

(December 24, 2008) Crains: Feds approve CN rail purchase

(Crain's) - The U.S. Surface Transportation Board Wednesday approved Canadian National Railway Co.'s \$300-million acquisition of the Elgin Joliet & Eastern Railway.

The ruling allows Montreal-based Canadian National to close on the purchase from U.S. Steel Corp. before yearend. It was a key condition imposed by the Pittsburgh-based steelmaker, as stiff opposition from communities along the EJ&E route forced an extensive federal review of CN's plans.

CN wants to increase train traffic on the EJ&E to bypass congested rail corridors elsewhere in the Chicago area. The 198-mile EJ&E route stretches from Waukegan to Gary, Ind.

The STB said it will require CN to conduct "substantial environmental mitigation" to address the anticipated increase in traffic, noise and blocked street crossings from additional freight trains on the EJ&E.

"Approval of this important railroad merger, with the conditions we have imposed, marks a significant step forward in our nation's efforts to alleviate rail and highway congestion," said STB Chairman Charles Nottingham in a written statement.

CN said it welcomed the decision but was disappointed the board increased the expected costs on replacing grade crossings. It expects to be able to close the transaction shortly after Jan 23.

The board ordered street overpasses or underpasses to be constructed at track crossings at Ogden Avenue in Aurora and U.S. Route 30 in Lynwood. The railroad is required to pay for 67% of the Ogden project and 79% of the U.S. 30 project. The Illinois Department of Transportation will manage the projects.

Opponents of the purchase maintained that underpasses are needed at dozens of EJ&E street crossings and argued that CN should be required to pay the entire construction cost.

The railroad also must, for five years, file quarterly reports on its progress in complying with the board's mandates.

Opponents of the purchase said the conditions imposed on CN are inadequate and demonstrate the board's disregard of residents' concerns. U.S. Rep. Donald Manzullo described the decision as "reckless" and "dangerous."

"I never thought we were given a fair trial in the first place," the Rockford Republican said. "From the beginning, the majority view was that CN would get their way. They never seriously considered the safety of the individuals involved."

The railroad, which announced its plan to purchase the EJ&E in fall 2007, has argued that rerouting some of its trains will create more efficient movement of trains and road traffic that crosses tracks in Chicago and close-in suburbs.

"There will now be fewer blocked rail crossings, fewer idling trains and an overall increase in the quality of life for area residents by moving trains from terribly congested areas out to underutilized rail lines," U.S. Rep. Dan Lipinski, D-Western Springs, an enthusiastic supporter of the deal, said in a written statement. Parts of his district are expected to see a reduction in Canadian National freight trains.

U.S. Sen. Dick Durbin accused the board of knuckling under to CN's desire close the deal by Jan. 31. "They rushed a decision - giving final approval on Christmas Eve - for a project that has untold negative consequences on communities in our region," he said in a written statement.

The purchase is expected to generate 649 additional jobs and increase the national gross domestic product by \$267 million, including \$60 million in the Chicago economy, according to a study released by Chicago Metropolis 2020, a civic group that supports the acquisition.