BY HAND

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

Re: Finance Docket No. 33388, Sub-No. 4, 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

June 23, 1997

Dear Secretary Williams:

Enclosed please find CSX-8 (Petition for Exemption for Construction) to be filed in Sub-No. 4 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. 4)

CSX TRANSPORTATION, INC. AND CONSOLIDATED RAIL CORPORATION -
CONSTRUCTION OF CONNECTION TRACK AT SIDNEY JCT., OHIO

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 at Sidney Jct., Ohio. 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 Sidney Jct.

In Decision No. 9, served on June 12, 1997, the Board granted the Petition for Waiver ("CSX-1), allowing CSXT and CRC to seek approval for construction of four "first day" connections, including one at Sidney, Jct., Ohio. CSXT and CRC hereby submit this Petition for Exemption for the construction of a connection at Sidney, Jct., Ohio. Consequently, the Board should consider the related application filed in Sub-Docket No. 4 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 Sidney Jct., Ohio 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 Sidney Jct. 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 3,263 feet between approximately Milepost BE-96.5 on CSXT’s main line between Cincinnati and Toledo, and approximately Milepost 163.5 on CRC’s main line between Cleveland and Indianapolis. This connection is anticipated to require the acquisition of approximately 2.6 acres of right-of-way. A map showing the proposed connection track at Sidney Jct. 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 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

\(^3\) Norfolk Southern Corporation ("NSC") and Norfolk Southern Railway Corporation ("NSRC") are referred to collectively as "NS."
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 Sidney Jct., Ohio 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 is clearly 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 Sidney Jct., OH would be a vital link in CSXT’s Memphis Gateway service lane. It is anticipated that CSXT will be able to provide efficient single line service between the Memphis Gateway and important markets in the East. The connection at Sidney Jct. would connect CSXT’s Cincinnati-Toledo line with CRC’s Cleveland-Indianapolis line making this single line service into and out of Memphis possible. Accordingly, the connection clearly would make a substantial contribution in the improvement of CSXT’s service through the Memphis Gateway.

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 would be CSXT’s ability to provide single line service through Memphis. This service, which would be made possible only by the construction of the connection at Sidney Jct. would create an extremely efficient operation for CSXT and thus make it more competitive for traffic moving between the Memphis Gateway and markets in the eastern United States. Furthermore, by improving its service route through Memphis, 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 the connection track at Sidney Jct. involves only a 3,263 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 2.6 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 to all shippers and receivers whose rail traffic passes through the Memphis Gateway. However, the competitive effects of operation 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 Sidney Jct., Ohio 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. Larry Weaver
State Single Point of Contact
State/Federal Funds Coordinator
Office of Budget and Management
30 East Broad Street, 34th Floor
Columbus, Ohio 43266-0411

Mr. Robert J. Feddern
Chief Inspector - Railroad Section
Public Utilities Commission of Ohio
180 East Broad Street
Columbus, Ohio 43266-0573

Ms. Wanda Large, Senior Planner
Ohio Department of Transportation
Division of Rail Transportation
LeVeque Tower
50 West Broad Street, 15th Floor
Columbus, Ohio 43215
Respectfully submitted,

[Signature]
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[Signature]
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Consolidated Rail Corporation
2001 Market Street - 16A
Philadelphia, Pennsylvania 19101
(215) 209-5047

Dated: June 23rd, 1997
NEW CONNECTION
LENGTH = 3263'

EXHIBIT A

SIDNEY JCT., OHIO
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-8) 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.

Dated: June 23, 1997

Susan B. Cassidy