

STB FD 33388 (Sub 76) 10-21-97 A 182879

FILED

OCT 21 1997

SURFACE
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October 21, 1997

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HAND DELIVERY

The Honorable Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001



A

SUB. No. 76

RE: STB Finance Docket No. 33388, 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 for filing please find the original and 25 copies of the Responsive Application on behalf of Indiana Southern Railroad, Inc. Also enclosed is check in the amount of \$4,700 to cover the applicable filing fee and a 3.5 inch diskette containing the filing in WordPerfect 5.2.

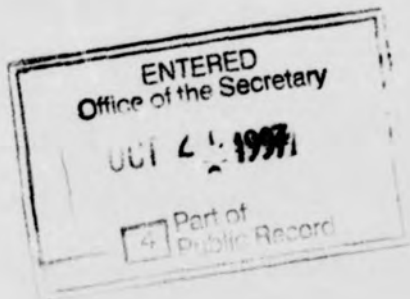
Please time and date stamp the extra copy of the filing and return it with our messenger.

If you have any questions, please contact me.

Respectfully,

Karl Morell

Karl Morell
Attorney for:
INDIANA SOUTHERN RAILROAD, INC.



182879

ORIGINAL

ISRR-4

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388



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

STB FINANCE DOCKET NO. 33388 (SUB-NO. 76)

INDIANA SOUTHERN RAILROAD, INC.
--TRACKAGE RIGHTS--
CSX TRANSPORTATION, INC. AND INDIANA RAIL ROAD COMPANY

RESPONSIVE APPLICATION OF
INDIANA SOUTHERN RAILROAD, INC.

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SURFACE
TRANSPORTATION

Karl Morell
Of Counsel
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Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

Attorneys for:
INDIANA SOUTHERN
RAILROAD, INC.

Dated: October 21, 1997

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

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

STB FINANCE DOCKET NO. 33388 (SUB-NO. 76)

INDIANA SOUTHERN RAILROAD, INC.
--TRACKAGE RIGHTS--
CSX TRANSPORTATION, INC. AND INDIANA RAIL ROAD COMPANY

RESPONSIVE APPLICATION OF
INDIANA SOUTHERN RAILROAD, INC.

Indiana Southern Railroad, Inc. ("ISRR"), hereby submits its Responsive Application pursuant to Decision No. 12 in this proceeding, 49 U.S.C. §§ 11321-25, and the Surface Transportation Board's ("STB" or "Board") Railroad Consolidation Procedures, 49 C.F.R. Part 1180. In this Responsive Application, ISRR seeks the grant of conditions upon the transaction proposed by CSX Corporation ("CSXC"), CSX Transportation, Inc. ("CSXT"), Norfolk Southern Corporation ("NSC"), Norfolk Southern Railway Company ("NSR"), Conrail Inc.

("CRR"), and Consolidated Rail Corporation ("CRC")¹ (collectively referred to as the "Primary Applicants").² The conditions ISRR seeks are intended to ameliorate the anticompetitive effects of the Primary Transaction in Indianapolis, Indiana and the surrounding area, to prevent the loss of essential rail services on the ISRR rail system, and to improve the operating efficiencies of rail carriers in the Indianapolis area. In Decision No. 30, the Board found that ISRR's Responsive Application will be a "minor transaction."

In support of this Responsive Application, ISRR submits the following information as required by 49 C.F.R. § 1180.6:

SECTION 1180.6 (a)(1)(i)
DESCRIPTION OF THE PROPOSED TRANSACTION

ISRR requests that the Board condition the approval of Primary Applicants' proposed transaction by granting ISRR trackage rights in Indianapolis and the area surrounding Indianapolis as follows:

1. Indianapolis

Overhead trackage rights between MP 6.0 on ISRR's Petersburg Subdivision and Indianapolis Power & Light's Perry K facility in Indianapolis over the rail line currently owned by CRC and to be acquired by CSXT.

Overhead trackage rights between MP 6.0 on ISRR's Petersburg Subdivision and Indianapolis Power & Light's Stout facility located on the Indiana Rail Road Company

¹ CSXC and CSXT are referred to collectively as CSX. NSC and NSR are referred to collectively as NS. CRR and CRC are referred to collectively as Conrail.

² In their Railroad Control Application filed on June 23, 1997, Primary Applicants seek Board approval for: (1) the acquisition by CSX and NS of control of Conrail; and (2) the division of the assets of Conrail by and between CSX and NS (hereinafter referred to as the "Primary Transaction").

("INRD") rail line over a segment of the rail line currently owned by CRC and to be acquired by CSXT and a segment of INRD's rail line.

Local trackage rights over CRC's rail lines in Indianapolis, Indiana, including the Indianapolis Belt Line, to be acquired by CSXT.³

2. Between Indianapolis and Surrounding Communities

Local trackage rights between Indianapolis and Shelbyville, Indiana over the rail line currently owned by CRC and to be acquired by CSXT.

Local trackage rights between Indianapolis and Crawfordsville, Indiana over the rail line currently owned by CRC and to be acquired by CSXT.

Local trackage rights between Indianapolis and Muncie, Indiana over the rail line currently owned by CRC and to be acquired by CSXT.

The term "local" trackage rights, as used above, includes: (1) the right to operate trains over the lines described; (2) the right to interchange with all carriers (including shortlines) at all junctions on the lines described; and (3) the right to serve all shippers, sidings and team tracks located on the lines described.

The Board should retain jurisdiction to establish the level of compensation and other terms in the event the parties are unable voluntarily to resolve these matters through negotiation.

³ ISRR seeks trackage rights over all CRC rail lines in Indianapolis needed to access the 2-to-1 shippers located in Indianapolis.

APPLICANT

The name, address and telephone number of the Responsive Applicant are:

Indiana Southern Railroad, Inc.
Post Office Box 158
Petersburg, Indiana 47567
(812) 354-8080

The name, address and telephone number of counsel to whom questions should be addressed are:

Karl Morell
Ball Janik LLP
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005
(202) 638-3307

SECTION 1180.6(a)(1)(ii) PROPOSED TIME SCHEDULE

ISRR is prepared to commence operations pursuant to the proposed trackage rights immediately after the effective date of the Board's approval of ISRR's Responsive Application. In order to perform the proposed operations under the trackage rights, ISRR would initially need to hire four additional employees and acquire or lease two additional locomotives. ISRR is confident that it can quickly hire trained employees and acquire suitable equipment.

SECTION 1180.6(a)(1)(iii) PURPOSE

The purpose of the requested conditions is threefold. First, to ameliorate the loss of essential rail service on the ISRR rail system. Second, to remedy the anticompetitive effects of the Primary Transaction on shippers and shortlines in Indianapolis and the surrounding area.

Third, to improve the operating economies and efficiencies of ISRR and the other nearby shortlines.

ISRR estimates that it will lose approximately \$1.5 million in revenues annually to CSXT and INRD, which is an 89 percent owned subsidiary of CSXT. The loss of these revenues will impair ISRR's ability to perform essential services on its rail line.

Primary Applicants conceive that Indianapolis would by far be the largest 2-to-1 point created by the Primary Transaction. CSX/NS-18 at 548. The proposed solution -- granting NSR overhead trackage rights to the Hawthorne Yard in Indianapolis -- falls far short of remedying the anticompetitive effects of the Primary Transaction in Indianapolis. Crawfordsville, Indiana, located near Indianapolis, is also a 2-to-1 location. Again, the proposed NSR solution fails to remedy the loss of CRC's competitive service. In addition, CRC today serves as a competitive gateway carrier for shippers located on the Indianapolis to Shelbyville, Indianapolis to Crawfordsville, and Indianapolis to Muncie rail lines on traffic moving to nearby CSXT and NSR junctions. ISRR proposes to remedy this loss of competition by stepping into CRC's shoes on these three relatively short rail lines and offering the same neutral switching service to the nearby Class I connections.

The conditions proposed by ISRR would also improve the local marketing opportunities and overall operating efficiencies of the shortlines in the Indianapolis area. Because the shortlines in the Indianapolis area do not directly connect and CRC's switching charge is excessive, these carriers have foregone many opportunities to market rail services between their respective lines for traffic that either does not now move or moves by truck.

SECTION 1180.6(a)(1)(iv)
NATURE AND AMOUNT OF NEW SECURITIES OR
OTHER FINANCIAL ARRANGEMENTS

No new securities or other financial arrangements will be required for ISRR to consummate the proposed transaction and commence operations under the requested trackage rights. ISRR does not anticipate the need to acquire any additional facilities to commence operations pursuant to the requested trackage rights. The two additional locomotives will either be leased or purchased and funded with cash or through existing credit facilities.

SECTION 1180.6(a)(2)
PUBLIC INTEREST JUSTIFICATIONS

The requested trackage rights are in the public interest because they would redress the harm that would result from the Primary Transaction to the essential services provided by ISRR to the customers it serves. Granting the requested conditions would enable ISRR to continue providing its shippers adequate rail service. The estimated traffic diversions from ISRR would force ISRR to cover its fixed costs from a declining traffic base thereby increasing its per unit cost which would have to be passed on to its remaining customers. These increased unit costs would have a downward spiraling trend. As the per unit cost for ISRR's service increases, some of ISRR's remaining customers would be forced to switch to other transportation modes or go out of business which, in turn, would only further increase ISRR's per unit cost and drive away additional customers.

Primary Applicants claim significant public benefits in the form of safer highways, reduced fuel consumption and reduced highway damage by diverting traffic from truck to rail. If ISRR is forced to curtail or reduce rail service as a result to the traffic diversions to CSXT and its

subsidiary, the INRD, ISRR's customers would have no option other than to divert their shipments to trucks. This result would be detrimental to the public interest for the very reasons explained in the Railroad Control Application.

The requested trackage rights would also ameliorate the anticompetitive effects of the Primary Transaction in the Indianapolis area. ISRR would be able to preserve rail competition in Indianapolis and the surrounding area by offering a direct, efficient and competitive alternative to CSXT.

Indianapolis Power & Light's ("IPL") Perry K facility is located on a CRC line in Indianapolis. IPL today has the option of receiving coal from CRC direct (although to the best of ISRR's knowledge, CRC does not serve any of the mines from which IPL buys coal) or from ISRR or INRD with CRC acting as the switch carrier. CRC today is a neutral switch carrier as between traffic moving from ISRR and INRD and has no economic incentive to act otherwise. If the Primary Transaction is approved without appropriate conditions, CSXT will have a strong economic incentive to favor its subsidiary, the INRD, and price ISRR coal movements out of business. The trackage rights NSR would receive to Indianapolis as a result of the Primary Transaction would be of no, or little, benefit to IPL. To the best of ISRR's knowledge, NSR does not serve any coal mines from which IPL buys its coal. NSR would not be permitted to connect with ISRR and thereby substitute for CRC's current switch services. Also, the route over which NSR would serve Indianapolis is not suitable for handling shipments of coal from eastern locations or from the nearby coal mines in southwestern Indiana. Therefore, if the Primary Transaction is unconditionally approved, IPL will become captive to CSXT.

IPL's Stout plant faces a similar predicament. The Stout plant is located on the INRD and today has four routing options for its coal shipments: INRD direct; ISRR-Switz City-INRD; ISRR-Indianapolis-CRC-INRD; and CR-INRD. If the Primary Transaction is approved without appropriate conditions, the Stout plant will become captive to CSXT and its subsidiary. ISRR today actively competes for the Stout traffic via the CRC switch at Indianapolis. CRC has been very cooperative in terms of rates and service and has assisted ISRR in competing for the Stout traffic. CSXT, of course, will have a strong economic incentive to make ISRR's moves noncompetitive from a rate and/or service standpoint with INRD's service to Stout. Therefore, IPL's Stout plant will also become captive to CSXT if appropriate conditions are not imposed on the Primary Transaction.

According to Primary Applicants, Indianapolis is by far the largest 2-to-1 point created by the Primary Transaction. *See* CSX-NS-18 at 548. There are 66 shippers on CRC lines in Indianapolis that have two carrier service through reciprocal switching. CSX-NS-19 at 147. The overhead trackage rights NSR would receive are woefully inadequate to substitute for CRC's current service in Indianapolis and would hardly service as an effective competitive option to CSXT's prominent presence in Indianapolis. The conditions sought by ISRR would enable ISRR to offer truly competitive rail options to these shippers.

ISRR also proposes to resolve the degradation to competition for shippers located in Crawfordsville and on the CRC lines between Indianapolis and Shelbyville, Indianapolis and Crawfordsville, and Indianapolis and Muncie. According to Primary Applicants, there are seven 2-to-1 customers in Crawfordsville. The proposed trackage rights or haulage arrangement for NSR would not enable NSR to provide effective competition with CSXT in this market. It

appears that NSR would have little traffic moving through Crawfordsville to justify daily or routine service to these shippers. As a shortline carrier, ISRR is in a position to offer these shippers efficient and economical switching services to and from the nearby Class I junctions. As to the three lines radiating from Indianapolis, CRC today offers a neutral and indifferent gateway service to the CSXT and NSR junctions. Currently, these shippers are able to bargain with CSXT and NSR for better rate and service options for the off-CRC portion of their moves. If the Primary Transaction is approved without appropriate conditions, CSXT would have a strong economic incentive to favor its own routes. ISRR proposes to step in the shoes of CRC and offer the shippers on these three lines the same NSR joint-line options available through CRC today.

In addition, ISRR's request to connect with other shortlines in Indianapolis will allow ISRR and the other shortlines to market new rail services between their respective lines and divert traffic to rail that now moves by truck. As explained at length by Primary Applicants and noted above, there are significant public benefits to be derived from diverting traffic from truck to rail.

The conditions sought by ISRR would not impose any unreasonable operating problems on the rail lines in and around Indianapolis or in the region generally. The conditions would also not detract in any material respect from the public benefits the Primary Applicants expect to achieve from the Primary Transaction. Primary Applicants claim public benefits of nearly \$1 billion per year. *See CSX/NS-18 at 2.* The conditions sought by ISRR would enable ISRR to retain its current traffic base and generate limited additional revenues from the switching services it would provide in Indianapolis and the surrounding area.

SECTION 1180.6(a)(2)(i)
EFFECT ON COMPETITION

The requested conditions would preserve intramodal competition to IPL and the numerous shippers in Indianapolis, Crawfordsville and on the three lines extending from Indianapolis over which ISRR seeks trackage rights

As previously explained, if the Primary Application is approved without appropriate conditions, IPL's two plants in Indianapolis will become captive to CSXT and its subsidiary the INRD. The requested trackage rights to serve those two facilities would enable ISRR to preserve intramodal competition for IPL's coal movements.

The requested conditions would also preserve intramodal competition in Indianapolis and Crawfordsville and along the three lines radiating from Indianapolis over which ISRR seeks trackage rights. CRC has a strong presence in Indianapolis with CSXT providing rail competition. If the Primary Application is approved without appropriate conditions, CSXT will dominate the market in Indianapolis. NSR would hardly serve as an effective constraint on CSXT, given the limited access it would receive to the Indianapolis market. Crawfordsville today is served by both CRC and CSXT. The proposed substitution of NSR for CRC also falls far short of preserving the existing level of competition. ISRR proposes to serve those customers direct and offer a competitive, albeit joint-line, option for the services provided by CSXT. Although the shippers on the three lines radiating from Indianapolis are served directly only by CRC today, CRC does act as a neutral gateway carrier for shipments moving to CSXT to NSR. ISRR is proposing merely to step into the shoes of CRC and provide these shippers a joint-line option to CSXT's proposed single-line service.

The expanded operations, access to shortlines, and connections with Class I carriers at new locations would enable ISRR to compete more effectively with trucks, thus enhancing intermodal competition in the area.

SECTION 1180.6(a)(2)(ii)
FINANCIAL CONSIDERATIONS

ISRR estimates that it stands to lose \$1.5 million dollars in revenues annually if the Railroad Control Application is approved. The conditions requested would enable ISRR to continue competing for that traffic and possibly retain some or all of the revenues associated with the traffic that is subject to diversion. The requested conditions would also enable ISRR to generate additional revenues from service to shippers losing competitive rail service in the Indianapolis area.

SECTION 1180.6(a)(2)(iii)
EFFECT ON FIXED CHARGES

ISRR does not expect any increase in fixed charges resulting from the operations proposed in this Responsive Application.

SECTION 1180.6(a)(2)(iv)
EFFECT ON ADEQUACY OF TRANSPORTATION

Granting the conditions sought by ISRR would have a positive effect on the adequacy of transportation in the markets served by ISRR. The requested trackage rights are necessary to preserve essential services now performed by ISRR. Many of ISRR's customers are dependent on rail service to meet their transportation needs which cannot economically be met by other modes of transportation.

Accordingly, if the conditions requested by ISRR are not granted, shippers dependent on ISRR will lose essential rail service.

**SECTION 1180.6(a)(2)(v)
EFFECT ON EMPLOYEES**

Granting the conditions sought by ISRR should have little, if any, impact on the employees of Primary Applicants. The conditions would enable ISRR to increase the level of its work force.

**SECTION 1180.6(a)(2)(vi)
EFFECT OF INCLUSION OF OTHER RAILROADS**

Not applicable to this Responsive Application.

**SECTION 1180.6(a)(3)
OTHER SUPPORTING STATEMENTS**

ISRR anticipates that this Responsive Application will be supported by shippers and other interested parties in separate filings with the Board.

**SECTION 1180.6(a)(4)
OPINION OF COUNSEL**

The opinion of ISRR's counsel that the conditions requested in this Responsive Application satisfy the requirements of law and will be legally authorized and valid if approved by the Board appears at the end of the narrative of the Responsive Application.

SECTION 1180.6(a)(5)
LIST OF STATES

ISRR currently operates only in the State of Indiana and the rail lines over which ISRR seeks trackage rights are located in the State of Indiana.

SECTION 1180.6(a)(6)
MAP

A map showing the rail line operated by ISRR and the lines over which ISRR seeks trackage rights is attached as Exhibit 1.

SECTION 1180.6(a)(7)(i)
NATURE OF TRANSACTION

The conditions ISRR seeks to have imposed on the Primary Application are a grant of trackage rights as described above under Sections 1180.6(a)(1)(i).

SECTION 1180.6(a)(7)(ii)
AGREEMENTS

A draft agreement setting forth the significant terms proposed is attached as Exhibit 2.

SECTION 1180.6(a)(7)(iii)
CONSOLIDATED COMPANY INFORMATION

Not applicable to this Responsive Application.

SECTION 1180.6(a)(7)(iv)
COURT ORDER

Not applicable to this Responsive Application.

SECTION 1180.6(a)(7)(v)
PROPERTY INCLUDED IN THE PROPOSED TRANSACTION

The trackage rights requested by ISRR are over a very limited portion of the rail lines sought to be acquired by CSXT in the Primary Transaction and over a very short segment of the INRD. See "Description of Proposed Transaction" under Section 1180.6(a)(1) and the map attached as Exhibit 1.

SECTION 1180.6(a)(7)(vi)
PRINCIPAL ROUTES

ISRR is a Class III rail carrier providing rail service over approximately 176 miles of track between Indianapolis and Evansville, Indiana. ISRR currently connects with CRC at Indianapolis, NSR at Oakland, Indiana, INRD at Switz City, Indiana, the CP Rail System at Bee Hunter, Indiana, and CSXT at Evansville, Indiana.

The trackage rights ISRR seeks are over short segments of rail line in Indianapolis, over a 7-mile segment of INRD's rail line, and over three rail lines radiating from Indianapolis and totaling approximately 126 miles in length.⁴

SECTION 1180.6(a)(7)(vii)
GOVERNMENTAL FINANCIAL ASSISTANCE

No governmental assistance will be sought to consummate the transaction sought in this Responsive Application.

⁴ The length of the rail segment between Indianapolis and Shelbyville is approximately 27 miles, the segment between Indianapolis and Crawfordsville is approximately 44 miles, and the segment between Indianapolis and Muncie is approximately 55 miles.

SECTION 1180.6(a)(8)
ENVIRONMENTAL DATA

ISRR has submitted an Environmental Verified Statement (ISRR-3) pursuant to Decision No. 38, stating that no environmental documentation is required for ISRR's Responsive Application pursuant to the provisions of 49 C.F.R. § 1105.6(c)(2). ISRR hereby reconfirms that no environmental documentation is required for the grant of this Responsive Application.

SECTION 1180.8(b)
OPERATING PLAN-MINOR

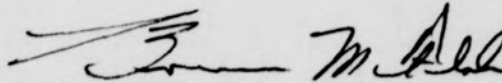
A copy of ISRR's operating plan is attached as Exhibit 15.

CONCLUSION

For the foregoing reasons, ISRR respectfully urges the Board to grant, as conditions to approving the Railroad Control Application, the trackage rights requested in this Responsive Application.

SECTION 1180.4(c)(2)(i)
SIGNATURES, OATHS, AND CERTIFICATIONS
OF APPLICANT'S EXECUTIVE OFFICERS

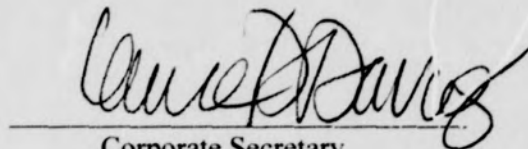
I, Bruce M. Flohr, declare under penalty of perjury that I am President and a Director of Indiana Southern Railroad, Inc., responsive applicant herein, that I am one of the executive officers duly authorized to sign, to verify and to file this Responsive Application on behalf of Indiana Southern Railroad, Inc., that I have knowledge of the matters contained in this Responsive Application, and that the statements made in this Responsive Application are true and correct to the best of my knowledge and belief.



Bruce M. Flohr

Executed on October 17, 1997

I, Laura D. Davies, hereby certify that I am Corporate Secretary of Indiana Southern Railroad, Inc., responsive applicant herein, and that Bruce M. Flohr, President and a Director of Indiana Southern Railroad, Inc., is duly authorized to sign, to verify, and to file this Responsive Application on behalf of Indiana Southern Railroad, Inc.



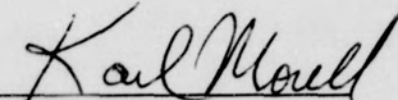
Corporate Secretary

Dated this 17th day of October 1997, at San Antonio, Texas.

SECTION 1180.6(a)(4)
OPINION OF COUNSEL FOR
INDIANA SOUTHERN RAILROAD, INC.

As counsel for Indiana Southern Railroad, Inc. ("ISRR"), I am familiar with the transaction proposed in the Responsive Application of ISRR. It is my opinion that the transaction proposed in ISRR's Responsive Application meets all requirements of law, will be legally authorized and valid if approved by the Surface Transportation Board, is within the corporate power of ISRR, and will not result in any breach, violation or default of any provision of ISRR's Articles of Incorporation or Bylaws.

BALL JANIK LLP

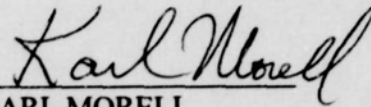
By: 

Karl Morell
Suite 225
1455 F Street, N.W.
Washington, D.C. 20005

Attorney for Indiana Southern
Railroad, Inc.

Dated this 20th day of October, 1997.

Respectfully submitted,

A handwritten signature in cursive script, reading "Karl Morell". The signature is written in dark ink and is positioned above a horizontal line.

KARL MORELL
Of Counsel
BALL JANIK LLP
1455 F Street, N.W.
Suite 225
Washington, D.C. 20005
(202) 638-3307

Attorney for:
INDIANA SOUTHERN
RAILROAD, INC.

Dated: October 21, 1997

CERTIFICATE OF SERVICE

I hereby certify that on this 21st day of October, 1997, I caused a copy of the Responsive Application of Indiana Southern Railroad, Inc. (ISRR-4), to be served on counsel for Primary Applicants by Hand Delivery and on Administrative Law Judge Jacob Leventhal and all other Parties of Record by first class mail, postage prepaid.

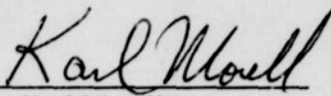

Karl Morell

EXHIBIT 1

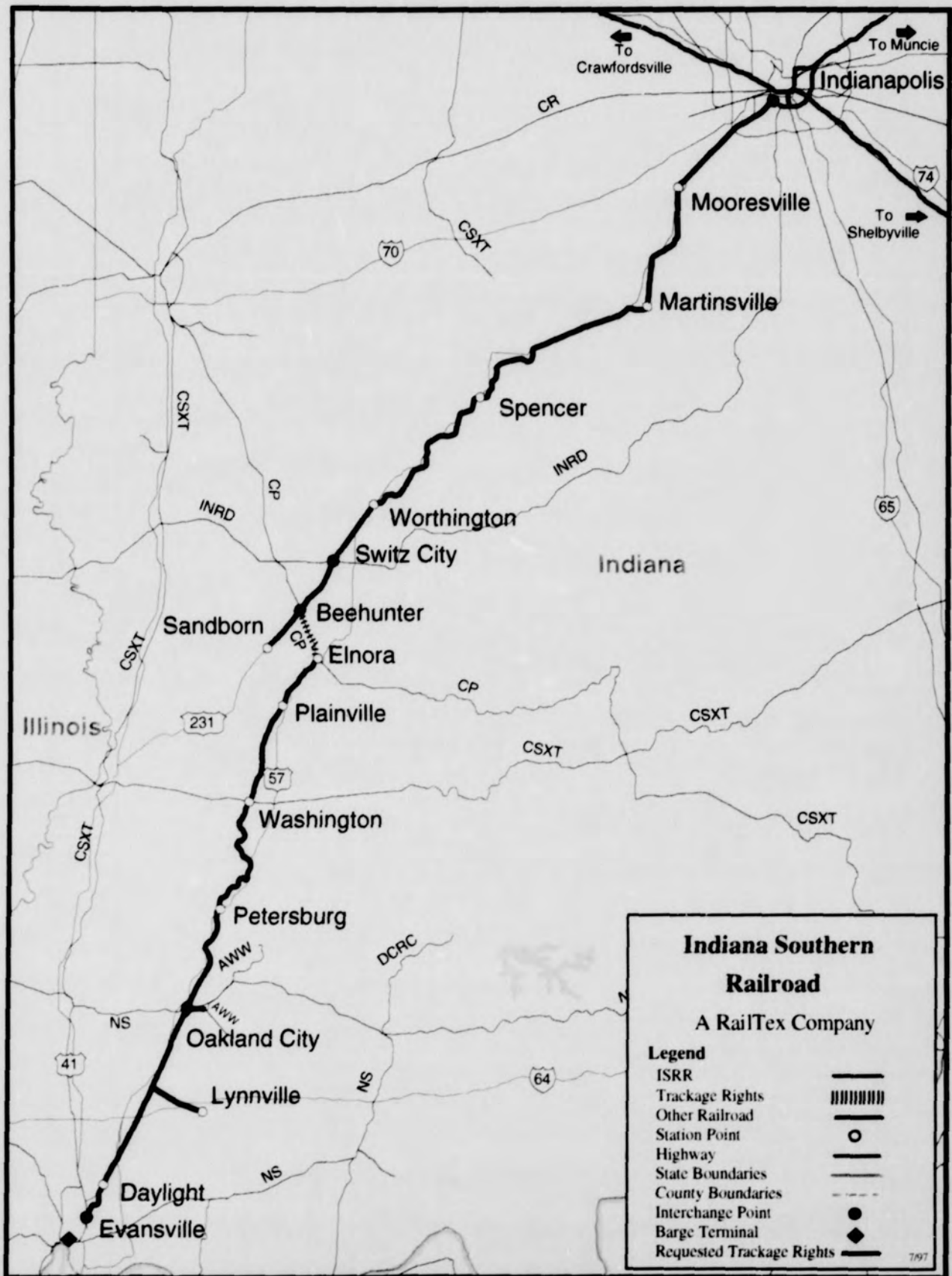


EXHIBIT 2

TRACKAGE RIGHTS AGREEMENT

between

CSX TRANSPORTATION, INC. and INDIANA RAIL ROAD COMPANY

and

INDIANA SOUTHERN RAILROAD, INC.

AGREEMENT

THIS AGREEMENT, entered into as of this ____ day of ____, 199__, by and between CSX TRANSPORTATION, INC., and INDIANA RAIL ROAD COMPANY (hereinafter "INRD") (hereinafter referred to collectively as "OWNER") and INDIANA SOUTHERN RAILROAD, INC. (hereinafter referred to as "ISRR" or "USER"),

WHEREAS, the Surface Transportation Board, in its decision in Finance Docket No. 33388, 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, served _____, (1) approved the acquisition by CSX Corporation and CSX Transportation, Inc., and Norfolk Southern Corporation, and Norfolk Southern Railway Company of control of Conrail, Inc., and Consolidated Rail Corporation; and (2) the division of the assets of Conrail, Inc., and Consolidated Rail Corporation by and between CSX Corporation and CSX Transportation Inc., and Norfolk Southern Corporation and Norfolk Southern Railway Company; and

WHEREAS, the Surface Transportation Board conditioned the control of Conrail, Inc., and Consolidated Rail Corporation ("CRC") on, among other things, the grant of trackage rights as set forth further in the Responsive Application of ISRR, dated October 21, 1997; and

WHEREAS, Owner desires to provide ISRR with the rights requested in said Responsive Application; and

WHEREAS, ISRR is agreeable to receiving said rights and desires to conduct operations over said rights under the terms and conditions herein and hereafter set forth,

NOW THEREFORE, the parties hereto, intending to be legally bound, agree as follows:

SECTION 1. GRANT OF TRACKAGE RIGHTS

(a) Subject to the terms and conditions herein provided, Owner hereby grants to User the right to operate its trains, locomotives, cars, and equipment with its own crews (hereinafter referred to as the "Trackage Rights") over the following segments of Owner's railroad (hereinafter referred to as the "Subject Trackage"):

1. Overhead trackage rights between milepost 6.0 on ISRR's Petersburg Subdivision and Indianapolis Power & Light's Perry K facility in Indianapolis over the rail line formerly owned by CRC and acquired by CSXT;

2. Overhead trackage rights between milepost 6.0 on ISRR's Petersburg Subdivision and Indianapolis Power & Light's Stout facility located on the INRD, over a segment of the rail line formerly owned by CRC and acquired by CSXT and a segment of rail line owned by INRD;

3. Local trackage rights over rail lines in Indianapolis, Indiana including the Indianapolis Belt Line, formerly owned by CRC and acquired by CSXT;

4. Local trackage rights between Indianapolis and Shelbyville, Indiana, over the rail line formerly owned by CRC and acquired by CSXT;

5. Local trackage rights between Indianapolis and Crawfordsville, Indiana, over the rail line formerly owned by CRC and acquired by CSXT; and

6. Local trackage rights between Indianapolis and Muncie, Indiana, over the rail line formerly owned by CRC and acquired by CSXT.

The term "local trackage rights, as used above, includes: (1) the right to operate trains over the lines described; (2) the right to interchange with all carriers (including shortlines) at all junctions on the lines described; and (3) the right to serve all shippers, sidings, and team tracks located on the lines described.

SECTION 2. USE OF SUBJECT TRACKAGE

(a) User's use of the Subject Trackage shall be in common with Owner and any other user of the Subject Trackage, and Owner's right to use the Subject Trackage shall not be diminished by this Agreement. Owner shall retain the right to grant to other persons rights of any nature in the Subject Trackage.

(b) Owner shall have exclusive control of the management and operation of the Subject Trackage.

(c) User shall have the right to operate in either direction over the Subject Trackage.

SECTION 3. COMPENSATION

(a) The compensation for operations under this Agreement shall be set at the levels as follows:

SECTION 4. PAYMENT OF BILLS

(a) All payments called for under this Agreement shall be made by User within thirty (30) days after receipt of bills therefor. No payments shall be withheld because of any dispute as to the correctness of items in the bills rendered, and any discrepancies reconciled between the parties hereto shall be adjusted in the accounts of a subsequent month.

(b) Bills rendered pursuant to the provisions of this Agreement shall include direct labor and material costs, together with the surcharges, overhead, percentages, and equipment rentals in effect at the time any work is performed by Owner.

SECTION 5. MAINTENANCE OF SUBJECT TRACKAGE

(a) Owner shall maintain, repair, and renew the Subject Trackage at its own expense and with its own supervision and labor. Owner shall keep and maintain the Subject Trackage in reasonably good condition for the use herein contemplated, but Owner does not guarantee the condition of the Subject Trackage or that operations thereover will not be interrupted. Furthermore, except as may be otherwise provided in Section 11 hereof, User shall not by reason of failure or neglect on the part of Owner to maintain, repair, or renew the Subject Trackage, have or make any claim or demand against Owner or its directors, officers, agents, or employees for any injury to or death of any person or persons whomsoever, or for any damage to or loss or destruction of any property whatsoever, or for any damages of any nature suffered by User resulting from any such failure or neglect.

(b) Owner shall also perform, at the expense of User, such additional maintenance as User may request.

SECTION 6. CONSTRUCTION AND MAINTENANCE OF CONNECTIONS

(a) Existing connections or facilities which are jointly used by the parties hereto under existing agreements or practices shall continue to be maintained, repaired, and renewed by and at the expense of the party or parties responsible for such maintenance, repair, and renewal under such agreements or practices.

(b) Any additional connections to the Subject Trackage which may be required shall be constructed, maintained, repaired, and renewed as follows:

(i) User shall furnish all labor and material and shall construct, maintain, repair, and renew at its sole cost, liability and expense such portions of the tracks located on the right-of-way of User which connect the respective lines of the parties hereto; and

(ii) Owner shall furnish all labor and material and shall construct, maintain, repair, and renew at the sole cost, liability and expense of User such portions of the tracks located on the right-of-way of Owner which connect the respective lines of the parties hereto.

SECTION 7. ADDITIONS, RETIREMENTS, AND ALTERATIONS

(a) Owner, from time to time and at its sole cost and expense, may make such changes in, additions and betterments to, and retirements from the Subject Trackage as shall, in its judgment, be necessary or desirable for the economical or safe operation thereof or as shall be required by any law, rule, regulation, or ordinance promulgated by any governmental body having jurisdiction. Such additions and betterments shall become a part of the Subject Trackage and such retirements shall be excluded from the Subject Trackage.

(b) If User requests Owner to make changes in or additions and betterments to the Subject Trackage, including without limitation changes in communications or signal facilities, for purposes beyond that required for Owner's operation, Owner shall have the option:

(i) to make such changes in or additions and betterments to the Subject Trackage and User shall pay to Owner the cost thereof, including the annual expense of maintaining, repairing, and renewing such additional or altered facilities; or,

(ii) to deny such request.

SECTION 8. MANAGEMENT AND OPERATIONS

(a) User shall comply with the provisions of the Federal Locomotive Inspection Act and the Federal Safety Appliance Acts, as amended, and all other federal and state laws, regulations, and rules respecting the operation, condition, inspection, and safety of its trains, locomotives, cars, and equipment while such trains, locomotives, cars, and equipment are being operated over the Subject Trackage. User shall indemnify, protect, defend, and save harmless Owner and its directors, officers, agents, and employees from and against all fines, penalties, and liabilities imposed upon Owner or its directors, officers, agents, or employees under such laws, rules, and regulations by any public authority or court having jurisdiction in the premises, when attributable to the failure of User to comply with its obligations in this regard.

(b) User, in its use of the Subject Trackage, will comply in all respects with the operating rules and regulations of Owner, and the movement of User's trains, locomotive, cars, and equipment over the Subject Trackage shall at all times be subject to the orders of the transportation officers of Owner. User's trains shall not include locomotives, cars, or equipment which exceed the width, height, weight, or other restrictions or capacities of the Subject Trackage as published in Railway Line Clearances, and no train shall contain locomotives, cars, or equipment which require speed restrictions or other movement restrictions below the authorized freight speeds as provided by Owner's operating rules and regulations without the prior consent of Owner, which consent will not be unreasonably withheld. User shall indemnify, protect, defend, and save harmless Owner and its directors, officers, agents, and employees from and against all liabilities when attributable to the failure of User to comply with the provisions of this subsection.

(c) The trains, locomotives, cars, and equipment of User, Owner, or any other present or future user of the Subject Trackage or any portion thereof shall be operated without prejudice or partiality and in such manner as will afford the most economical and efficient manner of movement of all traffic.

(d) If by reason of any mechanical failure or for any other cause not resulting from an accident or derailment, a train or locomotive of User becomes stalled or unable to proceed under its own power, or fails to maintain the speed required by Owner on the Subject Trackage, or if in emergencies crippled or otherwise defective cars are set out of User's trains on the Subject Trackage, Owner shall have the option to furnish motive power or such other assistance as may

be necessary to haul, help, or push such trains, locomotives, or cars, or to properly move the disabled equipment off the Subject Trackage, and User shall reimburse Owner for the cost of rendering any such assistance.

(e) If it becomes necessary to make repairs to or adjust or transfer the lading of such crippled or defective cars in order to move them off the Subject Trackage, such work shall be done by Owner, and User shall reimburse Owner for the cost thereof.

(f) In the event Owner and User agree that Owner should provide additional employees for the sole benefit of User, the parties hereto shall enter into a separate agreement under which User shall bear all cost and expense for any such additional employees, including, without limitation, all cost and expense associated with labor protective payments which are made by Owner and which would not have been incurred had the additional employees not been provided.

SECTION 9. MILEAGE AND CAR HIRE

All mileage and car hire charges accruing on cars in User's trains on the Subject Trackage shall be assumed by User and reported and paid by it directly to the owner of such cars.

SECTION 10. CLEARING OF WRECKS

Whenever User's use of the Subject Trackage requires rerailling, wrecking service, or wrecking train service, Owner shall perform such service, including the repair and restoration of road bed, track, and structures. The cost and expense thereof, including, without limitation, loss of, damage to, and destruction of any property whatsoever and injury to or death of any person or persons whomsoever resulting therefrom, shall be apportioned in accordance with the provisions of Section 11 hereof. All locomotives, cars, and equipment and salvage from the same so picked up and removed which are owned by or under the management and control of or used by User at the time of such wreck shall be promptly delivered to User.

SECTION 11. LIABILITY

The responsibility of the parties hereto as between themselves for loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, resulting from, arising out of, incidental to, or occurring in connection with the Trackage Rights granted in this Agreement, shall be determined as follows:

(a) Whenever any loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, or any damage to or destruction of the environment whatsoever, including, without limitation, land, air, water, wildlife, and vegetation, occurs with the trains, locomotives, cars, or equipment of, or in the account of, User being involved, without the trains, locomotives, cars, or equipment of, or in the account of, Owner being involved, User shall assume all liability therefor and bear all cost and expense in connection therewith, including without limitation all cost and expense referred to in Section 10

hereof, and shall forever protect, defend, indemnify, and save harmless Owner and its directors, officers, agents, and employees from and against any such liability, cost, and expense, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of Owner or its directors, officers, agents, or employees.

(b) Whenever any loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, or any damage to or destruction of the environment whatsoever, including, without limitation, land, air, water, wildlife, and vegetation, occurs with the trains, locomotives, cars, or equipment of, or in the account of Owner being involved, without the trains, locomotives, cars, or equipment of, or in the account of User being involved, Owner shall assume all liability therefor, and bear all cost and expense in connection therewith, including without limitation all cost and expense referred to in Section 10 hereof, and shall forever protect, defend, indemnify, and save harmless User and its director, officers, agents, and employees from and against any such liability, cost, and expense, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of User or its directors, officers, agents, or employees.

(c) Whenever any loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, or any damage to or destruction of the environment whatsoever, including, without limitation, land, air, water, wildlife, and vegetation, occurs with the trains, locomotives, cars, or equipment of, or in the account of both Owner and User being involved, Owner and User shall separately assume and bear all liability, cost, and expense for loss of and damage to said trains, locomotives, cars (including, without limitation, lading), and equipment operated by each of them and for injury to and death of each of their directors, officers, agents, and employees, and persons in each of their care and custody. All liability, cost, and expense for injury to and death of any other person or persons whomsoever, for loss of, damage to, or destruction of all other property (including, without limitation, the Subject Trackage) and for any damage to or destruction of the environment whatsoever, including without limitation, land, air, water, wildlife, and vegetation, so occurring shall be borne equally by Owner and User, including, without limitation, all cost and expense referred to in Section 10 hereof. Whenever any liability, cost, or expense is assumed by or apportioned to a party hereto under the foregoing provisions, that party shall forever protect, defend, indemnify, and save harmless the other party to this Agreement and its directors, officers, agents, and employees from and against that liability, cost, and expense assumed by that party or apportioned to it, regardless of whether caused in whole or in part by the fault, failure, negligence, misconduct, nonfeasance, or misfeasance of the indemnitee or its directors, officers, agents, or employees.

(d) Notwithstanding the foregoing provisions, whenever any loss of, damage to, or destruction of any property whatsoever, or injury to or death of any person or persons whomsoever, or any damage to or destruction of the environment whatsoever, including, without limitation, land, air, water, wildlife, and vegetation, occurs with the trains, locomotives, cars, or equipment of, or in the account of, both parties to this Agreement being so involved, and such loss, damage, destruction, injury, or death is attributable to the sole negligence of the employee(s) on the train(s), locomotive(s), car(s), or caboose(s) of, or in the account of, only one

of the parties to this Agreement where such sole negligence is the active or proximate cause of such loss, damage, destruction, injury, or death, the party hereto whose employee(s) was (were) solely negligent shall assume and bear all liability, cost, and expense in connection with the loss, damage, destruction, injury, and death so occurring, including without limitation all cost and expense referred to in Section 10 hereof, and said party shall forever protect, defend, indemnify, and save harmless the other party to this Agreement and its directors, officers, agents, and employees from and against any such liability, cost, and expense.

(e) In every case of death or injury suffered by an employee of either User or Owner, when compensation to such employee or employee's dependents is required to be paid under any workmen's compensation, occupational disease, employer's liability, or other law, and either of said parties under the provisions of this Agreement is required to pay said compensation, if such compensation is required to be paid in installments over a period of time, such party shall not be released from paying any such future installments by reason of the expiration or other termination of this Agreement prior to any of the respective dates upon which any such future installments are to be paid.

(f) Notwithstanding the provisions of Section 16(f) of this Agreement, for the purposes of this Section 11 the word "equipment" shall mean and be confined to (i) cabooses, (ii) vehicles and machinery which are capable of being operated on railroad tracks that, at the time of an occurrence, are being operated on the Subject Trackage, and (iii) vehicles and machinery that, at the time of an occurrence, are on the Subject Trackage or its right-of-way for the purpose of the maintenance or repair thereof or the clearing of wrecks thereon.

SECTION 12. INVESTIGATION

(a) Except as provided in Subsection (b) hereof, all claims, injuries, deaths, property damages, and losses arising out of or connected with this Agreement shall be investigated, adjusted, and defended by the party bearing the liability, cost, and expense therefor under the provisions of this Agreement.

(b) Each party will investigate, adjust, and defend all freight loss and damage claims filed with it in accordance with 49 U.S.C. Section 11706 and 49 C.F.R. Section 1005 (or any revised or substitute regulations adopted to modify, supplement or supersede the regulations herein provided), or in accordance with any applicable transportation contract entered into pursuant to 49 U.S.C. Section 10709.

(c) In the event a claim or suit is asserted against Owner or User which is the other's duty hereunder to investigate, adjust, or defend, then, unless otherwise agreed, such other party shall, upon request, take over the investigation, adjustment, and defense of such claim or suit.

(d) All costs and expenses in connection with the investigation, adjustment, and defense of any claim or suit under this Agreement shall be included as costs and expenses in applying the liability provisions set forth in this Agreement, except that salaries or wages of full-

time employees, including claim agents, attorneys, and other employees of either party engaged directly or indirectly in such work shall be borne by such party.

(e) Excluding freight loss and damage claims filed in accordance with 49 U.S.C. Section 11706 or 49 C.F.R. Section 1005 or similar regulation, neither party shall settle or compromise any claim, demand, suit, or cause of action for which the other party has any liability under this Agreement without the concurrence of such other party if the consideration for such settlement or compromise exceeds Twenty Five Thousand Dollars (\$25,000).

(f) Nothing in this section shall modify or supersede the provisions of Section 11 hereof.

SECTION 13. DEFAULT AND TERMINATION

In the event of any substantial failure on the part of User to perform its obligations under this Agreement and its continuance in such default for a period of sixty (60) days after written notice thereof by certified mail from Owner, Owner shall have the right, at its option, after first giving thirty (30) days' written notice thereof by certified mail, and notwithstanding any waiver by Owner of any prior breach thereof, to terminate the Trackage Rights and User's use of the Subject Trackage. The exercise of such right by Owner shall not impair its rights under this Agreement or any cause or causes of action it may have against User for the recovery of damages.

SECTION 14. ARBITRATION

Except for matters concerning loss or destruction of, or damage to freight, or injury or death of persons, any irreconcilable dispute arising between the parties with respect to this Agreement shall be settled through final and binding arbitration. The parties shall jointly submit the matter to final and binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association. The decision of the arbitrator(s) shall be final and conclusive upon the parties hereto. Each party to the arbitration shall pay the compensation, costs, fees, and expenses of its own witnesses, experts, and counsel. The compensation, costs, and expense of the arbitrator(s), if any, shall be borne equally by the parties hereto.

SECTION 15. ABANDONMENT OF SUBJECT TRACKAGE

Notwithstanding the provisions of Section 19 of this Agreement, Owner may abandon the Subject Trackage during the term of this Agreement, or any renewals hereof, upon giving User not less than one hundred twenty (120) days' written notice of Owner's intent to abandon. In the event regulatory authority is required to effect such abandonment, User will not interfere with Owner's actions to seek and to exercise such authority. In the event regulatory authority is required for User to discontinue its own operations over the Subject Trackage, User will seek and diligently pursue such regulatory authority at the same time that Owner seeks regulatory authority to abandon the Subject Trackage, or as soon thereafter as User may do so in accordance with applicable statutes and regulations, unless User intends to acquire the Subject Trackage

from Owner pursuant to 49 U.S.C. Section 10904 or other similar provision. User hereby expressly reserves the right pursuant to 49 U.S.C. Section 10904 or any similar provision which may be in effect to subsidize operations on or to acquire the Subject Trackage. Unless User or another party acquires the Subject Trackage for continued rail use or subsidizes Owner's operations thereon, User shall exercise its authority to discontinue its operations pursuant to this Agreement upon the date established by Owner for abandonment of the Subject Trackage by its aforesaid notice to User, or upon the earliest authorized date of exercise of the regulatory authority to discontinue operations, whichever is later. If regulatory authority for discontinuance of User's operations is not required, User shall discontinue its operations hereunder on the date that Owner is authorized to abandon the Subject Trackage. Upon discontinuance of User's operations, this Agreement shall terminate and be of no further force and effect, except that termination of this Agreement shall not relieve or release either party hereto from any obligations assumed or from any liability which may have arisen or be incurred prior to said termination. As used herein, Subject Trackage means the entire Subject Trackage or any portion or portions thereof.

SECTION 16. GENERAL PROVISIONS

(a) This Agreement and each and every provision hereof are for the exclusive benefit of the parties hereto and not for the benefit of any third party. Nothing herein contained shall be taken as creating or increasing any right in any third party to recover by way of damages or otherwise against either of the parties hereto.

(b) All Section headings are inserted for convenience only and shall not affect any construction or interpretation of this Agreement.

(c) This Agreement and the attachments annexed hereto and integrated herewith contain the entire agreement of the parties hereto and supersede any and all oral understandings between the parties.

(d) No term or provision of this Agreement may be changed, waived, discharged, or terminated except by an instrument in writing signed by both parties to this Agreement.

(e) As used in this Agreement, whenever reference is made to the trains, locomotives, cars, or equipment of, or in the account of, one of the parties hereto such expression means the trains, locomotives, cars, or equipment in the possession of or operated by one of the parties and includes such trains, locomotives, cars, or equipment which are owned by, leased to, or in the account of such party. Whenever such locomotives, cars, or equipment are owned or leased by one party to this Agreement and are in the possession or account of the other party to this Agreement, such locomotives, cars, and equipment shall be considered those of the other party under this Agreement.

(f) All words, terms, and phrases used in this Agreement shall be construed in accordance with the generally applicable definition or meaning of such words, terms, and phrases in the railroad industry.

SECTION 17. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto; provided, however, that User shall not transfer or assign this Agreement, or any of its rights, interests, or obligations hereunder to any person, firm, or corporation without obtaining the prior written consent of the Owner, which consent will not be unreasonably withheld, except that the rights granted by this Agreement shall pass to the successor of substantially all of the property of User.

SECTION 18. NOTICE

Any notice required or permitted to be given by one party to the other under this Agreement shall be deemed given on the date sent by certified mail, or by such other means as the parties may mutually agree, and shall be addressed as follows:

[_____]

[_____]

SECTION 19. COMMENCEMENT, TERM, AND TERMINATION

(a) This Agreement shall take effect on _____, 1998 ("Commencement Date"), and shall continue in full force and effect for a period of 99 years from said Commencement Date.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written

WITNESS:

CSX TRANSPORTATION, INC.

WITNESS:

INDIANA RAIL ROAD COMPANY

WITNESS

INDIANA SOUTHERN RAILROAD, INC.

EXHIBIT 15

OPERATING PLAN - MINOR

If the conditions requested by ISRR are granted by the Board, ISRR anticipates no significant operational change with respect to the services currently provided to on-line customers. In order to accommodate the additional operations in the city of Indianapolis, ISRR would need to hire two additional train crews, consisting of four individuals. ISRR would also need to acquire or lease two additional GP-38 or GP-40 locomotives. In addition, ISRR would need access to one siding in Indianapolis for the transfer of cars between the Indianapolis terminal and ISRR's existing rail system.

ISRR proposes to offer service to the customers in Indianapolis seven days per week. ISRR anticipates operating an average of one or two trains a day in the Indianapolis terminal. The number of trains operated on any given day would depend on the train schedules of IPL for the movement of coal to its Perry K and Stout facilities, as well as the service needs of the other rail shippers in Indianapolis. ISRR would serve the two IPL facilities in unit train movements of approximately 50 to 55 cars per train, delivering loaded unit trains and picking up empty unit trains.

The same crews serving the IPL facilities would also perform the switching operations for the other customers within the Indianapolis area or to nearby Class I connections. The ISRR crews based in Worthington would be responsible for handling all Indianapolis traffic moving over ISRR's current rail system. Because of ISRR's flexible work rules and assignments, it is possible for both the Indianapolis and Worthington crews to operate out of their general assigned areas.

ISRR plans initially to provide service to the customers on the Indianapolis to Shelbyville, Indianapolis to Crawfordsville, and Indianapolis to Muncie rail lines on an as needed basis, unless, of course, the immediate service needs of any of these customers require regularly scheduled service. As ISRR is able to attract traffic on these lines, ISRR will institute regularly scheduled service commensurate with the needs of the shippers. The crews based in Indianapolis would initially be responsible for the operations over these lines.

ISRR does not anticipate the need for any discontinuances or abandonments as a result of the proposed transaction. There are no rail commuter operations on the lines over which ISRR seeks trackage rights. AMTRAK's tri-weekly service over the rail line between Indianapolis and Crawfordsville will not be impacted by ISRR's trackage rights operations.

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

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

STB FINANCE DOCKET NO. 33388 (SUB-NO. 76)

INDIANA SOUTHERN RAILROAD, INC.
--TRACKAGE RIGHTS--
CSX TRANSPORTATION, INC. AND INDIANA RAIL ROAD COMPANY

**VERIFIED STATEMENT
OF
RICHARD NEUMANN**

My name is Richard Neumann. I am Senior Vice President and General Manager of Indiana Southern Railroad, Inc. (ISRR). I am submitting this statement in support of the Responsive Application being filed by ISRR, seeking the following trackage rights:

1. overhead trackage rights between MP 6.0 on ISRR's Petersburg Subdivision and Indianapolis Power & Light's (IPL) Perry K facility in Indianapolis;
2. overhead trackage rights between MP 6.0 on ISRR's Petersburg Subdivision and IPL's Stout facility located on the Indiana Rail Road Company ("INRD");
3. local trackage rights over certain rail lines in Indianapolis;
4. local trackage rights between Indianapolis and Shelbyville, Indiana;
5. local trackage rights between Indianapolis and Crawfordsville, Indiana; and
6. local trackage rights between Indianapolis and Muncie, Indiana.

I have worked in the railroad industry since 1974. I began my career as an Administrative Assistant to the Executive Vice President on the Central Vermont Railway. From June 1974 until October 1987, I was employed on the Grand Trunk Western Railroad in various operating positions, ranging from Assistant Trainmaster to Assistant Superintendent. From October 1987 through March 1992, I served as General Manager of the Duluth, Winnipeg and Pacific Railway. In April 1992, I began working for RailTex, Inc., as Superintendent of Operations on the ISRR. In July 1993, I was promoted to General Manager, the position I currently hold. From May 1996 through January 1997, I served in several capacities on behalf of RailTex working on the privatization of a 4,440-mile railroad in Brazil, in which RailTex is a partner along with other investors. My last assignment in Brazil was acting Vice President of Operations. I was educated at Purdue University, where I received a Bachelor of Science degree in Industrial Management in 1971.

ISRR is a Class III rail carrier providing rail service over approximately 176 miles of track between Indianapolis and Evansville, Indiana. ISRR currently connects with Consolidated Rail Corporation (CRC) at Indianapolis; Norfolk Southern Railway Company (NSR) and the Algers, Winslow & Western Railway at Oakland, Indiana; INRD at Switz City, Indiana; the CP Rail System at Bee Hunter, Indiana; and CSX Transportation, Inc. (CSXT), at Evansville, Indiana.

ISRR began operations in April 1992. ISRR currently employs 36 individuals and operates a fleet of 14 locomotives. The rail cars used by ISRR are primarily private cars and others provided by RailTex. ISRR's headquarters are located in Petersburg, Indiana, where ISRR has a nine track yard, with two service tracks. The Petersburg facility also houses a new

enclosed two track locomotive and car repair shop. ISRR also maintains a facility at Worthington, Indiana for our transportation employees and one at Spencer, Indiana for our maintenance of way employees.

ISRR's traffic base has grown consistently since we began operations from nearly 36,000 cars on an annualized basis in 1992, to an estimated 66,000 cars in 1997. The major commodity handled is coal, which comprises 95 percent of ISRR's total carloads. ISRR's gross revenues in 1996 were approximately \$9 million. Our major customers are IPL, Black Beauty Coal Company, Ferro and Whirlpool.

It is well known that shortline railroads have a lower cost structure than the Class I carriers and, therefore, have been successful at growing business on former Class I branch lines. ISRR is no exception to this success story in the railroad industry. ISRR operates with limited overhead and fixed costs. Our employees are cross-trained to perform many duties thereby eliminating the need to hire additional employees to handle separate functions. ISRR has worked hard at reducing its costs to the bare minimum and providing economical service to its customers. ISRR cannot reduce its costs any further without adversely impacting the quality of its service and the maintenance of its physical plant.

Due to the competitiveness of the Indiana coal market, ISRR's revenue per carload has continually declined since ISRR first began operations. We fully expect this downward pressure on rail rates to continue. ISRR is thus continually forced to search for additional productivity and efficiency gains.

ISRR has remained competitive for IPL's coal traffic moving to the Perry K and E.W. Stout generating stations, even though ISRR does not serve either of those plants directly. IPL has been ISRR's largest customer. In 1996, ISRR generated gross revenues of over \$1.5 million from traffic originated by ISRR to the Perry K and Stout plants. The loss of these revenues would have a devastating effect on ISRR. ISRR would immediately have to begin cutting costs and service. Without the IPL traffic, it is unlikely ISRR could continue to justify its presence in Indianapolis, which would further reduce rail service to a city already seeing the loss of one of its two Class I carriers. The most immediate cost savings ISRR could achieve would be to abandon its line north of milepost 17, near Mooresville, Indiana and sever its ties to Indianapolis. The shippers located on that line would be left without rail service. ISRR is continuing to study other cost saving options which would have the least impact on its remaining customers.

Even though IPL's two plants are not located on the ISRR, ISRR has remained competitive for coal traffic moving to those two facilities with the cooperation and assistance of CRC. The Perry K plant is located on a CRC line in Indianapolis. To the best of my knowledge, CRC does not serve any coal mines in Indiana. Therefore, the Perry K plant has the option of originating coal either on the ISRR or on the INRD, with CRC providing the switching service in Indianapolis. As between ISRR and INRD, CRC is a neutral terminating carrier, having no incentive to favor one over the other. CSXT, however, will have a strong economic incentive to favor INRD, since INRD is 89 percent owned by CSXT. Through rate and service actions, CSXT will be able to render ISRR's service to the Perry K plant uneconomical or inefficient.

IPL's Stout plant is located on the INRD. ISRR has been a competitor for coal movements to the Stout plant via CRC in Indianapolis and via INRD at Switz City. CRC has

cooperated with ISRR and has provided an economical and efficient switch service in Indianapolis to the INRD for delivery to the Stout plant. CRC's rates and service have enabled ISRR to remain competitive for this traffic. CSXT will have no incentive to assist ISRR and undoubtedly will favor its affiliate. In summary, the replacement of CRC with CSXT in Indianapolis will result in ISRR losing its largest customer and IPL losing alternative rail service.

The trackage rights NSR is to receive to Indianapolis would be of no benefit to either ISRR or IPL. Since NSR is not permitted to connect with ISRR, NSR could not serve as a replacement switch carrier for ISRR on coal movements to the IPL plants. NSR's trackage rights into Indianapolis also do not offer IPL a competitive or efficient alternative coal route to the IPL plants. NSR will have no viable way of moving coal from eastern locations, let alone from the nearby southwestern Indiana coal mines.

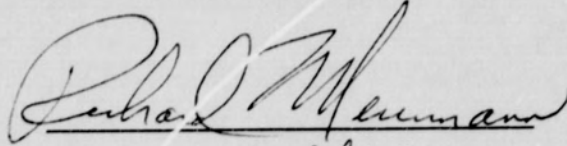
ISRR also seeks trackage rights to serve the customers in Indianapolis and the nearby communities that will lose competitive rail options as a result of the carve up of CRC. ISRR, as a low cost, shortline railroad, offers to preserve the competitive options these shippers have today by providing an efficient and economical switching service to nearby Class I connections. The service ISRR would offer is the same switching service ISRR offers its customers today to the four Class I connections. In addition, ISRR seeks access to the three other shortlines operating in Indianapolis: the Central Railroad Company of Indiana, the Central Railroad Company of Indianapolis and the Louisville & Indiana Railroad Company. We at the ISRR believe that there are opportunities for rail movements between the respective shortlines in the Indianapolis area. For example, there is the possibility of hauling corn from the other shortlines to a new facility

locating on the ISRR. The traffic ISRR seeks to attract now moves by truck and is of no interest to Class I carriers.

In conclusion, the transaction proposed by CSXT and NSR will result in ISRR losing its largest customer. Its largest customer, in turn, will lose competitive rail service. The transaction will also result in a loss of any meaningful rail competition for many shippers in indianapolis and the surrounding areas. The conditions requested by ISRR will have a dual beneficial effect. ISRR will be able to continue providing essential services to the customers on its rail line. At the same time, ISRR will be able to preserve rail competition in the area by offering efficient, reliable and economic rail service.

VERIFICATION

I, Richard Neumann, verify under penalty of perjury that the foregoing Verified Statement is true and correct to the best of my knowledge and belief.

A handwritten signature in cursive script, appearing to read "Richard Neumann", written over a horizontal line.

Executed on October 17, 1997