



Iowa Department of Transportation

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June 12, 2002

205624



Vernon A. Williams, Secretary
Surface Transportation Board
1925 K Street N.W., Room 700
Washington, D.C. 20006

Re: Finance Docket No. 34177
Opposition to the Notice for Exemption for Iowa, Chicago & Eastern Railroad
Corporation Acquisition and Operation of the I & M Rail Link, LLC

Dear Secretary Williams:

Enclosed for filing are the original and ten copies of the Iowa Department of Transportation's statement in opposition to the notice of exemption for Iowa, Chicago & Eastern Railroad Corporation in the acquisition of I & M Rail Link, LLC, filed May 23, 2002.

A copy of this filing has been provided to the applicant's attorney by certified mail.

If you have any questions regarding this filing, please contact John Hey, Modal Division, Iowa Department of Transportation, 800 Lincoln Way, Ames, IA 50010, telephone 515-239-1653, fax 515-233-7983.

Sincerely,

Mark F. Wandro
Director

ENTERED
Office of the Secretary

JUN 14 2002

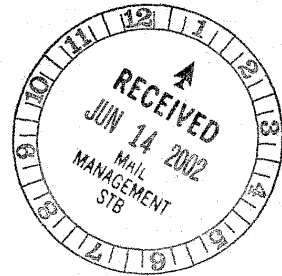
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Public Record

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Enclosures

cc: Fletcher & Sippel, LLC
Departments of Transportation: Illinois, Minnesota, Missouri, South Dakota, Wisconsin
Iowa Congressional Delegation
John Hey, Modal Division - Iowa DOT

BEFORE THE
SURFACE TRANSPORTATION BOARD



Finance Docket No. 34177

Iowa, Chicago & Eastern Railroad Corporation
-Acquisition and Operation Exemption -
Lines of the I & M Rail Link, LLC

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Office of the Secretary
JUN 14 2002
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Public Record

**Statement in Opposition of the Exemption
And Petition for a Procedural Schedule for Merger or Control Application**

Prepared by:
John Hey
Modal Division
Iowa Department of Transportation

Dated: June 10, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 34177

Iowa, Chicago & Eastern Railroad Corporation
-Acquisition and Operation Exemption -
Lines of the I & M Rail Link, LLC

**Statement in Opposition of the Exemption
And Petition for a Procedural Schedule for Merger or Control Application**

On June 7, 2002, the Iowa, Chicago & Eastern Railroad Corporation (IC&E) filed a verified notice of exemption for acquisition of the I & M Rail Link (IMRL). The IC&E is an indirect subsidiary of Dakota, Minnesota and Eastern Railroad (DM&E), and the request for exemption is based on the IC&E being a non-carrier acquiring the IMRL (i.e. a simple ownership change with little change in rail operations). However, the notice of exemption states that shortly after this transaction the DM&E would file an application for control of the IC&E. In essence, it is a two-step process before the Surface Transportation Board (STB). First, the IC&E acquires the IMRL through the exemption process and then the DM&E files for control of IC&E through a merger application process.

The Iowa Department of Transportation opposes the Notice of Exemption. In effect, this two-part transaction is but one transaction and should be treated as one before the STB. We believe this exemption should be denied and the transaction should be considered as a consolidation or merger of two Class II railroads. In the current exemption process, we are unable to review the financial arrangements for this transaction or the potential changes in service that may result from this transaction. Questions on current trackage rights and interchange agreements between IMRL and other railroads need to be examined to ensure existing service will be maintained through acquisition by IC&E. No time or procedure is provided to review these questions.

Also, without proper disclosure of information through a merger or control process, we are unable to assess the potential impact on Iowa shippers, nor is there a full understanding of the down-stream effects of this transaction, such as the impact on communities of potential traffic increase from the proposed DM&E Powder River Project.

Because the current process does not provide adequate time to review the full transaction, and since the transaction is more than just a non-carrier acquiring an operating railroad, the Iowa Department of Transportation asks the STB to stay this exemption and establish a procedural schedule to provide opportunities for affected communities, shippers, railroads and others to review the details of the proposed transaction, and to seek

protective conditions and mitigation if necessary. It should be noted that the Iowa Department of Transportation remains neutral on the transaction. We are neither for nor against this transaction. Our concern centers on the opportunity for the Department, shippers, communities and other interested parties to adequately review the potential impact of the transaction and participate in the STB proceedings.