



Ohio Rail Development Commission

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MEMORANDUM

TO: Jim Seney, Director

FROM: Lou Jannazo, Chief of Project Development

SUBJECT: Shipper Input Concerning Possible Panhandle Sale

DATE: January 29, 2003

In mid-January, I contacted five Panhandle rail users concerning the possible sale of the Panhandle rail line. I selected the shippers based on my recollection of which companies had taken an active role or interest in the Panhandle back when the State was involved in fighting the proposed Conrail abandonment and pursuing the acquisition of the line. Of course, at some of the companies, the people have changed. Adding the comments of the five shipper representatives below to the comments of Stone Container recorded in December, completes my informal comment solicitation of rail users. (A copy of Stone Container comments is attached for the purpose of keeping all shipper comments in one place.)

Before soliciting comments from the shippers, I explained that ORDC has not yet decided whether or not to sell the Panhandle, or, if we sold the line, whether we would sell it to the Columbus & Ohio River Railroad or through a competitive selection process. I did, however, indicate that the sale to the C&OR seemed more likely than sale through a competitive bid because of the C&OR track record, the competitive selection process ORDC conducted in 1997, and the potential problems of a bid process such as encouraging a railroad to bid too much for the line.

Here are the shipper comments.

AEP - Ohio Coal (formerly Harrison Mining), Bruce Hann, General Manager: I spoke with Mr. Hann on January 14. His main concern was about rates charged to move coal to the AEP owned Muskie Transload at the AEP Conesville Power Plant. He noted that AEP - Ohio Coal was getting significantly less money per ton this year as compared to last due to the soft market. He noted that AEP ownership of the mine did not change the fact that AEP's power generating facilities were prohibited from buying any coal at above market rate.

Mr. Hann noted that: "Right now it's not broken for us so we would say don't fix it." He did not

want anything that would complicate his shipping . He noted that increase rail rates due to selling to the highest bidder, or bringing in another railroad without proper access to the Muskie Transload, would both be big problems. He also noted that he would oppose any coal interest purchasing the Panhandle.

Coshocton Grain, Rhoda Crown, CEO: I spoke with Ms. Crown on January 15. Ms. Crown had been involved with the rail line in the late 1980's and early 1990's. She was very complimentary of the Ohio Central. She noted that the Ohio Central was instrumental in getting Coshocton Grain into better markets by combining grain from the Coshocton and Hebron facilities into unit trains. She stressed that she did not want the unknown and had a long history with the Ohio Central and has always found them to be fair with rates.

Although she did say she was not overly concerned that Ohio Central would raise rates after any purchase of the Panhandle, she did state that she did not want to be at the mercy of the railroad and that the State as the landlord on the Panhandle would be more influential in this regard than if the State had no ownership. She also raised concerns about the State selling the line for too high of a price because of the possible impact which that might have on transportation costs in the price sensitive grain market.

Scio Pottery, Steve Reese, Owner: I spoke with Mr. Reese on January 15. He had been involved with the rail line in the late 1980's and early 1990's and noted that without the railroad being there, neither would Scio Pottery. He noted that service from the C&OR was good but that he liked the present ownership system so why change it. He stated that he liked the idea of having another party like the State to go to if there are problems. He also stated that he did not like the idea of changing railroads because it would bring in the element of the unknown.

Groovfold, Bruce Poland: I talked to Mr. Poland on January 17. He noted that Groovfold did not use rail much and that he was not aware that the State owned the line. He stated that his major interest was keeping the track there. He noted that service has been good when Groovfold has used rail.

Bowerston Shale, Beth Hillyer, Plant Manager: Ms. Hillyer had been involved with the rail line in the late 1980's and early 1990's. She noted that the Ohio Central has been wonderful and that she did not want the State to consider getting another railroad to buy the Panhandle. She stated that there was a comfort level with State ownership but that it would not be a big deal if the Ohio Central were to buy the line. She stated that a competitive bid would be dangerous because of the possibility it could foster higher rates and poor service.

Please let me know if you want me to contact any more shippers on this issue. Thank you.