

= Dakota , Minnesota and Eastern Railroad =

The Dakota , Minnesota and Eastern Railroad ( reporting mark DME ) is a Class II railroad subsidiary of the Canadian Pacific Railway operating across South Dakota and southern Minnesota in the Northern Plains of the United States . Portions of the railroad also extend into Wyoming , Nebraska and Iowa .

DM & E began operations on September 5 , 1986 , over trackage spun off from the Chicago and North Western Transportation Company in South Dakota and Minnesota . Many of the negotiations were handled by the office of Senator Larry Pressler and his legal counsel Kevin V. Schieffer . After DME 's successful first decade , Schieffer succeeded J. C. McIntyre as president of the railroad on November 7 , 1996 .

DM & E purchased the assets of I & M Rail Link railroad in 2002 , renaming it Iowa , Chicago and Eastern Railroad . DM & E combined its management and dispatching duties with those of ICE under the holding company Cedar American Rail Holdings . The combined system directly connects Chicago through Iowa to Kansas City , Minneapolis @-@ St. Paul and continues as far west as Rapid City , South Dakota . Smaller branches extend into portions of Wisconsin , Wyoming and Nebraska .

In September 2007 it was announced that Canadian Pacific Railway ( CP ) would acquire the DM & E upon approval by the Surface Transportation Board of the US Department of Transportation . The STB announced its approval of the purchase plan on September 30 , 2008 . The merger was completed , and the official last day of operations for the DM & E was October 30 , 2008 .

= = 1986 ? 1996 : Startup and initial expansion = =

In the early 1980s , Chicago and North Western Railway ( CNW ) announced plans to abandon a section of railroad through Minnesota and South Dakota that dated to 1859 . Due to pressure from customers and Senator Larry Pressler from South Dakota , a deal was reached and announced on April 24 , 1986 , creating the Dakota , Minnesota and Eastern Railroad out of sections of CNW from Winona , Minnesota , to Rapid City , South Dakota . This deal also included buildings , rolling stock and locomotives , mostly rebuilt EMD SD9s , from the CNW .

DM & E began operations on this track on September 5 , 1986 . The railroad was expanded in 1995 when it acquired additional former CNW branch lines from Rapid City , South Dakota , to Colony , Wyoming , and Crawford , Nebraska .

From startup to the railroad 's ten @-@ year anniversary in 1996 , DM & E hauled nearly 500 @,@ 000 carloads of freight , which includes 700 million bushels of grain . DM & E celebrated the anniversary with picnics and employee appreciation events and excursions in Waseca , Minnesota , and Pierre , South Dakota .

Kevin V. Schieffer , whom former United States President George H. W. Bush had appointed as US Attorney for South Dakota in 1991 , became president of DM & E on November 7 , 1996 . Schieffer was no newcomer to the railroad ; he first became involved with DM & E in 1983 when he worked to prevent the abandonment of the former CNW lines that eventually formed the first sections of DM & E 's mainline . Maintaining the status quo on DM & E was not the fate that he had in mind for the railroad as he took the reins .

= = 1997 ? 2006 : plans for expansion into the Powder River Basin = =

= = = Expansion plans = = =

In 1997 , DM & E announced plans to expand into the Powder River Basin ( PRB ) in Wyoming and start providing unit coal train service from that area . The railroad filed an application for the expansion to the Surface Transportation Board ( STB ) on February 20 , 1998 . Burlington Northern Railroad built into this area in 1979 , and the Chicago and North Western Railway ( CNW ) also

sought to access the PRB coalfields , a project accomplished by CNW 's successor Union Pacific Railroad . DM & E would become the third railroad to tap into the coal deposits in the region .

DM & E 's expansion would require the construction of 281 miles ( 452 km ) of new track , upgrading 598 miles ( 962 km ) of existing track ( including all of the railroad 's mainline track in Minnesota ) , new mainline connections Owatonna and Mankato , Minnesota , and three new rail yards . The plan would be the largest new railroad construction in the United States since the completion of Milwaukee Road 's Pacific extension to Seattle , Washington , in 1909 .

= = = Initial approval and lawsuits = = =

The STB approved the application on December 10 of that year pending completion of an Environmental Impact Statement ( EIS ) , which was released by the STB on September 27 , 2000 .

An analysis of the plan by Minnesota 's Dakota , Minnesota and Eastern Railroad Working Group in 2001 showed support among customers and freight shippers , but DM & E 's expansion plan led to complaints among residents in communities along the railroad 's right @-@ of @-@ way . While some communities welcomed the railroad 's expansion plan as an opportunity for increased business within their own cities , other residents and businesses felt that roads in the area were not built with enough overpasses and underpasses to deal with the traffic flow problems that the longer and more frequent unit trains would produce at grade crossings . The objectors cited concerns of the general public in safely and quickly traversing their communities as well as the ability of emergency vehicles to cross the tracks to reach emergency scenes or hospitals . The city of Rochester , Minnesota filed a lawsuit to force the railroad to build a bypass around the city . The bypass was estimated to cost around US \$ 100 million .

= = = Further legal actions = = =

After a period of public comment that lasted until March 16 , 2001 , and further review by the STB , the final EIS was issued on November 19 , 2001 . In this final approval , the STB agreed with DM & E that no new bypasses around cities would be required even though the cities of Rochester , Minnesota , Brookings and Pierre , South Dakota , had requested them . In 2003 , a ruling by the United States Court of Appeals for the Eighth Circuit ordered the STB to re @-@ examine potential environmental issues around Rochester . The STB 's preliminary report , released in early 2005 , noted that no additional steps were needed by the railroad to alleviate noise and vibration caused by the projected increase in train traffic .

The court upheld the STB 's approval with stipulations for the new line 's environmental impact , including the projected increase in the frequency of train horn soundings along the line . From the court 's ruling , the STB prepared a Supplemental Environmental Impact Statement which sets forth mitigation strategies for the railroad . On February 15 , 2006 , the United States Surface Transportation Board ( STB ) announced its final approval of the railroad 's 1998 application .

In April 2004 , DM & E was awarded the power of eminent domain in South Dakota by the United States Court of Appeals for the Eighth Circuit in Pierre , South Dakota . The ruling overturned part of South Dakota legislation passed in 1999 ( two years after the railroad first announced its intentions to expand ) that would have impaired railroad operations and construction in the state . This decision restores the legal process by which the railroad can effectively force landowners along the proposed new route to sell their land to the railroad .

= = = Funding = = =

With the final EIS in place and approval from the STB , DM & E had the authority to undertake the expansion as proposed , but needed financing . On February 26 , 2007 , the FRA rejected a proposed \$ 2 @. @ 3 billion loan to DM & E. In announcing the decision , Administrator Joseph H. Boardman noted that the project proposal met many federal requirements for the loan but cited concerns that the railroad might not be able to handle cost overruns during construction or to repay

such a hefty amount after construction is completed .

= = 2002 ? 2007 : consolidation with IC & E = =

DM & E hauled nearly 60 @, @ 000 carloads of various freight shipments in fiscal year 2002 , serving approximately 130 customers along the railroad 's mainline . Of these shipments , 53 % were grains or grain products , 24 % were bentonite and kaolin clay , 7 % were cement , and 5 % were wood and lumber products ; the remaining 11 % were split among all other types of freight .

On February 21 , 2002 , DM & E announced that it would purchase the railroad assets of 1 @, @ 700 @- @ mile ( 2 @, @ 700 km ) I & M Rail Link ( IMRL ) from its then current owners Washington Corporation . DM & E renamed the IMRL property to Iowa , Chicago and Eastern Railroad ( IC & E ) and began operating it under that name on July 30 , 2002 . Although a purchase price was not stated in the original announcement , an article in the May 2002 Trains Magazine suggests that several industry sources believed the total to be around \$ 150 million .

DM & E and IC & E combined management under the holding company Cedar American Rail Holdings . Locomotives of both railroads were given a unified paint scheme ( see below ) and interchanges were streamlined between the two railroads . The administration of both railroads is handled by Cedar , further streamlining processes between the two railroads . As a result , the combined DM & E / IC & E system makes up the largest Class II railroad ( by route @- @ miles ) in the United States ; it is also the eighth largest system of all American railroads and the only system with direct rail connections with all Class I railroads in North America .

In its first twenty years of operations , the railroad 's revenues had increased more than tenfold , from \$ 22 million in 1987 to \$ 258 million in 2006 , with \$ 290 million projected in 2007 and \$ 340 million for 2008 . Its operating ratio ( the ratio of operating expenses to revenues ) declined to 70 @. @ 2 % in 2006 and was projected to improve further to 67 @. @ 6 % in 2007 . Its traffic was a mix of agricultural , coal , and industrial products , and ethanol shipments were projected to exceed one billion gallons in 2008 .

= = Acquisition by Canadian Pacific Railway = =

On September 4 , 2007 , the Canadian Pacific Railway ( CPR ) announced it was acquiring the DM & E from its owners , London @- @ based Electra Private Equity , for US \$ 1 @. @ 48 billion , and future payments of over \$ 1 @. @ 0 billion contingent on commencement of construction on the Powder River extension and specified volumes of coal shipments from the Powder River basin . The transaction will include the ICE and other affiliated companies . The merger is an " end @- @ to @- @ end " consolidation ; the lines presently interchange at three points , including the Winona , Minnesota connection between the DM & E 's main line across southern Minnesota and CP 's Chicago main . Kevin Schieffer , president of the DM & E , has called CP the DM & E 's " natural partner " and the transaction a " natural fit " .

The acquisition will give CP access to shipments of agricultural products and ethanol in addition to coal from the Wyoming coal fields . CP has stated its intention to use this purchase to gain access to the Powder River and ship coal to midwestern and eastern utilities . The transaction is subject to approval of the Surface Transportation Board , which is expected to take a year . Securities analysts have stated that competing railroads for Powder River coal , the Union Pacific and BNSF , could challenge the acquisition and delay STB approval , but are unlikely to prevent it . At least until approval is received , the DM & E will continue to operate as a separate entity .

On October 4 , 2007 , CP announced that it has completed the financial transactions to acquire the DM & E and subsidiaries . Control of DM & E has been placed into a voting trust with Richard Hamlin appointed as trustee ; the trust will remain in effect until the STB issues its decision on the acquisition . CP plans to integrate DM & E 's operations once it receives STB approval . CP expected STB approval of the purchase in October 2008 . The STB announced its approval of the purchase plan on September 30 , 2008 , with no conditions other than those that CP had already agreed to in the original plan ; the effective date of the purchase was October 30 , 2008 . CP

assumed control of DM & E and IC & E on October 30 , 2008 . CP plans to invest \$ 300 million in capital improvements to the former DM & E lines by 2011 .

= = Recent developments = =

On December 3 , 2012 , CP announced it was indefinitely placing on hold plans for building new trackage into the Powder River Basin . The next day the railroad announced its intention to sell the entire ex @-@ DM & E west of Tracy , Minnesota , roughly 700 miles ( 1 @,@ 100 km ) of track . On January 2 , 2014 CP announced that all track west of Tracy , Minnesota was to be sold to Rapid City , Pierre and Eastern Railroad , a subsidiary of Genesee & Wyoming , a short line operator . The sale was completed on May 30 , 2014 for \$ 210 million . Most of the Rapid City , Pierre and Eastern 's employees came over from the DM & E.

= = Subdivisions = =

DM & E operated over twelve subdivisions . The divisions were located in Minnesota , South Dakota , Iowa , and Nebraska .

Waseca Subdivision ? Winona to Waseca , Minnesota

Hartland Subdivision ? Waseca , Minnesota to Mason City , Iowa

Tracy Subdivision ? Waseca to Tracy , Minnesota

Huron Subdivision ? Tracy , Minnesota to Huron , South Dakota

Yale Spur Subdivision ? Huron to Watertown , South Dakota

Redfield Subdivision ? Aberdeen to Wolsey , South Dakota

Mansfield Subdivision ? Redfield to Mansfield , South Dakota

Pierre Subdivision ? Huron to Pierre , South Dakota

Onida Subdivision ? Blunt to Onida , South Dakota

PRC Subdivision ? Pierre to Rapid City , South Dakota

Black Hills Subdivision ? Bentonite ( at Colony , WY ) to Rapid City to Dakota Junction , Nebraska

Crawford Subdivision ? Chadron to Crawford , Nebraska

= = Rolling stock = =

DM & E originally purchased used first @-@ generation locomotives from a variety of railroads ; in the early years it was more common to see a locomotive with a Milwaukee Road or Chicago and North Western Railway paint scheme than a DM & E paint scheme . Over the years , the locomotives were repainted , and many of them are now in DM & E 's paint scheme ( which is closely mirrored by that of sister Iowa , Chicago and Eastern Railroad ) of blue with a yellow stripe along its length .

DM & E eventually assigns names to all of its locomotives when they are repainted , usually after locations along its right @-@ of @-@ way , but a few exceptions have been named for people ( like road number 550 , named after Senator Larry Pressler ) . All of the first @-@ generation diesel locomotives purchased from Chicago and North Western and Milwaukee Road have since been replaced with more recent locomotives , although the newer locomotives were also bought used .

In 1987 , at the railroad 's one @-@ year anniversary , DM & E owned 39 locomotives and leased five more for a total of 44 locomotives rostered . By the railroad 's tenth anniversary in 1996 , DM & E owned 69 locomotives and owned or leased over 1 @,@ 500 cars including over 600 covered hoppers for grain and cement shipments . In 2001 , the number of locomotives owned stayed about the same , while the number of cars increased to about 5 @,@ 000 with 52 % of them in dedicated grain service .

= = Company officers = =

DM & E has had three men serve as president of the railroad :

J. C. ( Pete ) McIntyre ( 1986 ? 1996 ) began his railroad career in 1953 , eventually working for Chicago and North Western in the early 1980s . When DM & E was formed in 1986 , McIntyre became the new railroad 's first president .

Kevin V. Schieffer ( 1996 ? 2008 ) served as counsel for Senator Larry Pressler starting in 1982 . Schieffer began working with DM & E business in 1983 when he worked to prevent the abandonment of C & NW branch lines that would eventually form the beginnings of DM & E. He initiated the negotiations in 1985 that led to DM & E 's creation . He was promoted to Chief of Staff for Senator Pressler in 1987 , a position he held until 1991 when United States President George H. W. Bush appointed Schieffer to be US Attorney for South Dakota . In 1993 , Schieffer left his US Attorney post and became the legal counsel for DM & E ; as legal counsel for the railroad , he oversaw the railroad 's recapitalization in 1994 and the acquisition of C & NW 's Colony line . He held this position until he was unanimously elected president of the railroad on November 7 , 1996 . Schieffer left the DM & E on October 7 , 2008 , shortly after the Surface Transportation Board approved the proposed purchase of the railroad by Canadian Pacific ; DM & E 's COO Ed Terbell and CFO Kurt Feaster were named to manage the railroad until CP completed the acquisition October 30 , 2008 .

Vern Graham ( 2008 ? 2010 ) was appointed president November 5 , 2008 .