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June 23, 1997

BY HANDThe Honorable Vernon A. Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

Re: Finance Docket No. 33388, Sub-No. 2, CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company -- Control and Operating Leases/Agreements -- Conrail Inc. and Consolidated Rail Corporation

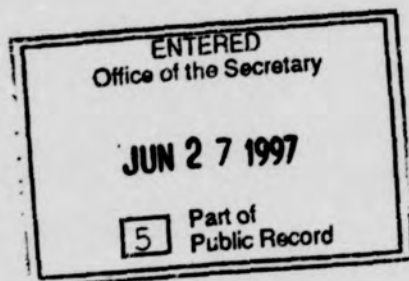
Dear Secretary Williams:

Enclosed please find CSX-6 (Petition for Exemption for Construction) to be filed in Sub-No. 2 of the above referenced docket.

Accompanying this letter are twenty-five copies of the Petition, as well as a formatted diskette in WordPerfect 5.1.

Thank you for your assistance in this matter. Please contact myself (202-942-5858) or Susan Cassidy (202-942-5966) if you have any questions.

Kindly date stamp the enclosed additional copy of this letter at the time of filing and return it to our messenger.



Very truly yours,

Dennis G. Lyons
ARNOLD & PORTER
Counsel for CSX Corporation
and CSX Transportation, Inc.

Enclosures

BEFORE THE
SURFACE TRANSPORTATION BOARD



FINANCE DOCKET NO. 33388 (SUB-NO. 2)

CSX TRANSPORTATION, INC. AND CONSOLIDATED RAIL CORPORATION -
CONSTRUCTION OF CONNECTION TRACK AT WILLOW CREEK, INDIANA

PETITION FOR EXEMPTION
FOR CONSTRUCTION

Pursuant to 49 U.S.C. Section 10502 and 49 C.F.R. Part 1121, CSX Transportation, Inc. ("CSXT") and Consolidated Rail Corporation ("CRC") hereby file this petition for exemption from the prior approval provisions of 49 U.S.C. Section 10901 to construct a connection track in Willow Creek, Indiana. On May 2, 1997, CSX Corporation ("CSXC"), CSXT,¹ Conrail Inc. ("CRI") and CRC² filed a Petition for Waiver of 49 C.F.R. § 1180.4(c)(2)(vi) as that provision relates to four connections that CSXT and CRC propose to construct prior to Board approval of the Primary Application in Finance Docket No. 33388. In their Petition, CSX and Conrail requested that the Board waive the

¹ CSXC and CSXT are referred to collectively as "CSX".

² CRI and CRC are referred to collectively as "Conrail."

requirement that all construction projects related to the primary transaction be evaluated as a related application. The Petition addressed only the construction of these four connections and not the operating rights that would result if the Board were to grant the Primary Application. One of the four connections involved in the waiver petition was this proposed connection at Willow Creek.

In Decision No. 9, served on June 12, 1997, the Board granted the Petition for Waiver (Finance Docket No. 33388, CSX-1), allowing CSXT and CRC to seek approval for construction of four "first day" connections, including one at Willow Creek, Indiana. CSXT and CRC hereby submit this Petition for Exemption for the construction of a connection at Willow Creek, Indiana. Consequently, the Board should consider the related application filed in Sub-Docket No. 2 in Volume 5 of the Primary Application only as a request for operating rights over this connection.

In support of this Petition, CSXT and CRC state the following:

DESCRIPTION OF THE PARTIES

The names and addresses of the railroads proposing to construct the connection track at Willow Creek, Indiana are:

CSX Transportation, Inc.
500 Water Street
Jacksonville, Florida 32202

Consolidated Rail Corporation
Two Commerce Square
2001 Market Street
Philadelphia, Pennsylvania 19101

DESCRIPTION OF THE PROPOSED CONSTRUCTION

CSXT and CRC cross each other at Willow Creek. CSXT and CRC propose to construct a connection track in the SE Quadrant between CSXT's main line and CRC's main line. The connection will extend approximately 2,800 feet between approximately Milepost BI-236.5 on CSXT's main line between Garrett, Indiana and Chicago, and approximately Milepost 248.8 on CRC's main line between Porter, Indiana and Gibson Yard, Indiana (outside Chicago). It is anticipated that approximately 0.2 acres of right-of-way must be acquired to construct this connection. A map showing the proposed connection at Willow Creek is attached as Exhibit A.

As indicated earlier, the parties do not propose to operate over the connection at this time. Operation over this connection is related to, and contingent upon, the proposed control of Conrail by CSX and NS,³ approval for which is being sought in Finance Docket No. 33388.

ARGUMENT

Under 49 U.S.C. Section 10901, a railroad may (1) construct an extension to any of its railroad lines; (2) construct an additional railroad line; or (3) provide transportation over an extended or additional railroad line, only if the Board issues a certificate authorizing such activity.

However, under 49 U.S.C. Section 10502, the Board shall exempt a rail transaction from regulation when it finds that (1) application of the pertinent statutory

³ Norfolk Southern Corporation ("NSC") and Norfolk Southern Railway Company ("NSRC") are referred to collectively as "NS."

provisions is not necessary to carry out the rail transportation policy of 49 U.S.C. Section 10101; and (2) either the transaction is of limited scope, or regulation is not needed to protect shippers from the abuse of market power.

A. Granting The Exemption Would Be Consistent With The Rail Transportation Policy

CSXT and CRC believe that the proposed construction of the connection track at Willow Creek, Indiana is appropriate for exemption from the formal procedures of 49 U.S.C. Section 10901. Exemption of the construction of this connection track is exactly the type of minor transaction Congress contemplated when it enacted Section 10502.

Requiring CSXT and CRC to comply with the formal filing requirements of Section 10901 clearly is not necessary to carry out the rail transportation policy of Section 10101, which represents Congress' most recent expression of rail transportation policy. As relevant here, the rail transportation policy of Section 10101 requires that in exercising its regulatory authority, the Board will minimize the need for Federal regulatory control over the rail transportation system, will promote a safe and efficient rail transportation system, will ensure the development and continuation of a sound rail transportation system with effective competition among rail carriers and with other modes, will reduce regulatory barriers to entry into and exit from the industry, will encourage honest and efficient management of railroads, and will promote a sound transportation system meeting the needs of the public and the national defense.

Exemption of the proposed construction meets all of these elements of the rail transportation policy. First, by minimizing the regulatory expense and time inherent in a full application under the provisions of Section 10901, exemption would expedite regulatory

decisions and reduce regulatory barriers to entry into the industry. Preparation and filing of an application under Section 10901 not only would be expensive, it also would be burdensome in view of the substantial amount of supporting documents required, and unnecessary considering the inconsequential size of the transaction.

Second, construction of this connection prior to the Board's final decision on the Primary Application would foster efficient management and promote a safe and efficient rail system. If the Board were to approve the Primary Application, the existence of this crucial connection on day one would allow CSXT to effectuate an orderly, safe, and efficient, transition of traffic and to implement more quickly the expected benefits of the transaction. In particular, the connection at Willow Creek would be an important link in CSXT's Northeastern Gateway service lane. This connection would allow traffic coming into Chicago to be moved between CRC's line and CSXT's line. The option to switch to the Indiana Harbor Belt Railroad ("IHB") track at Willow Creek would provide CSXT with a third main line track into Chicago thus making its operations more efficient. Accordingly, this connection would make a substantial contribution in the improvement of CSXT's service in the Chicago area.

Finally, the exemption would promote effective competition among rail carriers and with other modes, and help meet the needs of the shipping public. One of the essential features of the proposed transaction in Finance Docket No. 33388 is to give CSXT and NS competitive rail routes between the Northeast and Chicago. The creation of these two competitive rail routes would be one of the most important public benefits to be created through the division of Conrail's assets. The connection at Willow Creek would facilitate the

competition between CSXT and NSRC. Furthermore, by improving its operation in the Chicago area, CSXT would be able to compete vigorously with other modes of transportation for intermodal and other traffic.

B. The Proposed Connection Is Of Limited Scope

The transaction involved in this proceeding is of limited scope. The proposed construction of a connection track at Willow Creek involves only a 2,800 foot track connecting CSXT and CRC. The connection track will be constructed on existing rail rights of way except for a small portion involving only 0.2 acres to be acquired.

C. Shippers Will Not Be Subject To An Abuse of Market Power

Because there will be no operation over this connection until approval for such operation is granted by the Board, construction of the proposed connection will have no effect on market power. The purpose of the connection track is to create additional alternatives and to improve service in the Chicago area which would in turn improve service to all shippers and receivers whose rail traffic passes through the Chicago Terminal. However, the competitive effects of operations over the proposed connection will be addressed by the Board in its review of the Primary and Related Applications.

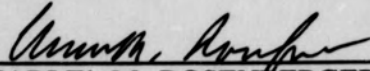
ENVIRONMENTAL REPORT

The environmental report covering the proposed construction and operation of the connection track at Willow Creek, Indiana is contained in the Environmental Report being filed with the Board in Finance Docket No. 33388. As information, the below listed parties were advised in writing on May 16, 1997 of CSXT's intent to file this related application.

Mr. Frank Sullivan
Budget Director
State Budget Agency
212 State House
Indianapolis, Indiana 46204

Mr. Matthew G. Brooks
Railroad Section Manager
Indiana Department of Transportation
Intermodal Transportation Division
100 North Senate Avenue, Room 901
Indianapolis, Indiana 46204

Respectfully submitted,



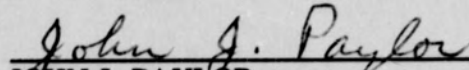
CHARLES M. ROSENBERGER

Senior Counsel

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Jacksonville, Florida 32202

(904) 359-1250



JOHN J. PAYLOR

Associate General Counsel

Consolidated Rail Corporation

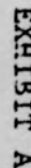
2001 Market Street - 16A

Philadelphia, Pennsylvania 19101

(215) 209-5047

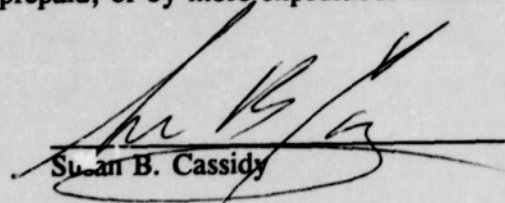
Dated:

June 23rd, 1997



CERTIFICATE OF SERVICE

I, Susan B. Cassidy, certify that I have caused to be served this day a true and correct copy of the foregoing Petition for Exemption for Construction (CSX-6) on all parties that have appeared in Finance Docket No. 33388 and on those environmental parties specified by the Board in Decision No. 5, by first class mail, postage prepaid, or by more expeditious means.



Susan B. Cassidy

Dated: June 23, 1997