculated using a five day single eight hour shift for all activities. The costs reflect eight (8) productive hours per day, not accounting for portal-to-portal or any interference with train movements. Equipment rental was calculated by determining the time durations in hours required to perform the various work activities.

Equipment operating costs were calculated using the required equipment hours and Morrison-Knudsen's equipment operating cost experience occuring on the Wabash Valley Line in Illinois, as well as other rehabilitation and construction projects which M-K has performed.

The material costs are based on relay rail for rail replacement, new ties, new rail anchors, and crushed rock ballast.

TABLE 3-1

TRACK SEGMENTS

Segment	Location	Miles
1	Iowa Falls to Dows	15.8
2	Dows to Hayfield Junction	34.9
3	Dows to Emmetsburg Junction	71.1
4	Hayfield Junction to Thompson	20.9
	Thompson to Buffalo Center	8.1
5	Hayfield Junction to Woden	18.1
	Woden to Titonka	6.6
6	Emmetsburg Junction to Estherville	22.6
7	Estherville to Rake	50.6
8	Estherville to Sibley	50.5
12	Royal to Webb Junction	17.6
13	Webb Junction to Palmer	29.5

Note: Segments 9, 10, and 11 are Milwaukee properties and are not included above.

REHABILITATION COSTS (TABLE 3-2)

	Ballast, Line & Surface	Renew Ties	Relay Rail	Install Rail Anchors	5% Rail Replacement	Replace Crossings	Replace Turnouts	Weed Control	Install New Track	Total Cost	Total Cost Per Year
Segment 1	68,388	69,655	-0-	67,922	10,795	16,200	39,504	-0-	-0-	272,464	18,164.27
Segment 2	284,944	328,049	377,045	134,122	145,273	32,400	65,840	-0-	-0-	1,367,673	91,178.20
Segment 3	598,000	852,170	-0-	305,640	227,099	62,250	131,680	-0-	-0-	2,176,839	145,122.60
Segment 4	278,691	386,245	1,090,456	43,946	52,270	28,650	39,504	-0-	1,710,720	3,630,482	242,032.13
Segment 5	241,352	798,096	-0-	77,808	82,973	9,900	39,504	4,525	1,393,920	2,648,078	176,538.53
Segment 6	301,359	797,219	-0-	97,151	101,194	16,200	65,840	-0-	-0-	1,378,963	91,930.87
Segment 7	483,564	666,415	-0-	217,518	243,854	31,200	79,008	-0-	-0-	1,721,559	114,770.00
Segment 8	456,352	890,797	-0-	217,086	248,441	48,600	105,344	-0-	-0-	1,966,620	131,108.00
Segment 12	234,685	112,009	-0-	27,298	34,186	18,750	26,336	-0-	-0-	453,264	30,217.60
Segment 13	393,367	382,738	1,248,594	40,623	50,836	34,950	65,840	-0-	-0-	2,216,948	147,796.53
TOTALS	3,340,702	5,283,393	2,716,095	1,229,114	1,196,921	299,100	658,400	4,525	3,104,640	17,832,890	1,188,859.33

IN CURRENT 1980 DOLLARS

MORRISON KNUDSEN

3.5 Initial Capital

The initial capital or mobilization costs required to begin a new operation are an important part in ensuring a successful venture. The railroad system at the moment of takeover may be assumed to be depleted of ordinary operation and maintenance supplies. Initial procurement of locomotive fuel, locomotive and railcar repair parts, shop inventory, track materials, and office supplies are required. Initial operating capital, generally for the first thirty (30) to sixty (60) days is also recommended. The mobilization costs of men and equipment (transportation to the Gateway of employees and families who are key personnel as well as transportation of locomotives, M.O.W. equipment and other support equipment) are a part of initial capital. The estimated initial capital cost is $675,000.00.

TABLE 3-3

SUMMARY OF CAPITAL COSTS

ITEM	COST
Property Acquisition	$ 11,968,000
Rehabilitation	17,832,890
Yard Tracks, Iowa Falls	1,744,896
Additional Interchanges	337,464
Track Scale, Iowa Falls	155,000
Initial Capital Costs	675,000
GRAND TOTAL	$32,713,250

SECTION 4

OPERATING COSTS

4.1 Brief Summary of Operations and Costs

The operations plans, selection of equipment, manpower requirements and ultimately the resulting operating cost summary are outlines within Section 4 of this report. The economic analysis as provided for in Section 6 of this report reflects a positive cash flow in the first year of operation, assuming that the rehabilitation plans are implemented immediately and further assuming that this would result in a reduced expenditure for the normalized maintenance-of-way program.

Section 4.2.1 describes the locomotive requirements as well as the train consists as recommended by M-K. Car requirements are discussed in Section 4.2.2 and the maintenance requirements for the rolling stock are outlined in Section 4.3.

Train operations is detailed in Section 4.4 of this report. A brief assessment of prior operating practices of the Rock Island reveals that there are a great deal of operating inefficiencies inherent in the system's deteriorated plant and equipment. M-K's proposed train operations is contingent upon minimum 25 mile per hour speeds. Therefore, the rehabilitation program or a minimal portion of the recommended program must be performed to provide the base for economic and efficient operations.

The recommended management approach, report systems and controls are defined in Section 4.6 of this report. It is M-K's opinion that the management approach as addressed herein is adequate to administer an operation of this size; however, M-K does recommend that certain functions of the accounting and reporting be performed with computers.

Each of the individual subsections within Section 4 of this report is followed by a cost summary for that particular work item. In the case of

normalized maintenance, it can not be determined exactly what the scope of work would be until it is determined whether or not the rehabilitation program would be performed in the first eighteen (18) months of the operation. Normalized maintenance would be considerably reduced during the period of rehabilitation.

A summary of the estimated operating costs (assuming a contract operation such as M-K) is as follows:

OPERATING COST SUMMARY

	Transportation	4,358,448
*	Maintenance	2,604,300
	Maintenance of Equipment	298,656
	Administrative Costs	876,295
	Insurance	600,000
	Estimated Contract Operator Fee	849,741
	Total Cost	9,587,438

* Maintenance-of-way estimates are based on a normalized annual condition. During the first two years of operation, maintenance-of-way operating costs will be decreased due to the rehabilitation program.

4.2 Rolling Stock

4.2.1 Locomotives

The locomotive requirements were based on shipper data received for years 1978 and 1979, as well as projections for unreported car movements. There are two major manufacturers of locomotives in the United States: General Electric and the Electromotive Division of General Motors. To meet the requirements of this study, Morrison-Knudsen has selected General Motors, GP 38-2 locomotives although precise availability would determine actual power, to be used on the Gateway. The use of 2,000 horse power, four axle locomotives was considered to be an optimum economical choice. The utilization of remanufactured locomotives on a leased basis was considered to provide an optimum economic operation.

ROSTER OF LOCOMOTIVES

Train No. 1 :	Three (3) GP 38-2	Iowa Falls Local
Train No. 2 :	Three (3) GP 38-2	Estherville Local
Train No. 3 :	Four (4) GP 38-2	75 Car Unit Train
Train No. 4:	Three (3) GP 38-2	50 & 25 Car Unit Train
Train No. 5:	One (1) GP 38-2	Estherville Yard Switcher
Train No. 6:	One (1) GP 38-2	Iowa Falls Yard Switcher
Spares :	Two (2) GP 38-2	

4.2.2 Rail Cars

Based on data supplied by the Shippers Group and the evaluation and development of operations, it was determined that 1251 covered hopper cars would be required. This figure includes 25 spare cars. It was assumed that the Shippers Group currently has access to a fleet of 355 cars. The remaining cars required are assumed to be leased by the operator. It was determined that the cars utilized would be 100 ton capacity, covered hopper type. It was generally assumed that each car would have a 130 ton gross (loaded) weight.

HOPPER CAR FLEET

896 Leased Cars
330 Shipper Fleet (355 Cars)
25
1,251 Total Cars Required

It was also deemed necessary to provide cabooses for the four (4) road service trains, as well as have one (1) caboose in reserve. It was determined to be most economical to lease the five (5) cabooses required for the operators.

4.3 Rolling Stock Maintenance

4.3.1 Locomotive Maintenance

Locomotive facilities exist at Estherville and Iowa Falls. Routine locomotive maintenance fueling and sanding will be executed at these places, and programed locomotive maintenance (except major overhauls) will be performed at Estherville.

Locomotive maintenance costs are included in the operating costs. The maintenance crew requirements are five (5) mechanics at Estherville and two (2) mechanics at Iowa Falls.

The shop at Estherville services Train No. 2, Train No. 3, Train No. 4, and Train No. 5; a total of eleven (11) locomotives. The shop at Iowa Falls services Train No. 1 and Train No. 6; a total of four (4) locomotives. The shop at Iowa Falls is also available to perform spot service as the point of entry on the Gateway.

Based on the selection of GP 38-2 locomotives and the recommended maintenance instructions for this locomotive by General Motors, a schedule of maintenance is as follows:

GP 38-2 Maintenance Schedule

MAINTENANCE SCHEDULE	MAJOR ITEMS OF WORK TO BE ACCOMPLISHED DURING INTERVAL
One week or 3,500 miles	Inspect lube oil and fuel filters. Check lubricant level in traction motor support bearings and gear cases.
One month or 15,000 miles	Lube oil sample, check batteries, inspect main generator.
Two months or 30,000 miles	Change lube oil filter elements.
Three months or 45,000 miles	Change engine and rack mounted filter elements, replace traction motor brushes, change oil engine air filter, replace fiberglass engine air filters.
Six months or 90,000 miles	Change engine oil, replace main reservoir air filter elements.
One year or 180,000 miles	Replace engine top deck cover seals, change air compressor oil, change engine air filter oil, change electrical cabinets air filter elements, replace fuel pump motor brushes replace main generator collector ring brushes, replace traction motor support bearing wick lubricators, change governor oil, add oil to truck center bearing.
Two years or 360,000 miles	Renew governor diaphragm, replace fuel pump and motor coupling spider, replace cooling system pressure cap, replace engine protector.

MAINTENANCE SCHEDULE	MAJOR ITEMS OF WORK TO BE ACCOMPLISHED DURING INTERVAL
Three years or 540,000 miles	Replace cylinder assemblies, replace injectors, inspect and qualify connecting rod bearings and piston cooling tubes, install new thrust collars and lower main bearings, replace water pump seals recondition air compressor valves, replace traction motors replace cooling system flexible coupling seals, clean and paint battery boxes, replace shutter pistons, replace piston rod and cylinder seals.
Four years or 720,000 miles	Replace dynamic brake blower, replace governor, recondition fuel pump and motor, replace auxiliary generator and drive couplings, replace inertial airfilter motor, replace cooling fans.
Six years or 1,080,000 miles	Recondition air compressor and drive coupling, replace engine oil pumps and lower liner inserts, replace small bearings and bearing housing in main generator.
Nine years or 1,620,000 miles	Replace engine crankshaft viscous damper (where used).
Twelve years or 2,160,000 miles	Replace engine, replace main generator, renew high voltage cabling, renew low voltage wiring.

It is assumed that when a locomotive is ready for an overhaul, that a replacement locomotive will be secured during the overhaul period. The maintenance procedures associated with the twelve (12) year major over-haul will be performed by crews on the Gateway.

The train crew will inspect the locomotive prior to departure for service on a daily basis. They will also prepare check list items, to assist maintenance crews in scheduling the maintenance repair. A summary of estimated annual maintenance expenses for the locomotive fleet,is as follows:

LOCOMOTIVE MAINTENANCE ESTIMATE

Mechanical Crew	
Labor	172,536
Supplies	17,254
Total	189,790
Equipment	
Rental	42,840
Supplies	66,026
Total	108,866
Grand Total	298,656

4.3.2 Rail Car Maintenance

Based on historical information gathered within the rail car maintenance industry, car type, use cycle, and anticipated annual mileage, a scheduled maintenance program can be anticipated for the Iowa Falls Gateway rail cars.

Maintenance for the proposed leased covered hopper cars is anticipated to be included in the leasing fee. Whenever routine car maintenance is performed by car maintenance crews on the Gateway, the cost for this service will be backcharged to the car owner (leasing company, shipper or railroad).

The maintenance facilities for cars are located primarily at Iowa Falls, due to the existance of rip track facilities and Iowa Falls being the point of entry and exit on the Gateway.

The maintenance crew would consist of ten (10) men at Iowa Falls to execute the necessary maintenance inspections and repairs required.

It is assumed that the train crew will inspect the cars for obvious maintenance problems on a daily basis. They will prepare check list items to assist in scheduling the repairs.

The following maintenance schedule, based on mileage is anticipated for the rail cars on the Gateway. It has been estimated that 25 extra cars will be available for replacement of cars being repaired.

COMPONENT	COMPONENT LIFE IN MILES OR TIME
Brake Shoes & Keys	20,000 miles
Wheels, Axles, Roller Bearings, R. D. Adapter	250,000 miles
Coupler & Key	750,000 miles
Knuckle, Pin, Lock	750,000 miles
Air Hose	750,000 miles
Truck Springs, Snubber	750,000 miles
Brake Beam Pins	750,000 miles
Draft Gear, Yoke	1,000,000 miles
Electric & Pneumatic system	8 years
R. D. Door Adjuster	8 years
Heavy Repairs & Owner Responsibility Repairs	8 years
In Date Test & Inspect	2 times/year
FRA Inspection	1 year

4.4 Train Operation

General

Operations on the Iowa Falls Gateway System are based on the following existing conditions.

1. Estherville, due to the existence of facilities, will be utilized as the operations headquarters.

2. Iowa Falls, due to it's proximity to connecting railroads, will be utilized as the classification and transfer facility.

Sketches of the terminal facilities for the Iowa Falls Gateway System, located at Estherville and Iowa Falls are shown as Exhibits A and B in the Appendix.

It was determined that the operations would be executed using six trains. Train No. 1 and 2 are headquartered at Estherville and Iowa Falls, respectively. Trains No. 1 and 2 transport the non unit train shipments from all points in the Gateway System to Iowa Falls for classification and transfer. Motive power for trains 1 and 2 consist of three GP 38-2 locomotives each.

Trains 3 and 4 are employed exclusively for transporting the unit train traffic. These trains pickup and move cars along the main corridor of the Gateway, between Iowa Falls and Estherville. Train No. 3 handles the 75 car unit trains and Train No. 4 handles the 50 and 25 car unit trains. Motive power consists for trains 3 and 4 are four GP 38-2 locomotives and three GP 38-2 locomotives respectively.

Trains No. 5 and 6 are assigned to the switching operations at Estherville and Iowa Falls. These trains transfer the cars to be moved to other segments of the Iowa Falls Gateway System, or classify cars for transfer to connecting railroads for movement off of the Gateway. Motive power for these trains consists of one GP 38-2, 2000 hp. locomotive each.

A more detailed explanation of the individual trains, and their operation can be found in the following pages of this section.

Morrison-Knudsen has applied its background in heavy tonnage train operations to develop train cycles with sound engineering judgment and cost

effective operations. The selection of equipment suitable for efficient, reliable train operation is based upon several primary considerations relative to private railroad operations. They are:

- o Trip Travel Times
- o Rail Car Handling Times
- o Crew Start-up and Change

Train No. 1

A typical weekly operation for Train No. 1 begins with the arrival of the train crew on Monday morning at Iowa Falls. The daily shift time varies between 8 and 12 hours Monday through Friday. A weekly shift would include 40 hours straight time and 7 hours overtime per crew member. The crew for Train No. 1 would consist of an engineer, conductor/brakeman and a brakeman. The crew would be lodged for three nights while executing the weekly duties.

Train No. 1's responsibilities are primarily to service customers from Iowa Falls north to Titonka, Buffalo Center and Clarion. Traffic to be moved from the Gateway via Iowa Falls is classified and transferred to other railroads at Iowa Falls. Typical weekly operation is as follows:

Monday

Leave Iowa Falls, proceed to Buffalo Center. Return to Forest City. Tie up for the night at Forest City. 9.0 hours in shift.

Tuesday

Leave Forest City, proceed to Woden and Titonka and return to base at Iowa Falls. 12.0 hours in shift.

Wednesday

Leave Iowa Falls, proceed to Buffalo Center. Return to Forest City. 9.0 hours in shift.

Thursday

Leave Forest City, proceed to Titonka and Belmond. Tie up for the night at Belmond. 9.0 hours in shift.

Friday

Leave Belmond, proceed to Clarion, return to base at Iowa Falls, 8.0 hours in shift.

The typical consist for Train No. 1 is three GP 38-2 2000 hp locomotives, up to 50 cars and one caboose.

Train No. 2

A typical weekly operation for Train No. 2 begins with the arrival of the train crew on Monday morning at Estherville. The daily shift times vary between 8.0 and 12.0 hours, Monday through Friday. A weekly shift would include 40 hours straight time and 8 hours overtime per crew member. The crew for Train No. 2 would consist of an engineer, conductor/brakeman and brakeman. The crew would be lodged for two nights while executing the weekly activities. Train No. 2's responsibilities are primarily to service customers from Estherville east to Rake, west to Sibley, and south to Royal, Palmer, Emmetsburg and Clarion. Traffic to be moved from the Gateway via Estherville is transferred at Clarion, to be moved to Iowa Falls, classified and transferred to other railroads. Typical weekly operation is as follows:

Monday

Leave Estherville, proceed east to Rake and return to Estherville. 9.0 hours in shift.

Tuesday

Leave Estherville, proceed west to Sibley and return to Estherville. 10.0 hours in shift.

Wednesday

Leave Estherville, proceed south to Pocahontas via Emmetsburg. Tie up for the night at Pocahontas. 9.0 hours in shift.

Thursday

Leave Pocahontas, proceed to Royal and West Bend. Tie up for the night at West Bend. 8.0 hours in shift.

Friday

Leave West Bend, proceed to Clarion and return to Estherville. 12.0 hours in shift.

The typical consist for Train No. 2 is three GP 38-2, 2000 hp locomotives, up to 50 cars and one caboose.

Train No. 3

The basic operation of Train No. 3 will be to transfer all loaded 75 car unit trains from the elevators to Iowa Falls for interchange. Train No. 3 will also be responsible for the distribution of empty 75 car units from Iowa Falls to their respective elevators.

Train No. 3 will be stationed at Estherville where it will begin and end its operations. The crew for Train No. 3 consists of an engineer, conductor/brakeman and brakeman. For this study, it was assumed that the locomotives can leave Estherville, travel to a designated elevator, couple-to and haul 75 loaded cars to Iowa Falls in one shift (8 to 12 hours). At Iowa Falls the crew will uncouple the loads and couple to an empty set of cars after which they will break for 8 hours. After the 8 hour break, Train No. 3 will carry the empty set of cars to a designated elevator, uncouple the cars and return to Estherville. (8 - 12 hours.)

The elevators which originate 75 car unit trains are Lake Park, Superior, Swea City, Lakota, Graettinger, Hartley, Royal, Pocahontas, West Bend, Clarion, Dows, and Klemme. An eight hour one-way trip time will be assumed for Superior, Graettinger, West Bend, Clarion and Dows. A 12 hour one way trip will be assumed for the other elevators stated above.

Train No. 3 will make three round trips per week from Estherville to Iowa Falls and back to Estherville. Consequently, the crew will be lodged in Iowa Falls three nights per week.

Train No. 3 will consist of four GP 38-2, 2000 hp locomotives, approximately 75 hopper cars and one caboose.

Train No. 4

The basic operation of Train No. 4 will be to transfer all loaded 25 and 50 car unit shipments from the elevators to Iowa Falls where the cars will be transferred to another railroad. Train No. 4 will also be responsible for the distribution of empty 25 and 50 car sets from Iowa Falls to their respective elevators.

Train No. 4 will be stationed out of Estherville from which it will begin and end its operations. The crew for Train No. 4 consists of an engineer, a conductor/brakeman and a brakeman. For this study, it was assumed that the locomotives can leave Estherville, travel to a designated elevator, couple-to and haul 50 loaded cars to Iowa Falls in one shift (8 - 12 hours). For 25 car shipments, the locomotives will travel to one elevator, couple-to and haul 25 cars to a second elevator where it will couple-to 25 additional cars and haul the 50 car train to Iowa Falls (8 - 12 hours). At Iowa Falls, the crew will uncouple the loads and couple-to 50 empty cars after which they will break for 8 hours. After their break, Train No. 4 will carry the empty set(s) of cars to designated elevator(s). (8 - 12 hours).

The elevators which originate 50 car unit trains are at Ocheyedan, Lake Park, Graettinger, Swea City, Lakota, Rake, Emmetsburg, Pocahontas, Palmer,

Clarion and Dows. The majority of the elevators ship out 25 car unit shipments. An eight hour one-way trip time will be assumed for Graettinger, Emmetsburg, Clarion and Dows and all 25 car shippers located on Segments 1, 3, and 6. A 12 hour one-way trip will be assumed for all other elevators.

Train No. 4 will make three round trips per week from Estherville to Iowa Falls and back to Estherville. The crew will be lodged in Iowa Falls three nights per week.

Train No. 4 will consist of three GP 38-2, 2000 hp locomotives, 25 to 50 hopper cars, and one caboose.

Trains No. 5 and 6

Trains 5 and 6 provide switching operations at Estherville and Iowa Falls respectively. All daily shifts are 8.0 hours, with no overtime necessary. A typical crew would consist of an engineer, conductor/ brakeman and a brakeman.

The typical power consist for each train is one GP 38-2, 2000 hp locomotive.

Spare Equipment and Crew

In order to compensate for equipment failures, crew sickness, vacations, etc., a set of spare locomotives and a reserve crew or extra board will be necessary.

The reserve crew will consist of:

1 - Locomotive Engineer 1 - Conductor/Brakeman 1 - Brakeman

The reserve crew would operate on an as needed basis throughout the Iowa Falls Gateway System. However, it may be possible to negotiate a rotation board to ensure adequate hours to all personnel.

The reserve rolling stock would consist of two GP 38-2 locomotives and one caboose. These units would be stored at the Estherville Facility for use as necessary or rotated during programmed maintenance effort.

ESTIMATED TRANSPORTATION COST

Train Crew	
Direct Labor - Straight Time	$ 527,916
Direct Labor - Overtime	128,448
Lodging and Meal Expense	49,764
Supplies	20,892
TOTAL	727,020
Equipment	
Locomotive and Caboose Rental	1,840,152
Per Diem Charges	100,000
Operating Supplies & Repairs	1,662,006
TOTAL	3,602,158
Trackage Rights	29,268
GRAND TOTAL	$4,358,446

4.5 Track Maintenance

Maintenance-of-way includes all labor, equipment, supplies and material necessary to maintain the railroad track structure, structures and signal systems in a safe and productive condition. Track maintenance consists of programmed and emergency repairs.

Programmed maintenance includes: inspection and light repairs, such as replacement of angle bars, tightening of bolts, replacement of spikes, replacement of tie plates; weed control brush control, drainage control, tie replacement, rail replacement, surfacing and ballasting necessary to maintain the condition of the rail facility to or at Federal Railroad Administration Class II Safety Standards with the exception of Iowa Falls to Hardy which will be maintained at Federal Railroad Administration Class III. In addition to the track, the bridges, signals, crossings, turnouts and buildings require planned maintenance.

Emergency Maintenance is unanticipated maintenance required to maintain normal operations and includes repair or replacement of failed components, snow and ice removal, washout repair, repair of derailments and compliance with railroad safety citations.

Maintenance Criteria

A. Track Structure - Maintenance of the entire track structure will be conducted according to the Federal Railroad Administration Standards for Class II, 25 mph track and Class III 40 mph track. This maintenance includes the following functions:

1. Track inspection of entire railroad once a week.
2. Surfacing and aligning as required.
3. Ballasting as required.
4. Turnout inspection and repair as necessary.
5. Grade-crossing inspection and repair as necessary.

6. Vegetation control as necessary.
7. Rail and track material replacement as necessary.

B. Structures - Maintenance of structures will include maintenance of:

1. All buildings relating to railroad operations.
2. All bridges.
3. All drainage structures.

C. Signal System - Maintenance of the signal system will include:

1. Crossing-signal inspection and repair.

Maintenance Schedule

The majority of the normalized maintenance work will be performed during the months of May through October, or as weather conditions permit. Work performed during this period will include tie renewal, spot surfacing, brush cutting, drainage work, crossing repairs, rail replacement, switch repairs and miscellaneous repairs. From November through April, the majority of the normalized maintenance program will be rail replacement, inspections and joint repair. Unless unforeseen incidents, i.e., derailments or washouts occur, the months of November through April will also include the majority of the Emergency Maintenance program, such as snow removal, switch cleaning, etc. These winter months will also be devoted to developing the maintenance programs for the following season.

It is Morrison-Knudsen's recommendation that an internal rail defect (Sperry) test be conducted on the Gateway as soon as possible to determine the condition of the existing rail.

Maintenance Crews

The proposed track maintenance crews for the Iowa Falls Gateway Trackage will consist of one foreman and from two (2) to four (4) laborers as shown on Table 4-1.

The location and territorial range of the maintenance crews are also shown on Table 4-1.

The maintenance crew sizes will increase during the summer months to perform brush cutting, tie renewal, rail replacement, surfacing and crossing renewal and other programmed maintenance functions.

Additional temporary manpower may also be required to perform emergency work such as snow removal, washouts and derailments. Maintenance-of-way work will be supervised by the Track Superintendents stationed at Iowa Falls and Estherville. All purchasing of materials will be handled by the Office Engineer.

Equipment

The scope of the maintenance-of-way program will require a minimal amount of equipment. It is anticipated that additional equipment needs for programmed maintenance will be leased on an as needed basis. Emergency maintenance may require the leasing of specialized equipment from time to time, however, it is not anticipated that the size of the operation will warrant such expenditure on a year-round basis.

The anticipated maintenance-of-way equipment for each crew is as follows:

- 3/4 Ton Crew-Cab Pickup with Hy-rail attachments
- 250 CFM Diesel Compressor
- Rail Saw
- Rail Drill
- Hand Tamper Set
- Miscellaneous Hand Tools

In addition, all crews will have access to the following equipment: 2-Ton Crew-Cab Flat-Deck Truck with Hy-Rail and boom, Fast-Trak Tractors, Speedswing-Pettibone.

Equipment such as a Tamper, Ballast Regulator, Trackliner, Tie Crane and Brush Cutter, will be leased on an as needed basis, to reduce the over-head burden of excess capital equipment.

Cost Estimate

The overall estimated maintenance-of-way costs for the Iowa Falls Gateway trackage are shown on Table 4-2. The estimated maintenance-of-way on a per segment basis is shown on Table 4-3.

TABLE 4-1

PROPOSED MAINTENACE OF WAY CREWS

Headquarters Location	Crew Size	Territory
Iowa Falls	1 Foreman, 3 Laborers	Iowa Falls to Clarion
Klemme	1 Foreman, 4 Laborers	Dows to Hayfield Jct. to Titonka
Forrest City	1 Foreman, 2 Laborers	Hayfield Jct. to Buffalo Center
Clarion	1 Foreman, 3 Laborers	Clarion to West Bend
West Bend	1 Foreman, 3 Laborers	West Bend to Wallingford Wallingford to Estherville
Estherville	1 Foreman, 3 Laborers	Spirit Lake to Armstrong
Rake	1 Foreman, 2 Laborers	Armstrong to Rake
Lake Park	1 Foreman, 2 Laborers	Spirit Lake to Sibley
Pocahontas	1 Foreman, 3 Laborers	Royal to Palmer

TABLE 4-2

ESTIMATE FOR MAINTENANCE

Normalized Maintenance	
Labor	$1,018,277
Material	804,120
Equipment and Supplies	281,903
TOTAL	2,104,300
Proposed Emergency	
Snow Removal	150,000
Derailment Expense	300,000
Washout Expense	50,000
TOTAL	$ 500,000
GRAND TOTAL	$2,604,300

Note: Maintenance reduced if rehabilitated.

TABLE 4-3

ESTIMATE FOR MAINTENANCE

(Per Segment)

Segment No.	Length of Segment	Cost Per Main Track Co.	Cost For Yard & Sidings	Total Cost
1	15.8 miles	131,200	18,600	149,800
2	34.9 miles	240,800	7,400	248,200
3	71.1 miles	579,500	14,800	594,300
4	29.0 miles	200,100	7,400	207,500
5	24.7 miles	170,400	3,700	174,100
6	22.6 miles	155,900	8,700	164,600
7	50.6 miles	349,100	16,100	365,200
8	50.5 miles	348,400	16,100	364,500
9	-	-	-	-
10	-	-	-	-
11	-	-	-	-
* 12	17.6 miles	121,400	3,700	125,100
* 13	29.5 miles	203,600	7,400	211,000
TOTAL	346.3 miles	2,500,400	103,900	2,604,300

* Maintenance costs for these segments would be accounted for separately and attributed to the ownership of the Pocahontas Line.

4.6 Management

The administrative structure envisioned for the proposed Iowa Falls Gateway Railroad Line is functionally oriented and in keeping with the immediate needs implicit in the proposed operation as well as providing the basic administration needs for the rehabilitation programs.

Figure 4-1 depicts the operating staff organization in terms of six (6) principal Administrative Units. M-K has presented herein an evaluation of the administrative organization by briefly describing the Unit form and function.

Adminstrative Unit I is staffed by the General Manager and assisted by a secretary/clerk. The General Manager is most closely involved on a day-to-day basis in the operating aspects of the railroad through administrative units 3, 4, 5, and 6; and appropriately delegates the majority of accounting and financial responsibilities to the Business Manager (administrative unit 2). The General Manger is ultimately responsible for all aspects of the business including those delegated to the five administrative units.

Administrative Unit 2 is administered by the Business Manager, who is primarily responsible for the general accounting and personnel functions of the organization. These responsibilities include: the accounting and reporting of information which reflects earnings, profits (losses), and other financial results necessary to provide top management (company and corporate) with reliable information to control operations; and the administration of employment, placement, and transfer procedures to ensure a satisfactory supply of manpower to meet personnel needs. The Business Manager exercises direct supervision over the Chief Cost Accountant, General Freight Agent, Associate Accountant, Tariff Manager, Assistant General Freight Agent, and the Payroll Clerk.

Administrative Unit 3 is staffed by the Superintendent of Business Development, the Freight Clerks and a Messenger/Clerk. The primary areas of

- o Decision to notify the Environmental Protection Agency (EPA) if dangerous materials are exposed to the public.
- o Decision to contact local authorities if property damage, personal injury, or dangerous materials are involved.

These decisions will be made in conjunction with the General Manager and/or Business Manager, and are necessary not only to remedy an adverse situation, but to mitigate financial loss to the railroad.

Administrative Unit 5 is staffed by the Chief Mechanical Officer and reports directly to the General Manager. The functional areas of responsibility for this unit are listed below:

- o Inspection and repair of locomotives
- o Inspection of all freight cars received in interchange
- o Car repair billing maximazation
- o Materials management (rolling stock)
- o Repair of maintenance-of-way equipment
- o Employee training
- o Maintenance supervision and quality control

In general, this unit will be equipped to perform "running" repairs to locomotives and freight cars and does not perform major overhaul type maintenance. The inspection and repair of company owned locomotives is a function required by the Federal Railroad Administration every 30 days. Inspection documents must be kept in the locomotive at all times. Failure in this responsibility can result in fines and the locomotive taken out of service until the defect is repaired. The inspection and repair of freight cars is not only a safety requirement, but can reduce the possibility of these cars being rejected by a foreign railroad upon interchange, which can further result in significant car delay and customer dissatisfaction.

Administrative Unit 6 is staffed by two administrative positions, the Superintendent - Maintenance-of-Way reporting directly to the General Manager, and the General Track foreman reporting to the Superintendent - Maintenance-of-Way. The functional areas of responsibility are outlined below.

- Inspection and repair of physical plant
- Emergency repairs
- Materials management (maintenance-of-way)
- Maintenance supervision and quality control
- Employee training

The responsibility of inspection and repair of physical plant can be further subdivided into the following activities.

- Inspection and repair of replacement of rail, ties, ballast, roadway subgrade, grade crossings, and bridges

- Track upgrading or rehabilitation

ADMINISTRATIVE UNITS

Aministrative Unit 1 - OVERALL MANAGEMENT

- General Manager
- Secretary/Clerk — Personnel: 2

Administrative Unit 2 - Accounting/Finance

- Business Manager
- Chief Cost Accountant
- General Freight Agent
- Assistant Accountant
- Tariff Manager
- Assistant General Freight Agent (2)
- Payroll Clerk — Personnel: 8

Administrative Unit 3 - Customer/Car Service

- Superintendent Business Development
- Freight Clerk (3)
- Messenger - Clerk/Secretary — Personnel: 5

Administrative Unit 4 - Train Operations

- Superintendent Train Operations
- Yard Master
- (Train Crews - Hourly) — Personnel: 2

Administrative Unit 5 - Maintenance of Rolling Stock

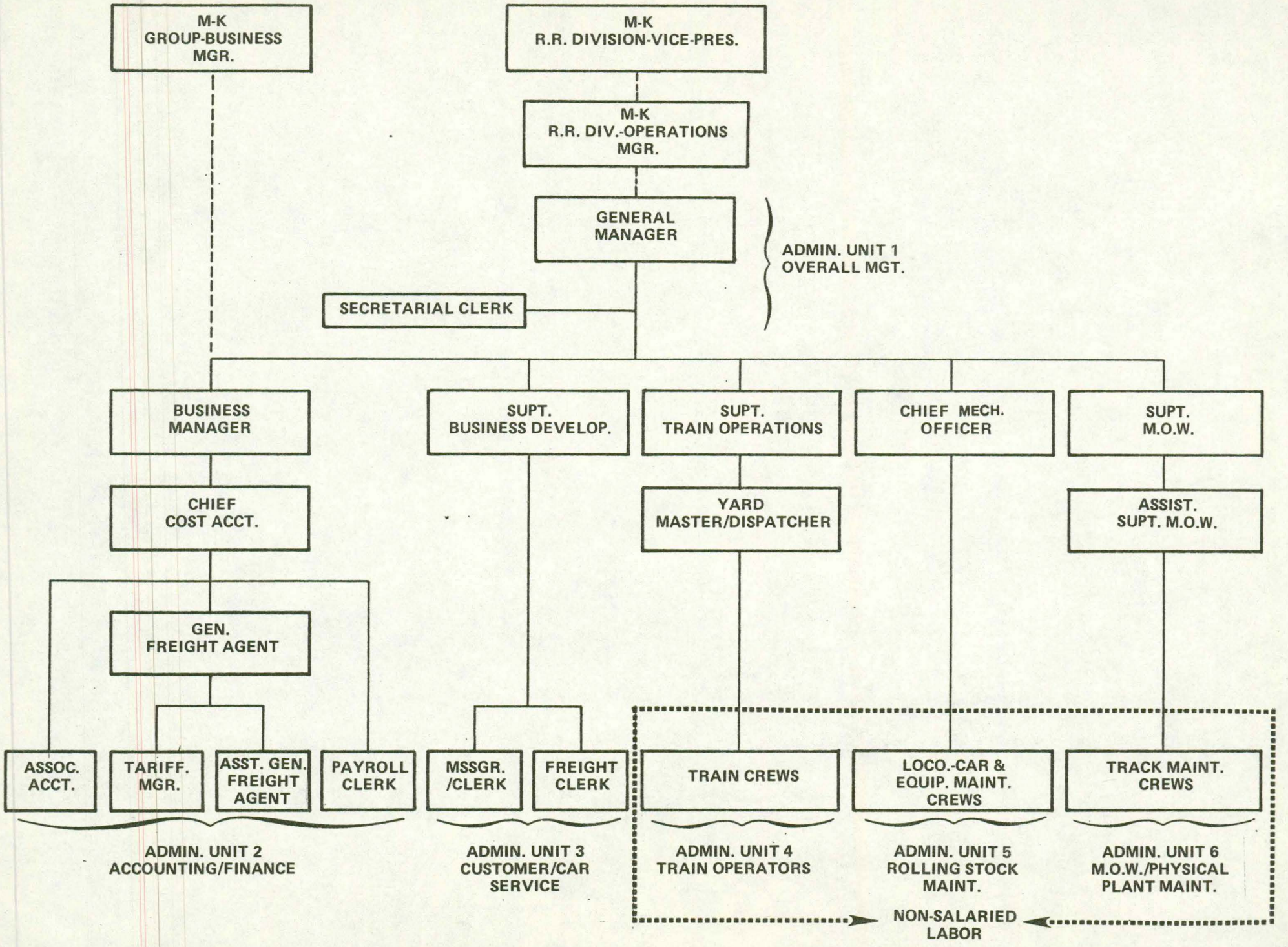
- Chief Mechanical Officer
- (Maintenance Crews - Hourly) — Personnel: 1

Administrative Unit 6 - M.O.W./Physical Plant

- o Superintendent M.O.W.
- o Assistant Track Superintendent
- o (Track Gangs - Hourly) Personnel: 2

TOTAL MANAGEMENT PERSONNEL: 20

IOWA FALLS GATEWAY R.R.
ORGANIZATIONAL CHART



4.6.1 Systems and Controls

For the purposes of this report, we have assumed that the Contract Operator will have exclusive control in the management and operation of the rail freight service, including:

(1) Dispatching and controlling trains.
(2) Making assignments of available cars in good order.
(3) Making assignments of crews and other employees.
(4) Making assignments and utilization of power.

Further, we have assumed that Contract Operator will have exclusive authority to promulgate and adopt rules and regulations for the operation of the rail freight service which are not inconsistent with State or Federal regulations.

We envision two levels of control other than the management control referred to above; fiscal control and productivity control, both of which are discussed in this section of the report.

Fiscal Control

There are four (4) levels of fiscal control which are assumed to be maintained by the Contract Operator of the Iowa Falls Gateway Rail Line (assuming M-K or corporation of similar nature is the contract operator) which would be based upon monthly and annual budgets prepared by the contract operator and approved by the Iowa Falls Shippers Group.

The first and highest level of control is represented by the parent subsidiary (M-K Contract Operator) relationship. This relationship required the preparation of financial statements using the M-K Chart of Accounts and includes business forecasts, current and projected financial statements, and cost comparative statements to budget. In addition to these statements, the parent company would receive copies of all cash disbursements (checks), journal vouchers, and check registers, and perform periodic

financial audits of the contract operator. These activities and requirements associated with the parent subsidiary relationship provide for a high level of fiscal control and accountability. The resources available to the contract operator through this relationship also provide for a level of management expertise that would otherwise not be possible for a small short line operation.

The second level of fiscal control is represented by the direct responsibility of the contract operator to the owner of the line (Iowa Falls Gateway Shippers Group). The owner would receive a monthly report using an accrual method to determine revenues and costs of providing service on the line, inclusive of all maintenance of way functions and rehabilitation. The Owner would receive financial statements and business documentation in much the same fashion as the parent company.

The third level of fiscal control is represented by the regulatory related requirements of the State and Federal Government. The basic chart of accounts to be employed by the contract operator is that prescribed by the Interstate Commerce Commission (ICC) for Class III railroads and culminates in the preparation of the regulatory Annual Report (Form R-3).

The last level of budgetary control is represented by the day-to-day activities of the General Manager and Business Manager in monitoring and controlling the use of and expenditures for labor, materials, and equipment. The General Manager will authorize all overtime to be worked and approve material purchase orders requested primarily by the Operations Superintendent, Chief Mechanical Officer and Superintendent-Maintenance-of-Way. The Business maintains a Subsidiary Project Ledger for monitoring progress and expense (labor, materials, equipment usage) in each budgeted area (track maintenance, rehabilitation, or transportation). This ledger records expenses at a more detailed level than that found in the General Ledger, and is used to assist the General Manager and the various superintendents in controlling their activities.

These four levels of fiscal control are very similar in structure to that found in larger decentralized Class I railroads between an operating division or district and corporate headquarters.

Productivity Control

Overall productivity is provided for through the financial statements prepared on a monthly basis along with the business and car movement reports provided to the owner. Revenue is monitored monthly through the freight accounting system which documents this figure by customer, and by type of freight (inbound, outbound, or intermediate). In addition, the General Manager maintains charts portraying budgeted and actual revenue and expense by month, as well as the number of cars handled each month compared to the same month in the previous year. These reports and charts are of sufficient detail to provide the contract operator with an overall indication of how the operation is progressing as compared to plans and budgets.

Each administravtive unit has a variety of documents prepared on a regular basis that combine to provide the superintendent the information necessary to monitor and control the productivity of that area.

ESTIMATED ADMINISTRATIVE COSTS

Administrative	
Labor	$572,299
Equipment Rental	89,924
Supplies	214,072
TOTAL	$876,295

SECTION 5

REVENUE

5.1 General

Morrison-Knudsen has estimated the revenue potential for the Iowa Falls Gateway based on; (i) the carload statistics as provided by the shippers; (ii) the carload statistics as estimated by the shippers group during the initial meetings prior to the development of the Gateway study to account for those carloadings which were not recorded due to an incomplete shipper response, and (iii) the carload statistics as developed by the Iowa Department of Transportation (IDOT).

Table 5-1 shows the car movements per segment (as reported by the shippers) for both the orginating and terminating traffic. The total car movements (20,360) is approximately 10,000 less than the quantity as estimated by the shippers group during the initial meetings. The gross and net revenues, based on the (20,360) car movements is shown on Table 5-2. The net revenue figures are developed from the short line division percentages as shown on Table 5-3 and Table 5-4 of this report.

In view of the fact that some of the shippers did not submit shipping data, it has been necessary to estimate the potential variance in revenue. Assuming that the 30,000 car movements is correct, and further assuming that the unreported portion of movements are single and multiple car movements, M-K has developed car movement and revenue calculations for the shortages, as further defined within this section.

The projected revenues, based on IDOT 1980 projections, is substantially greater than the revenue developed from shipper supplied data. However, assuming that the general statement that only two-thirds of the shippers responded and further assuming that the potential traffic has not been reached due to poor service, inadequate car supply and poor equipment utilization due to slow track speeds, it can be estimated that the IDOT

projections may be attained within a period of five years. Car loadings and revenue projections based on IDOT figures are further developed in Section 5.5 of this report.

5.2 Freight Revenue

The freight revenue consists of revenue from originating, terminating and bridge traffic. Freight rates for January 1979 were compiled for all 1979 shipper data, as supplied to M-K from the various elevators along the gateway.

The originating traffic is defined as all traffic originating from any elevator along the Iowa Falls Gateway rail line. The two main commodities shipped from these elevators are corn and soybeans. The majority of these commodities are shipped in fifty (50) and seventy-five (75) car unit trains to; Mississippi, Texas, Louisiana, and Alabama. The remaining cars are shipped in three (3) to twenty-five (25) car multiples or singles to other various destinations in Arkansas, Oklahoma, Missouri, Indiana, Illinois, Iowa and other surrounding states.

Terminating traffic is defined as all traffic terminating at any location along the Iowa Falls Gateway rail line. Winnebago Industries, at Forest City, receives the majority of the inbound or terminating traffic in the form of supplies for their recreational vehicle industry. Fertilizer is also shipped in from Florida and Canada to the majority of the elevators.

Bridge traffic is defined as all traffic transported over the Iowa Falls Gateway rail line which neither originates or terminates on the line. No revenue is calculated for bridge or overhead traffic; however, once the true status of the bankruptcies on both the Rock Island and the Milwaukee, with regard to their takeover, is determined,potential revenue may exist in this area.

Gross freight revenue is accumulated through freight rates based on the commodity, size of shipment, and the total one-way distance traveled. The anticipated Iowa Falls Gateway Rail Line's division of the gross revenue or

"net attributable freight revenue" is based on the percentage of the miles the car travels on the short line versus the overall trip mileage, down to a minimum percentage regardless of the mileage traveled on the short line. An additional fixed percentage is included for all originating traffic. This additional percentage is essential to the success of the new operation.

The short line should be adamant about its position concerning originating traffic because the almost nonproductive spotting, picking up and delivering freight is extremely expensive when compared to line-haul operations. The short line should be firm in negotiating it's divisions. The divisions originating traffic, as utilized within this report are shown in Tables 5-3 and 5-4. Additionally, in view of the IDOT's contention that the corridor to Kansas City and possibly westward from Des Moines will have joint operating rights by more than one carrier, the shippers should remain open to the possibility of moving the traffic to Kansas City and retaining the division percentages of the prior carrier (Rock Island) which are assumed to be fifty percent (50%) of the gross freight revenue. Such a position further enhances the potential success of a shipper owned Iowa Falls Gateway. Restricted operating speeds will stifle the initial operation. However, the proposed rehabilitation of the corridor with federal funds would eliminate this problem within a very few years and it is assumed that the joint maintenance cost responsibility for the use of this corridor would be on a per car or per ton basis.

5.3 Projected Freight Revenue

In view of the fact that some of the shippers did not submit carload statistics, it has been necessary to estimate the potential variance in revenue. Based on the initial shipper estimate of 30,000 car movements, only two-thirds of the rail shipments were reported. The other one-third unreported car movements are assumed to be single and multi car movements. By using the 1979 car load statistics, as provided by the shippers to M-K, an average revenue per car load was estimated. This resulted in an additional net freight revenue of approximately 3.0 million dollars from unreported car movements.

The IDOT has also projected, for 1980, that 132,922,073 bushels of grain, 200,041 tons of fertilizer, and 4,975,555 cwt. of other products will originate or terminate on the Iowa Falls Gateway Line. These projections do not include the commodities from Clarion, Dows and Popejoy, which were estimated by M-K from 1979 shipper date.

The following analysis provides the revenue projections for both the unreported car movements as indicated by the West Bend Elevator Company and the revenue projections for the year 1980 based on the commodity projections of the IDOT.

5.4 Revenue (Unreported Shipper Data)

Originating

From the 1979 shipper data received, 17,732 cars originated on the line. Additional unreported cars - 17,732 x 1/2 = 8,866 cars (estimated). Using freight rates for single and multiple shipments based on 1979 shipper data, an average rate per car was calculated.

CORN AND BEANS
(Sample by random selection)

Cars Shipped	Destination	Gross Revenue/Car	Gross Revenue	M-K Net Revenue
3	Arkansas	$1,490	4,470	1,118
1	Muscatine, Iowa	$ 588	588	147
4	Cedar Rapids, Iowa	$ 392	1,568	392
3	Oklahoma	$1,584	4,752	1,188
2	Illinois	$ 784	1,568	392
1	Louisiana	$2,856	2,856	714
			15,802	$3,951

The estimated net originating revenue per car, from the above random sample is $282.21/car. The additional originating net revenue would be based on the estimated additional cars (8,866) times the estimated revenue per car (282.21) or $2,502,074.00.

Terminating

From 1979 shipper data received, 2628 cars terminated on the line.

Additional Unreported Cars - 2628 cars x 1/2 = 1314 Cars (est.).

Using freight rates for single and multiple shipments based on 1979 shipper data, an average rate per car was calculated.

FERTILIZER

(Sample by random selection)

Cars Shipped	Destination	Gross Revenue/Car	Gross Revenue	M-K Net Revenue
5	Florida	$1,800	9,000	1,260
10	Canada	$2,800	28,800	4,032
			37,800	5,292

The estimated net terminating revenue per car, from the above random sample is $352.80/car. The additional terminating net revenue would be based on the estimated additional cars (1,314) times the estimated revenue per car (352.80) or $463,579.00.

ESTIMATED ADDITIONAL NET REVENUE

Net Originating	$2,502,074.00
Net Terminating	$ 463,579.00
TOTAL	$2,965,653.00

5.5 Revenue (From IDOT 1980 Projections)

The Iowa Department of Transportation developed traffic projections for the year 1980, which did not include that portion of the Gateway trackage from Iowa Falls to Clarion. The IDOT projected that grain shipments would amount to 132,922,073 bushels and other products would total 2,380,437 cwt. during 1980. In the following calculations, M-K has reduced these figures to estimated car loadings.

GRAIN - 132,922,073 bu. x 50 lbs./bu.: 200 lbs. assuming 1 hopper car = 100 ton) = 33,231 car loads

OTHER PRODUCTS - 2,380,437 cwt. x $\frac{\text{ton}}{20 \text{ cwt.}}$ x $\frac{1 \text{ car}}{50 \text{ ton}}$ = 2,380 car loads

Therefore, the total estimated car loadings based on the IDOT projections for the year 1980 would be 35,611.

For those movements not included in the IDOT projections (Iowa Falls to Clarion) M-K has utilized the 1979 shipper data, and determined that 16,167 cars were shipped from this area, excluding Dows, Popejoy, and Clarion of the total 17,732 originating cars on the line.

$$\frac{16,167}{17,732} = 91.2\%$$

The total originating car movements based on IDOT projections would then be 39,047.

$$\frac{35,611}{91.2\%} = 39,047 \text{ cars}$$

By using the total originating net revenue based on the 17,732 car movements, M-K has estimated that the net originating revenue per car is $430.54.

$$\frac{\$7,634,377}{17,732} = \$430.54$$

The total 1980 originating net revenue, based on the projected car movements developed from the IDOT information would then be:

39,047 cars x $430.54/car = $16,811,295.00

The terminating traffic calculations and terminating net revenue calculations based on the IDOT projections for 1980 are as follows:

FERTILIZER - 200,041 tons x $\frac{1 \text{ H.C.}}{100 \text{ ton}}$ = 2,000 cars

OTHER PRODUCTS - 2,595,114 cwt. x $\frac{1 \text{ ton}}{20 \text{ cwt.}}$ = 2,595 cars

1979 shipper data obtained shows to -	2,000 cars
Traffic terminating at Dows, Popejoy & Clarion	2,595 cars
Total Terminating Cars for 1980	4,595 cars

Using the total terminating revenue based on the 1979 shipper data obtained, an estimated revenue per car was calculated.

$\frac{\$791,839 \text{ (1979 terminating revenue)}}{2,628 \text{ (1979 terminating cars)}}$ $301.31/car

Total 1980 terminating net revenue:

4595 cars x 301.31/car = $1,384,519

TOTAL ESTIMATED 1980 NET REVENUE

Orginating	$16,811,295
Terminating	1,384,519
	$18,195,814

IOWA FALLS GATEWAY TRAFFIC - 1980 PROJECTIONS

Branchline	Grain (bu.)	Fertilizer (tons)	Other Products (cwt)
Wallingford to Holmes	59,105,838	76,424.6	530,161
Royal to Palmer	9,328,323	12,117.0	348,555
Buffalo Center to Belmond	31,857,547	48,475.3	2,595,114
Ocheyedan to Superior	18,695,753	15,937.1	79,664
Estherville to Rake	12,490,960	38,270.6	1,405,355
Titonka to Hayfield	1,443,652	8,816.7	16,702
GRAND TOTAL	132,922,073	200,041.3	4,975,551

This information was obtained from the Iowa Department of Transportation and does not contain the traffic projections for the portion of the Iowa Falls Gateway from Iowa Falls to Clarion.

5.6 Car Revenue

In addition to freight revenue, car revenues are generated by the movement of shipper leased cars or cars provided by the contract operator on foreign railroads. This revenue is a form of rent based on time and mileage charges paid by the connecting railroads for the use of the car while on their respective rail lines, both to and/or from its destination.

Generally, in a situation where leased rail cars are used, the time and mileage revenues are paid directly to the leasing company. These revenues are applied directly to the monthly (or yearly) lease amount. This application is limited, not to exceed 100% of the lease amount. It is important to note, however, that lease agreements vary from leasing company to leasing company and can be negotiated to fit a particular application.

Preliminary calculations as well as our experience on present M-K operations show that the time and mileage car revenues, will generally off set the yearly car lease costs.

Also, some revenue can be expected to be generated by car repair services performed by maintenance crews on the Gateway. These maintenance and inspection procedures will be conducted as necessary and the car owner(s), railroads or leasing company will be billed for this service.

TABLE 5-1

CAR MOVEMENTS PER SEGMENT

(From Shipper Data)

Segment	Origin	Term	Total
1	517	40	557
2	1,988	46	2,034
3	5,034	242	5,276
4	287	2,025	2,312
5	142	25	167
6	2,398	34	2,432
7	2,724	53	2,777
8	2,111	50	2,161
9	-	-	-
10	583	-	583
11	-	-	-
12	969	50	1,019
13	979	63	1,042
TOTAL	17,732	2,628	20,360

TABLE 5-2
1979 TRAFFIC REVENUES
(From Shipper Data)

	ORIGINATING		TERMINATING		TOTAL REVENUE	
	GROSS	NET	GROSS	NET	GROSS	NET
Segment 1						
Popejoy	8,531	8,531	-	-	8,531	8,531
Dows	677,813	170,025	-	-	677,813	170,025
TOTAL	686,344	178,556	-	-	686,344	178,556
Segment 2						
Rowan	273,455	68,364	-	-	273,455	68,364
Klemme	3,066,282	767,460	33,944	7,358	3,100,226	774,818
TOTAL	3,339,737	835,824	33,944	7,358	3,373,681	843,182
Segment 3						
Livermore	273,455	68,364	-	-	273,455	68,364
Galt	136,728	34,182	-	-	136,728	34,182
West Bend	5,089,273	1,264,736	536,826	75,740	5,626,099	1,340,476
Hardy	583,069	145,767	-	-	583,069	145,767
Bode	494,839	123,710	123,848	17,339	618,687	141,049
Ottosen	112,873	28,440	-	-	112,873	28,440
Clarion	1,605,276	401,351	-	-	1,605,276	401,351
TOTAL	8,295,513	2,066,550	660,674	93,079	8,956,187	2,159,629
Segment 4						
Forest City	94,347	26,850	34,880	4,883	129,227	31,733
Winnebago	-	-	3,881,780	543,449	3,881,780	543,449
Thompson	41,078	13,447	133,027	19,213	174,105	32,660
TOTAL	135,425	40,297	4,049,687	567,545	4,185,112	607,842
Segment 5						
Crystal Lake	29,117	8,444	15,165	2,123	44,282	10,567
Hayfield	8,669	2,137	-	-	8,669	2,137
Woden	44,977	11,343	38,216	5,350	83,193	16,693
TOTAL	82,763	21,924	53,381	7,473	136,144	29,397
Segment 6						
Emmetsburg	911,518	227,879	-	-	911,518	227,879
Graettinger	2,977,304	741,123	98,800	14,340	3,076,104	755,463
TOTAL	3,888,822	969,002	98,800	14,340	3,987,622	983,342

TABLE 5-2
(cont'd.)

	ORIGINATING		TERMINATING		TOTAL REVENUE	
	GROSS	NET	GROSS	NET	GROSS	NET
Segment 7						
Lakota	1,070,512	297,682	-	-	1,070,512	297,682
Swea City	281,109	77,853	21,332	2,986	302,441	80,839
Cargill	1,402,277	350,782	38,772	5,428	1,441,049	356,210
Armstrong	60,218	55,709	-	-	60,218	55,709
Gruver	583,054	189,120	-	-	583,054	189,120
Rake	1,072,226	268,056	-	-	1,072,226	268,056
TOTAL	4,469,396	1,239,202	60,104	8,414	4,529,500	1,247,616
Segment 8						
Superior	2,875,786	721,581	93,416	13,078	2,969,202	734,659
Ocheyedan	754,570	205,839	121,826	17,056	876,396	222,895
Lake Park	926,450	232,185	-	-	926,450	232,185
TOTAL	4,556,806	1,159,605	215,242	30,134	4,772,048	1,189,739
Segment 10						
Hartley	1,057,910	264,478	-	-	1,057,910	264,478
TOTAL	1,057,910	264,478	-	-	1,057,910	264,478
Segment 12						
Royal	1,762,193	440,548	272,970	38,216	2,035,163	478,764
TOTAL	1,762,193	440,548	272,970	38,216	2,035,163	478,764
Segment 13						
Palmer	651,304	181,547	61,671	8,634	712,975	190,181
Pocahontas	703,733	236,844	118,894	16,645	822,627	253,489
TOTAL	1,355,037	418,391	180,565	25,279	1,535,602	443,670
GRAND TOTAL	29,629,946	7,634,377	5,625,367	791,838	35,255,313	8,426,215

TABLE 5-3
SHORT LINE DIVISIONS

OFF LINE MILES	SHORT LINE MILES 50		100		150		200		250	
	PERCENTS									
	OL	SL	OL	SL	OL	SL	OL	SL	OL	SL
50	50	50	33	67	25	67	20	80	17	83
100	67	33	50	50	40	60	33	67	29	71
150	75	25	60	40	50	50	43	57	38	62
200	75	25	67	33	57	43	50	50	44	56
250	75	25	71	29	63	37	56	44	50	50
300	75	25	75	25	67	33	60	40	54	46
350	75	25	75	25	70	30	64	36	58	42
400	75	25	75	25	73	27	67	33	61	39
450	75	25	75	25	75	25	69	31	64	36
500	75	25	75	25	75	25	71	29	67	33
550	75	25	75	25	75	25	73	27	69	31
600	75	25	75	25	75	25	75	25	71	29
650	75	25	75	25	75	25	75	25	72	28
700	75	25	75	25	75	25	75	25	74	26
750	75	25	75	25	75	25	75	25	75	25
800	75	25	75	25	75	25	75	25	75	25
850	75	25	75	25	75	25	75	25	75	25
900	75	25	75	25	75	25	75	25	75	25
950	75	25	75	25	75	25	75	25	75	25
1000	75	25	75	25	75	25	75	25	75	25
1050	75	25	75	25	75	25	75	25	75	25
1100	75	25	75	25	75	25	75	25	75	25
1150	75	25	75	25	75	25	75	25	75	25
1200	75	25	75	25	75	25	75	25	75	25
1300	75	25	75	25	75	25	75	25	75	25
1350	75	25	75	25	75	25	75	25	75	25
1400	75	25	75	25	75	25	75	25	75	25
1450	75	25	75	25	75	25	75	25	75	25
1500	75	25	75	25	75	25	75	25	75	25
1550	75	25	75	25	75	25	75	25	75	25
1600	75	25	75	25	75	25	75	25	75	25
1650	75	25	75	25	75	25	75	25	75	25
1700	75	25	75	25	75	25	75	25	75	25
1750	75	25	75	25	75	25	75	25	75	25
1800	75	25	75	25	75	25	75	25	75	25
1850	75	25	75	25	75	25	75	25	75	25
1900	75	25	75	25	75	25	75	25	75	25
1950	75	25	75	25	75	25	75	25	75	25
2000	75	25	75	25	75	25	75	25	75	25

NOTE: The above divisions would be for originating traffic.

TABLE 5-4
SHORT LINE DIVISIONS

OFF LINE MILES	50		100		150		200		250	
	PERCENTS									
	OL	SL	OL	SL	OL	SL	OL	SL	OL	SL
50	50	50	33	67	25	75	20	80	17	83
100	67	33	50	50	40	60	33	67	29	71
150	75	25	60	40	50	50	43	57	38	62
200	80	20	67	33	57	43	50	50	44	56
250	83	17	71	29	63	37	56	44	50	50
300	86	14	75	25	67	33	60	40	54	46
350	86	14	78	22	70	30	64	36	58	42
400	86	14	80	20	73	27	67	33	61	39
450	86	14	82	18	75	25	69	31	64	36
500	86	14	83	17	77	23	71	29	67	33
550	86	14	85	15	79	21	73	27	69	31
600	86	14	86	14	80	20	75	25	71	29
650	86	14	86	14	81	19	76	24	72	28
700	86	14	86	14	82	18	78	22	74	26
750	86	14	86	14	83	17	79	21	75	25
800	86	14	86	14	84	16	80	20	76	24
850	86	14	86	14	85	15	81	19	77	23
900	86	14	86	14	86	14	82	18	78	22
950	86	14	86	14	86	14	83	17	79	21
1000	68	14	86	14	86	14	83	17	80	20
1050	86	14	86	14	86	14	84	16	81	19
1100	86	14	86	14	86	14	85	15	81	19
1150	86	14	86	14	86	14	85	15	82	18
1200	86	14	86	14	86	14	86	14	83	17
1250	86	14	86	14	86	14	86	14	83	17
1300	86	14	86	14	86	14	86	14	84	16
1350	86	14	86	14	86	14	86	14	84	16
1400	86	14	86	14	86	14	86	14	85	15
1450	86	14	86	14	86	14	86	14	85	15
1500	86	14	86	14	86	14	86	14	86	14
1550	86	14	86	14	86	14	86	14	86	14
1600	86	14	86	14	86	14	86	14	86	14
1650	86	14	86	14	86	14	86	14	86	14
1700	86	14	86	14	86	14	86	14	86	14
1750	86	14	86	14	86	14	86	14	86	14
1800	86	14	86	14	86	14	86	14	86	14
1850	86	14	86	14	86	14	86	14	86	14
1900	86	14	86	14	86	14	86	14	86	14
1950	86	14	86	14	86	14	86	14	86	14
2000	86	14	86	14	86	14	86	14	86	14

NOTE: The above divisions would be for termination and overhead traffic.

SECTION 6

ECONOMIC ANALYSIS

6.1 General

A brief economic analysis was made on the Gateway using the projected traffic increase data that was provided by the shippers group and Iowa Department of Transportation.

Cash Flow Projections

Exhibits 6-1 and 6-2 show the cash flow projections for years 1 through 10. As traffic increases, both revenue and cost will also increase. It is projected that this operation will reach a break-even point within the first year.

Break-Even Charts

Exhibits 6-3 and 6-4 illustrate the number of car loads per month required to break-even based on the following criteria.

A. Total Cost includes Profit without Capital
B. Total Cost doesn't include Profit or Capital

Spread Sheet

Table 6-1 is a spread sheet depicting the capital cost, operating cost and revenue for the Gateway for years 1 through 15. This is also based on the projected revenue that has been furnished by the shippers group plus the IDOT. Even though the IDOT projection is for the year 1980, it was calculated that this point would probably not be reached until the fifth year of operation.

By using the idealized haul cycle and truck requirements, labor (truck drivers) requirements can also be determined.

Added to the truck direct cost factors, a maintenance, management and contingency factor of approximately 30% was incorporated. This approximate factor is based on Morrison-Knudsen's historical data in this area.

From the previously generated railroad operations costs, the yearly direct operating cost comparison between rail and truck haul is as follows.

Year 1 Operating Cost Comparison
Railroad vs. Trucking

	Railroad Haul	Truck Haul
Yearly Operating Costs	$9.6 Million	$17.1 Million
	-$8.4 Million (approx. yearly revenue)	----
	$1.2 Million Net Operating Cost	$17.1 Million

It should be noted, that capital costs are required for both rail and truck haul requirements. Generally, for the rail alternative, the capital requirements are included in the rehabilitation. Capital costs for the truck haul would include facility modifications at the elevators and rail terminals for loading and unloading of grains into and out of the trucks.

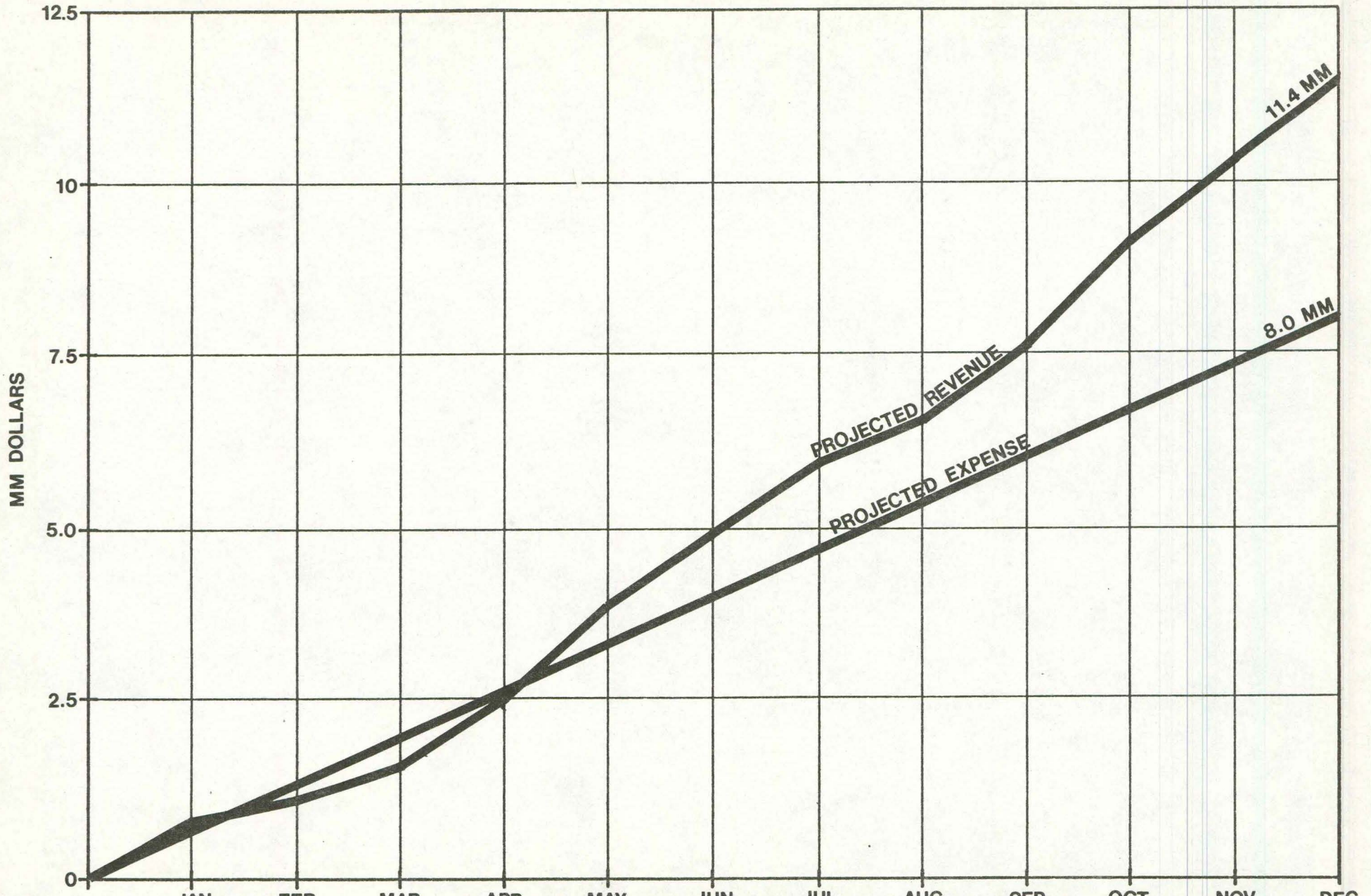
Operationally, trucking requires more direct handling of the grain than the railroad alternative. These costs are not reflected in the above approximate costs. This operation is based on the assumption the grain will be transferred from the trucks to connecting railroads at Iowa Falls for transportation to the final destination points. Upon transfer to the connecting railroads, a freight rate would then be required to transport the grains to the final destination. Transportation costs based on these freight rates have not been included in this comparison.

TABLE 6-1

Year	+1	+2	+3	+4	+5	+15
Capital Costs						
Property Acquisition	*1,397,862	→	→	→	→	*1,397,862
Rehabilitation	*2,082,882	→	→	→	→	*2,082,882
Yard Tracks At Iowa Falls	* 203,804	→	→	→	→	* 203,804
Additional Interchanges	* 39,416	→	→	→	→	* 39,416
Track Scale	* 18,104	→	→	→	→	* 18,104
Initial Capital Costs	* 78,840	→	→	→	→	* 78,840
Total Cost/Year	*3,820,908	→	→	→	→	*3,820,908
Operating Costs						
Transportation Cost						
Labor	727,020	827,020	927,020	927,020	927,020	927,020
Equipment	3,602,158	4,474,419	4,742,807	4,742,807	5,328,144	5,328,144
Trackage Rights	29,268	35,000	42,667	50,334	58,000	58,000
Maintenance of Equipment						
Locomotive	298,656	343,008	343,008	343,008	387,360	387,360
Maintenance of Way	1,133,900	1,869,100	2,604,300	3,004,300	3,404,300	3,404,300
Administrative Costs	876,295	876,295	976,295	1,076,295	1,176,295	1,176,295
Insurance	600,000	600,000	600,000	600,000	600,000	600,000
Total Direct Cost	7,267,297	9,024,842	10,236,097	10,743,764	11,881,119	11,881,119
Boise Home Office Expense						
Contract Operator Fee	690,393	857,360	972,469	1,020,658	1,128,706	1,128,706
Total Cost/Year	7,957,690	9,882,202	11,208,526	11,764,422	13,009,825	13,009,825
Revenue						
Traffic	11,391,868	13,092,854	14,793,840	16,494,826	18,195,814	18,195,814

* Cost is based on a capital recovery factor @ i=8% for 15 Yrs.

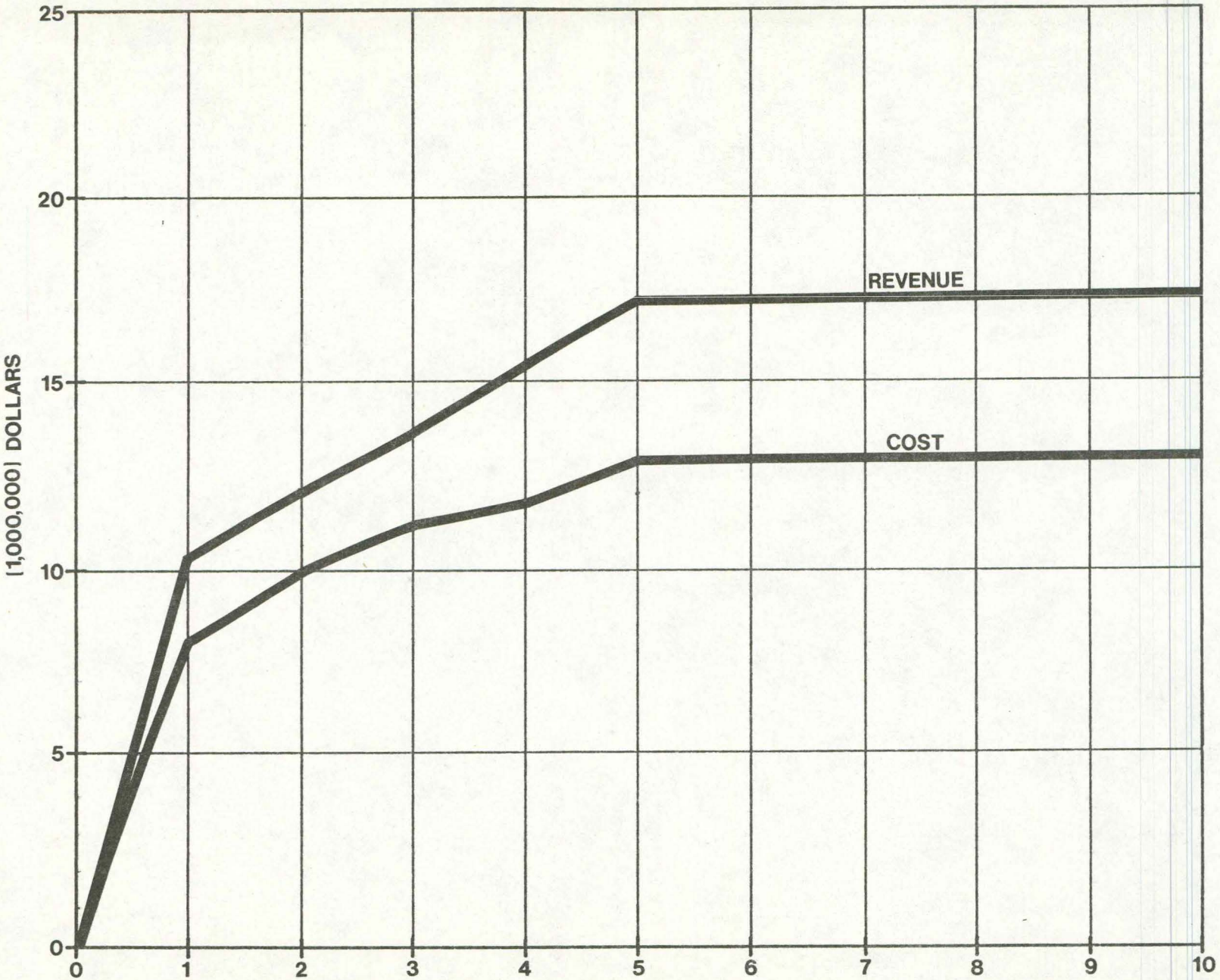
YEAR 1



CAPITAL EXPENSE AND
REAL ESTATE TAX NOT INCLUDED.

EXHIBIT 6-1

CASH FLOW PROJECTIONS



* CAPITAL EXPENSE AND REAL ESTATE TAX NOT INCLUDED.

EXHIBIT 6-2

EXHIBIT 6-3

BREAK-EVEN ANALYSIS

IOWA FALLS GATEWAY RAILROAD

[WITH PROFIT - WITHOUT CAPITAL]

BREAK-EVEN [X] = $\frac{F}{P-V}$

F = FIXED COST $239,425.

P = REVENUE PER CAR PER MO. 373.

V = VARIABLE COST PER CAR PER MO. 250.

$X = \frac{239,425}{373-250}$

X = 1,947 CARS/MO.

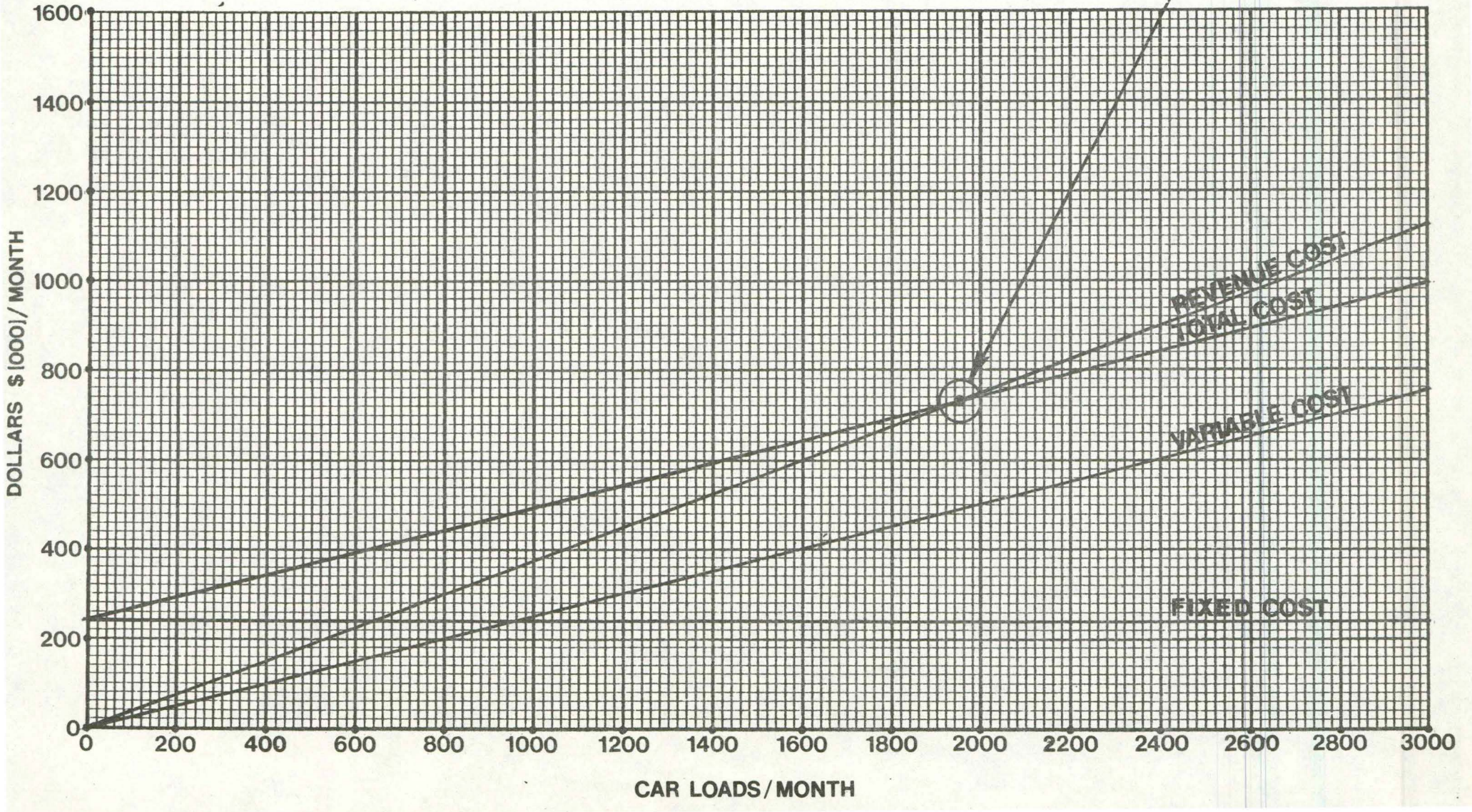


EXHIBIT 6-4

BREAK-EVEN ANALYSIS

IOWA FALLS GATEWAY RAILROAD

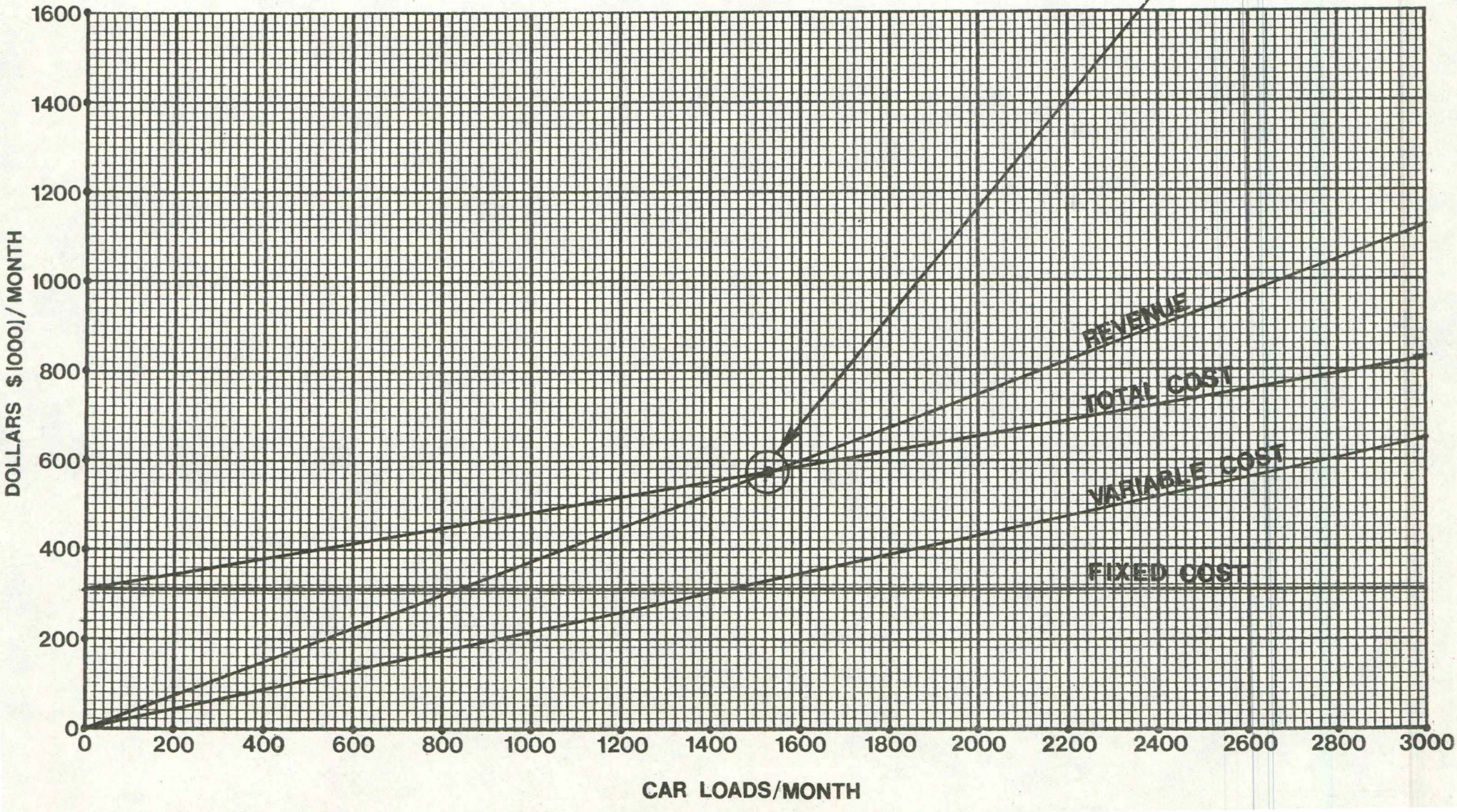
(WITHOUT PROFIT - WITHOUT CAPITAL)

BREAK-EVEN (X) = $\frac{F}{P-V}$

F = FIXED COST $239,425.
P = REVENUE PER CAR PER MO. 373.
V = VARIABLE COST PER CAR PER MO. 216.

$X = \frac{239,425}{373-216}$

X = 1,525 CARS/MO.



TRANSPORTATION COMPARISONS

River Transportation Division
Iowa Department of Transportation
5268 N.W. 2nd Avenue
Des Moines, Iowa 50313
515/281-4292

CARGO CAPACITY

BARGE
1500 TON
52,500 BUSHELS
453,600 GALLONS

15 BARGE TOW
22,500 TON
787,500 BUSHELS
6,804,000 GALLONS

JUMBO HOPPER CAR
100 TON
3,500 BUSHELS
30,240 GALLONS

100 CAR UNIT TRAIN (GRAIN)
10,000 TON
350,000 BUSHELS
3,024,000 GALLONS

LARGE SEMI
25 TON
875 BUSHELS
7,560 GALLONS

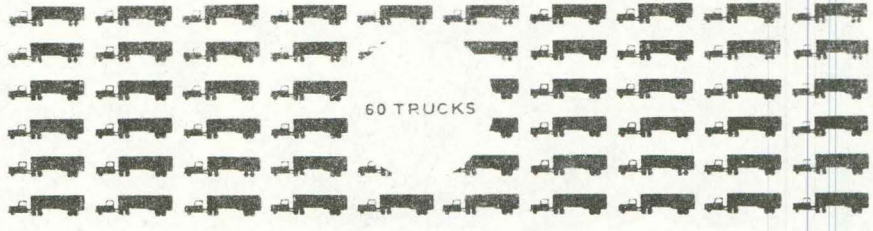
EQUIVALENT UNITS

1 BARGE

=

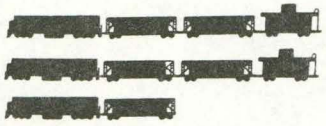
15 JUMBO HOPPERS

=



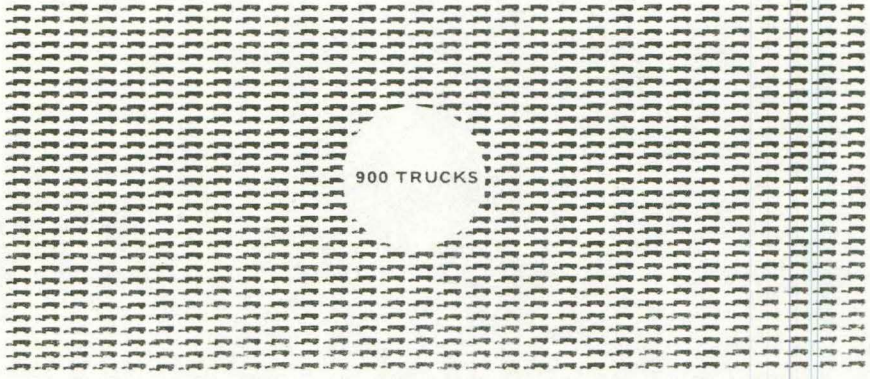
1 TOW

=



2¼ UNIT TRAINS

=



EQUIVALENT LENGTHS

¼ MILE

15 BARGE TOW

2¾ MILES

2¼ UNIT TRAINS

36 MILES
ASSUMING 150 FT.
BETWEEN TRUCKS

Prepared by:
Planning and Research Division
Iowa Department of Transportation

SECTION 7
OPERATION ASSESSMENT

Train operation is typically concentrated at yard classification facilities, the location where train crews originate and terminate and train classification occurs. Manpower, equipment and maintenance assignments and changes are simplified when operation management is located with the activities occurring at the train yards.

There are two principle railroad yards within the Gateway system, located at Estherville and at Iowa Falls. The selection of the track network composing the Gateway system has both of these yards centrally located for the operation of an independent rail system.

The Gateway system is similar to a tree, with branches combining into a trunk. Estherville is located near the junction where many branches join the trunk, and Iowa Falls is located at the base of the trunk.

Train operation was assessed with both Estherville and Iowa Falls as the operation headquarter. No significant operating advantage was determined from the Iowa Falls headquarters location. Trains can be originated and dispatched with equal facility from either location. Present operations are headquartered at Estherville and it could not be economically justified to relocate the existing Estherville office, train crew and locomotive maintenance facilities. The present operating system should be retained, with headquarters at Estherville and subsidiary operating management at Iowa Falls. Proposed capital and operating costs for the Gateway have been based upon this operation.

The Iowa DOT projections for 1980 traffic suggest traffic increases to be anticipated. During Morrison-Knudsen's field investigation, several conversations concerning Gateway's railroad traffic were held with local operation personnel of the Rock Island Railroad. Further rail traffic and revenue should be assumable after the track and rehabilitation is completed and better shipper service can be presented.

Discussion of the present requirements of railroad shippers reveals that owner-operation and planned, coordinated shipper scheduling has great potential for providing significant reduction in train movements to the system and corresponding reductions in operating cost.

Transportation coordination and marketing will decrease the Gateways systems operation cost and increase revenue. The potential is excellent.

Two portions of track, Thompson to Buffalo Center (Segment 4) and Woden to Titonka (Segment 5) require complete track reconstruction for rehabilitation. Recon-struction has been assumed in this report. The cost of reconstruction is not justified by present revenue however. Consideration should be given to the abandonment of these tracks. A summary of projected operating costs and revenue is shown in the following table.

SECTION 7

OPERATION ASSESSMENT

	Segment 4 Thompson to Buffalo Center	Segment 5 Hayfield to Titonka
Length	8.1 miles	24.7 miles
Capital Cost		
Acquisition	$ 324,000	$ 988,000
Rehabilitation	1,710,720	2,648,078
Total Capital Cost	$2,034,720	$3,636,078
Annual Capital Cost (8% for 15 years)	$ 237,655 (Year)	$ 424,694 (Year)
Annual Operating Cost	$ 64,840 (Year)	$ 179,005 (Year)
Total Annual Cost	$ 302,459 (Year)	$ 623,699 (Year)
Estimated Annual Revenue	$ 148,841 (Year)	$ 61,130 (Year)
Operating Deficit	$ 153,618 (Year)	$ 562,569 (Year)

MONTHLY CAR MOVEMENTS

Car Loads per Month

Month	Present	Present Plus 33%	Iowa D.O.T. Projection
January	1,179	1,568	2,030
February	927	1,233	1,638
March	1,043	1,389	2,020
April	1,563	2,079	3,250
May	2,141	2,848	4,423
June	1,985	2,648	3,630
July	1,892	2,517	3,570
August	1,419	1,887	2,850
September	1,737	2,310	3,600
October	2,344	3,118	4,825
November	2,722	3,022	4,840
December	1,858	2,467	3,530
Total	20,360	27,078	40,206

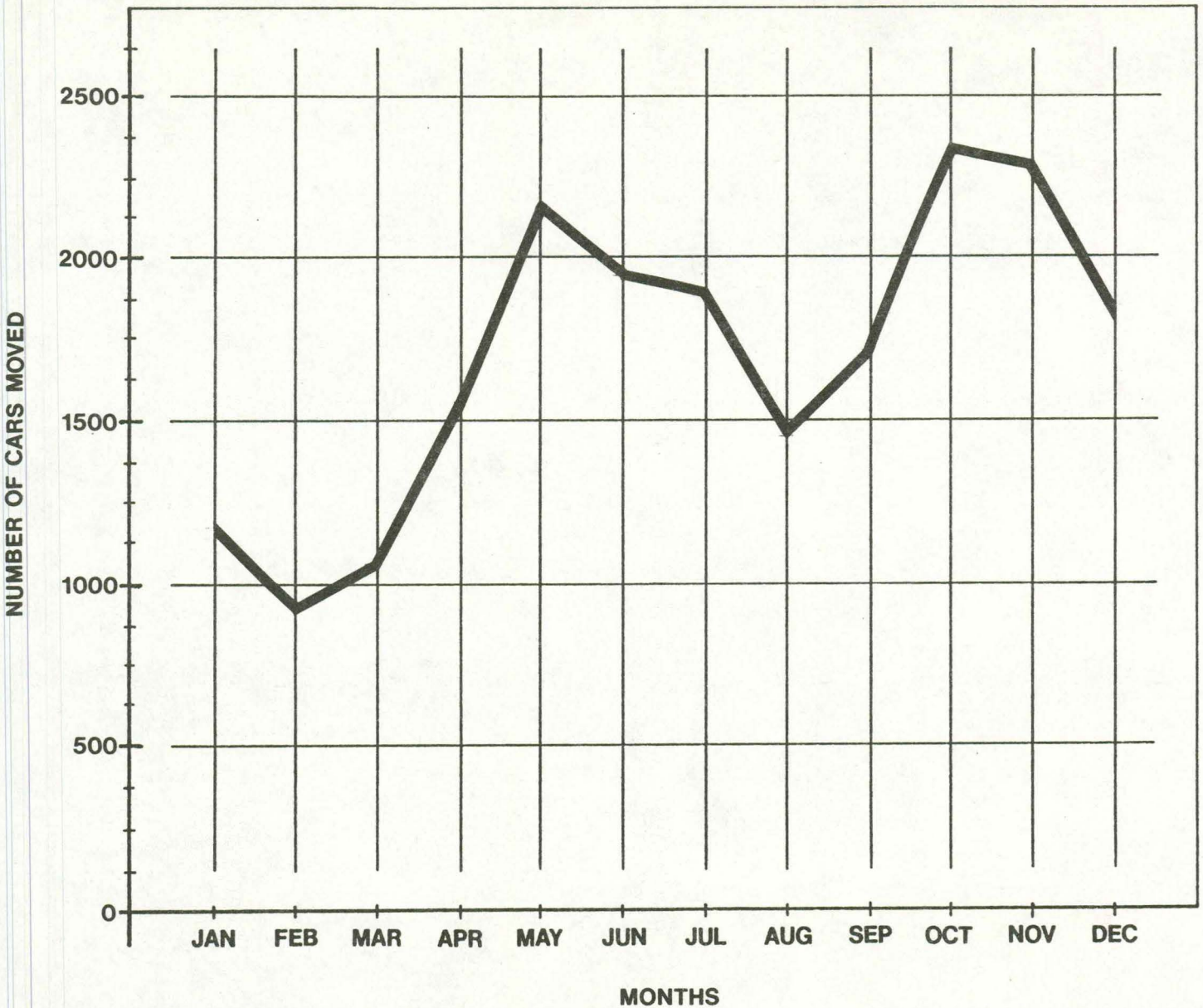

NUMBER OF CARS MOVED
2500
2000
1500
1000
500
0
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
MONTHS

EXHIBIT 7-1

CAR LOADS PER MONTH-1979 [ACTUAL PLUS 33%]

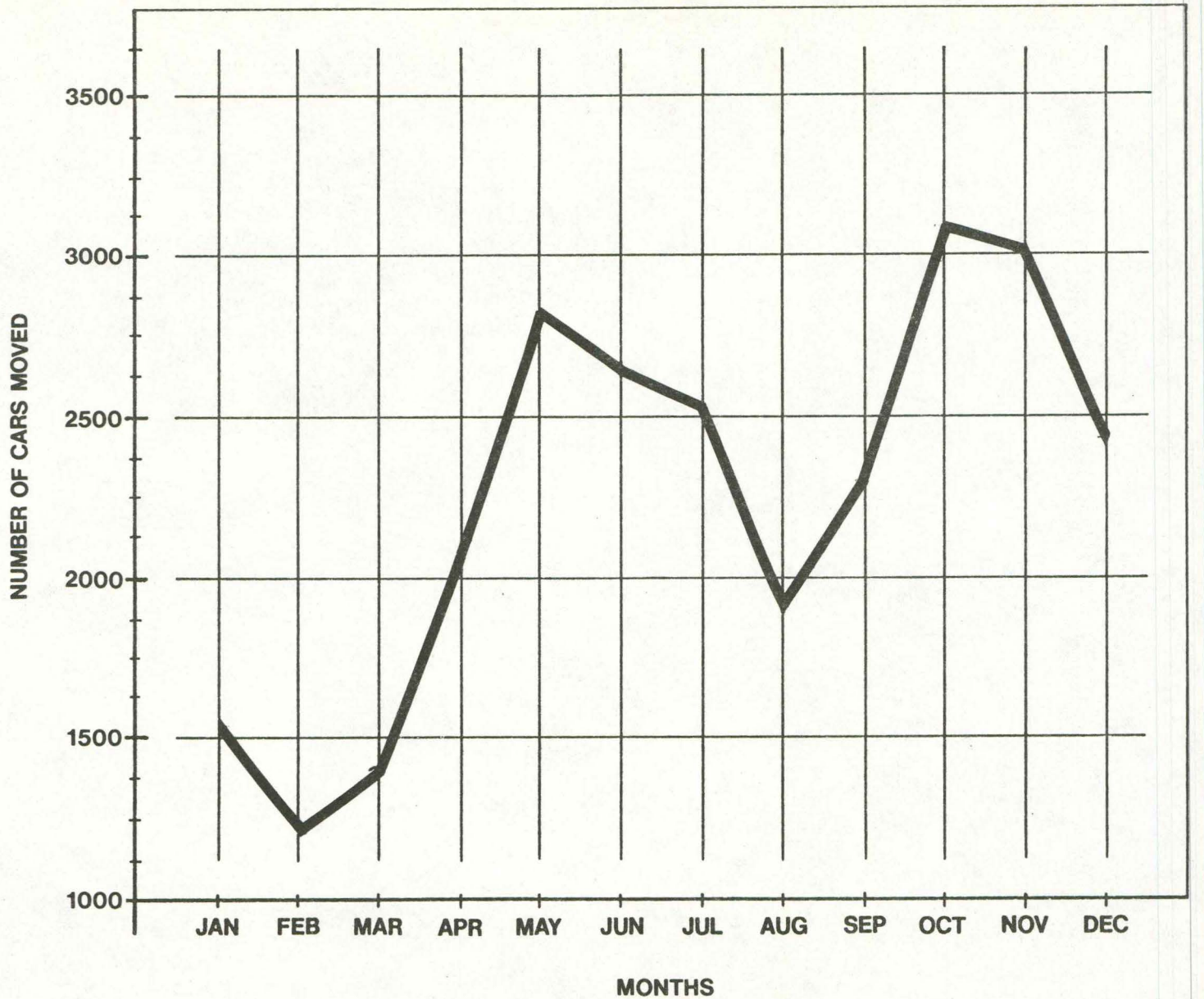


EXHIBIT 7-2

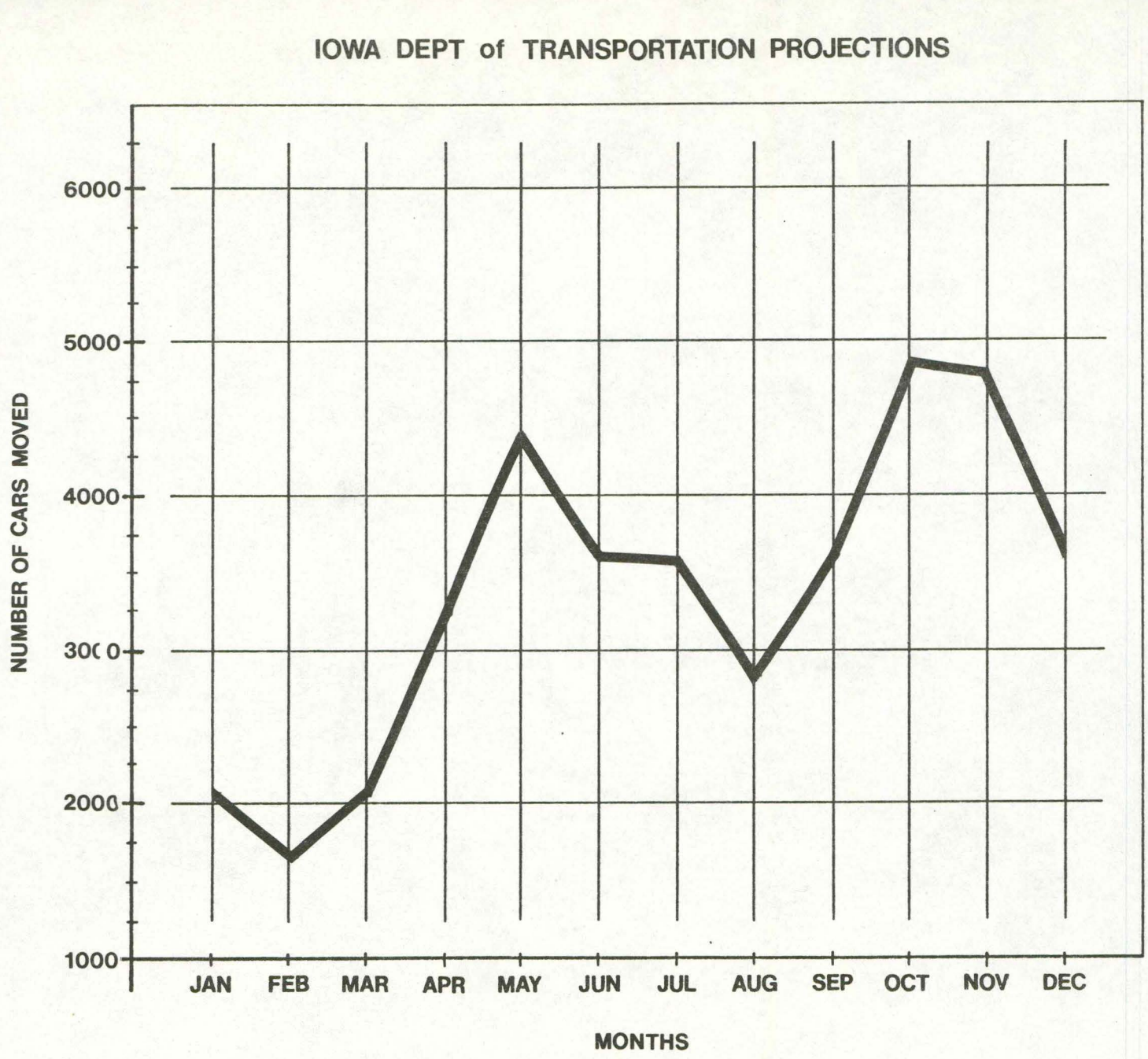

IOWA DEPT of TRANSPORTATION PROJECTIONS
NUMBER OF CARS MOVED
6000
5000
4000
3000
2000
1000
JAN
FEB
MAR
APR
MAY
JUN
JUL
AUG
SEP
OCT
NOV
DEC
MONTHS

EXHIBIT 7-3

APPENDIX

CONTENTS

INTERSTATE COMMERCE COMMISSION

49 CFR Part 1111

[Ex parte No. 282 (Sub-No. 4)]

Acquisition Procedures for Lines of Railroads in Reorganization

AGENCY: Interstate Commerce Commission.

ACTION: Final rules.

SUMMARY: The Commission is adopting procedures to govern applications to acquire lines of railroads in reorganization. The procedures are being adopted so that the Commission will have sufficient information to make decisions required by the Milwaukee Railroad Restructuring Act (MRRA). The rules are being made effective immediately. Because of deadlines designated by MRRA, these rules are being adopted without notice and public comment.

EFFECTIVE DATE: January 25, 1980.

FOR FURTHER INFORMATION CONTACT: Michael Erenberg (202) 275-7245.

SUPPLEMENTARY INFORMATION: On November 4, 1979, the Milwaukee Railroad Restructuring Act (MRRA), Pub. L. No. 96-101, 93 Stat. 736 (1979) became law. Under the MRRA the appropriate bankruptcy court may, with Commission approval, authorize the sale or transfer of a line operated by a railroad undergoing reorganization under section 77 of the Bankruptcy Act as of November 4, 1979. This provision therefore covers both the Chicago, Milwaukee, St. Paul and Pacific Railroad Company and the Chicago, Rock Island and Pacific Railroad Company. We must act on any sale or transfer application within the time fixed by the bankruptcy court, but in no more than 180 days from the date the application is filed. We may approve, modify, condition, or disapprove any application, with or without hearing. *See* Section 5(b)(2) and 17(b)(2) of the MRRA.

Because we must act on applications for the sale or transfer of lines of the Milwaukee Road and other bankrupt railroads on an expedited basis, we have developed special procedures. The special procedures also apply to applications concerning joint ownership and use of a bankrupt railroads' properties. These procedures will be codified at 49 CFR Part 1111. They are based in large part on our present Consolidation Procedures (see 49 CFR Part 1111 (1978)), but are modified in order to enable us to act expeditiously under the MRRA.

Section 19 of the MRRA exempts transactions under its provisions from the National Environmental Policy Act; therefore, we are not requiring environmental information for applications filed pursuant to MRRA.

We have reduced the traffic, operational, and financial data required in these applications, and we are requesting that applicants provide specific information in the narratives in explanation and support of the proposed acquisitions. Applicants are encouraged to include verified statements of public and shipper support.

We want each of our decisions to be based on the most complete record available within the time constraints of the MRRA. Members of the public who wish to comment on an application may do so within 30 days of our acceptance of that application. Comments must contain *all* testimony concerning the proposed acquisition and the testimony must be in the form of verified statements.

We shall act on applications for proposed sales and transfers in a timely fashion. We shall consider the application itself; the testimony; and the briefs (if deemed necessary) in reaching a decision. We do not intend to hold hearings in any sale or transfer case involving a bankrupt railroad under the MRRA.

We are adopting these procedures as final rules. The deadlines designated by the MRRA do not afford us sufficient time to request comments on these procedures. The MRRA provides that applications for sales or transfers may be filed at any time after November 4, 1979, and must be decided by this Commission within a maximum 180 days. We find, therefore, that it is impracticable, within the meaning of section 553(b)(B) of the Administrative Procedure Act (5 U.S.C. 553(b)(B)), for us to request public comments prior to adopting procedures governing applications under the MRRA.

We also find that notice and public comment are unnecessary. The procedures contained in this notice are a distillation of the ICC's existing consolidation procedures. *See Railroad Acquisition, Control, Merger, Consolidation Project, Trackage Rights and Lease Procedures*, 49 CFR Part 1111 (1978). We have reduced the information required to that which is necessary to prepare a decision under the MRRA. In adopting these procedures, we have used our expertise in the areas of rail consolidation and railroad reorganization, and we have considered our responsibilities under the MRRA, 49 U.S.C. § 10901, and 49 U.S.C. § 11344. Furthermore, these procedures are based on our existing regulations, which were adopted after full opportunity for public comment.

In addition to dispensing with the notice and comment procedure, we are dispensing with the normal procedure whereby final rules do not become effective for thirty days, and we are making these rules effective as of this date. We find that there is good cause for doing so within the meaning of section 553(d)(3) of the Administrative Procedure Act (5 U.S.C. 553(d)(3)) in view of the current rail situation in the Midwest and the Congressional intent behind the MRRA.

These regulations are issued under the authority of 49 U.S.C. 10321; sections 5 and 17 of Pub. L. No. 96-101; and 5 U.S.C. 553.

The attached appendix contains the procedures to be followed for the sale or transfer of a bankrupt railroad's lines.

We adopt the regulations set forth in the Appendix.

Decided: January 11, 1980.

By the Commission, Office of Chairman Gaskins, Vice Chairman Gresham, Commissioners Stafford, Clapp, Trantum, and Alexis.

Agatha L. Mergenovich,

Secretary.

Appendix

49 CFR Part 1111 is amended as follows:

1. Present sections 1111.1 to 1111.4 are designated "Subpart A—*Acquisition Procedures for Railroads Not in Reorganization.*"

2. Sections 1111.5 through 1111.19 are reserved.

3. New Subpart B is added to read as follows:

Subpart B—Acquisition Procedures for Lines of Railroads in Reorganization

Authority.—49 U.S.C. 10321, sections 5 and 17 of Pub. L. 96-101, and 5 U.S.C. 553.

§ 1111.20 Types of transactions.

Transactions proposed under the Milwaukee Railroad Restructuring Act, Pub. L. No. 96-101, Sections 5(b) and 17(b) are of 2 types: Major and Minor.

(a) A *major* transaction is a sale or transfer which will result in a major market extension.

(b) A *minor* transaction is any sale or transfer which will not result in a major market extension.

§ 1111.21 Identifying information.

(a) *All applications* filed under Pub. L. 96–101, Sections 5(b) and 17(b), shall show in the title the names of the applicants and the nature of the proposed transaction. Beneath the title indicate the name, title, business address, and telephone number of the person(s) to whom correspondence with respect to the application should be addressed. The following information shall be included in *all* applications seriatim:

(1) Summary. A narrative description of the proposed transaction shall serve as an introduction to the application. It shall include appropriate references to supporting exhibits and statements in the application and shall generally discuss the following matters:

(i) A summary of the proposed transaction including the name of applicants.

(ii) The proposed time schedule for consummation of the proposed transaction.

(iii) The purpose sought to be accomplished by the proposed transaction, *e.g.*, operating economies, elimination of excess facilities, extension of markets, improved financial viability.

(iv) The nature and amount of any new securities or other financial arrangements.

(v) A summary of the applicant's public interest justifications in support of the application indicating how the proposed transaction is consistent with the public interest, or why the public convenience and necessity permits issuance of a certificate, with particular regard to:

(A) The financial consideration involved in the proposed transaction, including an explanation of economies, if any, to be effected in buyer's operations, and increases, if any, in buyer's traffic, revenues, earnings available for fixed charges, and net earnings, expected to result from consummation of the proposed transaction.

(B) The effect of the proposed transaction upon adequate rail and other transportation services to the public.

(C) The effect of the increase, if any, of total fixed charges to buyer resulting from the proposed transaction.

(D) The effect of any guaranty or assumption of payment of dividends or fixed charges contemplated by buyer in the proposed transaction.

(E) The effect of the proposed transaction upon buyer's and seller's employees.

(F) The effect of the proposed transaction on the remaining system and operations of the bankrupt carrier.

(vi) Any other supporting or descriptive statements applicant deems material.

(vii) An opinion of counsel of applicant that the transaction described in the application meets the requirements of the law and will be legally authorized and valid, if approved by the Commission and the bankruptcy court, with specific reference to any specifically pertinent provisions of applicant's charter or articles of incorporation.

(2) Identification of applicant carriers.

(i) Indicate the full and correct name of each applicant carrier and business address (street and number, city, State, and zip code).

(ii) Indicate the State or States in which any part of the property of each applicant carrier is situated.

(iii) Map (Exhibit 1). Submit a general or key map indicating clearly, in separate colors, or otherwise, the line or lines of buyer (if any) in their true relation to the lines to be acquired from seller, short line connections, other rail lines in the territory, and the principal geographic points in the region traversed. If a geographically limited transaction is proposed, a map detailing the transaction should also be included. In addition to the maps accompanying each application, 20 unbound copies of the map shall be filed with the Commission.

(3) Explanation of the transaction.

(i) Describe the nature of the transaction (*e.g.*, purchase, joint purchase, trackage rights, etc.), the significant terms and conditions, and the consideration to be paid (monetary or otherwise).

(ii) Agreement (Exhibit 2). Submit a copy of any contract or other written instrument entered into, and approved by the bankruptcy court, pertaining to the transaction covered by the application.

(iii) Court order (Exhibit 3). Submit a copy of the court order approving the agreement of transfer and its filing with the Commission.

(iv) State whether the property involved in the proposed transaction includes all the property of the seller and, if not, specifically describe what property is included in the proposed transaction.

(v) Describe in detail the principal routes and terminals of the lines involved, the principal points of interchange on the routes, and the amount of main line mileage and branch line mileage involved.

(vi) State whether any governmental financial assistance is involved in the proposed transaction and, if so, the form, amount, source, and application of such financial assistance.

(vii) Labor impact (Exhibit 4). Furnish the following information with respect to impacts on *railway* labor only:

(A) A copy of any agreement or agreements with employee organizations entered into as a result of the proposed transaction.

(B) For all personnel covered by pension plans supplemental to the Railroad Retirement Act, a list of the pension plans currently in effect, indicating whether or not they are funded, the extent of any unfunded liability, and the time required to bring the plans to a fully funded level.

(C) The number, location, craft or class and classification of all positions of the applicant carriers which under the proposed transaction are to be established, consolidated, created or transferred (including the point or points from and to which positions will be transferred).

(D) For each of the changes specified in item (C), the cost and savings to the railroad(s) in effectuating such changes, listed for each of the three years following consummation of the proposed transaction and the amount by craft or class and classification to which such costs and/or savings will be attributed.

(E) The date or dates on which each job abolishment, transfer, consolidation, or creation set forth under item (C) above is to be effectuated and a statement as to whether or not implementing agreements have been negotiated with appropriate labor organizations with respect to such proposed changes.

(F) The annual net change in employment for applicant carriers by craft or class and classification for the last 6 years preceding the filing of the application.

(viii) Energy data (Exhibit 5). Submit information and data with respect to energy consumption prepared in accordance with the ICC *Implementation of the Energy Policy and Conservation Act of 1975*, 49 CFR Part 1106.

(b) All applications proposing *major* transactions, as defined in § 1111.20, shall also include the following information:

(1) Identification of buyer.

(i) If buyer is a corporation indicate:

(A) Date of incorporation [1] and Government, State, or territory of incorporation.

[1] If the applicant is incorporated or organized under the laws of, or authorized to operate in, more

(B) Name and business address of directors.

(C) Name, title and business address of officers.

(D) Name and business address of 10 principal stockholders as of last record date and their respective holdings.

(E) Charter (Exhibit 6). One copy of the charter or articles of incorporation, and the bylaws and amendments thereof, of buyer duly certified by the appropriate public officer.

(ii) If buyer is a partnership indicate:

(A) Date on which partnership was formed, and State and county in which it was formed.

(B) Name and business address of all present partners, including limited or silent partners and their respective interests.

(C) Partnership articles (Exhibit 7). A properly authenticated copy of the articles of partnership, if any.

(iii) If buyer is an association or other form of organization, other than a corporation indicate:

(A) Date of organization and place of organization.

(B) Full description of the nature and objectives of the organization.

(C) Name, title, and business address of officers and directors, or trustees.

(D) Name and business address of applicant's 10 principal stockholders or owners.

(E) Documents of association (Exhibit 8). A properly authenticated copy of articles of association, trust agreement, or other similar documents.

(iv) If buyer is a trustee, receiver, assignee, or a personal representative of the real party in interest, provide:

(A) The name and address of the court, if any, under the direction of which buyer is acting.

(B) The nature of the proceedings, if any, in which buyer was appointed.

(C) With respect to the real party in interest, indicate its full and correct name, business address (street and number, city, State, and zip code), type of entity, and its carrier status.

(D) Court appointment (Exhibit 9). A properly authenticated copy of the order of the court or instrument appointing each trustee, receiver, assignee, or personal representative which is a party to the transaction.

(v) Other authorizing document (Exhibit 10). If paragraphs (b)(1) (i), (ii), (iii), and (iv) of this section are not applicable, indicate identity, structure, statutory or charter powers of buyer, and submit appropriate organizational or authorizing documents, or indicate why none is available or necessary.

(vi) Corporate chart (Exhibit 11). Submit a corporate chart indicating all relationships between buyer and all affiliates and subsidiaries and also companies controlling buyer directly, indirectly or through another entity (each chart shall indicate the percentage ownership of every company on the chart by any other company on the chart). For each company include a statement indicating (A) any common officers or directors for every entity on the chart (with reference to the Commission decision by docket number and date authorizing the holding of such positions, or an explanation of why such authorization was not required) and (B) whether each company is a non-carrier or carrier (by railroad, motor, or water, including any Commission certificate or permit number, and the docket number of any proceeding pending before the Commission). Such information may be referenced through notes to the chart.

(vii) If buyer is not a carrier, indicate (A) the type of business in which it is engaged, (B) the length of time so engaged, and (C) the particulars of its present and prospective activities which have a relation to transportation subject to 49 U.S.C. Subtitle IV.

(viii) Indicate whether there are any direct or indirect intercorporate or financial relationships at the time the application is filed, not disclosed in response to prior instructions, through holding companies, ownership of securities, or otherwise, between (A) buyer and any carrier or person affiliated with any carrier or (B) a person affiliated with buyer and any carrier or person affiliated with any other carrier. Indicate the nature and extent of such relationships, if they exist, and, if a buyer owns securities of a carrier subject to 49 U.S.C. Subtitle IV, provide the carrier's name, a description of securities, par value of each class of securities held, and the buyer's percentage of total ownership.

(ix) State the amount of acquiring buyer's outstanding capital stock, by classes, and in connection therewith the par value or stated value of each share, its voting rights, if any, the total number of stockholders of record, and the voting rights of all security holders.

(x) Annual reports (Exhibit 12). Submit a properly authenticated copy of the buyer's annual report, *if any*, to stockholders or shareholders for each of the two calendar or fiscal years preceding the filing of the application.

(2) Explanation of the transaction.

(i) Filing resolutions (Exhibit 13). Submit a copy of all resolutions of directors of buyer, authenticated by a proper executive officer, authorizing (A) the proposed transaction and (B) where applicable, the filing of the application with the Commission for its approval and authorization. If the charter or by-laws of the buyer require approval of the stockholders, submit a copy of the resolution of stockholders authorizing the proposed transaction and the filing of the application. All resolutions are to be accompanied by sufficient transcripts of the minutes of meetings of the directors or stockholders of the buyer to show the number of shares entitled to vote, the number of shares voted for and against the resolutions, and the numbers of shares/votes required to adopt the resolution.

(ii) Executing resolutions (Exhibit 14). Submit a copy of all resolutions of stockholders or directors of the buyer, or duly authorized committee thereof, authenticated by a proper executive officer of the applicant, designating by name and for that purpose the executive officer by whom the application is signed and verified, and filed on behalf of the applicant. For purposes of exhibits 13 and 14, in the event the resolutions of stockholders have not been obtained at the time the application is filed then such resolutions shall be obtained as soon as feasible, but not later than the next regularly scheduled stockholders' meeting. A copy of such resolutions shall be filed with the Commission within 30 days following such meeting.

(iii) Other evidence of authorization (Exhibit 15). If the buyer is an organization other than a corporation, submit documentary evidence showing authorization and designation of the individual or individuals signing, verifying, and filing on behalf of the buyer.

§ 1111.22 Traffic data.

The information required in this section should only be filed as part of an application proposing a *major* transaction.

(a) Density charts (Exhibit 16). Gross ton-mile traffic density charts shall be filed for buyer containing a map graphically showing principal lines (those handling 1 million gross ton-miles or more per year) and respective densities, expressed in gross ton-miles per year, in each direction, in segments of such lines between major freight yards and terminals, including major intramodal and intermodal interchange points, using the corporate or political subdivision name of the points shown as well as the railroad station name. The mileage of each segment of line shall be provided, and should be shown on the chart. Data shown in the density chart shall be for the latest available full

than one State, territory, or Federal district, give all pertinent facts as to such incorporations.

calendar year preceding the filing of the application.

(b) Carload interchange data (Exhibit 17). Revenue carload interchange data between buyer and connecting line-haul rail carriers or water carriers (deleting intermediate switching railroads, if any) shall be in a table setting forth the gateway involved, each connecting line-haul railroad or water carrier, and for each connecting railroad or water carrier the number of interchange carloads originating on buyer's lines, the number of interchange carloads terminating on buyer's lines, the overhead traffic delivered or received by buyer, and a separate total of overhead traffic and the total cars interchanged. Gateways to be listed shall be those handling 5,000 or more revenue carloads or 5 percent of total revenue carloads annually, whichever is smaller. Where two or more gateways are contiguous or nearly contiguous, they should be totalled (as examples, Dallas-Fort Worth, Minneapolis-St. Paul, Omaha-Council Bluffs, et cetera). If necessary, such grouped gateways may also be shown separately in supporting tables. Data shown in Exhibit 17 shall be for the latest available full calendar year preceding the filing of the application. It shall be organized as shown in the table in the Appendix.

(c) Carload origin and destination (Exhibit 18). An exhibit containing revenue carload origin and destination data for the latest available full calendar year preceding the filing of the application, shall list the following:

(1) Points of origin of 5,000 or more revenue carloads or 5 percent or more of buyer's total originated revenue carloads annually, whichever is smaller, broken down to show originations of local and interline carloads for each point, and

(2) Points of destination of 5,000 or more revenue carloads, or 5 percent or more of buyer's total terminated revenue carloads annually, whichever is smaller, broken down to show terminations of local and interline carloads for each point. This data shall include all of buyer's carloads at each point originated or terminated, as the case may be, by a line-haul, terminal, or switching railroad or by a motor carrier performing pickup or delivery service, *except* where such information would identify a specific shipper(s) or a specific receiver(s).

(3) The information provided in (1) and (2) above should be provided from seller for traffic moving over the line to be sold.

(d) Freight car fleet (Exhibit 19). A summary table shall show the freight car fleet cars owned and leased by buyer for the latest available full calendar year preceding the filing of the application, the number of box, flat (including rack cars), gondola, open hopper, covered hopper, refrigerator, miscellaneous, and total number of cars owned and leased, and the aggregate capacity of these cars. The same information shall be provided for the seller, including the change expected as the result of the proposed transfer.

(e) Revenue freight traffic (Exhibit 20). A table shall show the buyer's revenue freight traffic, indicating for the latest available full calendar year preceding the filing of the application, (1) the number of local, interline originated, interline terminated, overhead, and total carloads, (2) total revenue tons, (3) revenue ton-miles, and (4) total freight revenue.

(f) Commodity revenue (Exhibit 21). A table shall show commodity group revenue (at the two-digit level of the Standard Transportation Commodity Code) for the buyer's 5 largest revenue producing commodity groups as a percentage of total revenue for the latest available full calendar year preceding the filing of the application, indicating the 5 largest commodity groups, the revenues attributable to each group and the percentage of that group's revenue as it relates to total revenue.

(g) Commodity tonnage (Exhibit 22). For the *commodity groups shown in the table required in (f) above,* a table shall show commodity group tonnage as a percentage of total tonnage, for the latest available full calendar year preceding the filing of the application, indicating the various commodity groups, the tonnage attributable to each group and the percentage of that group's tonnage as it relates to total tonnage.

(h) Market Study. For the buyer, a narrative discussion shall identify the markets which will be affected by the proposed acquisition, the traffic expected to be generated and/or recovered, and the levels of business expected on the line at issue.

§ 1111.23 Operational data.

For *all* transactions: Operating Plan (Exhibit 23). Submit a description of the proposed operating plan to be effectuated upon approval of the transaction. This shall include information projected for the time required to complete rehabilitation, upgrading or other major operational changes following consummation of the proposed transactions, and describe the following with particularity:[2]

(a) Any significant changes in patterns of service.

(b) Traffic level and density on lines proposed for joint operations.

(c) The extent to which deferred maintenance or delayed capital improvements apply to any line of railroad or equipment involved, the Federal Railroad Administration Class level of the line involved, and the schedule for eliminating such deferrals. Include details of buyer's general system rehabilitation, specific rehabilitation relating to the transaction, and upgrading plans including proposed yard and terminal modifications, together with an estimate of anticipated service improvements or operating economies associated with such projects.

(d) Impact on the use of yards or shop facilities and any necessary modifications to yards or terminals.

(e) Impacts on commuter or other passenger service operated over the line being acquired.

(f) Operating economies, which include, but are not limited to, estimated savings.

(g) Any associated discontinuances or abandonments.

§ 1111.24 Financial information.

(a) The following information shall be provided for all *major* transactions:

(1) Balance sheets (Exhibit 24). General balance sheets, for the most recent full calendar year as appropriate, of the following:

(i) Buyer on a corporate entity basis.

(ii) Buyer's parent company on a corporate entity basis.

(iii) Buyer and subsidiaries on a consolidated basis.

(2) *Pro forma* balance sheets (Exhibit 25). Submit a *pro forma* balance sheet statement giving effect to the proposed transaction for the most recent full calendar year.

(i) A procedure utilizing three columns should be followed. The *first* column should show buyer's actual balance sheet on a corporate entity basis for the latest available 12 month period, the *second* column should show the adjustments necessitated by the purchase, and the *third* column is a compilation of the first two columns into a *pro forma* balance sheet.

(ii) If the parent company (if any) of the buyer is affected, a similar balance sheet shall be filed for each.

(iii) All adjustments to these balance sheets shall be supported in footnotes to the appropriate balance sheet.

(iv) A *pro forma* balance sheet shall be submitted for the number of years following consummation necessary to effect the operating plan.

[2] For the purpose of completing this application, buyer is authorized to obtain the data necessary to complete this exhibit from the trustee and/or the directed rail carrier.

(3) Income statements (Exhibit 26). Income statements, for the most recent full calendar year, as appropriate, of the following:

(i) Buyer on a corporate entity basis.

(ii) Buyer's parent company on a corporate entity basis.

(iii) Buyer and subsidiaries on a consolidated basis.

(4) *Pro forma* income statements (Exhibit 27). Submit a *pro forma* income statement showing buyer's estimate of revenues, expenses, and net income for at least each of the 3 years following consummation of the transaction.

(i) A procedure utilizing three columns should be followed. The *first* column should show buyer's actual income statement on a corporate entity basis for the latest available 12-month period, the *second* column should show the adjustments necessitated by the purchase, and the *third* column is a compilation of the first two columns into a *pro forma* income statement.

(ii) If the parent company (if any) of the buyer is affected, a similar statement shall be filed for each.

(iii) All adjustments to these income statements shall be supported in footnotes to the appropriate income statement.

If the operating plan requires more than three years to be put into effect, the *pro forma* income statement shall be prepared for as many years as necessary to implement fully the operating plan.

(b) The following information shall be provided for all *minor* transactions:

(1) Balance sheets—minor (Exhibit 28). General balance sheets for the latest 6-month period for buyer on corporate entity basis.

(2) Income statements—minor (Exhibit 27). Income statements for the latest 6-month period for buyer on a corporate entity basis.

§ 1111.25 - Procedures.

(a) General.

(1) Any document filed with the Commission, including applications, pleadings, etc., shall be promptly furnished to interested persons on request, unless subject to a protective order. At any time, the Commission may require the submission of additional copies of any document previously filed by any party to the proceeding.

(2) The original and 20 copies of all documents shall be filed in *major* proceedings. The original and 10 copies shall be filed in *minor* proceedings.

(3) Each party to a proceeding shall choose a unique acronym of four letters or less for itself. It shall number each document filed in the proceeding consecutively, prefixed by its acronym.

(b) Application.

(1) There is a $700 filing fee to file an application with the Commission under these procedures.

(2) Filing.

(i) The original of all applications shall be signed in ink by the buyer and seller. If buyer is a partnership, all partners must sign; and if a corporation, association, or other similar form of organization, the signature should be that of its president, or such other executive officer having knowledge of the matters therein contained and duly designated for that purpose. Applications shall be made under oath and shall contain an appropriate certification (if a corporation, by its secretary) showing that the affiant is duly authorized to verify and file the application. Any person controlling a buyer shall also sign the application.

(ii) The application shall be filed with Secretary, Interstate Commerce Commission, Washington, D.C. 20423.

(iii) Each copy of the application shall conform in all respects to the original and shall be complete in itself except that the signature in the copies may be stamped or typed and the notarial seal may be omitted. In like manner where certified copies of documents are filed with the original application, conformed copies thereof, showing certification in stamped or typewritten form, will be sufficient to accompany the additional copies of the application.

(iv) All applications required to be filed with the Commission or served on designated persons shall include all exhibits, except as otherwise specifically noted.

(v) The buyer or seller shall submit such additional information to support its application as the Commission may require.

(vi) Buyer shall file concurrently with applications under Pub. L. No. 96-101 sections 5(b) and 17(b) all directly related applications, *e.g.*, those seeking authority to construct or abandon rail lines, to issue securities, control motor carriers, obtain terminal operations, acquire trackage rights, etc. All such applications will be considered under the schedule applicable to the initial application.

(vii) Exception to required exhibits. The original and one copy of Exhibit 16 shall be filed with the Commission. Copies shall be maintained at buyer's and seller's headquarters for inspection by interested parties. Buyer and seller must also file with the Commission one copy of a machine readable tape containing only the data shown in Exhibit 16. This tape will be returned to applicants when the Commission issues its decision, and no use of the tape will be made by the Commission other than for the purpose of adjudicating the application.

(3) In all applications, all of the direct testimony of buyer and seller, in the form of verified statements, shall be filed and served with each application.

(4) The application and all exhibits shall be considered part of the evidentiary record upon acceptance. Any portion of an application and exhibits will remain subject to motions to strike. However, no motion need be made to have the application and exhibits admitted to the evidentiary record.

(5) Service. The applicant shall serve a conformed copy of an application filed under these procedures by first class mail upon:

(i) The Governor (or Executive Officer), Public Service Commission, and the Department of Transportation of each State in which any part of the properties of the applicant carriers involved in the proposed transaction is situated;

(ii) The United States Secretary of Transportation (Docket Clerk, Office of Chief Counsel, Federal Railroad Administration, Room 5101, 400 Seventh Street, SW, Washington, D.C. 20590);

(iii) The Attorney General of the United States;

(iv) The Federal Trade Commission; and

(v) All parties to the bankruptcy court proceedings.

The application shall contain a certificate of service indicating that all persons so designated have been served a copy of the application.

(6) Application format.

(i) The application shall be in the same sequence as the information is requested in these procedures, and shall be numbered to correspond to the numbering in the procedures.

(ii) If any material required in the application would lend itself to being placed in an appendix, this should be done. The appendix and application shall be tabulated and cross-referenced in an index for ease in locating and referring to the information. The appendices shall be in the same sequence as the information is required by the regulations. The application should be bound, and it may be bound in more than one volume. If an application is more than one volume, the cover of each volume should be in a different color. The pages in each volume should begin with 1, and shall be sequentially numbered.

(iii) If a question arises regarding an interpretation of the information or format to be included in the application,

including whether or not a transaction would result in a major market extension, the party may contact the Commission for assistance.

(iv) All filing, service, or other requirements of these procedures must be complied with when filing the application. Copies of the application filed with the Commission shall be marked in red "Special Railroad Acquisition Application" on the transmittal envelope or package.

(7) Acceptance or rejection of an application.

(i) The Commission shall accept a complete application by decision no later than 10 days after the application is filed with the Commission, and shall then publish a notice in the Federal Register. A complete application contains all information for all buyers and sellers required by these procedures, except as modified by advance waiver.

(ii) The Commission shall reject an incomplete application by serving a decision no later than 10 days after the application is filed with the Commission. The decision shall give specific reasons why the application was rejected, and specify where the application was incomplete. A revised application may be submitted, incorporating portions of the prior application by reference, and the Commission will determine whether the resubmitted application conforms with all prescribed regulations. The resubmission or refiling of an application shall be considered a de novo filing for the purpose of computation of the time periods, provided that the resubmitted application is accepted.

(c) Response to application.

(1) Written comments.

(i) Written comments in support of or opposition to the proposed transaction must be filed no later than 30 days after an application is accepted.

(ii) Written comments must be verified.

(iii) Written comments shall be concurrently served by first class mail on:

(A) The applicants (at each address given in the application),

(B) The United States Secretary of Transportation, and

(C) The Attorney General of the United States.

(iv) Written comments must contain:

(A) The docket number and title of the proceeding.

(B) The name and address of the commenting party.

(C) The name, address, and telephone number of the commenting party's representative upon whom service shall be made.

(D) The commenting party's position (in support, opposition, or undetermined), and verified statements in support of that position.

(E) A list of conditions and modifications sought.

(v) All persons who file timely written comments shall be a party. In this event, no petition for leave to intervene need by filed.

(2) The Secretary of Transportation and Attorney General of the United States shall file written comments with the Commission within 40 days of the date of acceptance of the application. These comments shall contain the information in (c)(1)(iv) of this section. Copies of these comments shall be concurrently served by first class mail on:

(i) The applicants,

(ii) The parties to the proceeding who have filed written comments, and

(iii) The Attorney General of the United States or Secretary of Transportation (whichever applies).

(d) Replies to Comments

(1) Applicant's verified replies to comments must be filed no later than 70 days after an application is accepted.

(2) If the Commission deems it necessary, a schedule for submission of briefs and replies will be set.

(e) The Commission will conclude the evidentiary proceeding, including requests for additional information, briefs and replies, and issue a final decision by the 180th day after the filing of the application, unless otherwise ordered.

(f) *Waiver or clarification.* (1) Upon petition of a prospective applicant, the Commission may waive or clarify a portion of these procedures, concerning the initial and directly related applications. A petition to waive *all* of the procedures will not be entertained.

(2) Petitions for waiver or clarification must be filed at least 20 days before the application is filed.[3]

(3) No replies to a petition for waiver will be permitted.

(4) All petitions for waiver, clarification or extension shall be ruled upon by the entire Commission.

(5) A petition for waiver or clarification must specify the sections for which waiver or clarification is sought and give the specific reasons why each waiver or clarification is necessary.

[3] At the time of filing with the Office of the Secretary, 5 additional copies of petitions for waiver or clarification should be filed directly with Section of Finance, Office of Proceedings, Interstate Commerce Commission.

§ 1111.26 Definitions.

(a) *Applicant.* The parties initiating a transaction.

(b) *Applicant carriers.* Applicant, all carriers related to the applicant, and all other carriers involved in the transaction.

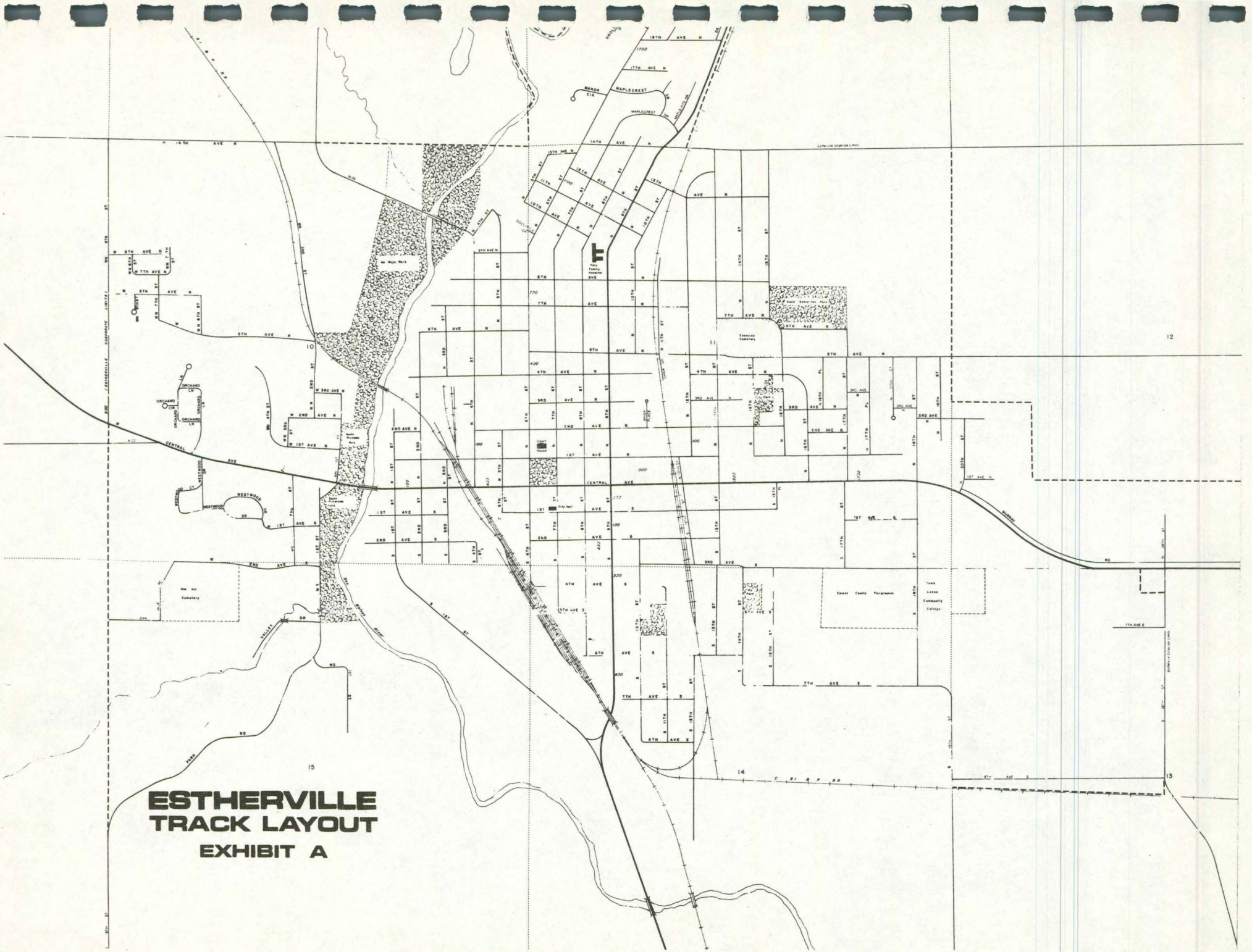
(c) *Major market extension.* A major market extension includes an end-to-end extension of buyer's routes and services and buyer's participation in additional through routes or joint rates. A major market extension may also significantly increase competition by (1) extending service into a new market or (2) providing significantly more efficient and effective competitive service to a market presently being served. Criteria which can be used to determine if a railroad is proposing to provide a more competitive service to a currently served area include: (1) whether or not a shorter route is involved, (2) if the new route provides faster service, (3) if this route extends into major markets, (4) under what conditions the application is filed, and (5) if the route may make the railroad competitive. *See, Burlington Northern, Inc.—Control & Merger—St. L.*, 354 I.C.C. 616, 617 (1978).

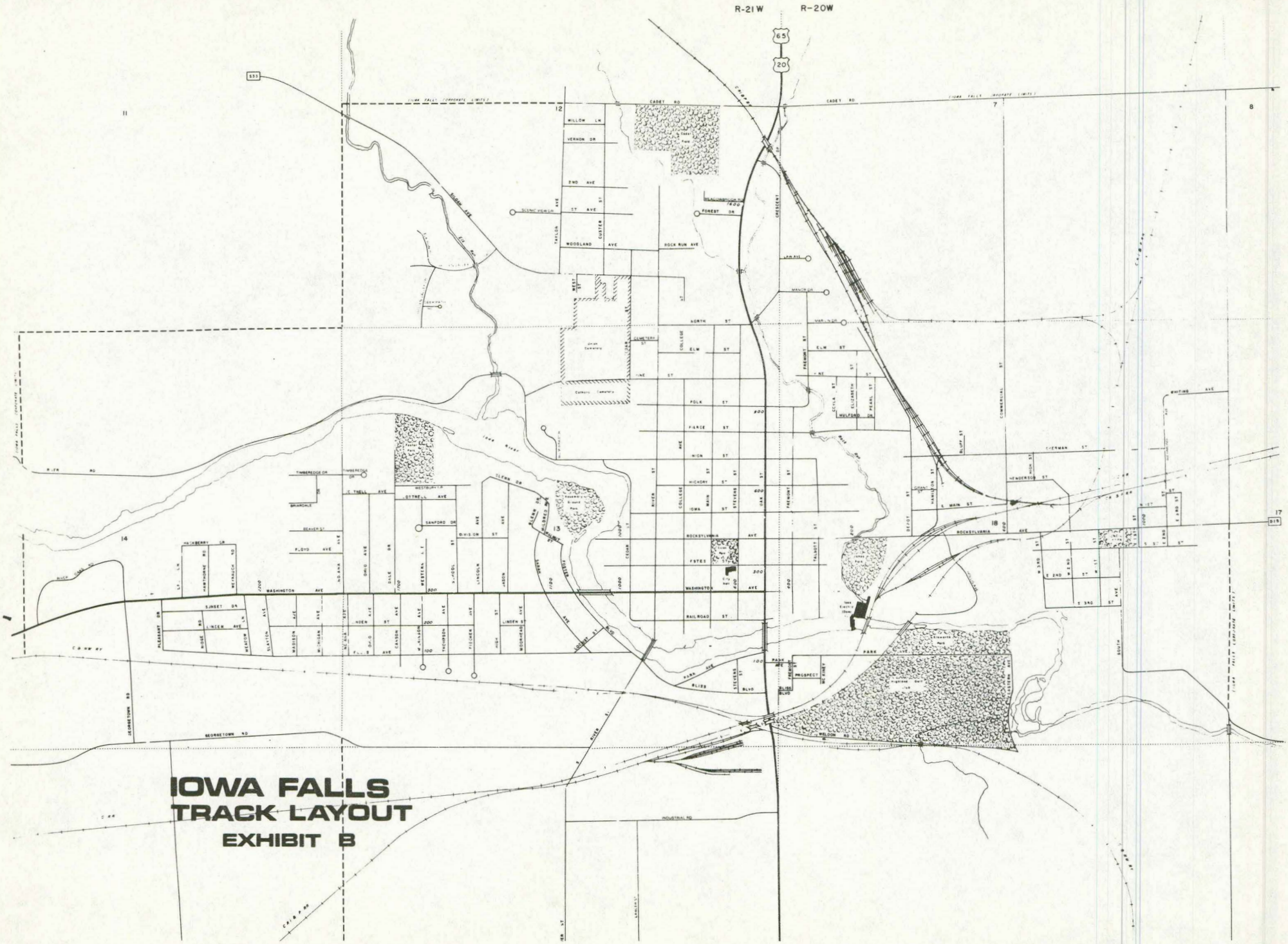
(d) *Railroad.* Any common carrier by railroad as defined in 49 U.S.C. 10102 (17)–(18).

(e) *Buyer.* The buyer is the acquiring entity and all related carriers, in an acquisition.

(f) *Seller.* The seller is the bankrupt railroad.

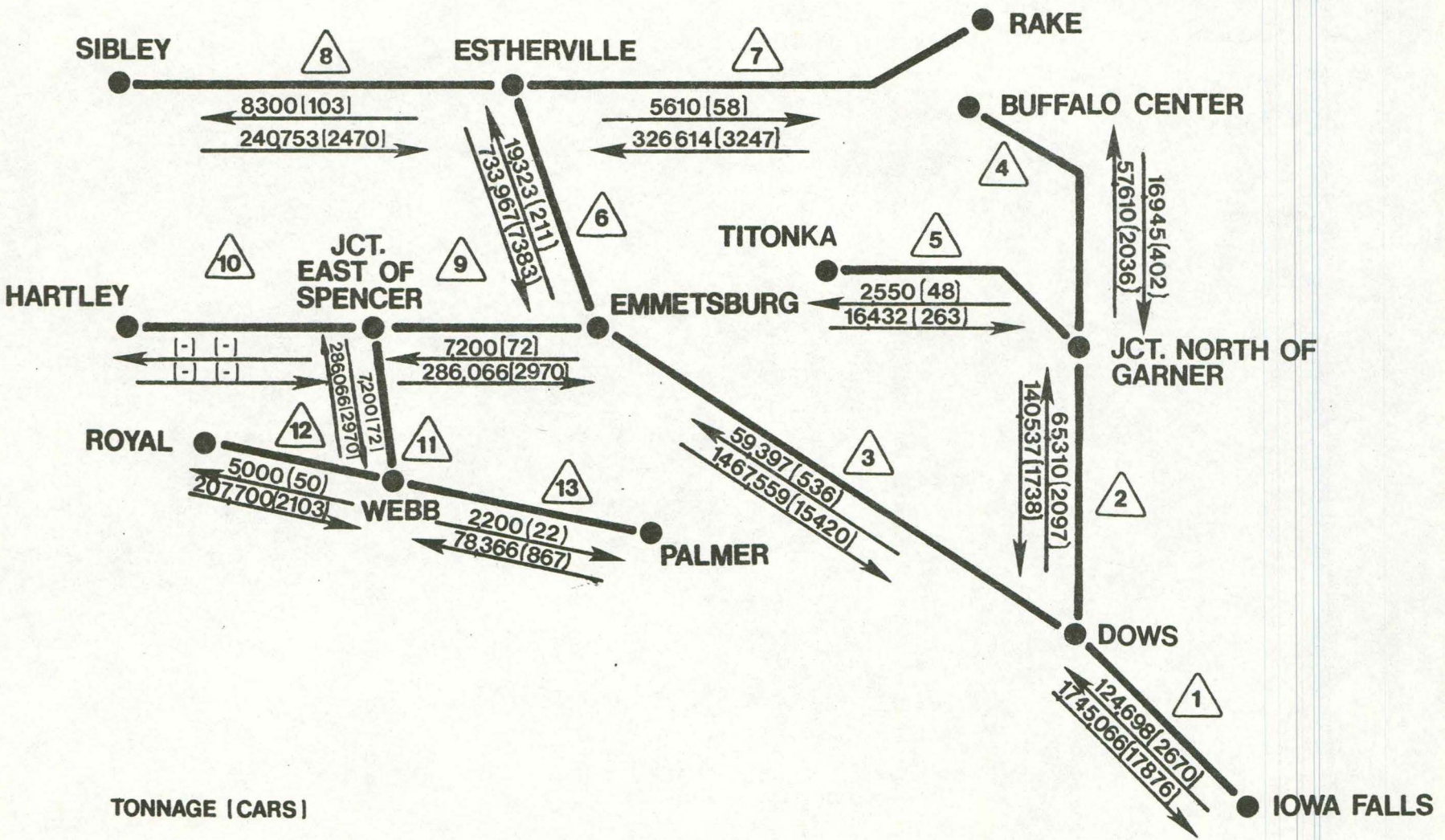
[FR Doc. 80-2499 Filed 1-24-80; 8:45 am]
BILLING CODE 7035-01-M


ESTHERVILLE
TRACK LAYOUT
EXHIBIT A

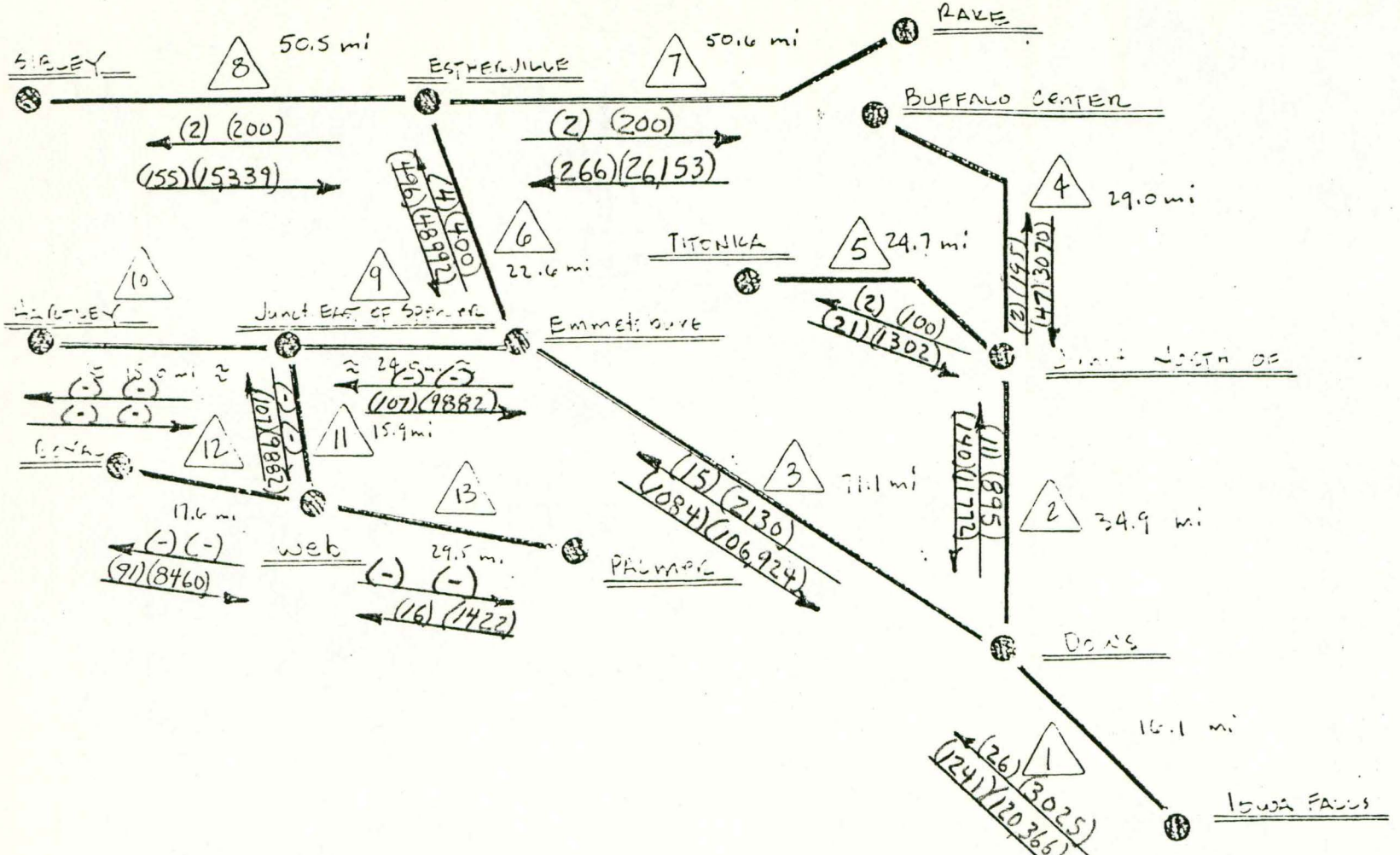


IOWA FALLS
TRACK LAYOUT
EXHIBIT B

IOWA FALLS GATEWAY
1978 TRAFFIC SUMMARY



Month : January Year: 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

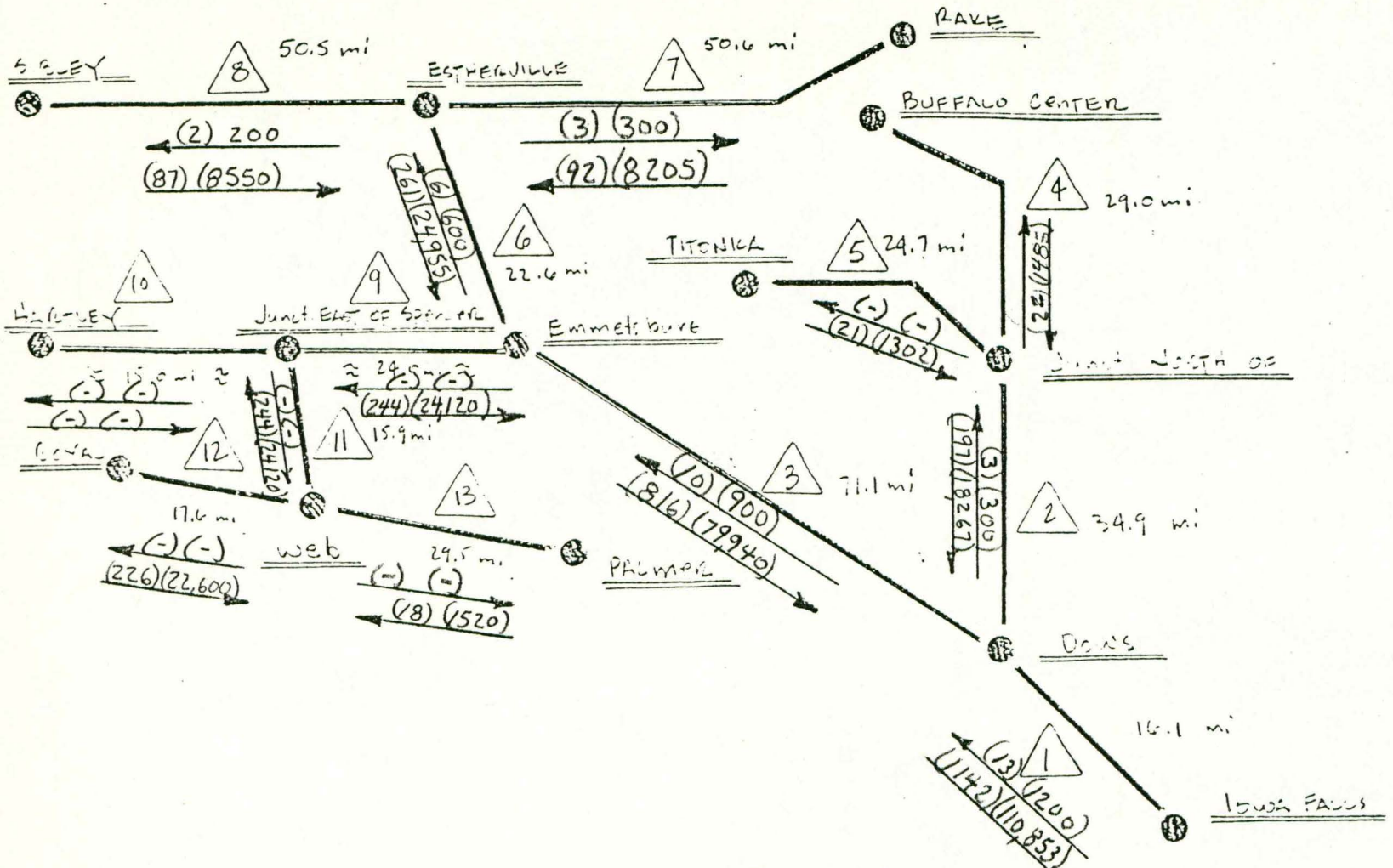
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

Month : Feb. Year : 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

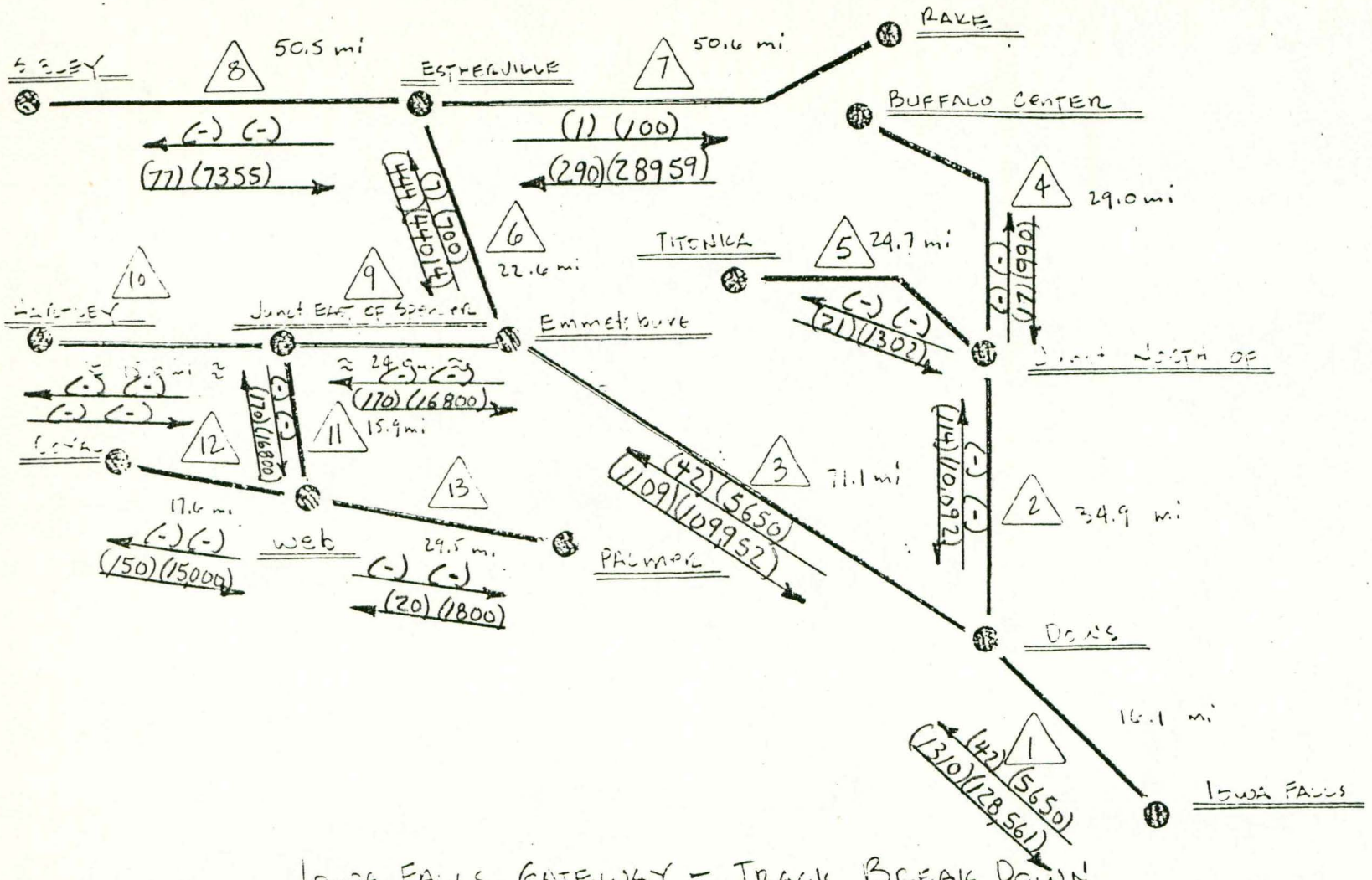
JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BUFFALO DOWN

MADE BY R.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

MORRISON KNUDSEN

Month : March Year: 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

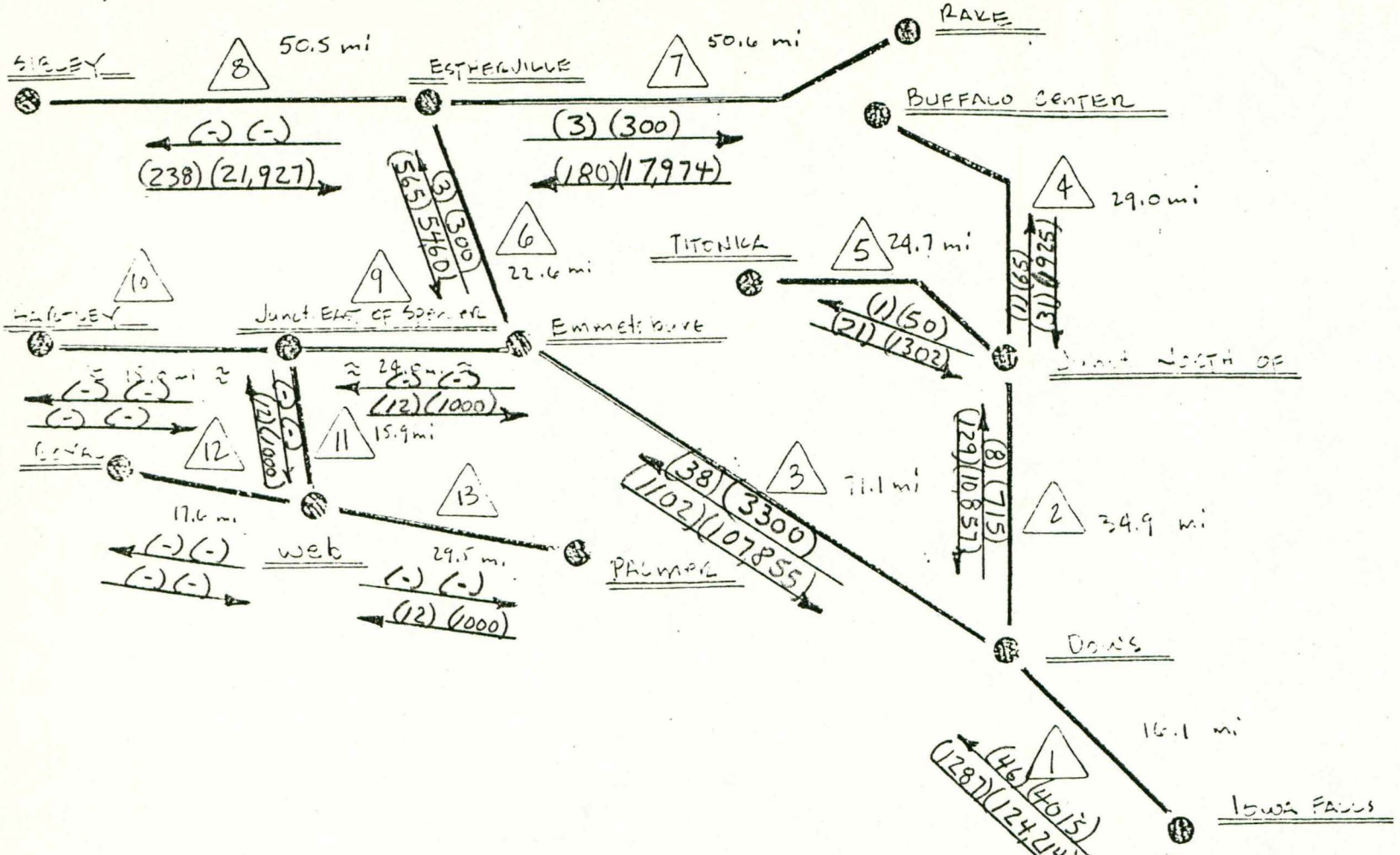
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

Month : April Year: 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) Term.

(No. of Cars) (Tonnage) Origin.

[401.50 mi (±)]

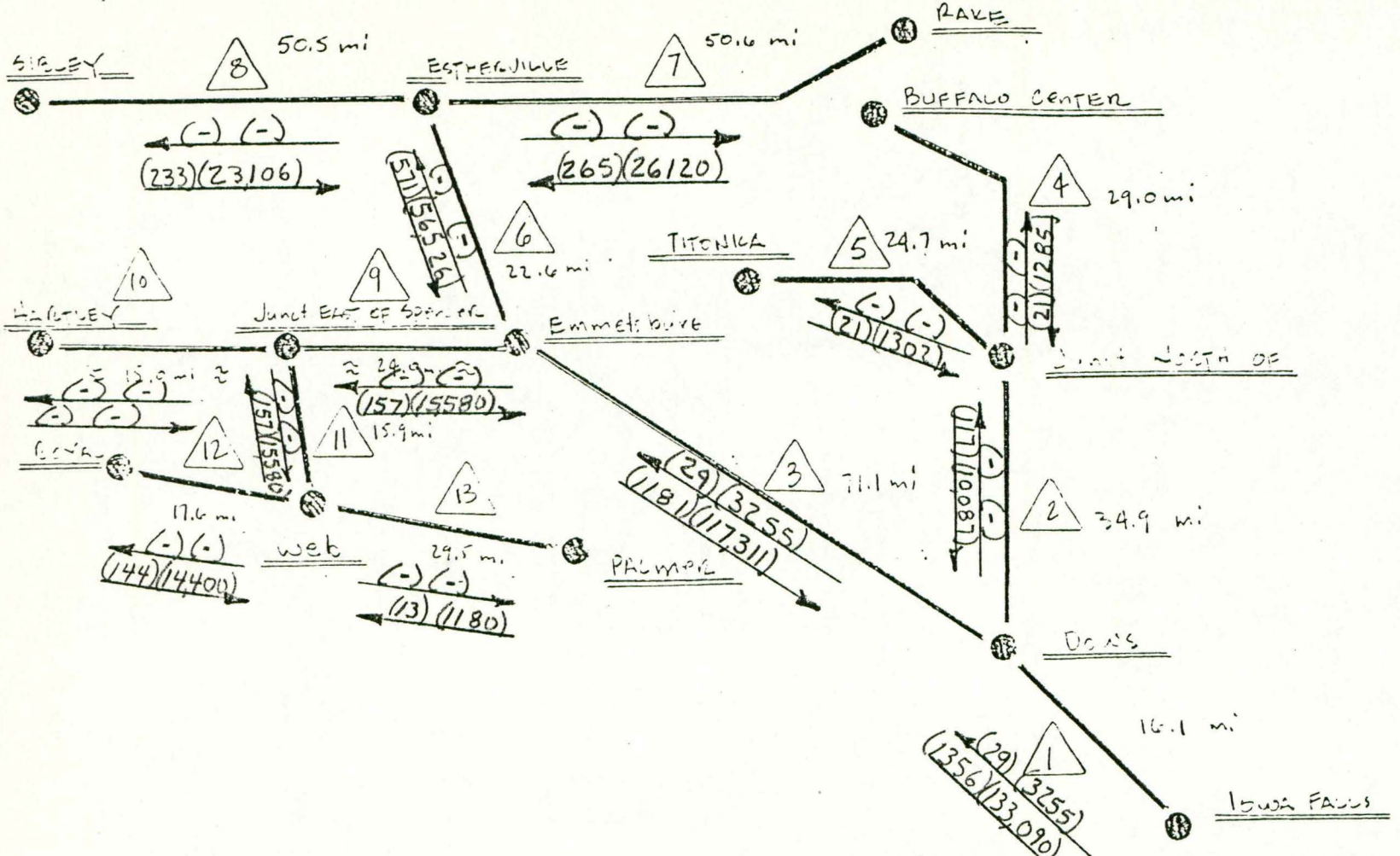
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN SHEET NO. 1 OF 15

MADE BY V.S. CHECKED BY DATE 1-10-80

Month : May Year : 1978



IOWA FALLS GATEWAY – TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) Term.

(No. of Cars) (Tonnage) Origin.

[401.50 mi (±)]

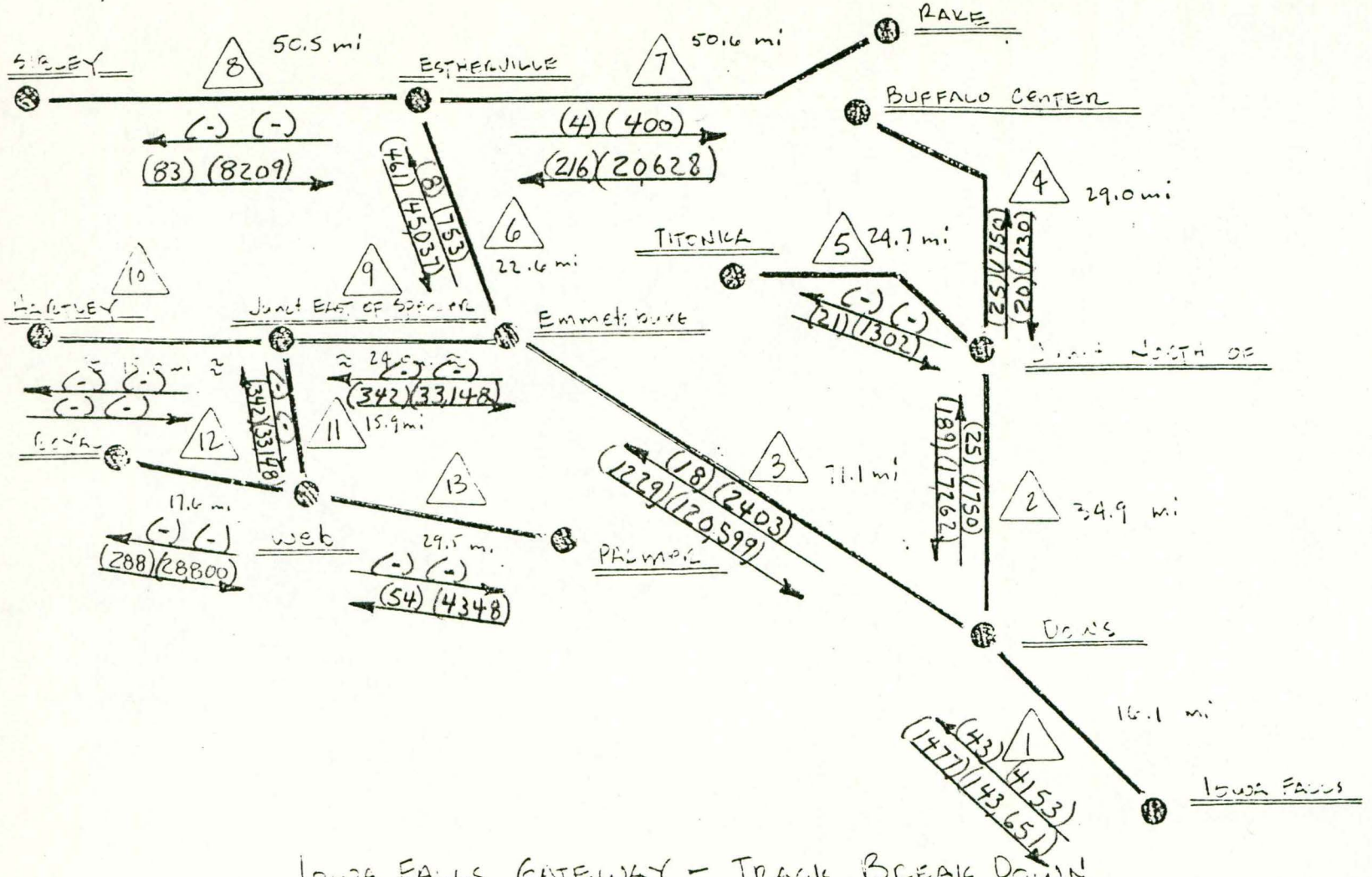
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY U.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month: June Year: 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

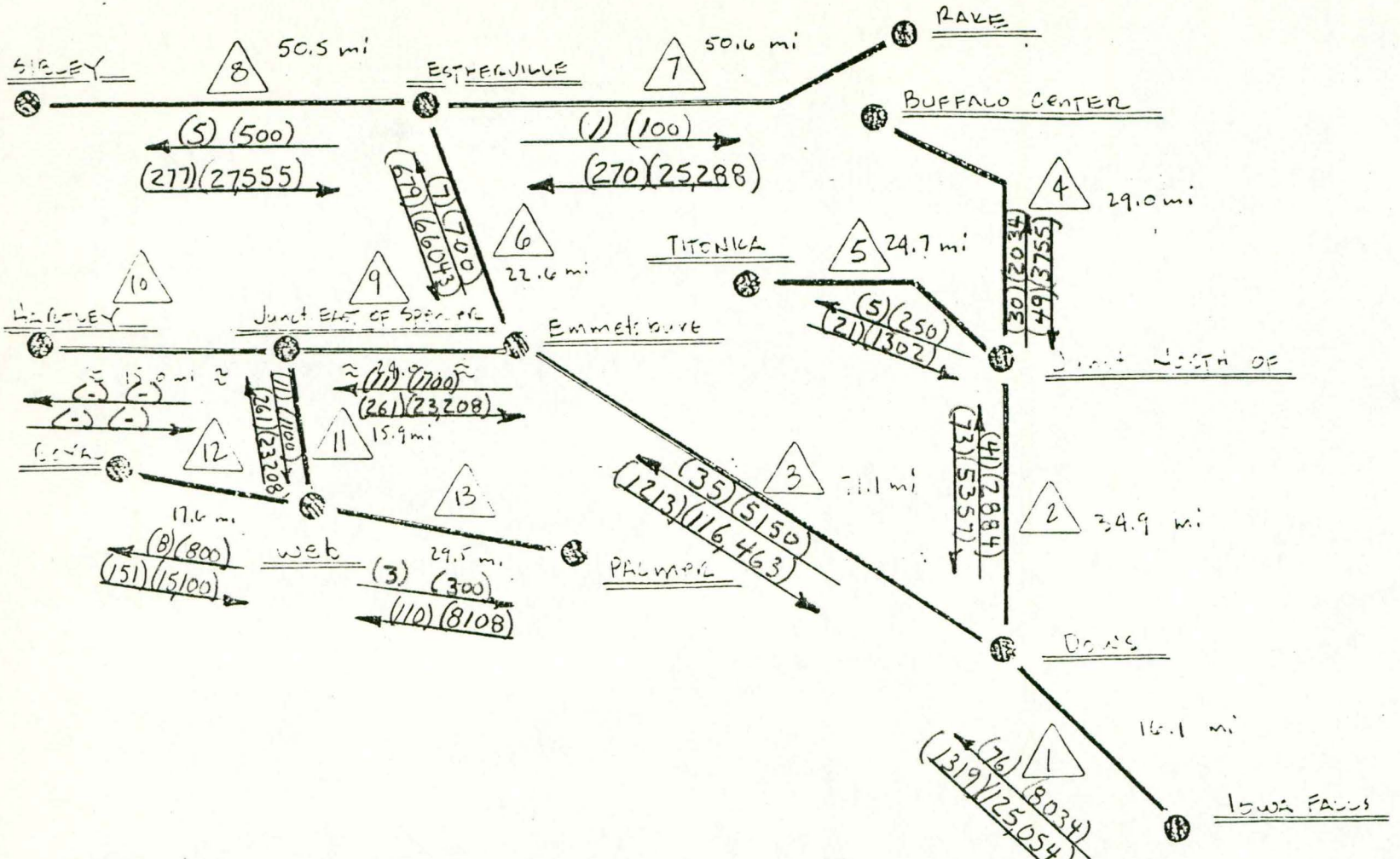
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BUFFALO DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

Month : July Year : 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

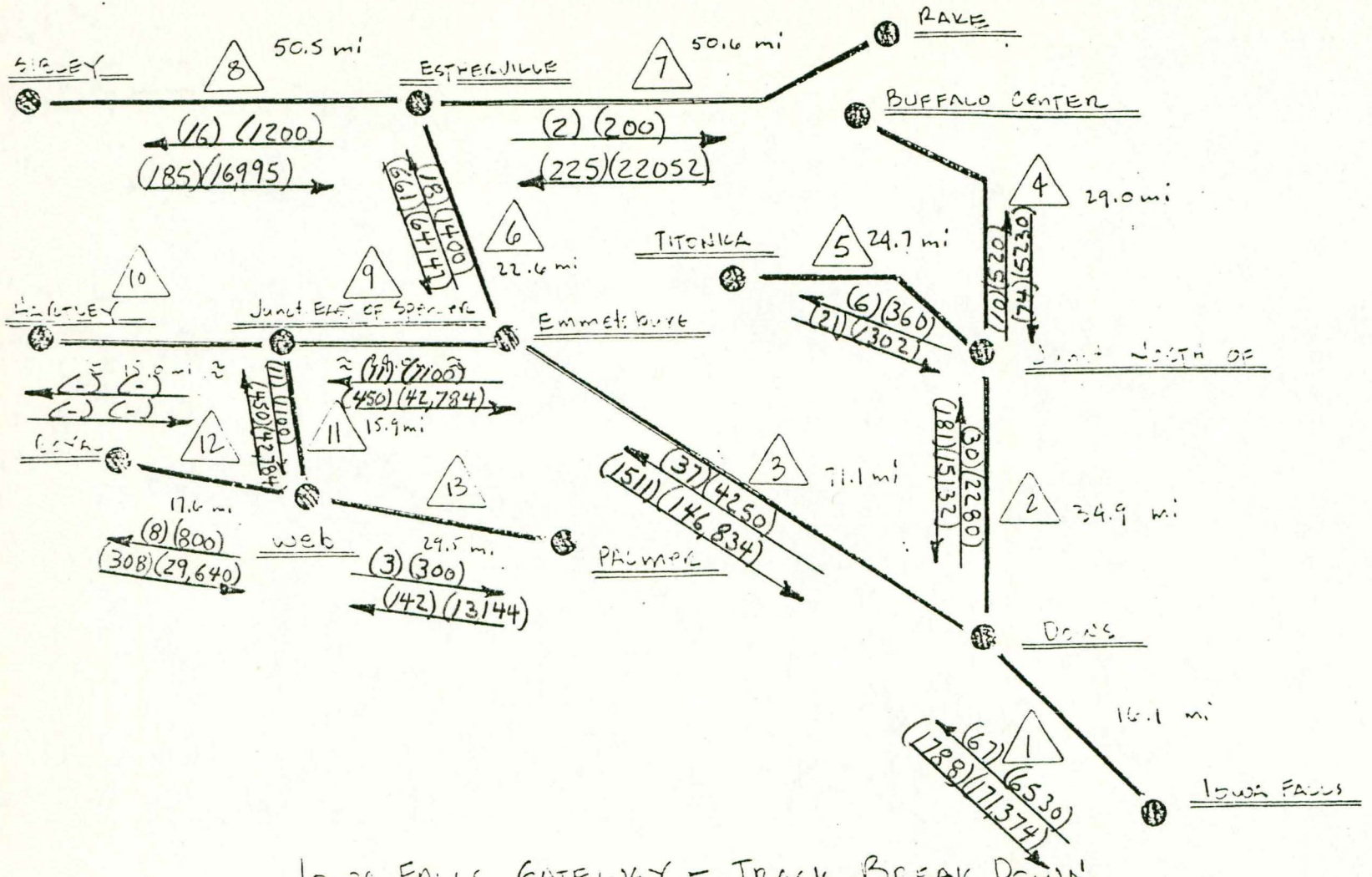
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BUREAK DOWN

MADE BY N.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : August Year : 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

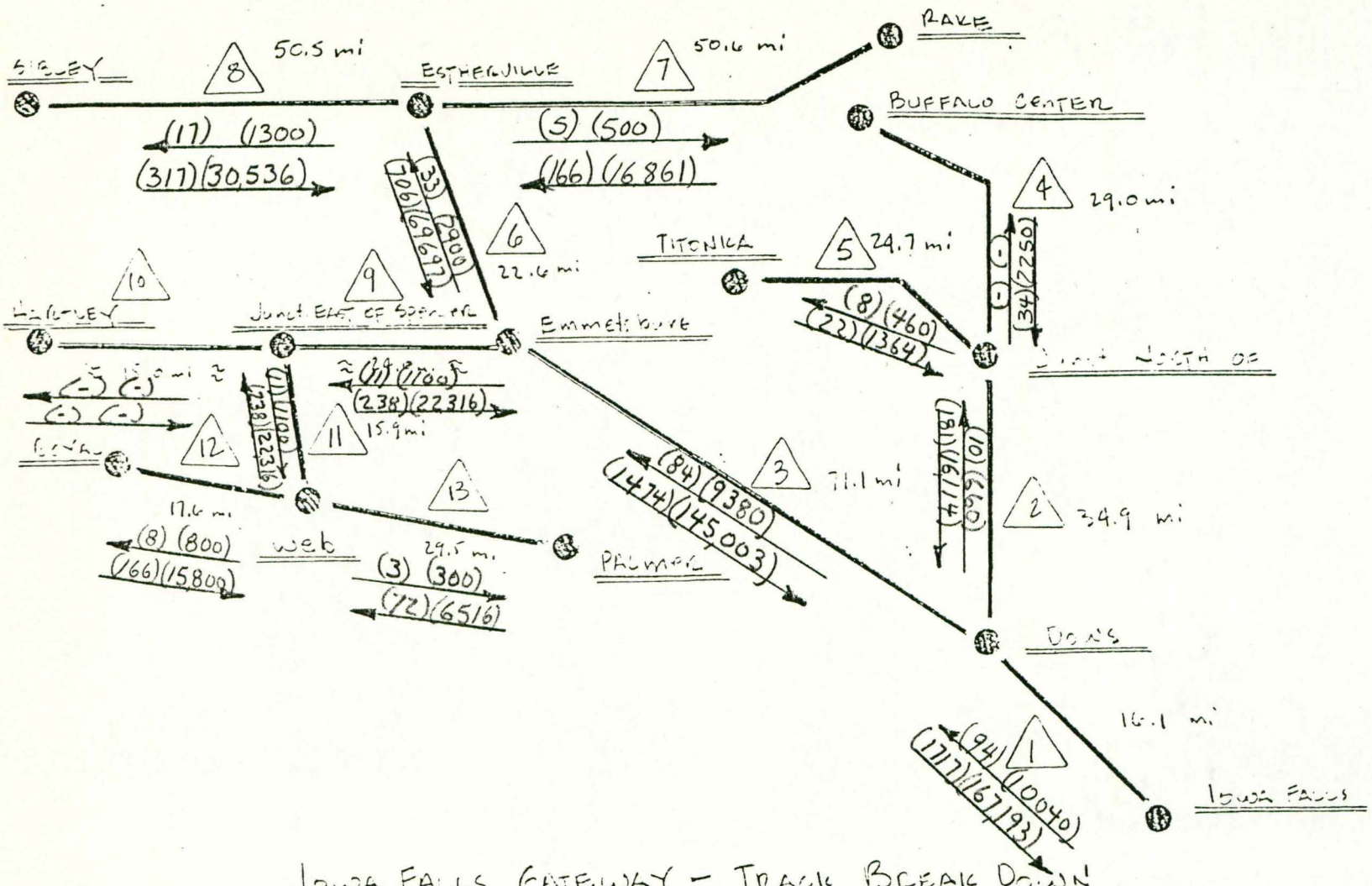
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BUFFALO DOWN

MADE BY N.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : Sept Year: 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

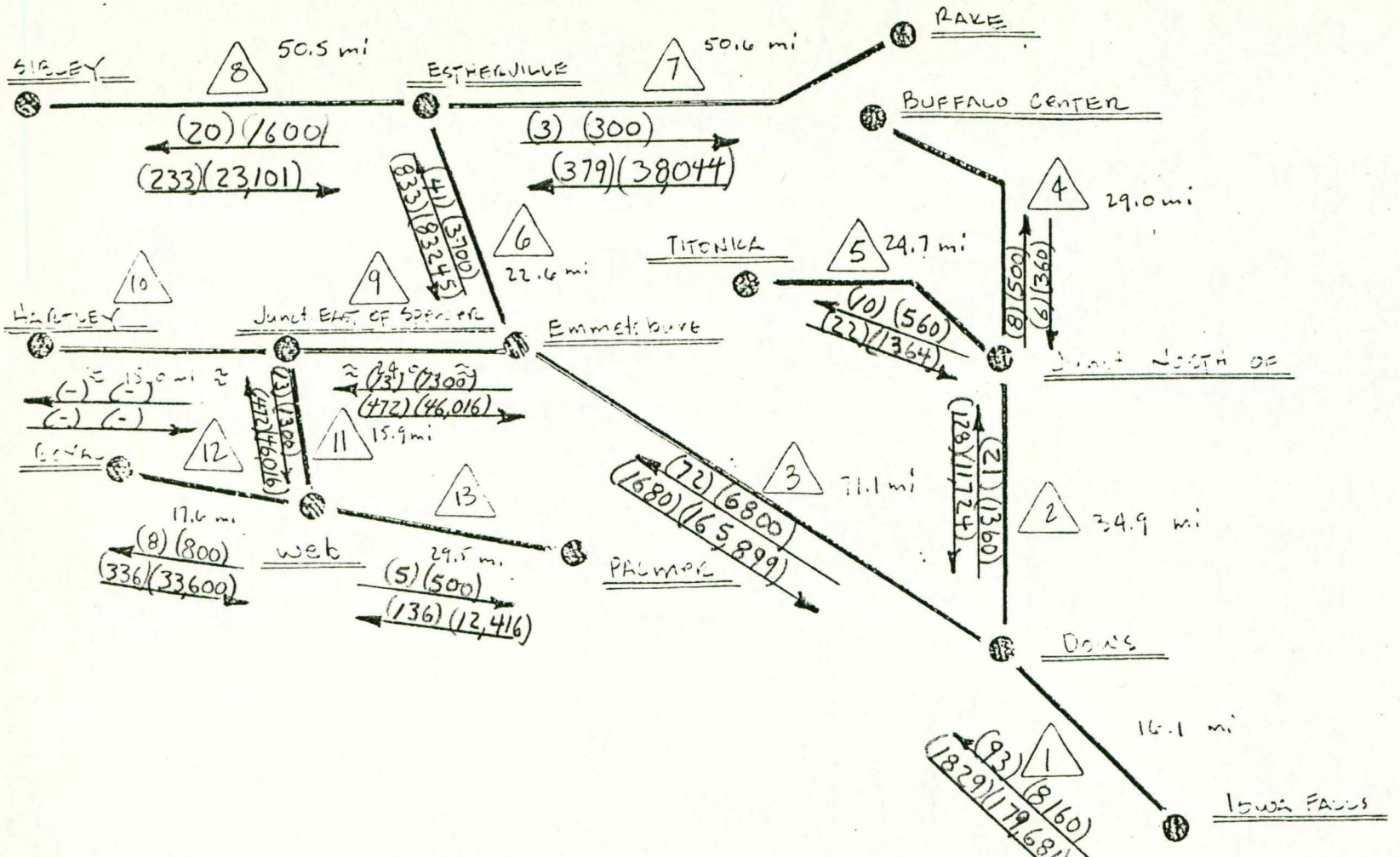
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

Month : Oct. Year : 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

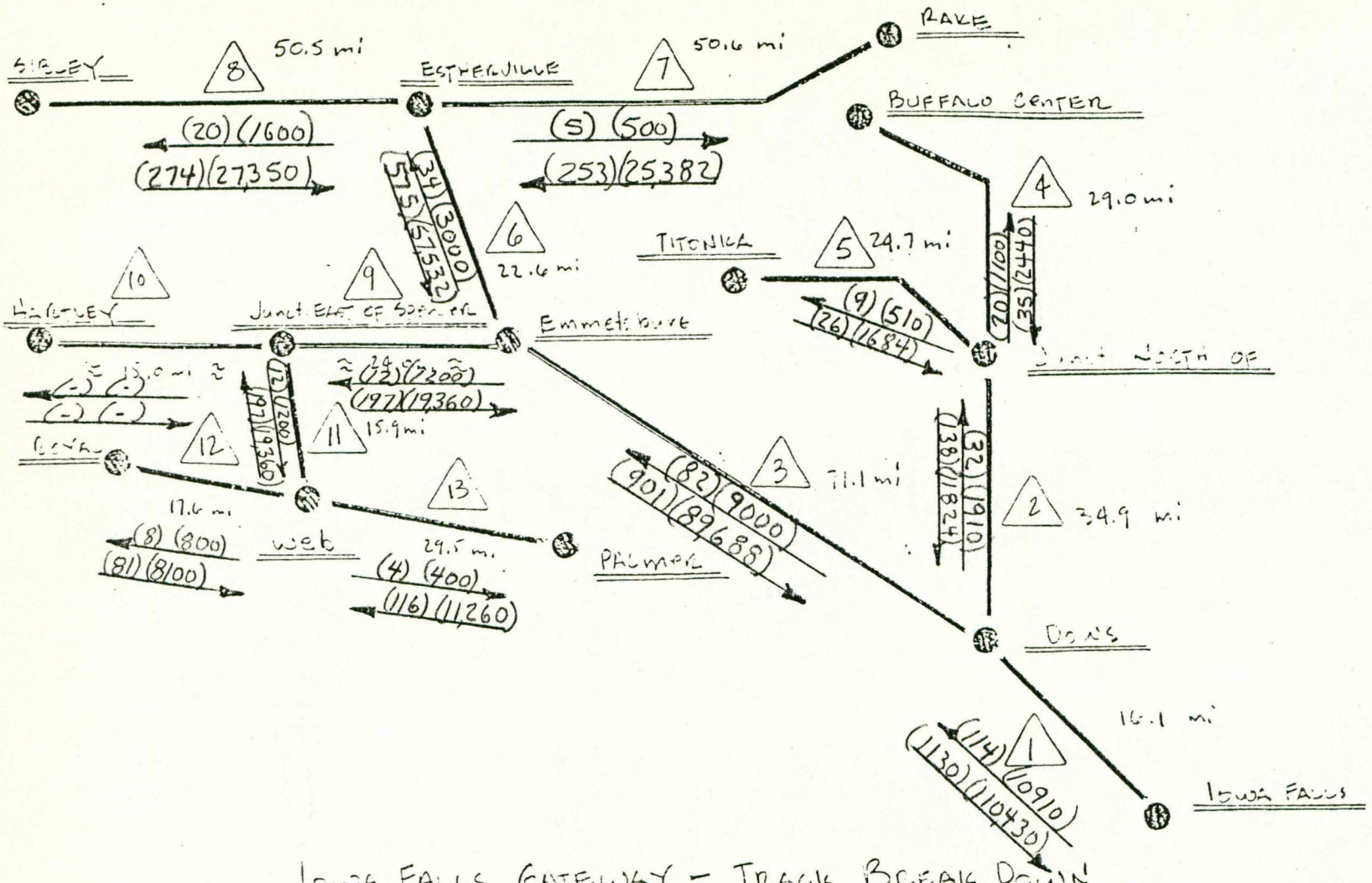
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BUFFALO DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

Month : Nov. Year: 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

[401.50 mi (±)]

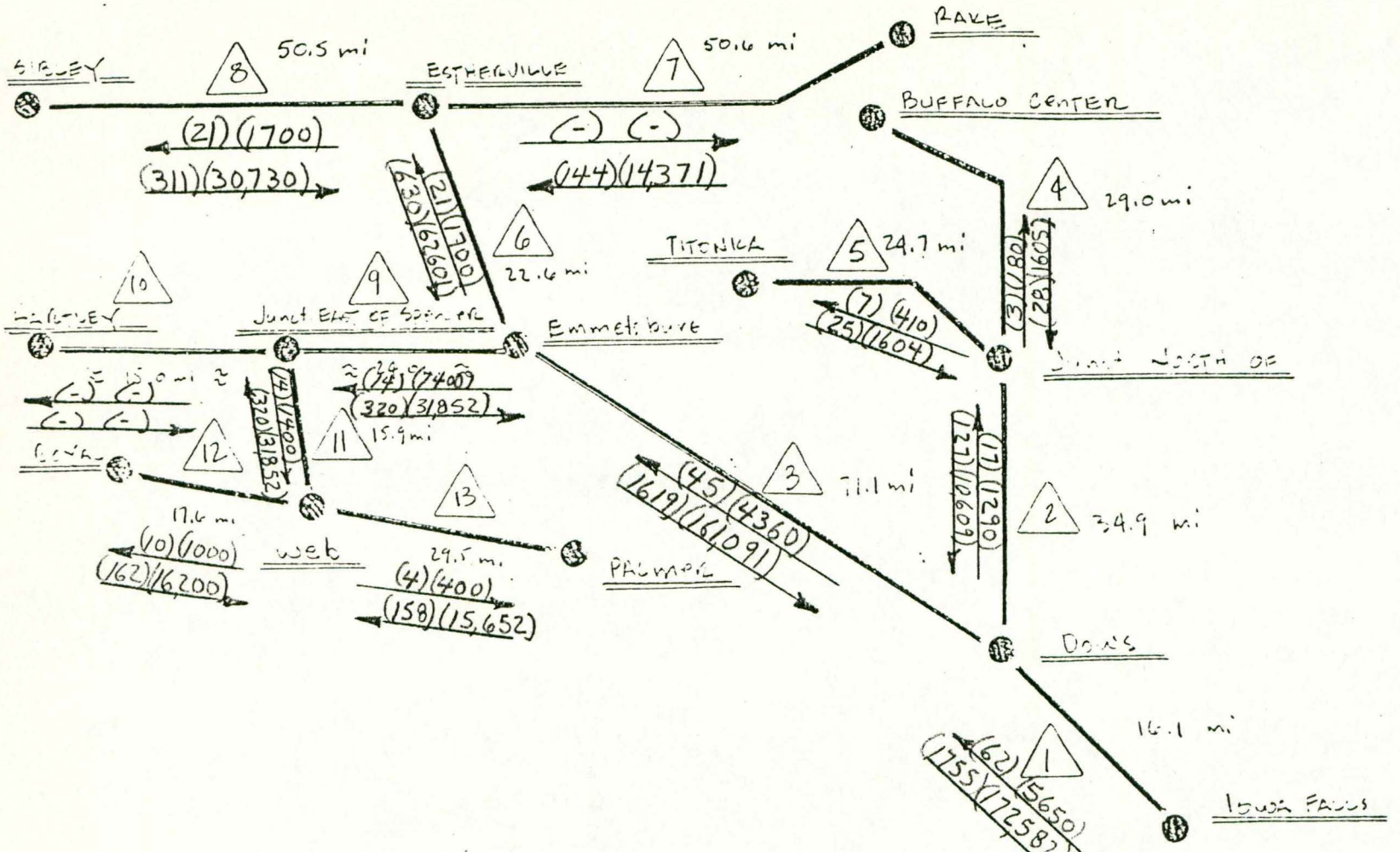
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

Month : Dec Year : 1978



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(No. of Cars) (Tonnage) ← Term.

(No. of Cars) (Tonnage) → Origin.

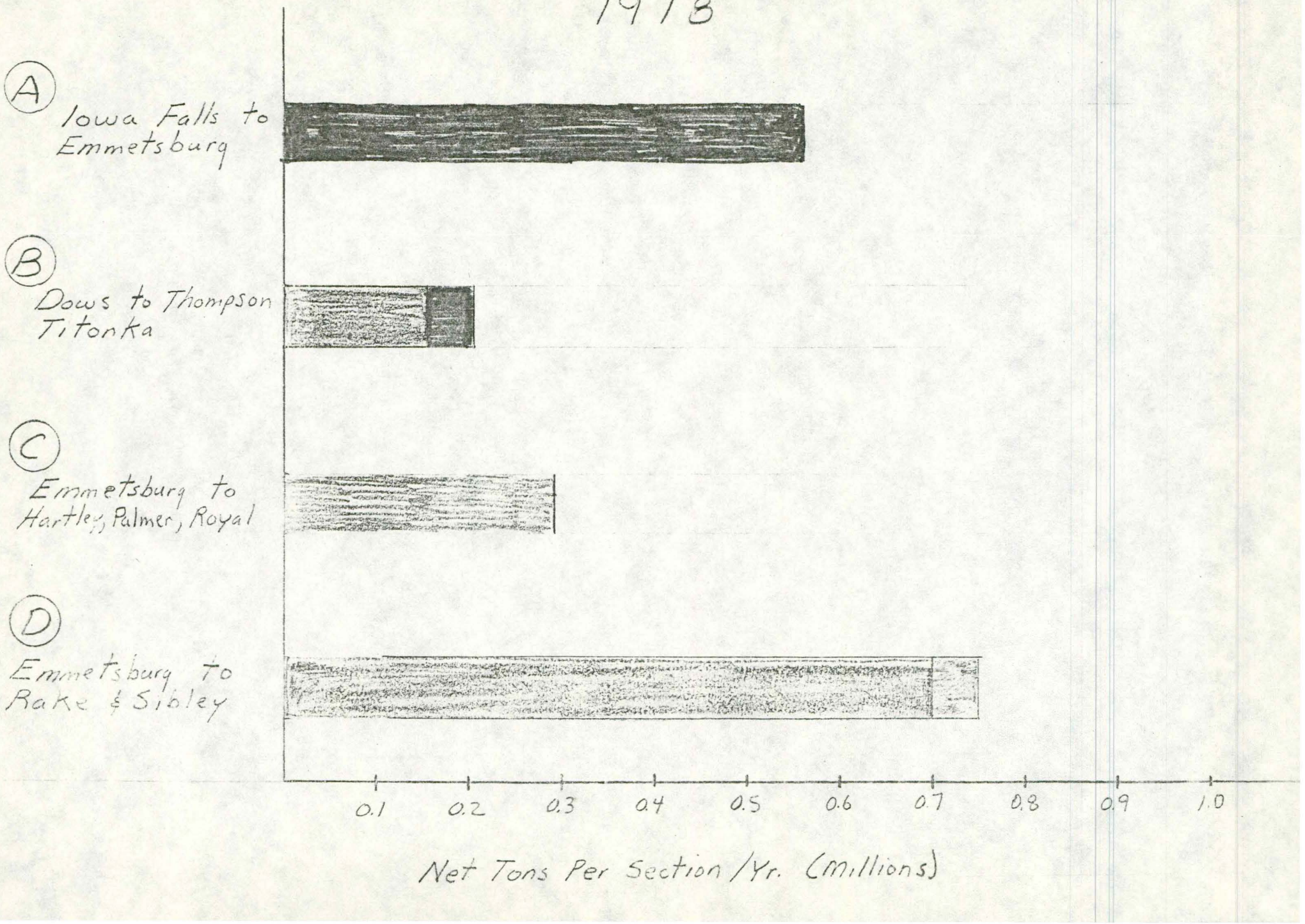
[401.50 mi (±)]

MORRISON KNUDSEN

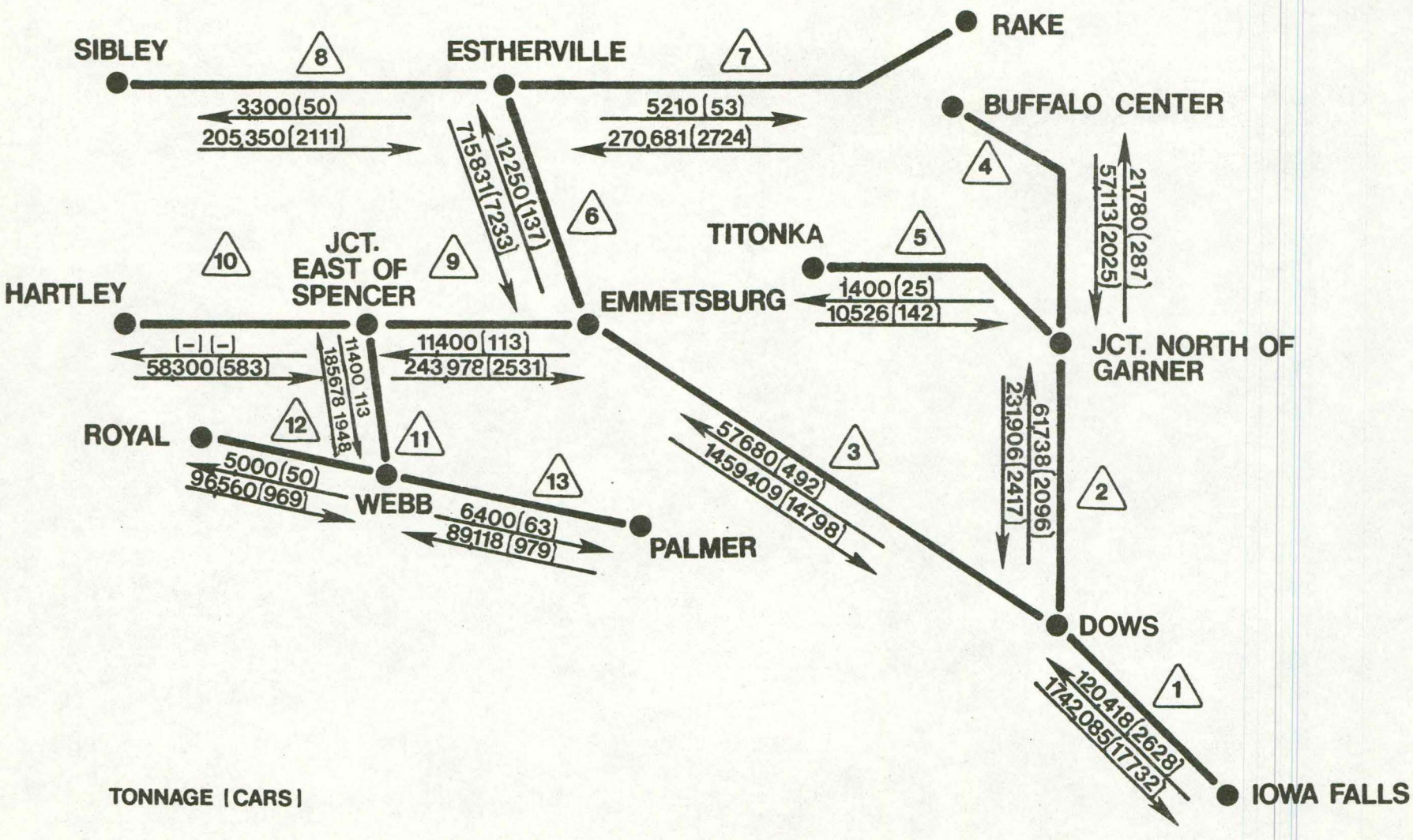
JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BUYBACK DOWN

MADE BY R.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

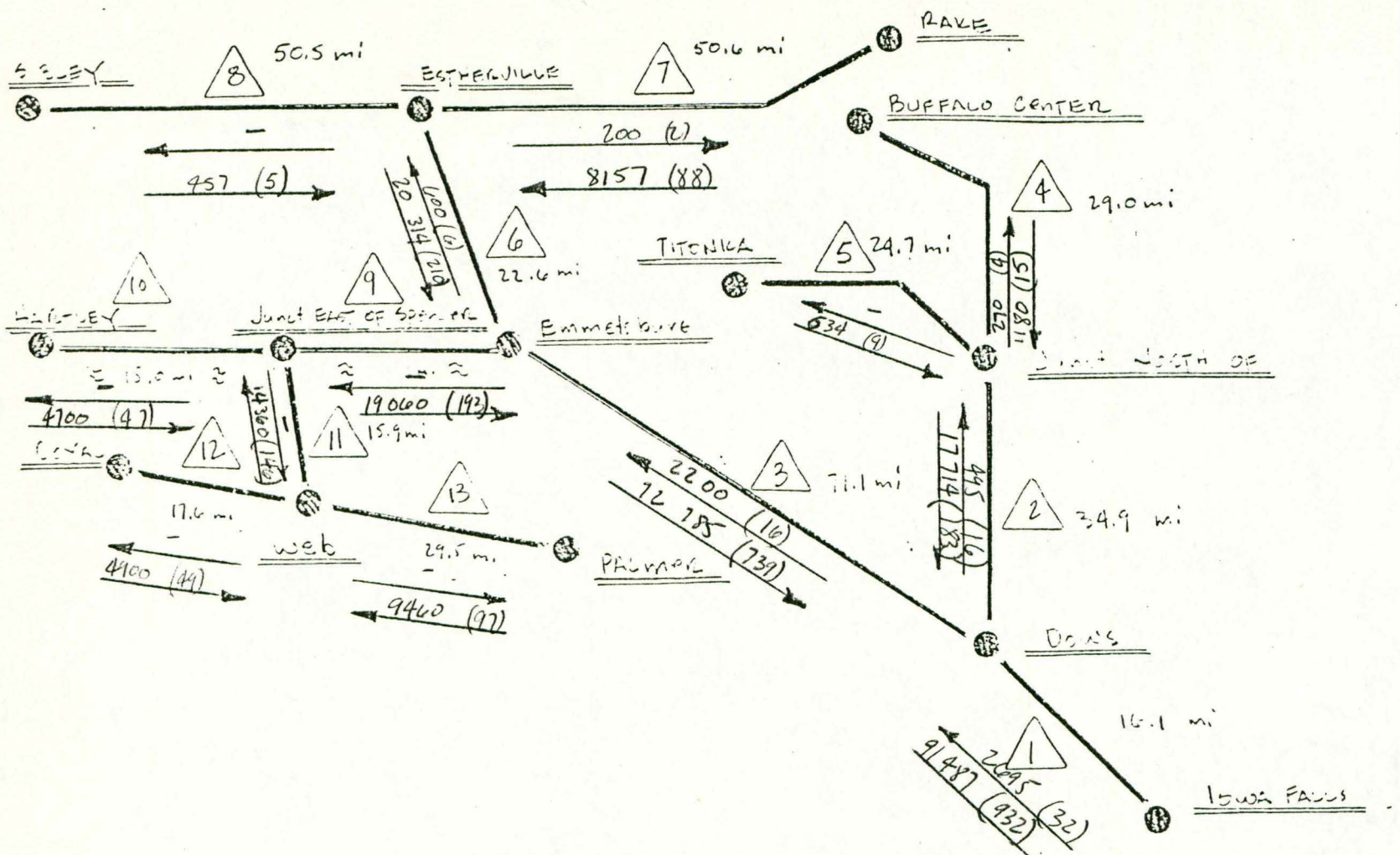

1978
A
Iowa Falls to Emmetsburg
B
Dows to Thompson Titonka
C
Emmetsburg to Hartley, Palmer, Royal
D
Emmetsburg to Rake & Sibley
0.1
0.2
0.3
0.4
0.5
0.6
0.7
0.8
0.9
1.0
Net Tons Per Section/Yr. (millions)

IOWA FALLS GATEWAY
1979 TRAFFIC SUMMARY



TONNAGE (CARS)

Month: January Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE) (CARS) Term.

(TONNAGE) (CARS) Origin.

[401.50 mi (±)]

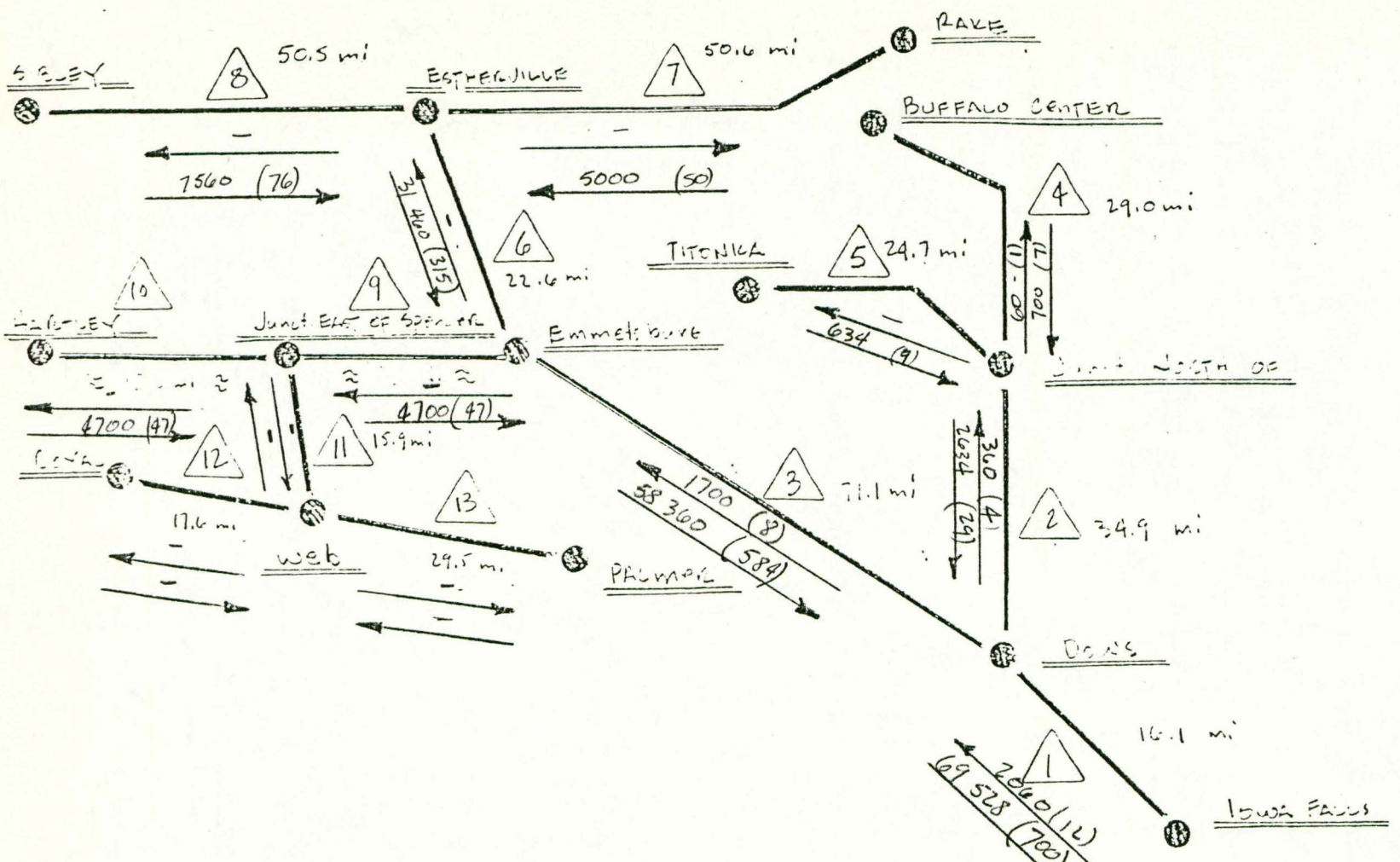
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY R.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : FEB Year: 1979.



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE) (CARS) ← Term.

(TONNAGE) (CARS) → Origin.

[401.50 mi (±)]

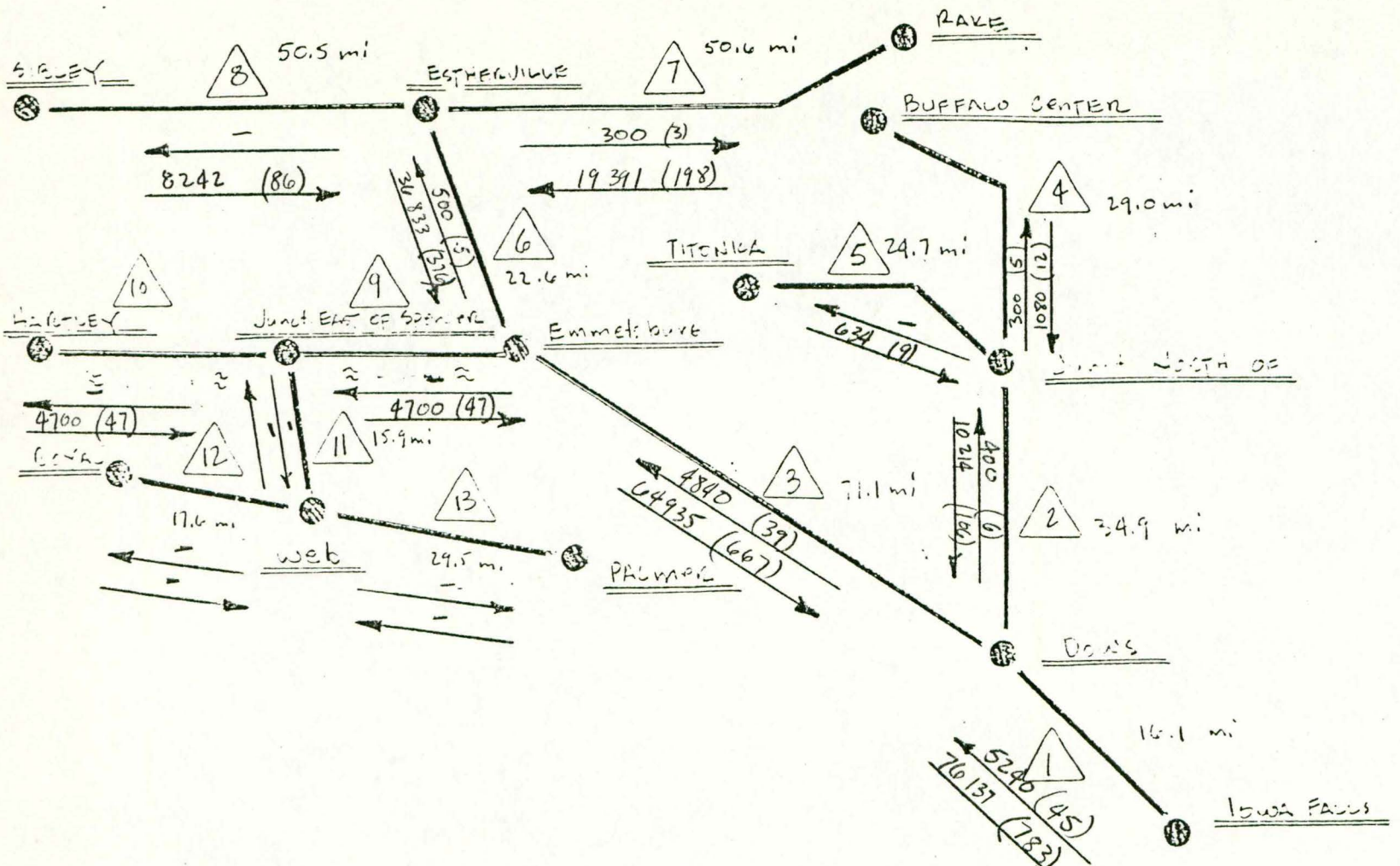
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY N.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : MARCH Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

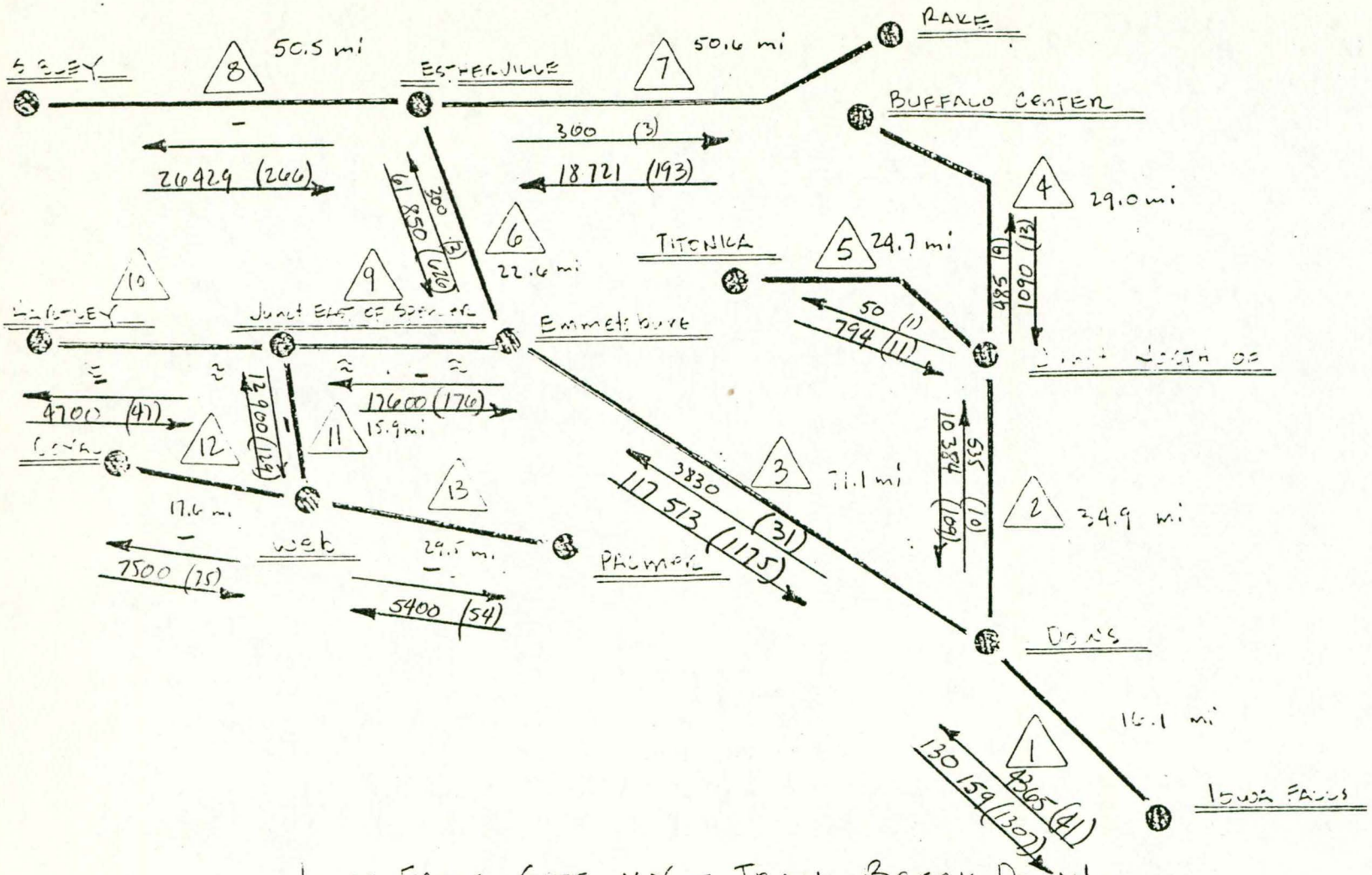
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY N.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : APRIL Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

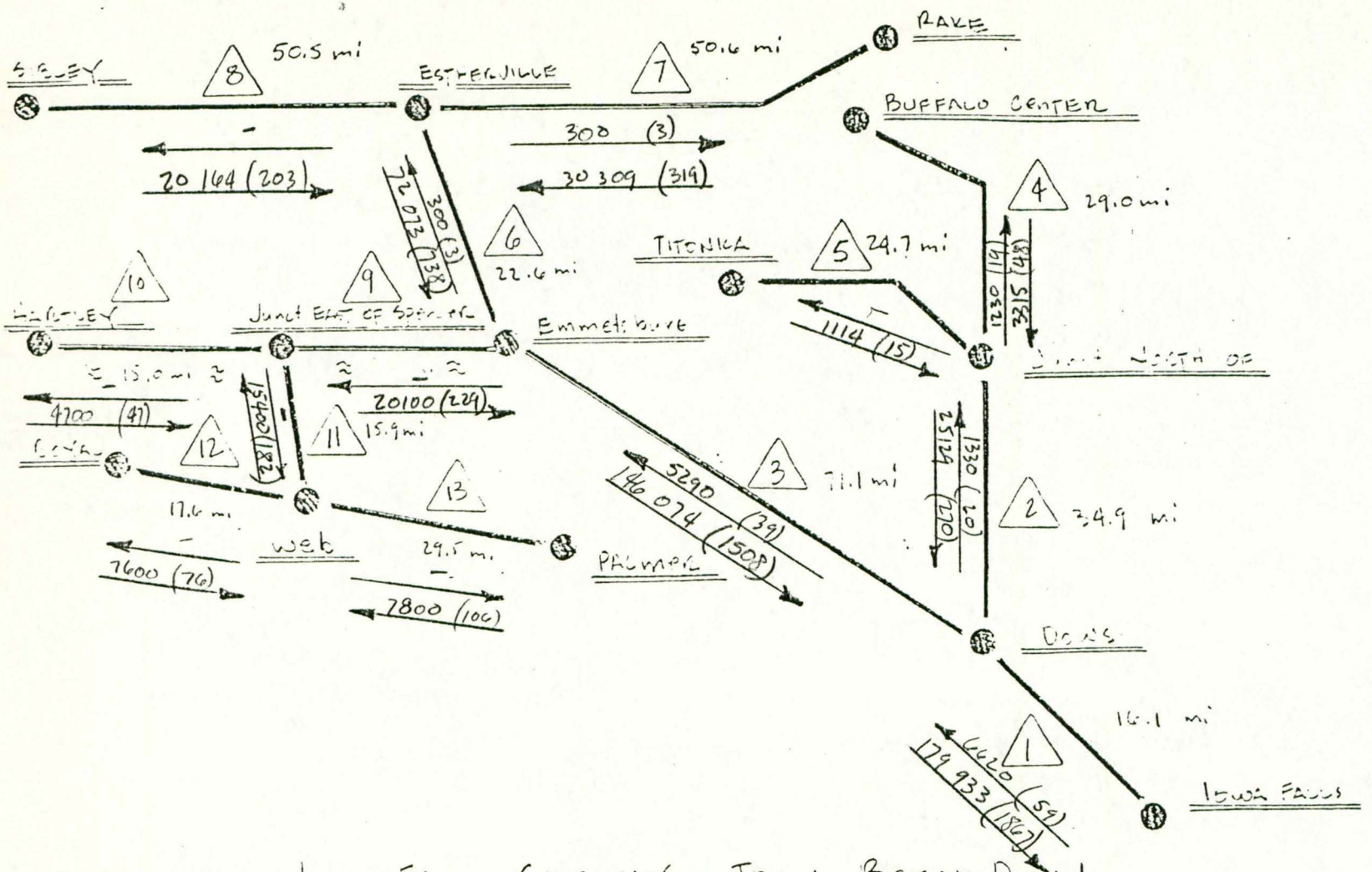
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY U.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : MAY Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

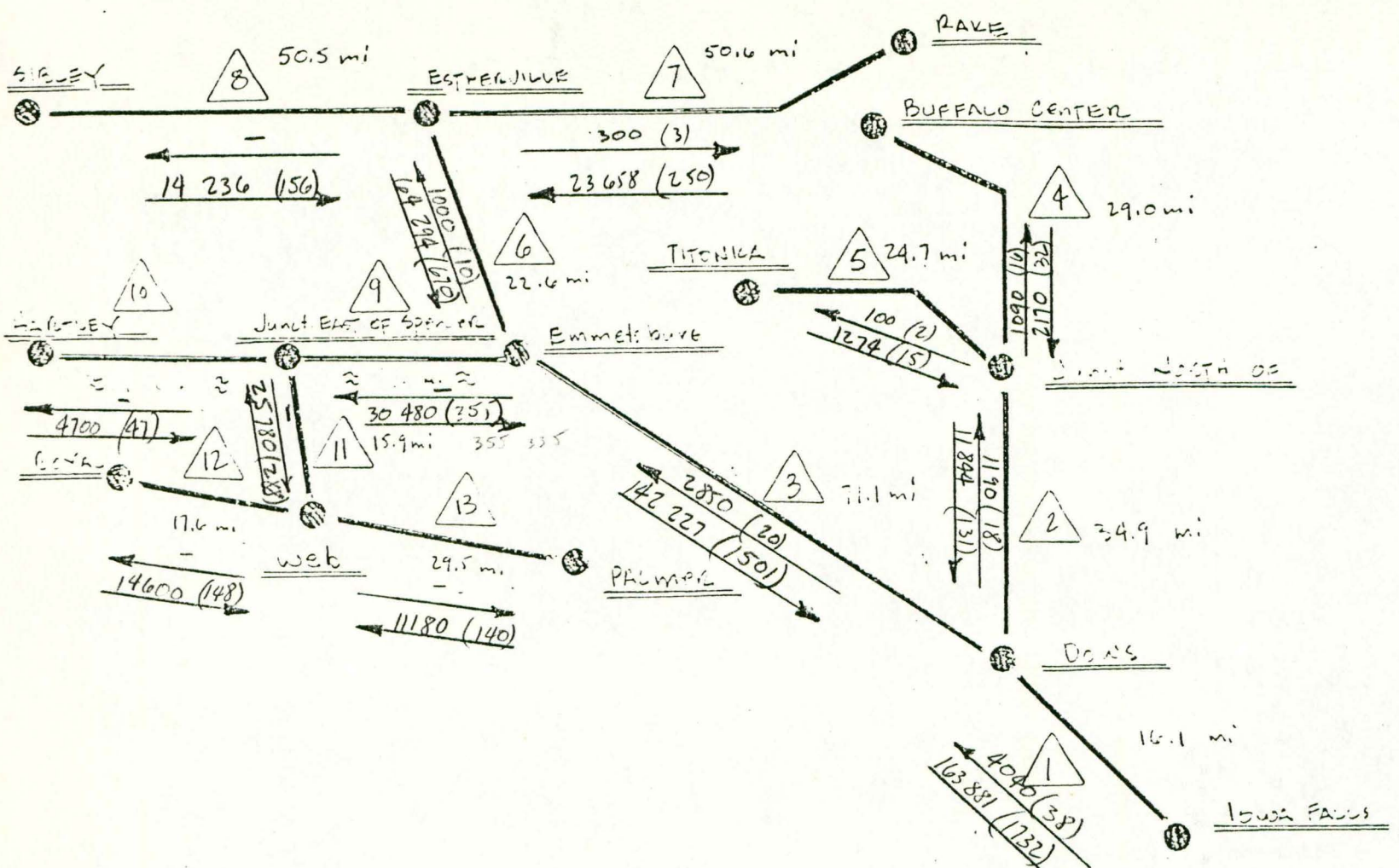
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY R.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : JUNE Year : 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) → Term.

(TONNAGE)(CARS) → Origin.

[401.50 mi (±)]

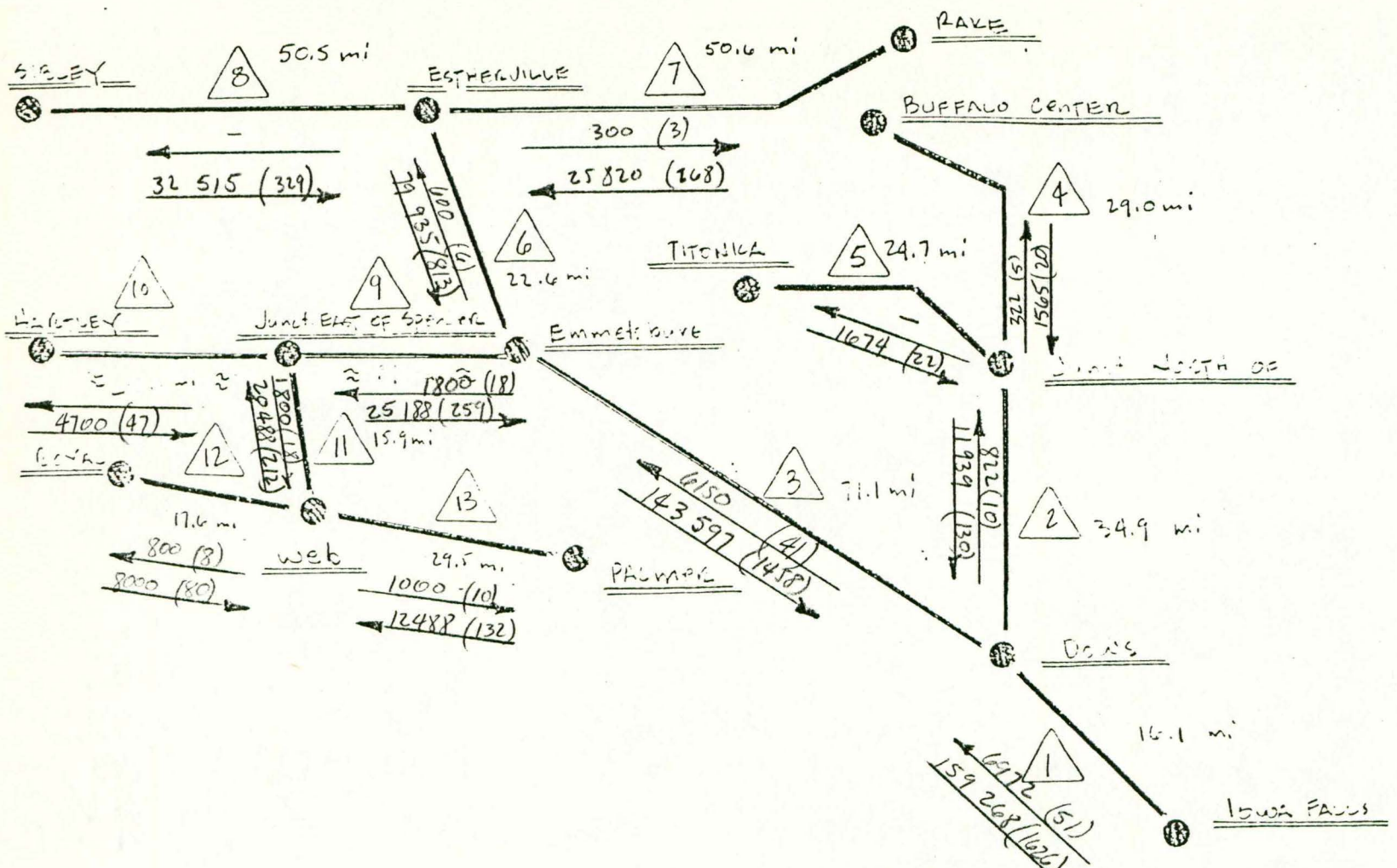
JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

MORRISON KNUDSEN

Month : July Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(NO. CARS) → Term.

(TONNAGE)(CARS) → Origin.

[401.50 mi (±)]

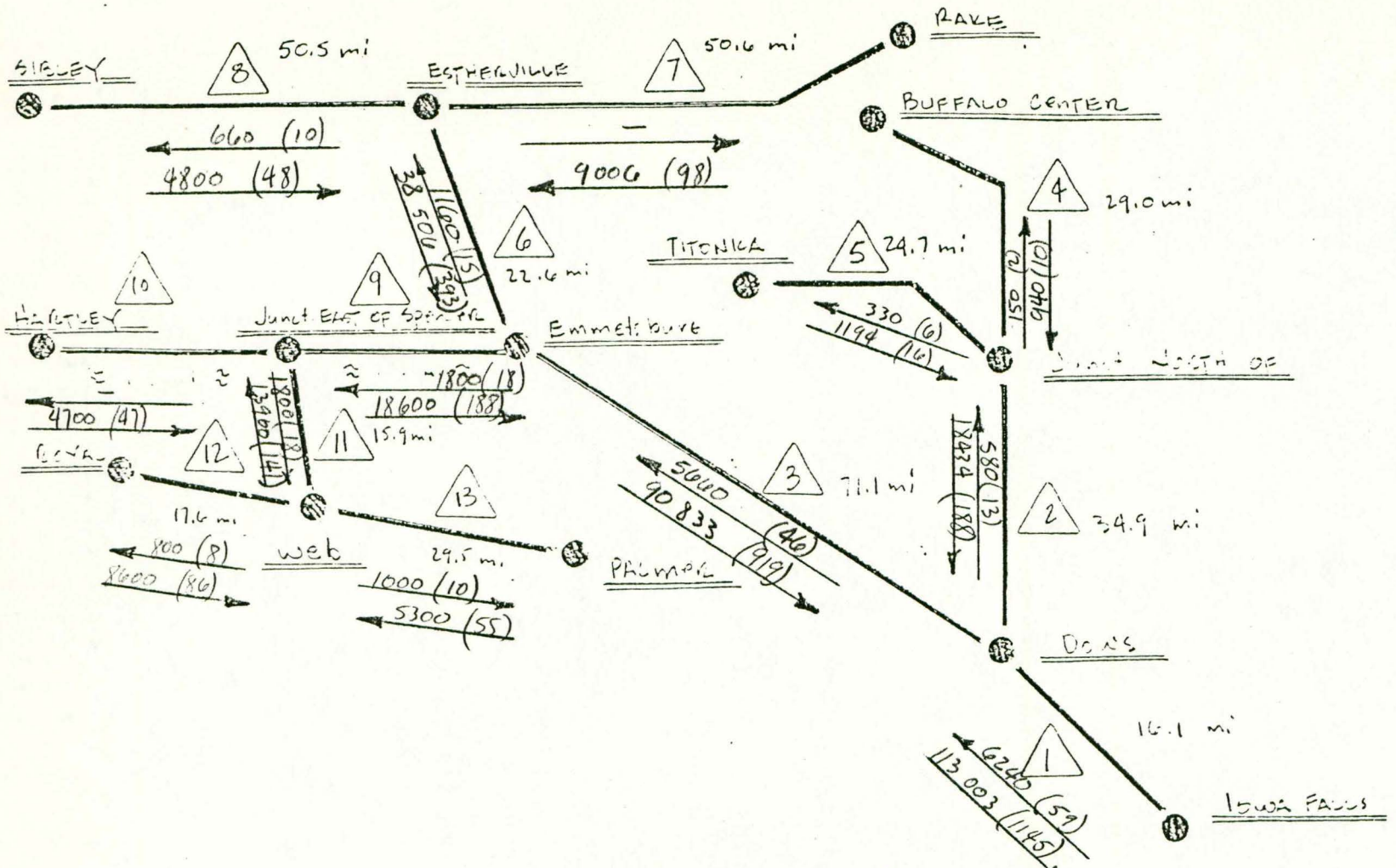
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN SHEET NO. 1 OF 15

MADE BY R.S. CHECKED BY DATE 1-10-80

Month : AUGUST Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

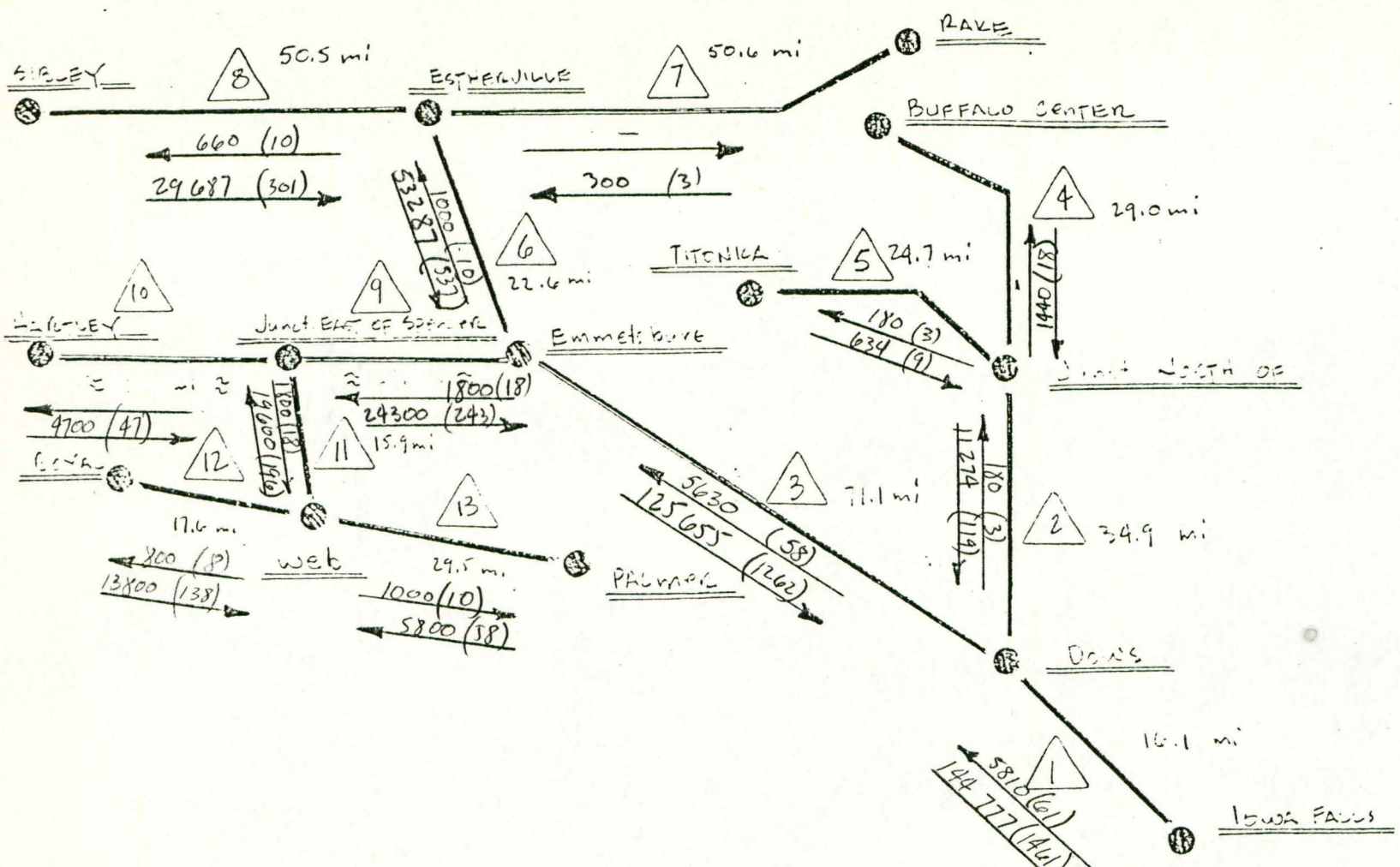
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY R.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : SEPTEMBER Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

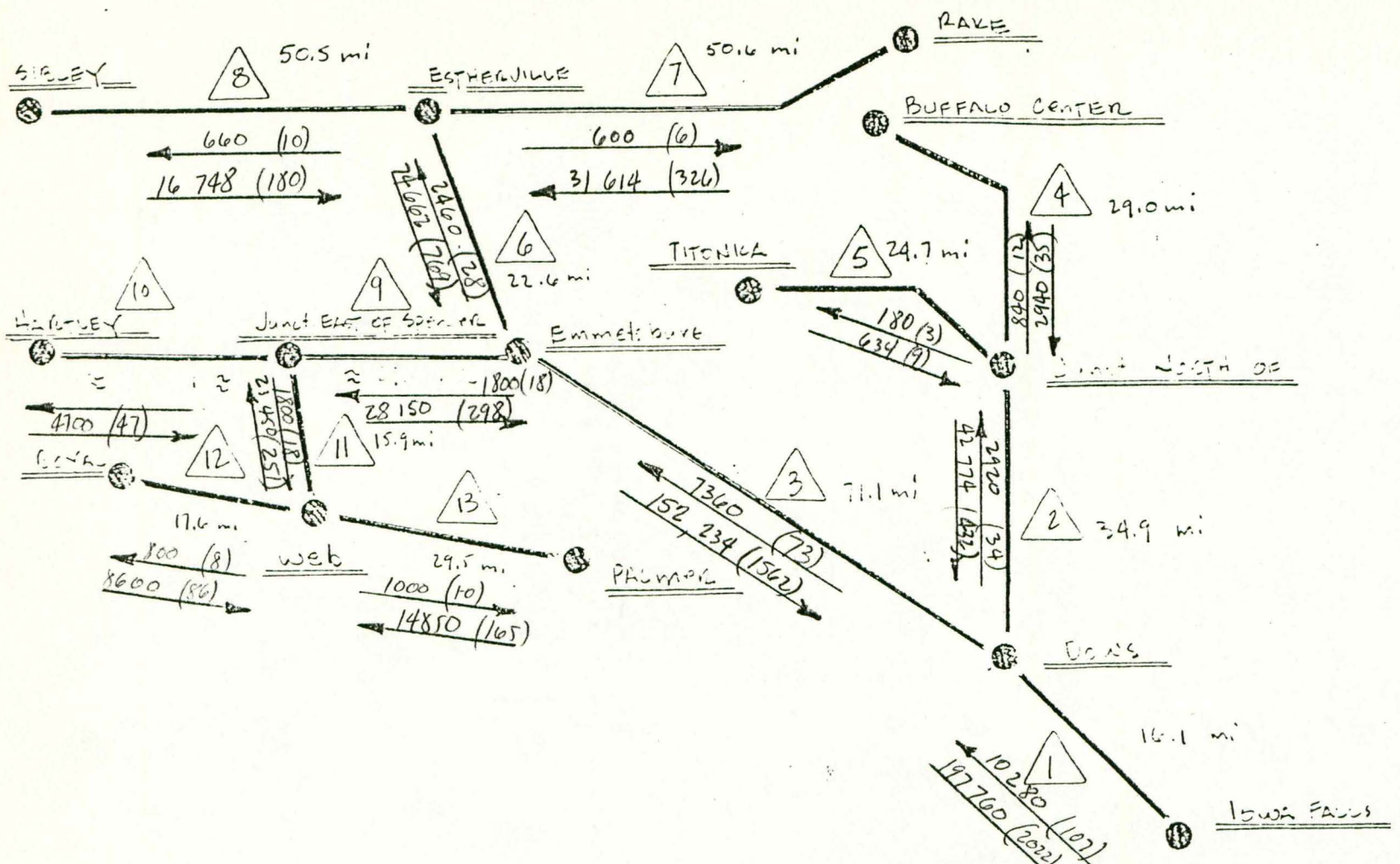
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY N.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : OCTOBER Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

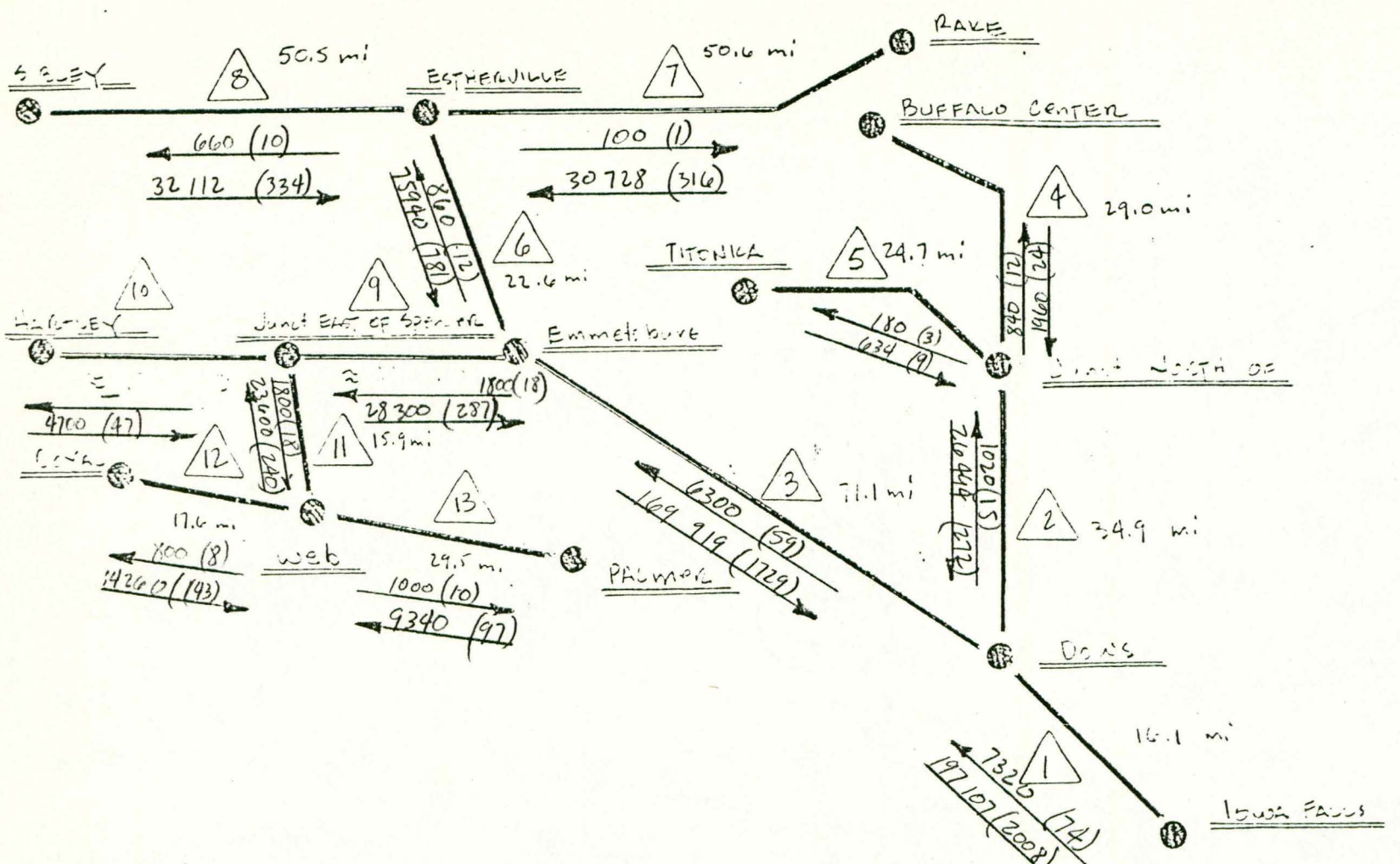
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY N.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month : NOVEMBER Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

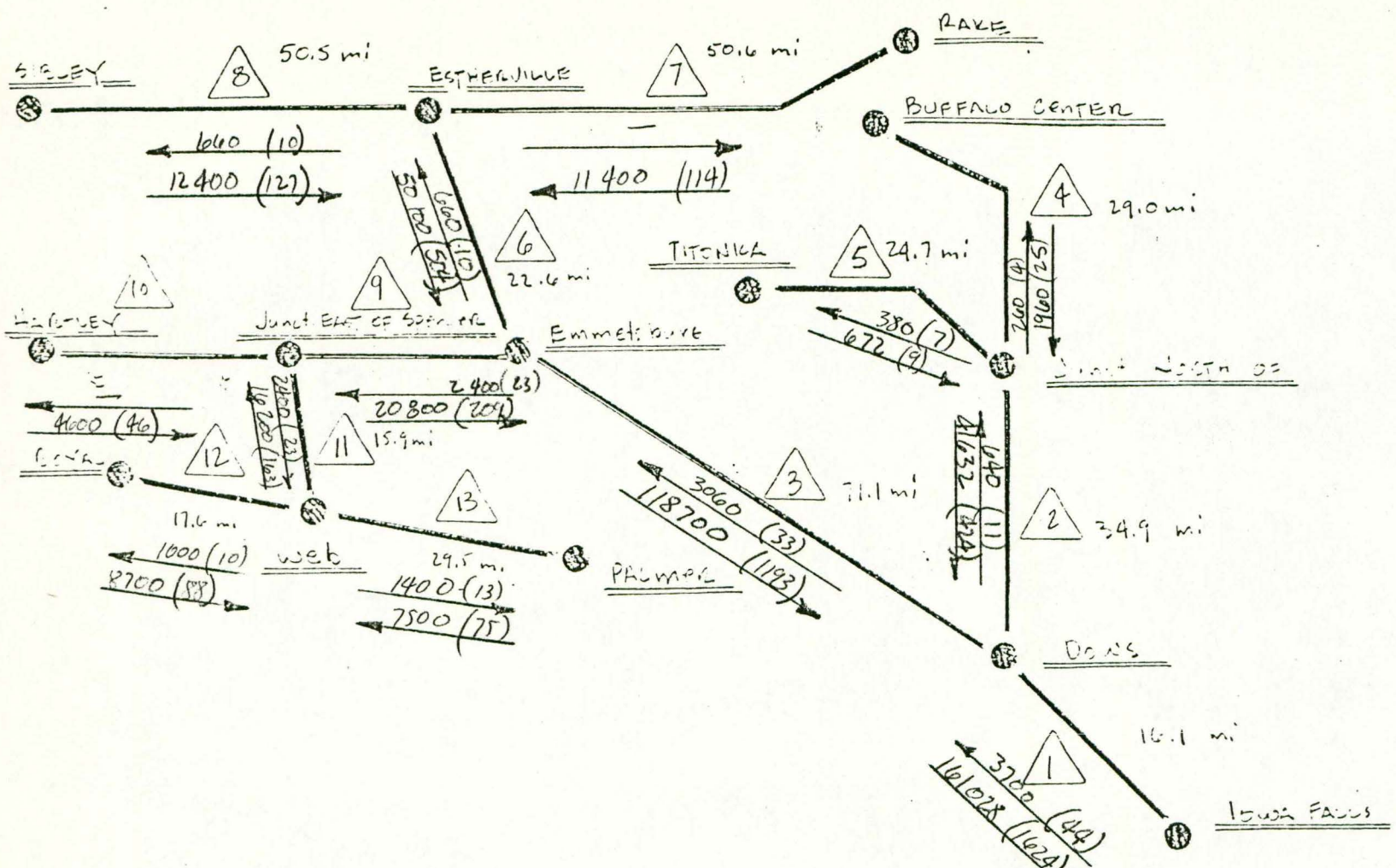
MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BUFFALO DOWN

MADE BY R.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

Month: DECEMBER Year: 1979



IOWA FALLS GATEWAY - TRACK BREAK DOWN

N.T.S.

(TONNAGE)(CARS) Term.

(TONNAGE)(CARS) Origin.

[401.50 mi (±)]

MORRISON KNUDSEN

JOB TITLE IOWA FALLS GATEWAY CONTRACT NO.

DESCRIPTION TRACK BREAK DOWN

MADE BY R.S. CHECKED BY DATE 1-10-80 SHEET NO. 1 OF 15

MORRISON KNUDSEN

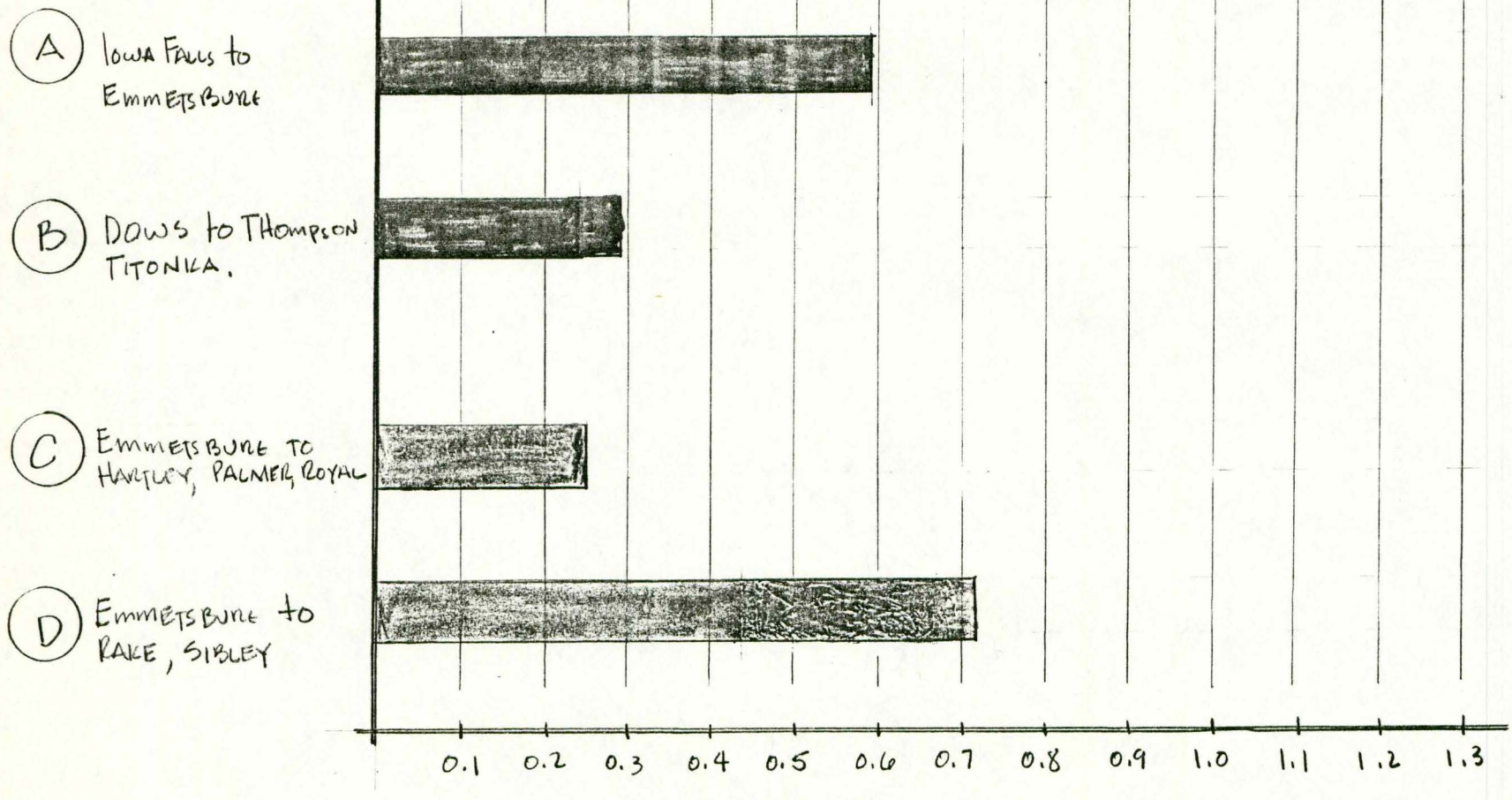
JOB TITLE _____ CONTRACT NO. _____

DESCRIPTION _____

MADE BY _____ CHECKED BY _____ DATE _____ SHEET NO. _____

FORM ENG 126/74

1979

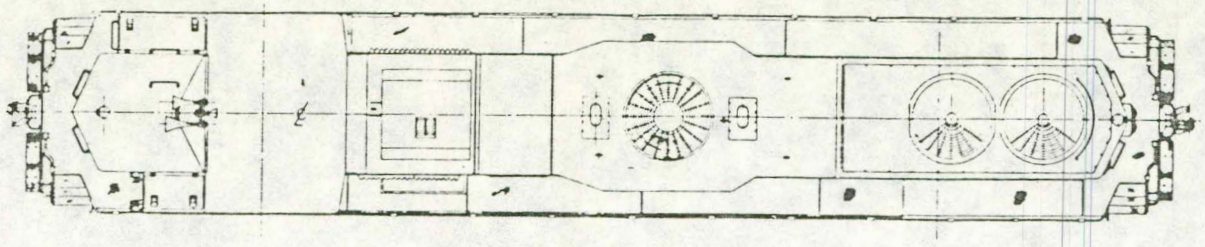


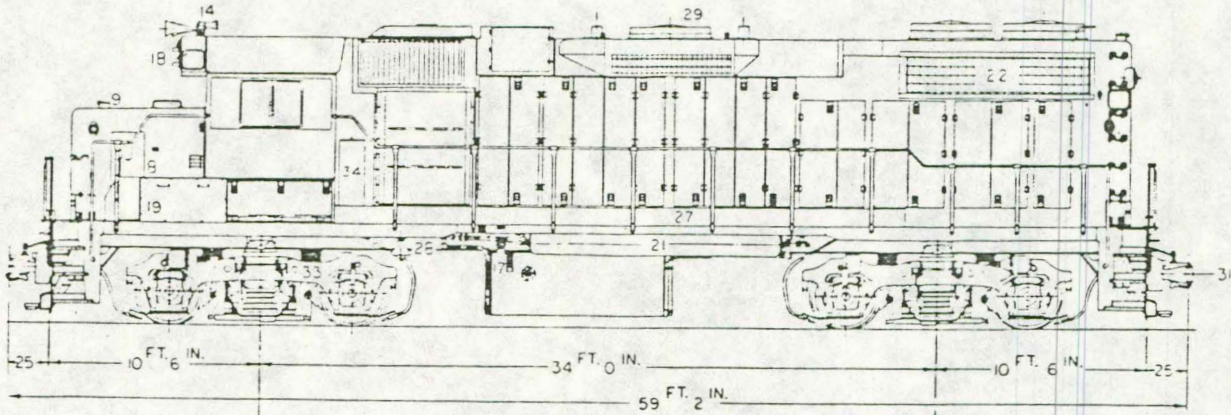
Net Tons Per Section / Yr (Millions):- 1979

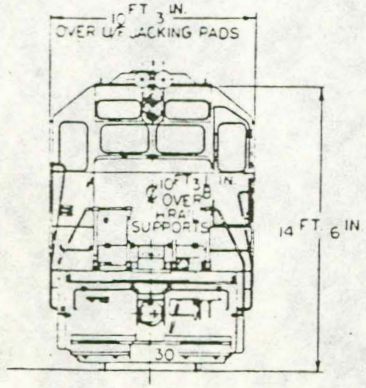
General Characteristics, Weights and Dimensions

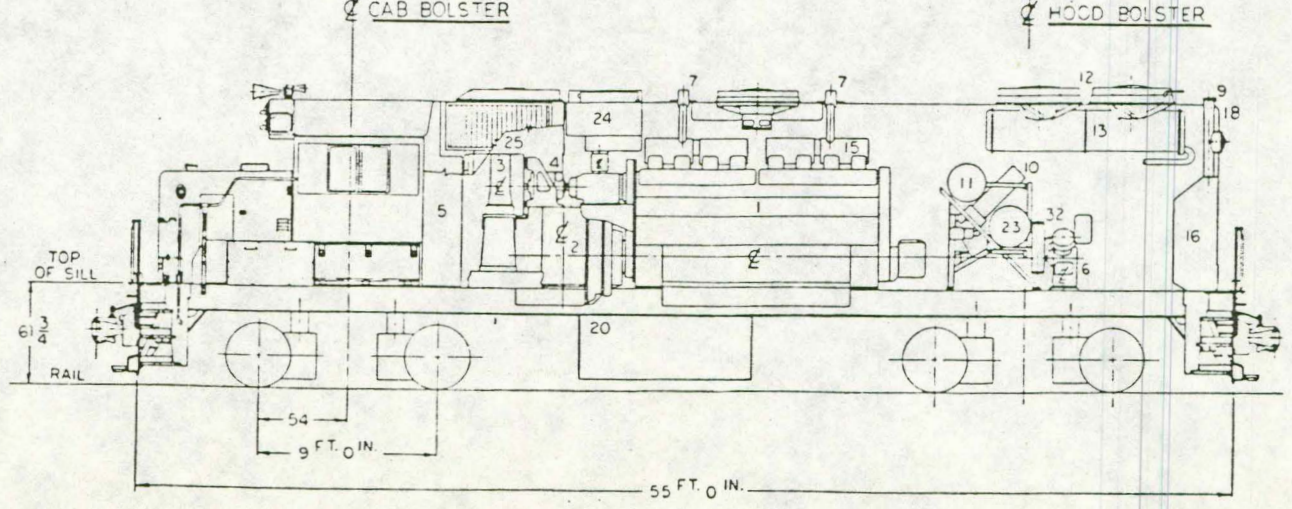
Model	GT 38-2
Type (AAR Designation)	B-B
Locomotive Rating (continuous hp for traction)	2,000
Engines:	
Number per unit	One
Type	16 cyl., 2-cycle, 45° Vee normally aspirated
Model	645E
Cylinders, bore and stroke, in.	9⅛ x 10
Speed, rpm:	
Maximum	900
Idle	315
Main Generator:	
Type	E.M.D.
Model	D-32
Traction Motors:	
Number	4
Type	E.M.D.
Model	12-77
Journal Bearings:	
Type	Roller
Size, in.	6½ x 12
Wheels, diameter, in.	40
Resilient drive, type	M-381 rubber
Couplers, type	AAR Std. Type E top operated
Air Brakes, schedule	26L
Wheel base, ft-in.:	
Truck (each truck)	9—0
Distance between truck centers	34—0
Locomotive	43—0
Maximum dimensions, overall, ft-in.	
Width	10—4¼
Height	15—2¼
Length between coupler pulling faces	59—2
Weights, lb.:	
Locomotive, fully loaded	250,000
On drivers, fully loaded	250,000
Minimum radius curve, deg., ft.:	
Multiple-Unit operation with 50 ft. car	19—302
Basic-Unit without train	42—140
Supplies (total capacity):	
Engine lubricating oil, gal.	243
Fuel oil, gal.: Basic	1,700
Engine cooling water, gal.	240
Sand, cu. ft.	56
Gear ratio	62:15 61:16 60:1
Speeds, max. mph	71 77 83

Major modifications: Ballast maximum weight fully loaded 277,500 lb. Air control equipment; 3,600 gal. fuel tank; 2-stage, 6-cyl. water-cooled air compressor; deep sump oil pan; dynamic brake; 2,750 lb. steam generator with 3,600-gal combination fuel and steam generator water tank









Three-Compartment 3560 CENTER FLOW 100-ton covered hopper.

Designed to transport high-density dry bulk ladings (50 to 60 lbs. per cu. ft.). Inside length 39 ft. 8 in. Rated capacity is 3560 cu. ft., or 200,000 lbs. Built 1972.