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Congress of the United States House of Representatives

October 23, 2007

Mr. Wesley R. Edens
Chief Executive Officer and Chairman of the Board of Directors
Fortress Investment Group
1345 Avenue of the Americas
New York, NY 10105

Dear Mr. Edens:

I write regarding the recent decision by the Central Oregon and Pacific Railroad (CORP) to cease freight rail service on its Coos Bay Branch Line between Coquille, Oregon and Vaughn, Oregon in my congressional district. On September 21st, CORP abruptly announced that it was embargoing the line because of unsafe tunnel conditions. Although the Coos Bay Branch Line is a vital transportation link for shippers and industry along Oregon's South Coast, CORP provided just one days notice of the shutdown to its customers, leaving them without adequate lead-time to adjust their operations. CORP's suspension of rail service and its neglect in providing advance notice has caused serious economic disruption in my district.

As you know, CORP is a shortline railroad subsidiary within the RailAmerica corporate family, which was acquired by Fortress Investment Group earlier this year. Investment in railroad companies by private equity firms and hedge funds has become a source of growing concern to many stakeholders in the rail industry. As a member of the Transportation and Infrastructure Committee of the U.S. House of Representatives, I am well aware of this concern, which received significant attention at a recent hearing on rail competition and service. At that hearing several of my colleagues expressed apprehension that private equity firms or hedge funds would influence a railroad company's management decisions in order to achieve short-term paper profits that would ultimately undermine the company, its customers, and the nation's rail transportation infrastructure—for example, by deferring maintenance, avoiding investment in equipment, and shedding lines.

The embargo imposed by your railroad subsidiary validates exactly this concern, and I am deeply troubled by the following statement from a press release that accompanied the shut-down: "The Coos Bay line just doesn't have enough business on it *today* to justify us making the repairs" (emphasis added). It is my belief that when making a business decision that could have serious, long-term repercussions for a local economy and a community, a railroad like CORP should consider more than just its profitability "today." Historically, railroads have been considered public utilities with heightened obligations to their customers and to the public. In this regard, they differ significantly from other businesses. A management perspective that makes decisions based on short-term profitability is contrary to these heightened obligations. I am concerned that

PETER A. DEFAZIO
4TH DISTRICT, OREGON

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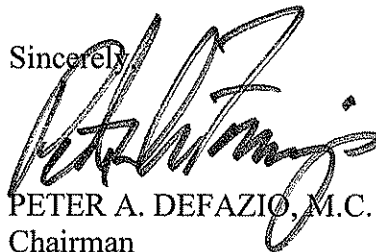
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CORP's perspective has changed dramatically since its acquisition by Fortress Investment Group and that CORP's recent decisions reflect its owner's business model, rather than a long-term commitment to serving its customers and the public.

While protecting the safety of railroad workers and the public is of paramount concern, a reliable transportation network is also a vital, long-term interest. As such, I find it particularly distressing that CORP has not yet publicly announced its strategy to perform repairs necessary to restore safe operation of the line. In its press release, CORP predicted that repairs would cost approximately \$7 million over a period of five-years—in other words, \$1.4 million per year. Given that Fortress Investment Group has over \$43 billion in assets, it would appear that repairs could be funded without causing financial hardship.

The Federal Railroad Administration recently inspected the tunnels on the Coos Bay Branch Line at my request and will shortly issue a report of its findings. I intend to continue to follow this matter very closely. In order to serve the public interest in both safe rail operations and continued service, I strongly urge you to make a commitment to promptly repair the CORP Coos Bay Branch Line and reinstate service. Alternatively, if an investment in repairs is not possible I urge you to transfer ownership to an entity which is committed to providing essential rail service to the South Coast of Oregon.

Sincerely,



PETER A. DEFAZIO, M.C.
Chairman

Subcommittee on Highways and Transit

CC: The Honorable Charles D. Nottingham
Chairman, Surface Transportation Board

The Honorable W. Douglas Buttrey
Vice Chairman, Surface Transportation Board

The Honorable Francis P. Mulvey
Commissioner, Surface Transportation Board