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March 27, 2006



VIA HAND DELIVERY

Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street N.W., Suite 700
Washington, D.C. 20423

FEE RECEIVED

MAR 27 2006

SURFACE
TRANSPORTATION BOARD

ENTERED
Office of Proceedings

MAR 27 2006

Part of
Public Record

RE: Finance Docket No. 34855, Iowa Interstate Railroad, Ltd. -
Acquisition Exemption - Great Western Railway Company
of Iowa, L.L.C.

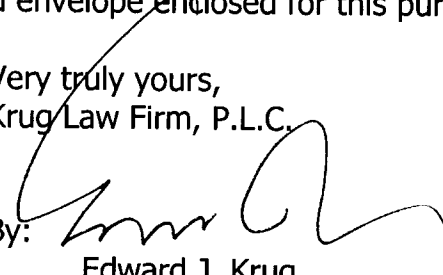
Dear Secretary Williams:

I enclose the following materials for filing in the above proceeding:

1. An original and ten (10) copies of a Petition for Exemption covering the transaction proposed in the above proceeding;
2. A diskette of the petition and exhibits;
3. A check in the amount of \$5,400 for the filing fee required by 49 C.F.R. § 1002.2(f), Part IV (41)(vi); and
4. An extra Petition and a self addressed stamped envelope.

Please indicate receipt of the enclosed materials by returning a stamped copy of the Petition in the self addressed stamped envelope enclosed for this purpose. Thank you.

Very truly yours,
Krug Law Firm, P.L.C.

By: 

Edward J. Krug

FILED

MAR 27 2006

SURFACE
TRANSPORTATION BOARD

EJK/slm
Enclosures

FEE RECEIVED

MAR 27 2006

**SURFACE
TRANSPORTATION BOARD**

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

STB FINANCE DOCKET NO. 34855

ENTERED
Office of the Clerk

MAR 27 2006

Public Record

**IOWA INTERSTATE RAILROAD, LTD.
-ACQUISITION EXEMPTION-
THE GREAT WESTERN RAILWAY
COMPANY OF IOWA, L.L.C.**

**VERIFIED PETITION FOR
EXEMPTION OF IOWA INTERSTATE RAILROAD, LTD.**

EXPEDITED CONSIDERATION REQUESTED

**Edward J. Krug
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**Attorney for Iowa Interstate
Railroad, Ltd.**

Dated: March 27, 2006

FILED

MAR 27 2006

**SURFACE
TRANSPORTATION BOARD**

Pursuant to 49 U.S.C. § 10502, and the regulations of the Surface Transportation Board ("the Board"), at 49 C.F.R. § 1121, the Iowa Interstate Railroad, Ltd., ("IAIS"), submits this petition for an exemption from the prior review and approval requirements of 49 U.S.C. § 10902 for IAIS's acquisition of a rail yard owned by The Great Western Railway Company of Iowa, L.L.C. ("Great Western"), located at Council Bluffs, Iowa.

IAIS presently operates a rail yard in Council Bluffs, Iowa, which adjoins the rail yard that is the subject of the proposed transaction. IAIS's purchase of the rail yard will alleviate a huge bottleneck in IAIS's operations and enable it to greatly expand its existing intermodal ramp operations to better serve IAIS customers along its entire line. A grain elevator located on the edge of the rail yard will be served by IAIS, and no changes in rail service to that elevator will occur. No other shippers are directly served via the subject rail yard, and thus, no significant service issues or concerns are associated with this transaction.

Attached as Exhibit A is a map showing the subject Great Western rail. Exhibit B is a modified map showing the Great Western rail yard in relation to IAIS's Council Bluffs, Iowa operation.

I. Background

A. Identification of the Parties.

1. The complete name and address of Petitioner is: Iowa Interstate Railroad, Ltd., 5900 6th Street SW, Cedar Rapids, IA 52404.

Petitioner, IAIS, is a Class II common carrier by rail which owns or operates approximately 552 miles of rail line in Iowa and Illinois. IAIS's line extends from Council Bluffs, Iowa in the west to Blue Island, Illinois (near Chicago) in the east.

IAIS began operations in 1984, after acquiring its core rail lines following the bankruptcy of the Rock Island Railroad.

2. The complete name and address of Great Western is:

The Great Western Railway Company of Iowa, L.L.C.,
50 South Street, Denver Colorado 80209

Great Western is a Class III common carrier by rail which commenced rail operations in 1991 after it acquired certain rail lines from the Council Bluffs and Ottumwa Railway, Inc. See Great Western Railway Company of Iowa, Inc. – Acquisition and Operation Exemption – Council Bluffs and Ottumwa Railway, Inc., Finance Docket No. 31873 (served May 24, 1991).

B. The Subject Rail yard.

The rail yard which is the subject of the transaction between the parties is located in Council Bluffs, Iowa. The rail yard consists of approximately 55 acres and presently has 15 tracks. The rail yard is designated as running from milepost 0 (zero) at 18th Street to milepost 1.6. The rail yard is used to serve one shipper, for the storage of railcars and for minor railcar repairs.

Great Western currently provides rail service to Hansen Mueller, a grain elevator that is located adjacent to the rail yard. Under the terms of the transaction, RKC Reality, LLC, an affiliate of Great Western, has retained approximately five (5) acres of

the rail yard, plus land on which the elevator is located. IAIS will provide local service to the elevator after the transaction is complete. In the years 2004 and 2005, service to the elevator accounted for approximately 700 rail cars per year.

C. The Proposed Transaction

Pursuant to an Agreement for Purchase and Sale of Rail Operations and Real and Personal Property, dated March 17, 2006, between IAIS and Great Western, IAIS proposes to acquire the Council Bluffs, Iowa, rail yard owned by Great Western. Under the terms of the proposed transaction, IAIS will acquire the rail yard and the right to serve Great Western's sole customer, the Hansen Mueller Elevator.

IAIS does not anticipate any change in the level of service to the Hansen Mueller Elevator. The sole shipper served by the yard, Hansen Mueller Elevator, will not lose any existing rail service or competitive rail options, and in fact, it will gain transit options. All of IAIS's current customers could benefit from the transaction as well.

Just as importantly, the proposed transaction will alleviate a very critical bottleneck which has arisen with unit grain trains and intermodal operations on what is the western gateway for IAIS. IAIS's Council Bluffs rail yard, which adjoins the subject Great Western rail yard, is in close proximity to the Union Pacific Railroad Company's ("UP") main hub outside Omaha, Nebraska. Additionally, the BNSF Railway Company ("BNSF") has a main line which intersects IAIS's yard. IAIS interchanges unit grain trains with BNSF, which IAIS has difficulty handling given the limited size of the current IAIS rail yard. More importantly, intermodal operations are greatly backlogged due to a major increase in intermodal traffic, which is attributable to higher fuel costs for motor

carriers. This backlog has created very serious congestion problems around IAIS's yard, prompting City official complaints about traffic and dust control. IAIS critically requires the additional ramp and storage space in order for its intermodal operations to serve customer needs and to alleviate the bottleneck existing in its yard.

IAIS also plans to lease a portion of the rail yard to several existing IAIS customers/shippers so that the customers/shippers can expand their business operations. One of those customers, Gerdau Steel, is presently being required to vacate its steel scrap business location in Des Moines, Iowa, due to an urban revitalization project. Gerdau Steel's situation is urgent, and it is important that IAIS take possession of the rail yard expeditiously in order for Gerdau to relocate.

II. JURISDICTION AND STATUTORY STANDARDS

Although the tracks being acquired by IAIS are located in a rail yard, the Section 10906 exception does not apply to this transaction because IAIS will use the tracks to serve the grain elevator located at the edge of the yard. Thus, the yard tracks permit IAIS to extend into new territory and provide service where it has not served before. See Texas & Pac. Ry. v. Gulf, C. & S.F.Ry., 270 U.S. 266, 278 (1926); United Transp. Union-III. Legislative Bd. v. STB, 169 F.3d 474, 477-78 (7th Cir. 1999).

Pursuant to 49 U.S.C. § 10902, enacted by the ICC Termination Act of 1995¹, a Class II rail carrier may acquire a line of railroad from another carrier if the Board finds that the acquisition is not inconsistent with public convenience and necessity. 49 U.S.C. § 10902(a), (c). Under 49 U.S.C. § 10502, however, the Board must exempt a

¹ Pub. L. No. 104-88, 109 Stat, 803 (1995)

transaction from regulation under Part A of Subtitle IV of Title 49 of the U.S. Code (including Section 10902) if the Board finds that: (1) regulation is not necessary to carry out the rail transportation policy of 49 U.S.C. § 10101; and (2) either (a) the transaction is of limited scope or (b) regulation is not necessary to protect shippers from the abuse of market power.

In enacting the Staggers Rail Act of 1980, Congress made clear its intent that the Interstate Commerce Commission would use its expanded exemption authority under former Section 10505 to free certain transactions and service from the administrative and financial costs associated with continued regulation:

The policy underlying this provision is that while Congress has been able to identify broad areas of commerce where reduced regulation is clearly warranted, the Commission is more capable through the administrative process of examining specific regulatory provisions and practices not yet addressed by Congress to determine where they can be deregulated consistent with the policies of Congress. The conferees expect that, consistent with the policies of this Act, the Commission will pursue partial and complete exemption from remaining regulation.

H.R. Conf. Rep. No. 1430, 96th Cong. 2d Sess. 105 (1980). Congress reaffirmed this policy in the conference report accompanying the ICC Termination Act of 1995, which reenacted the existing exemption provisions as Section 10502. H.R. Conf. Rep. No. 422, 104th Cong. 1st Sess. 168-169 (1995).

An exemption from the requirements of Section 10902 for IAIS's acquisition of Great Western's Council Bluffs rail yard would be fully consistent with the standards set forth in Section 10502. Detailed scrutiny of the transaction, through an application for review and approval under Section 10902, is unnecessary to carry out the rail

transportation policy of 49 U.S.C. § 10101. In fact, exemption from such review and approval would further several of the objectives established in the national transportation policy. Moreover, the proposed transaction is of extremely limited scope and will not result in an abuse of market power.

III. EXEMPTION CRITERIA

A. Regulation is Not Necessary to Carry Out the Rail Transportation Policy of 49 U.S.C. § 10101.

IAIS's acquisition of Great Western's rail yard is wholly consistent with the rail transportation policy outlined in 49 U.S.C. § 10101. The proposed transaction will allow IAIS greater capacity for switching and it will permit it to expand its current intermodal facility, which in turn will enhance effective rail management and the long-term stability of IAIS's operations. The expansion is desperately needed to relieve a significant bottleneck with IAIS's operations in Council Bluffs. As such, exemption will promote efficiency, coordination and competition among rail carriers and other transport modes. See 49 U.S.C. §§ 10101(4), (5) and (9). Thus, this transaction also will promote the continuation of a sound rail system to meet the needs of the public. 49 U.S.C. § 10101(4).

Granting the relief sought herein will advance several other goals enumerated in the rail transportation policy as well. Section 10101 provides that the Board should minimize the need for regulatory control over the rail transportation system, reduce the barriers to entry into and exit from the rail transportation industry, and provide for the expeditious resolution of all proceedings. 49 U.S.C. §§ 10101(2), (7) and (15). The statutory exemption contained in Section 10502 obviates the need for the expensive

and time-consuming processes attendant to a proceeding under Section 10902. By limiting the level of regulatory review of this transaction and by relying upon the adequate and more expeditious exemption procedure, the Board would minimize the burden of unnecessary regulation on this transaction. See e.g., Livonia, Avon & Lakeville Railroad Corporation -- Acquisition and Operation Exemption -- Line of Consolidated Rail Corporation, Finance Docket No. 32754 (STB served March 11, 1996) at 4.

B. Regulation is Not Necessary to Protect Shippers From an Abuse of Market Power.

IAIS's acquisition of Great Western's Council Bluffs rail yard will have no adverse impact on competition. Rail operations on the line will not change in any manner. The sole shipper serviced via the rail yard will not lose access to any rail service which it currently receives. As it is, the shipper's annual car volume is minimal.

Approval of this transaction will not lessen competition or transportation options for the sole shipper being serviced via the rail yard. Indeed, the proposed acquisition will ensure the continued efficiency of IAIS's service by providing IAIS with a location to expand its services to existing customers and a way to relieve a very significant bottleneck in IAIS operations. Accordingly, the transaction satisfies the market abuse standard set forth in 49 U.S.C. § 10502(a)(2)(B).

C. The Transaction is Limited in Scope

Because regulation is not necessary to protect the sole affected shipper from an abuse of market power, IAIS need not demonstrate that the proposed transaction is of limited scope. 49 U.S.C. § 10502(a)(2); Fort Worth & Western Railroad Company, Inc.

-- Lease Exemption -- St. Louis Southwestern Railway Company, Finance Docket No. 32955 (STB served September 5, 1996) at 3. Nevertheless, it is clear that IAIS's acquisition of Great Western's Council Bluffs rail yard satisfies this criterion as well. The proposed transaction involves the acquisition of the rail yard and will not result in any change in operations for the single industry served via the rail yard. Accordingly, the Board should find that this transaction is of limited scope within the meaning of Section 10502(a)(2)(A).

IV. LABOR PROTECTION

Under 49 U.S.C. § 10502(g), the Board may not exempt a rail carrier from otherwise applicable employee protection obligations. The applicable level of labor protection for this transaction is that specified by 49 U.S.C. § 10902(d) and Wisconsin Central Ltd. -- Acq. Exem. -- Union Pacific R. Co., 2 S.T.B. 218 (1997), rev'd in part sub nom. Association of Amer. Railroads v. STB, 162 F.3d 101 (D.C. Cir. 1998.)

IAIS's acquisition of the Great Western Council Bluffs rail yard will not result in any adverse impact to IAIS employees. At present, Great Western employs a total of five (5) employees. The parties contemplate IAIS hiring three (3) of the Great Western employees employed as of the date of the transfer of ownership. Under the proposed transaction, IAIS will be responsible for all employee protection costs.

On March 22, 2006, Great Western posted IAIS's notice of the proposed transaction at the workplace of Great Western's employees at the Council Bluffs rail yard. A copy of the notice is attached as Exhibit C hereto. The Great Western employees are not represented, and thus, there is no need to provide notice to union

representatives. IAIS certified to the Board compliance with the requirements of 49 C.F.R. § 1121.4(h) on March 22, 2006.

V. ENVIRONMENTAL ASSESSMENT

A petition for exemption must comply with the Board's environmental reporting requirements, if applicable. 49 C.F.R. § 1121.3(b). Under 49 C.F.R. § 1105.6(c)(2). IAIS's proposed acquisition of the Great Western Council Bluffs rail yard is exempt from environmental reporting requirements. The proposed acquisition will not result in significant changes in carrier operations, i.e., changes that exceed the thresholds of 49 C.F.R. § 1105.7(e)(4) or (5).

Under 49 C.F.R. § 1105.8(b)(1), the proposed acquisition of Great Western's Council Bluffs rail yard also is exempt from historic preservation reporting requirements. IAIS's acquisition of the rail yard is for the purpose of continued rail operations. Board approval would be required as a prerequisite to any abandonment or discontinuance of service, and there are no plans in connection with this transaction to dispose of or alter properties subject to the Board's jurisdiction that are 50 years old or older.

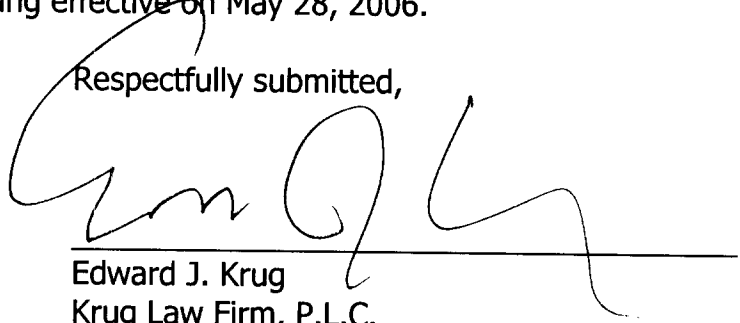
VI. EXPEDITED CONSIDERATION REQUESTED

IAIS requests that the Board expedite consideration of this petition and issue its decision to be effective on or before May 28, 2006. Great Western and IAIS desire to fully transfer the property to IAIS as soon as possible in order for IAIS to construct an intermodal ramp, which is part of a vastly improved intermodal service IAIS is offering its customers, and which is part of a business plan which involves intermodal facilities at other locations on IAIS's line. More importantly, IAIS is experiencing very significant

congestion and bottleneck problems which are affecting its operations and which risk harming customers. IAIS urgently needs the additional space the Great Western rail yard offers. Moreover, in order to properly plan for construction activities, IAIS needs to know if this sale will be approved. A delay in approving the exemption for this transaction will adversely impact IAIS and its customers and would be inconsistent with the transportation policy underlying the statutes and regulations governing this transaction. IAIS and Great Western desire to close on this transaction by June 1, 2006.

WHEREFORE, IAIS respectfully requests that the Board grant an exemption from the provisions of 49 U.S.C. 10902 for IAIS's acquisition of Great Western's Council Bluffs rail yard with the exemption becoming effective on May 28, 2006.

Respectfully submitted,

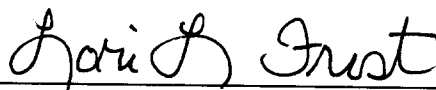
A handwritten signature in black ink, appearing to read 'E. Krug', is written over a horizontal line.

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ATTORNEY FOR IOWA INTERSTATE
RAILROAD, LTD.

VERIFICATION

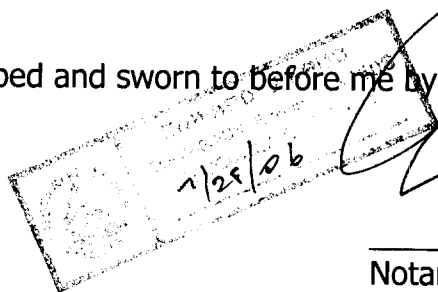
STATE OF IOWA :
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COUNTY OF LINN :

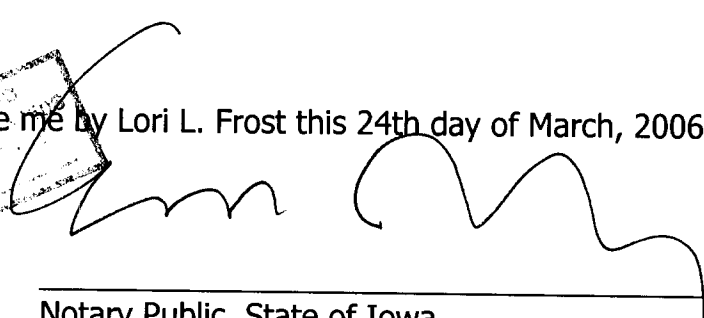
Lori L. Frost, being duly sworn deposes and says that she is the Vice President of Finance, of the Iowa Interstate Railroad, Ltd., that she has read the foregoing Petition for Exemption, and knows the facts asserted therein, and that the same are true as stated.



Lori L. Frost

Subscribed and sworn to before me by Lori L. Frost this 24th day of March, 2006.





Notary Public, State of Iowa

CERTIFICATE OF SERVICE

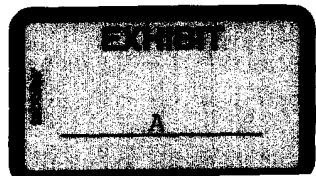
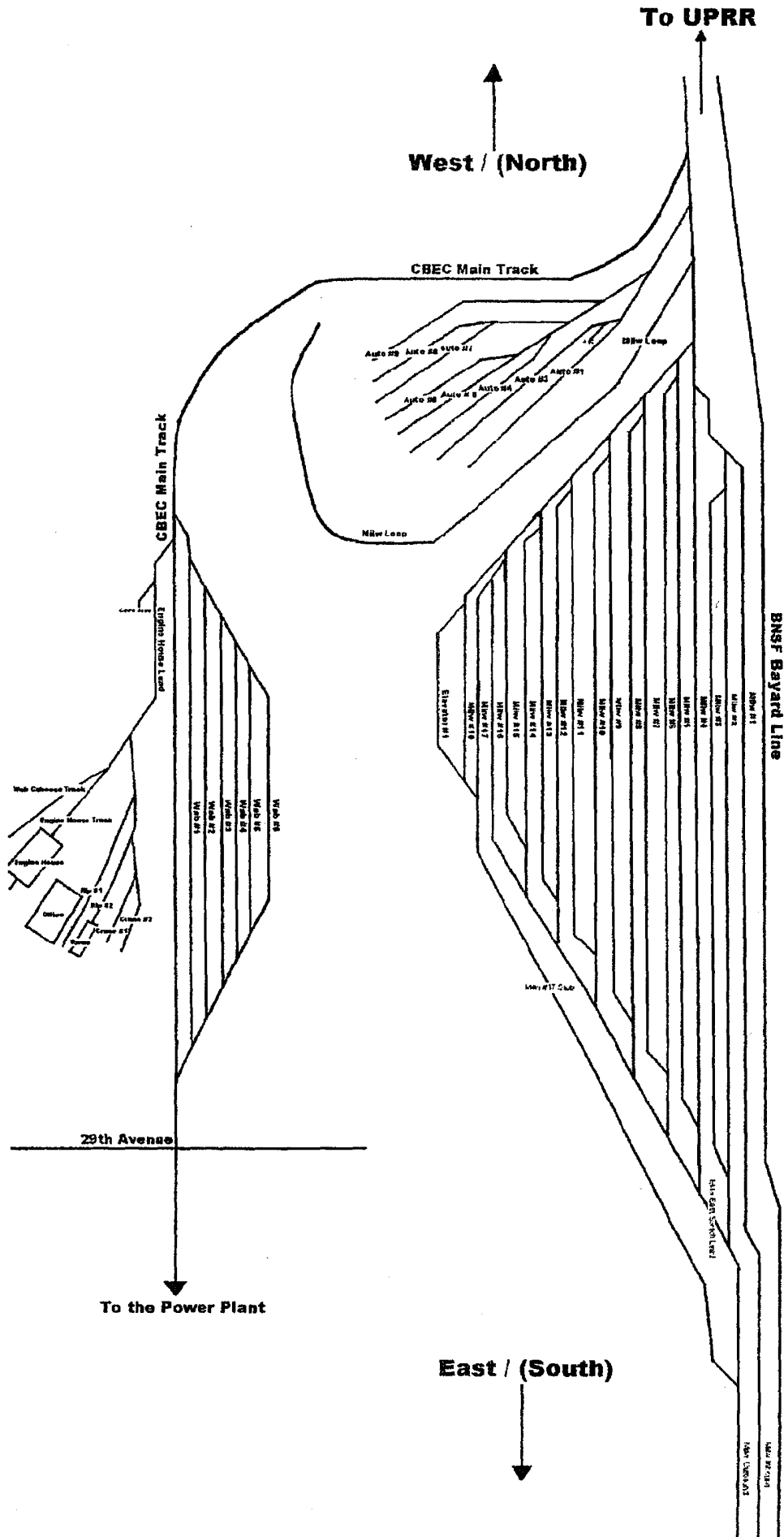
I certify that I have this day served a copy of the foregoing document upon the following by Federal Express, overnight delivery:

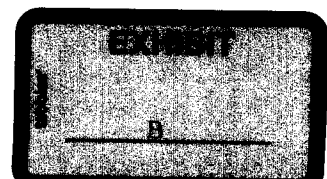
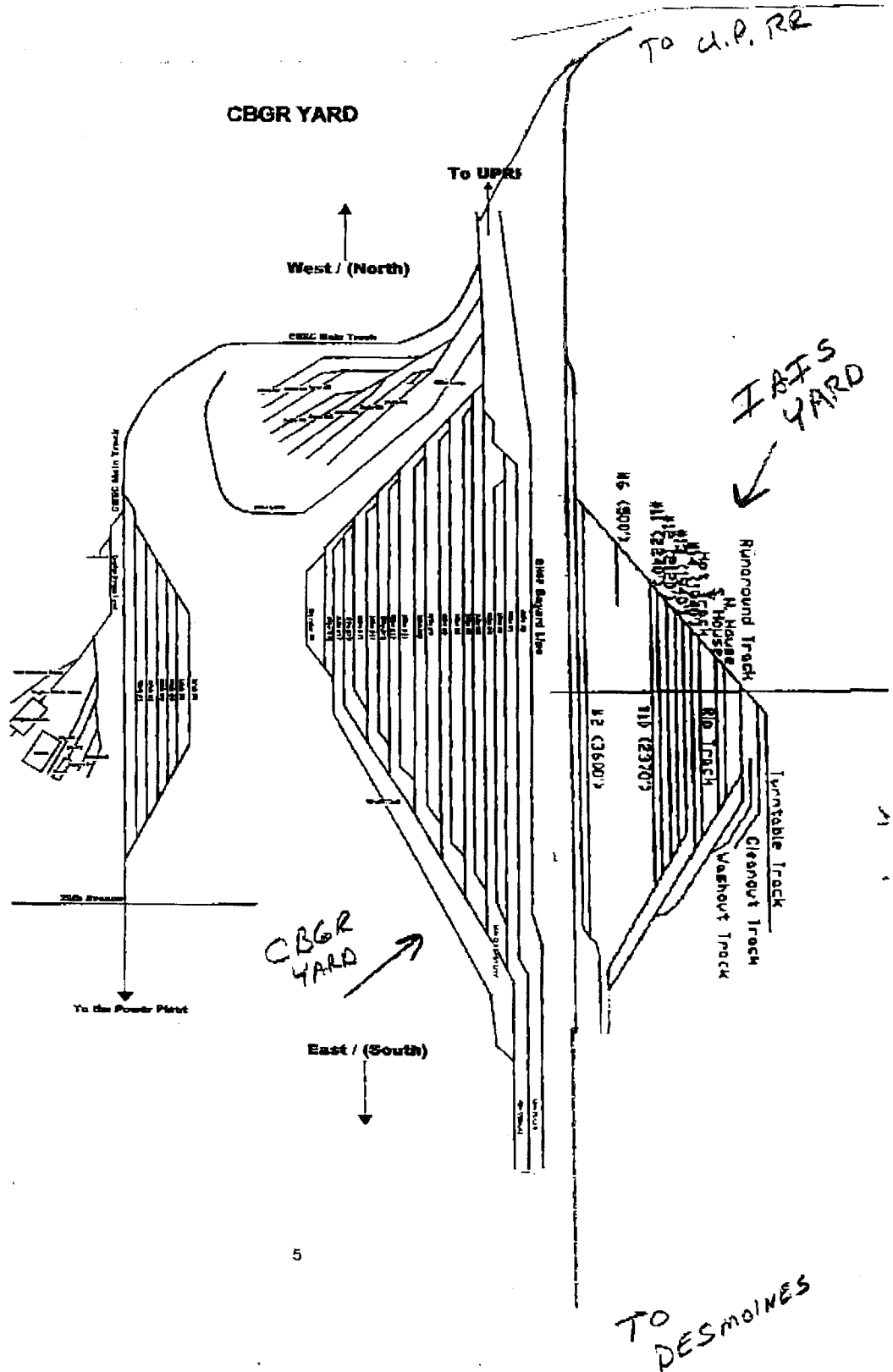
Karl Morell, Esq.
Ball Janik, L.L.P.
1455 F Street, N.W., Suite 225
Washington, D.C. 20005

Dated: 3/24/06


Sandra L. Miller

CBGR YARD





NOTICE

March 23, 2006

Pursuant to 49 C.F.R. § 1121.4(h), the **Iowa Interstate Railroad, Ltd.** ("IAIS"), hereby provides notice to the employees of Great Western Railway of Iowa LLC ("CBGR") that IAIS will acquire all of the rail yard owned and operated by CBGR extending from milepost 0 (zero) at 18th Street to milepost 1.6. The rail yard is located on 55 acres in Council Bluffs, Iowa. The purchase will consist of track and real estate of the CBGR. Following the transaction, CBGR will no longer operate. The transaction is expected to be finalized on or after June 1, 2006.

As a result of the acquisition and operation of these rail lines, IAIS expects to have employment opportunities in the following areas:

Engineer:

Approximately 1 position located in Council Bluffs, Iowa. This position requires the following minimum skills and/or qualifications:

- At least 1 year experience as a Locomotive Engineer.
- Must possess a valid Engineer's certificate issued by a program in compliance with 49 CFR Part 240.
- Must be able to meet all hearing and vision requirements of 49 CFR Part 240.
- Must have an understanding of air brake and mechanical systems of a train and locomotives, and pass a written test to verify competency.

Track Laborer:

Approximately 1 position located in Council Bluffs, Iowa. This position requires the following minimum skills and/or qualifications:

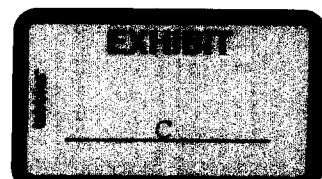
- Installs and repairs track on specified territory of Railroad using various hand and power tools.
- Must possess a high school education or GED, and a minimum of 6 months job-related experience; or equivalent combination of education and experience.
- Required to operate track repair equipment safely and efficiently.

Mechanical Laborer:

Approximately 1 position located in Council Bluffs, Iowa. This position requires the following minimum skills and/or qualifications:

- Repairs locomotives and rail cars of various designs and constructions using hand and power tools.
- Must possess a high school education or GED, and a minimum of 1 year of job-related experience or the equivalent combination of education and experience.
- Required to work in noisy and dusty/dirty environments and must comply with safe work practices.

Specific and more detailed job descriptions for the above positions are available from IAIS and may be obtained by contacting the number below.



The most qualified candidates will be selected from the available pool of applicants without regard to race, creed, color, religion, national origin, sex, age, marital status, disability or veteran status. The selection criteria will be job-related skills and attributes as outlined above. Successful candidates must have a stable work record and exhibit safe work practices. The ability to work in a team environment with a focus on customer service is critical. Applicants must be able to read and comprehend regulations and instructions in English, as well as possess good oral communication skills. Successful applicants will be required to pass a pre-employment drug and alcohol screen and complete a medical questionnaire. Every employee is an at-will employee. All employees are expected to know and abide by the standard code of Employee Conduct.

**Human Resources
Iowa Interstate Railroad, Ltd.
5900 6th Street S.W.
Cedar Rapids, Iowa 52404
(319) 298-5400**