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November 4, 2003

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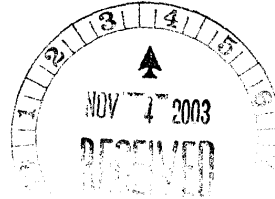
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LOUIS E. GITOMER
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Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Room 700
Washington, D. C. 20423



RE: Docket No. AB-55 (Sub-No. 640), *CSX Transportation, Inc.—Abandonment—in Atkinson and Ware Counties, Georgia (Between Pearson and Waresboro)*

Dear Secretary Williams:

Enclosed are the original and 10 copies of the Rebuttal in the above-entitled proceeding, and three diskettes containing the Rebuttal and Ms. League's verified statement.

Please time and date stamp the additional copy of this letter and the pleading, and return them to our messenger. Thank you for your assistance.

If you have any questions, call or email me.

Sincerely yours,

Louis E. Gitomer
Attorney for CSX Transportation, Inc.

Enclosures

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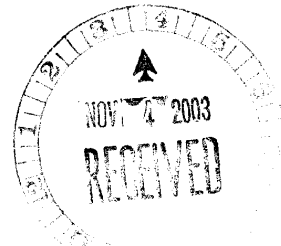
ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (Sub-No. 640)

CSX TRANSPORTATION, INC.-ABANDONMENT-IN ATKINSON AND WARE
COUNTIES, GA (BETWEEN WARESBORO AND PEARSON)

REBUTTAL



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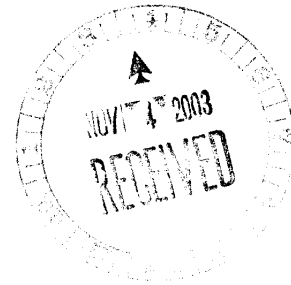
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Attorneys for: CSX TRANSPORTATION,
INC.

Dated: November 4, 2003

BEFORE THE
SURFACE TRANSPORTATION BOARD



DOCKET NO. AB-55 (Sub-No. 640)

CSX TRANSPORTATION, INC.–ABANDONMENT–IN ATKINSON AND WARE
COUNTIES, GA (BETWEEN WARESBORO AND PEARSON)

REBUTTAL

CSX Transportation, Inc. (“CSXT”) files this Rebuttal with the Surface Transportation Board (the “Board”) in response to the Atkinson County Board of Commissioners (“Atkinson County”), Cady Industries, Inc. (“Cady”), the Georgia Department of Transportation (“GADOT”)¹, the City of Pearson (“Pearson”), and Pope Trucking Incorporated (“Pope”). CSXT respectfully requests that the Board conclude that the public convenience and necessity require or permit CSXT’s abandonment of the 23.25-mile rail line portion of its Southern Region, Jacksonville Division, between milepost AP 594.69, near Waresboro, GA and milepost AP 617.94 near Pearson, GA, the end of the line (the “Line”), all in Atkinson and Ware Counties, GA, and grant the abandonment application.

BACKGROUND

After complying with all pre-filing requirements, CSXT filed an application on September 5, 2003 seeking authority to abandon the Line. In support of the abandonment, CSXT produced evidence that the Line is a burden on interstate commerce and to CSXT because it is in

¹ CSXT notes that although GADOT has submitted a pleading titled “Verified Statement of Hal Wilson” there is no verification of that statement. Since there is no affirmation or declaration

very poor condition requiring \$116,250 in annual maintenance of way expenditures, \$1,279,283 of rehabilitation, and will incur opportunity costs of \$29,903 in the subsidy year. Moreover, there will be very little, if any, harm to the users of the Line who have readily available transportation alternatives. None of the evidence submitted in the application has been contradicted.

The Board published a Federal Register notice on September 25, 2003. The Environmental Assessment was served on October 8, 2003. After that date the statements by Atkinson County, Cady, GADOT, Pearson, and Pope (jointly referred to as "Protestants") were filed.

ARGUMENT

The statutory standard governing an abandonment or discontinuance of service is whether the present or future public convenience and necessity permit the proposed abandonment or discontinuance. 49 U.S.C. 10903(d). In implementing this standard, we must balance the potential harm to affected shippers and communities against the present and future burden that continued operations could impose on the railroad and on interstate commerce. Colorado v. United States, 271 U.S. 153 (1926). Essentially, the Board must determine whether the burden on the railroad from continued operations is outweighed by the burden on shippers and the community from the loss of rail service.

CSX Transportation, Inc.—Discontinuance—at Memphis, in Shelby County, TN, STB Docket No. AB-55 (Sub-No. 618) (STB served October 28, 2002), at 9. CSXT contends that it proven the burden on the CSXT and interstate commerce caused by the Line. CSXT also contends that Protestants have provided no evidence to contradict CSXT's showing of burden. CSXT finally contends that Protestants have produced no evidence of harm resulting from the abandonment of the Line.

made in compliance with 49 C.F.R. § 1104.5, CSXT urges the Board not to give GADPT's pleading the weight of sworn testimony.

1. Continued operation of the Line would impose a burden on CSXT and interstate commerce.

CSXT produced uncontroverted evidence in the Application of the burden that continuing to operate the Line would cause. The Line is operated as FRA excepted track and is in very poor condition. Most of the track is 77 years old and the rest is 38 years old. As Mr. Foster testified, without contradiction, "the Line requires immediate rehabilitation at a cost of \$1,279,283."

Application at 45.

In the application, Mr. Milby described the shippers on the Line, the type of traffic they transported, the volume of traffic transported, his discussions with them, and the future prospects for the Line. None of the Protestants have questioned Mr. Milby's evidence.

There are two salient points raised by Mr. Milby. First, the level of traffic on the Line has been declining. Second, the traffic on the Line is reload traffic.

CSXT has attempted to accommodate the decline of traffic and revenue on the Line by delaying normal improvements that would result in avoidable losses, enabling CSXT to continue to serve the shippers on the Line. Unfortunately, as with all assets, railroads lines wear out in time. The Line is no exception. As Mr. Foster's unrebutted testimony in Exhibit 4 demonstrated, the Line is maintained and operated as FRA excepted track. A declining traffic base will not produce the revenue necessary to rehabilitate the Line.

Reload traffic is unloaded from the railroad car, reloaded onto a truck and delivered to a destination not on a railroad line. Cady and Pope are both exclusively reload shippers. CSXT delivers its railroad cars to sidings in Pearson, where both Pope and Cady unload the rail cars and reload into trucks for the ultimate delivery. See Milby at 61. Mr. Milby also testified to the availability of other reload facilities. See Milby at 62-63. Moreover, reload traffic can be

diverted to another railroad, as was done by one of the three shippers on the Line, Willacoochee Industrial Fabric, Inc.

CSXT faces a substantial burden in rehabilitating the Line that relies on traffic that can easily be diverted to other locations. Without a commitment from the active shippers on the Line, which has not been made by the Protestants, CSXT would be making a very high risk investment providing the funds necessary to rehabilitate the Line. Based on current traffic levels CSXT would not recoup its investment. "Rehabilitation and replacement ... would require an expenditure that cannot be justified by limited and speculative future profitability." *CSX Transportation, Inc.—Discontinuance—at Memphis, in Shelby County, TN*, STB Docket No. AB-55 (Sub-No. 618) (STB served October 28, 2002), at 9.

CSXT admits that it does not incur an avoidable cost in operating the Line today. But the Line requires immediate investment that is not justified by historic traffic levels. In the Base Year CSXT earned \$64,212, before Opportunity Costs. In the Forecast Year, CSXT projects earning \$38,965, accounting for Opportunity Costs. CSXT projects a loss in the Subsidy Year of \$1,251,153, taking into account Opportunity Costs of \$29,903 and Rehabilitation Costs. The evidence of burden is not questioned by the Protestants.

2. Abandonment would result in minimal harm to shippers on the Line and the communities along the Line.

Protestants have submitted very generalized statements opposing the proposed abandonment. None of them demonstrate harm.

GADOT has not demonstrated harm from the proposed abandonment.

GADOT's claim that CSXT has not tried to sell the Line is belied by the interest of the St. Marys Railroad Company discussed by Ms. League in the attached verified statement.

GADOT argues that a new wood mill might be located in Axson, GA, but honestly points out that final site selection has not been made. CSXT explored the possibility of expanded industry along the Line and found no one interested. GADOT also claims that Georgia Pacific has two facilities along the Line slated for reopening if the Line remains in service. As seen from Ms. League's verified statement, since the filing of the GADOT statement, CSXT has verified that GP will not be reopening its facilities along the Line any time soon.

GADOT next claims that Cady will have to decide whether to shut down or relocate. However, Cady, which also filed a statement in this proceeding, makes no such claims. Cady is concerned about increased transportation costs as a result of the proposed abandonment. Therefore, the arguments concerning Cady made by GADOT do not accurately reflect Cady's position in this proceeding.

Finally, GADOT complains that shippers will not be able to relocate to the Waycross terminal area. GADOT is misreading CSXT's position. CSXT is not asking any of the businesses along the Line that use rail service to relocate. CSXT has pointed out that the shippers along the Line reload from rail to truck for ultimate delivery. CSXT has merely suggested Waycross as one option to relocate the reloading of goods from rail to truck. In the application, Mr. Milby explained the relative ease of moving a reload operation.

GADOT then contends that the reload facilities are inferior and the cost too high. GADOT has not identified the additional cost of the new reload facility or the reasons that GADOT believes it to be inferior. GADOT has also failed to compare the costs of the relocation of the two shippers' reload facilities to CSXT's rehabilitation costs of \$1,279,283.

As noted above, Cady is concerned with the cost of moving its reload operation. However, Cady has not quantified its cost, nor compared it to the costs CSXT will incur in

rehabilitating the Line. Moreover, Cady does not project future traffic growth at all, much less in a quantity to warrant the large rehabilitation required by the Line.

CSXT is surprised by the statement filed by Pope. As discussed by Mr. Milby in the application, CSXT believed that it had arranged for Pope to relocate its reload facility. Be that as it may, Pope has not provided any facts concerning its current operations, future traffic projections or costs of relocating its reload facility.

Atkinson also makes general arguments concerning abandonment of the Line. As with the other statements, Atkinson provides no data and does not question the verified facts presented in CSXT's application.

Pearson makes generalized claims of harm to its businesses, but does not question the burden on CSXT or provide any concrete measure of harm. Pearson raises a unique issue concerning service to the Marine Corps Logistics Supply Base in Albany, GA. As Ms. League testifies, Albany, GA is not on the Line or even on CSXT. Moreover, Pearson is not on a direct route from Albany, GA to any of the ports of Savannah and Brunswick, GA, or Jacksonville, FL. The Line is also not on the Military Traffic Management Command's Strategic Rail Corridor Network and Defense Connector Lines.

3. The burden of continuing to operate the Line to CSXT and interstate commerce outweighs the harm to Protestants.

The Line requires rehabilitation of \$1,279,283. Although revenue attributable exceeded the avoidable costs of service on the Line in the Base Year by \$64,212, it is CSXT's view that this return does not justify the cost of rehabilitation. Accounting for opportunity costs, net revenue is reduced to \$38,965 in the forecast year. Moreover, it is unlikely that there will be any traffic growth in the future on the Line. Not only is there limited traffic on the Line, but the

traffic has numerous transportation alternatives. CSXT's costs have not been questioned by Protestants and are the only evidence of record before the Board. Continued operation on the Line by CSXT will constitute a burden.

Protestants have argued in generalities. Any specific contentions, such as the reopening of mills by GP, the opening of a new mill on the Line, or the potential military use of the Line, have been specifically addressed and discredited above.

The evidence of record shows that CSXT and interstate commerce will be harmed if CSXT is forced to continue to operate the Line. There is no evidence of record showing harm to shippers or the communities along the Line. Moreover, as stated by Ms. League, it appears that the St. Marys Railroad Company will acquire the Line from CSXT through the offer of financial assistance ("OFA") process. However, regardless of whether the Line is acquired under the OFA process, the burden on CSXT from continued operation outweighs any harm to shippers or communities.

CONCLUSION

The Line requires the expenditure of \$1,279,283 for rehabilitation. Without the expenditure of those funds, CSXT will be unable to operate the Line which has deteriorated to FRA excepted track status. Traffic is stagnant and as rail-truck reload, is easily divertible to other rail facilities of CSXT or other railroads. CSXT has concluded that it will not be able to generate a return on its investment if it is required to rehabilitate the Line.

In light of these factors, CSXT respectfully requests that the Board find that the present and future public convenience and necessity requires and permits the abandonment of the Line. CSXT requests that the Board grant this application for authority to abandon the 23.25-mile rail line portion of its Southern Region, Jacksonville Division, between milepost AP 594.69, near

Waresboro, GA and milepost AP 617.94 near Pearson, GA, the end of the line, all in Atkinson and Ware Counties, GA.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Louis E. Gitomer", is written over the typed name and firm information.

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Attorneys for: CSX TRANSPORTATION,
INC.

Dated: November 4, 2003

CERTIFICATE OF SERVICE

In accordance with 49 CFR §1152.24(c), the undersigned hereby certifies that the Discontinuance of Service Application in Docket No. AB-55 (Sub-No. 640), CSX *Transportation, Inc.—Abandonment—in Atkison and Ware Counties, GA (Between Waresboro and Pearson)* was mailed via first class mail, postage prepaid, on November 4, 2003, to the following parties:

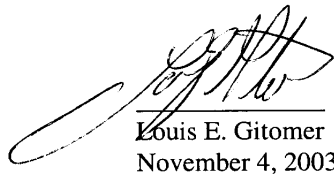
Honorable Ellie Morris
Mayor
City of Pearson
P.O. Box 295
Pearson, GA 31642

Honorable Edwin Davis
Chairman
Atkinson County Board of Commissioners
P.O. Box 518
201 South Main Street
Pearson, GA 31642

Georgia Department of Transportation
Two Capitol Square, S.W.
Atlanta, GA 30334-1002

Mr. Tim Tyler
President
Cady Industries, Inc.
P.O. Box 68
Pearson, GA 31642

Mr. William Pope
CFO
Pope Trucking, Inc.
P. O. Box 188
Pearson, GA 31642



Louis E. Gitomer
November 4, 2003

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-55 (Sub-No. 640)

CSX TRANSPORTATION, INC.—ABANDONMENT—IN ATKINSON AND WARE
COUNTIES, GA (BETWEEN WARESBORO AND PEARSON)

VERIFIED STATEMENT OF

BOBBIE LEAGUE

My name is Bobbie J. League and I am currently employed as AVP Asset Management for CSX Transportation, Inc. ("CSXT"), 500 Water Street, J200, Jacksonville, Florida 32202. My duties include projects related to line sales and abandonments before the Surface Transportation Board. I began my railroad career with CSXT in April, 1980 as a communications clerk. Since that time, I have served many different positions within CSXT; my last three were Director-CSXT Credit Department, Senior Manager-Asset Management, and Manager-Service Design.

I am responsible for CSXT's proposed abandonment of the 23.25-mile rail line portion of its Southern Region, Jacksonville Division, between milepost AP 594.69, near Waresboro, GA and milepost AP 617.94 near Pearson, GA, the end of the line (the "Line"), all in Atkinson and Ware Counties, GA. Docket No. AB-55 (Sub-No. 640), *CSX Transportation, Inc.—Abandonment—in Atkinson and Ware Counties, GA (Between Waresboro and Pearson)*. Upon receiving the statements of the Georgia Department of Transportation ("GADOT") and City of Pearson ("Pearson"), I directed my staff to report to me on whether: (1) Georgia Pacific ("GP") intended to reopen any of the facilities along the Line, or construct a new facility on the Line in Axson, GA; (2) the Marine

Corps Logistics Supply Base in Albany, GA required service over the Line; and (3) GADOT had available funding to acquire the Line.

Mr. Brian Milby, who filed a verified statement with the application in this proceeding, spoke with representatives of GP. GP confirmed that it was not going to reopen a mill near Pearson, GA and was not in the process of constructing any new facilities along the Line. GP also advised Mr. Milby that it had been approached by GADOT about opening the mill and had told GADOT that GP had no interest in reopening the Pearson mill. Mr. Chip Davis, CSXT's Director of Sales also advised me that GP was in no position to expand or open old sites.

The Marine Corps Logistics Supply Base in Albany, GA is not located on the Line or any CSXT line. Pearson, GA is not readily accessible to Albany, GA. To move traffic from Albany to Pearson requires a circuitous route from Albany west to Dothan, GA, then east to Waycross, GA, and then west to Pearson, over the very poor track of the Line. In addition, the Line is not listed as one of the Military Traffic Management Command's ("MTMC") Strategic Rail Corridor Network and Defense Connector Lines. CSXT served a notice of the abandonment on MTMC and has not received a comment from MTMC opposing the abandonment.

Ms. Stephanie Lemmon of CSXT held lengthy discussions with GADOT before CSXT filed the abandonment application for the Line to determine whether GADOT could acquire the Line. Ms. Lemmon was advised that GADOT did not have funds budgeted in fiscal year 2004 to acquire the Line, but might be able to seek them in FY 2005. CSXT cannot continue to operate the Line without beginning a major rehabilitation project on the Line. CSXT has determined that there is insufficient current

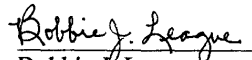
or projected traffic on the Line to justify the expenditure of \$1,279,283 to rehabilitate the Line.

Finally, CSXT has engaged in serious discussions to sell the Line to the St. Marys Railroad Company under the offer of financial assistance process, and is very close to an agreement.

VERIFICATION

I, Bobbie J. League, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed November 3, 2003.


Bobbie J. League