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Mr. Vernon Williams
Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423

Re: **Finance Docket No. 33388 (Sub No. 80)**
CSX and NS -- Control -- Conrail
* * *
Responsive Application of Wheeling & Lake Erie Railway Company

Dear Mr. Williams:

Enclosed for filing in the above docket please find an original and 25 copies of the Responsive Application of the Wheeling & Lake Erie Railway Company. Also enclosed are computer disks containing the Application.

The appropriate filing fee is enclosed, and a letter by the Chairman of the W&LE authorizing this filing is attached.

FEE RECEIVED
OCT 21 1997
SURFACE TRANSPORTATION BOARD

FILED
OCT 21 1997
SURFACE TRANSPORTATION BOARD

Copies of the Responsive Application are being mailed to counsel for parties of record.

Will you kindly stamp and return the enclosed copy of this service letter when the Applications are filed.

Very truly yours,

Charles H. White, Jr.

Counsel for Wheeling & Lake Erie
Railway Company

Enclosure

cc: Counsel for Parties of Record

WHEELING & LAKE ERIE RAILWAY COMPANY

Larry R. Parsons
Chairman & Chief Executive Officer

100 East First Street
Brewster, OH 44613

330-767-3401 (Ext. 1293)

Fax: 330-767-4327

October 20, 1997

The Honorable Vernon A. Williams
Office of the Secretary
Surface Transportation Board
Attention: STB Finance Docket No. 33388 (Sub.-No. 80)
1925 K Street, NW
Washington, DC 20423-001

Dear Mr. Williams:

I am Larry R. Parsons, Chairman & Chief Executive Officer of Wheeling & Lake Erie Railway Company. I am familiar with the Company's submission in the above docket which I authorize for filing with the Surface Transportation Board.

Very truly yours,

Larry R. Parsons

Larry R. Parsons

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WLE-4

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388 (Sub No. 80)

CSX and NS -- CONTROL -- CONRAIL

RESPONSIVE APPLICATION OF
WHEELING & LAKE ERIE RAILWAY COMPANY

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Dated: October 21, 1997

W.&L.E.

TABLE OF CONTENTS

SECTION 1180.6

INTRODUCTION

By this Responsive Application, the Wheeling & Lake Erie Railway Company ("W&LE") seeks certain trackage rights and related relief in order to remain a viable provider of essential rail services, and to avoid the difficulties of bankruptcy and/or inclusion back into its progenitor, the Norfolk Southern ("NS"). As W&LE's Chairman Larry Parsons states in his verified statement, the "new" W&LE was originally reconstituted as a response to the Antitrust Division's demand for a NS divestiture in a threatened area (which corresponds to W&LE's operating franchise) should NS prevail in its attempt to control Conrail as a means to that carrier's "privatization." After that attempt failed, NS nonetheless spun off W&LE.

W&LE's underlying rationale is equally relevant today. Even though CSXT is on the scene, the basic question of the appropriate rail mix of consolidating Class I's, regionals, and short lines is pressing. As Chairman Parsons points out in his testimony, as a witness at the highest levels to the planning for SP integration into UP, he believes the potential for rail chaos now plaguing the western U.S. is even higher in the industrialized east. This calls for the preservation of regionals both for competitive and operational reasons as touched on by W&LE President Steven Wait.

On a more immediate level, the W&LE is facing a profound change in its competitive marketplace which is threatening its ability to remain a viable provider of essential services, if not to remain solvent. As W&LE Vice President Reginald Thompson points out, W&LE's most important source of interline revenues, NS, is now purchasing W&LE's principal competitor, Conrail. These changes will profoundly and adversely affect W&LE. In order to survive in this new environment, W&LE is seeking targeted trackage rights to protect traffic flows and certain services.

Unfortunately, W&LE has thus far failed to reach an adequate pro-competitive accommodation with NS thus necessitating this filing.

W&LE remains willing to find a negotiated solution to preserve its viability. At the same time, it must state that if those efforts are not successful, and the Board chooses not to order adequate ameliorating conditions, W&LE's ability to provide essential services is doomed. (See the financial statements and pro formas sponsored by W&LE CFO Mokodean, and the analysis provided by expert witness Pinkerton.) W&LE management may well face the difficult decision of seeking bankruptcy and/or inclusion relief within the time frame embraced by this proceeding and the expected oversight period.

As the W&LE was originally conceived to provide some competitive relief to a NS/Conrail combination in the Pittsburgh/Chicago Corridor, the failure of its reason for being by virtue of non-viability may well warrant a reversionary inclusion.

Inclusion is not, however, W&LE's preferred alternative. Further, it may even exacerbate the larger problem of preserving regional railroads as competitive and operational safety valves if the operational problems arising out of overconcentration in the west are to be avoided in the more demanding eastern railroad environment. (See Larry Parsons' verified statement.) This is the overriding policy issue facing the Board in this proceeding.

SECTION 1180.6(a)(1)(i)

SUMMARY OF TRANSACTION

Wheeling & Lake Erie's trackage rights requests are consistent with the Antitrust Division's original divestiture request which resulted in the reconstituted W&LE. In its report, the Division studied a corridor bounded on the east by Buffalo and Pittsburgh, and on the west by Chicago and St. Louis. It identified certain counties along the Corridor to be particularly vulnerable and in need of relief. NS formed W&LE to serve the identified Ohio counties, and reach Pittsburgh via a difficult terrain railroad, the Pittsburgh West Virginia ("PWV"). However, a western connection as suggested by the Division was never made.

In seeking trackage rights to Chicago, W&LE is not being opportunistic, but rather is seeking to protect current traffic flows, and to provide an operational alternative to relieve congestion around the Cleveland Metropolitan area. (See S. Wait verified statement.) Trackage rights are also sought for Toledo access. This was potentially offered by NS before it took its proposals "off the table" because W&LE filed the instant Responsive Application. The other trackage rights or access requests are primarily shipper or traffic specific (see L. Parsons' and R. Thompson's verified statements).

Importantly, W&LE also seeks the Board's oversight of its requested trackage rights relief in order to ensure fairness in implementation. It also requests fairness in joint facility obligations.

SECTION 1180.6 (a)(1)(ii)

PROPOSED TIME SCHEDULE

The trackage rights and related relief should become effective simultaneously with consummation of the Primary Application, if approved by the Board. The Board should also maintain a close oversight condition and specifically provide a mechanism for an inclusion proceeding should Wheeling & Lake Erie fail during the pendency of that oversight.

SECTION 1180.6(a)(1)(iii)

PURPOSE

The purpose of this Responsive Application is straightforward: to preserve the essential rail service provided by the Wheeling & Lake Erie by keeping that carrier viable.

A transcending purpose is to keep a healthy mix of different railroads in the post-merger eastern railroad territory. Regional railroads must play an increasingly important role if the nation is to avoid both undue concentration in the rail network, and the operational chaos now stifling railroad dependent industries in the west. (See Parsons' and Wait's verified statements.)

SECTION 1180.6(a)(1)(iv)

NATURE AND AMOUNT OF ANY NEW SECURITIES OR OTHER FINANCIAL ARRANGEMENTS

(not applicable)

SECTION 1180.6(a)(2)

PUBLIC INTEREST JUSTIFICATIONS

Public interest justifications for W&LE's requested relief are clear. Operating on property largely "cast off" by Class I's, W&LE has developed essential rail service as demonstrated by its shipper support. These services are now jeopardized by the impact of NS's assumption of the Conrail franchise it created W&LE to compete against.

One particular shipper deserves special attention, Stark Development Board's Neomodal Terminal. The state of the art intermodal terminal was created through an imaginative combination of federal, state, and local funding which President Clinton called a model of public/private partnership (see verified statement of Joe Stadelman and Stark Development Board's own Responsive Pleading, SDB-4). Neomodal Terminal was specifically located on the Wheeling & Lake Erie because the regional carrier, with connections to multiple Class I's, would best assure competitive rail rates and the broadest reach via its connections. Neomodal's rationale is correct. But it is jeopardized by W&LE's own underlying jeopardy raised by the Primary Application. The Stark Development Board's (Neomodal Terminal) political support therefore carries over to W&LE.

Finally, the public interest considerations raise the overriding question of what kind of rail system mix is appropriate to the east. Speaking from first-hand experience, Chairman Parsons shows that healthy regional railroads are a necessary element if the nation is to avoid a "western" railroad situation in this case.

SECTION 1180.6(a)(2)(i)

EFFECTS ON COMPETITION

The proposed trackage rights and related relief will allow W&LE to continue to compete within its market. As Mr. Thompson points out, W&LE will probably not take a great deal of traffic away from the dramatically expanding Class I carriers, NS and CSXT. On the other hand, preservation of W&LE as a viable "rate policeman" in this congested area will have an important impact on contested traffic flows. The Wheeling has been successful in developing new traffic because of its service and attention to individual shipper needs. Granting its requested relief will allow this to continue.

The preservation of a viable W&LE is also critically important to the effectuation of Neomodal Terminal's intermodal efficiencies, and to the services provided to Ohio's intrastate stone shippers. NS has greatly underused the Neomodal Terminal resources and CSXT's use may be foreclosed by either W&LE's failure or absorption back into NS. Similarly, the Class I's have largely neglected or avoided the stone shippers. These two shipper categories greatly need a viable W&LE.

In short, granting W&LE's responsive request will allow competition to benefit Ohio shippers and receivers along the Pittsburgh/Chicago Corridor.

SECTION 1180.6(a)(2)(ii)

FINANCIAL CONSIDERATIONS INVOLVED IN THE PROPOSED TRANSACTION

As Mr. Thompson states, the proposed responsive relief will only allow W&LE to compete against the very much larger CSXT and NS, and in the later case, the NS will be able to compete against W&LE either by using its new single system routes to heretofore competitive Conrail points against W&LE/NS joint routes, or by means of tying arrangements with multiplant shippers beyond the reach of W&LE. In short, W&LE relief, far from a windfall, seeks to make up for lost revenues directly caused by the Primary Application (see Thompson, verified statement, Appendices A and B). W&LE expert witness Pinkerton reaches the same conclusion as to the need for the responsive relief to avoid non-viability. See also the pro-forma statements sponsored by CFO Mokodean.

SECTION 1180.6(a)(2)(iii)

EFFECT OF INCREASE IN TOTAL FIXED CHARGES

(indeterminate at this time prior to Board's grant of relief)

SECTION 1180.6(a)(2)(iv)

EFFECT ON ADEQUACY OF TRANSPORTATION

As pointed out above, W&LE plays an important competitive role in the Ohio segment of the Pittsburgh/Chicago Corridor. However, when NS assumes Conrail's position as W&LE's competitor, it will have the ability to foreclose much of W&LE's joint line NS competitive service. To remain viable, W&LE needs the access outlined in its request for conditions.

If W&LE is rendered non-viable, its presently dependent shippers on previously cast off Class I lines, the Neomodal Terminal, and the Ohio intrastate stone shippers will be left without adequate -- in some cases without any -- rail service. Important shippers would also lose the discipline of W&LE as a "rate policeman."

W&LE's requested relief is necessary to preserve competitive rail service in the Pittsburgh/Chicago Corridor and to preserve the position of a regional railroad in the heart of the concentrating Class I rail market in the east.

SECTION 1180.6(a)(2)(v)

EFFECT ON EMPLOYEES

The Wheeling's requested relief may avoid the necessity of downsizing caused by the Primary Application's anticipated diversions.

SECTION 1180.6(a)(2)(vi)

EFFECT OF INCLUSION OF OTHER RAILROADS

As stated throughout, inclusion remains a remedy under consideration by W&LE management if adequate conditions are not offered by the Applicants or ordered by the Board. W&LE was created by NS to provide rail competition in a corridor defined by the Antitrust Division. The present primary application in which NS will assume Conrail's competitive position vis-à-vis W&LE will, if inadequately conditioned, give NS the power to destroy its creation and competitive position in that corridor.

In that light, W&LE specifically requests that the Board take particular care to craft its oversight condition to reserve jurisdiction to entertain an inclusion petition should financial considerations make that necessary as an alternative to bankruptcy liquidation during the oversight period.

SECTION 1180.6(a)(3)

OTHER SUPPORTING STATEMENTS

Various shipper statements attest to W&LE's essential service. Among the most important is Neomodal Terminal's. Reflecting its national significance as a model for public/private cooperation, a leading proponent of this example of innovative financing, Congressman Regula, makes a particularly strong presentation.

Also, a supporting statement of a different kind is worthy of special note. See statement of Linda Bornancin of Reserve Iron & Metal. Reserve as one of the shippers in the 2-1 category specifically chooses W&LE to be its "replacement" carrier.

SECTION 1180.6(a)(4)

OPINION OF COUNSEL

(will be attached at the end of this volume)

SECTION 1180.6(a)(5)

LIST OF STATES

The Wheeling & Lake Erie presently operates in:

Ohio
West Virginia
Pennsylvania
Maryland

SECTION 1180.6(a)(6)

MAP [EXHIBIT 1]

A system map, along with two maps entitled "Current Wheeling & Lake Erie, Conrail, and Norfolk Southern" and "Post Acquisition of Conrail by Norfolk Southern" are enclosed as Exhibit 1.

SECTION 1180.6(a)(7)(i)

NATURE AND TERMS OF PROPOSED RELIEF

W&LE's relief is in the form of carefully coordinated trackage rights, leases with right to purchase and haulage rights. Additionally, W&LE is asking for Board oversight so that any rights granted be fairly administered in a non-discriminatory manner. (See Messrs. Parsons' and Wait's verified statements concerning the particular conditions.)

SECTION 1180.6(a)(7)(ii)

AGREEMENTS

There are no agreements between W&LE and NS (or CSXT). In fact, NS informed W&LE management that it would withdraw its preliminary offers if W&LE persisted in filing its Responsive Application.

SECTION 1180.6(a)(7)(iii)

DESCRIPTION OF RESULTING COMPANY

(not applicable)

SECTION 1180.6(a)(7)(iv)

COURT ORDER

(not applicable)

SECTION 1180.6(a)(7)(v)

PROPERTY INCLUDED IN PROPOSED TRANSACTION

The condition requests are described in S. Wait's verified statement.

SECTION 1180.6(a)(7)(vi)

DESCRIPTION OF PRINCIPAL ROUTES

The Wheeling & Lake Erie reaches from Hagerstown, Maryland to Pittsburgh, then in a northwesterly routing across Ohio to Cleveland and beyond. It presently has trackage rights to Huron Dock on Lake Erie. The density chart [Exhibit 14] shows the bulk of W&LE traffic to be in its northwest quadrant.

SECTION 1180.6(a)(7)(vii)

GOVERNMENTAL FINANCIAL ASSISTANCE

None contemplated at this point. However, please see Neomodal Terminal testimony (Joe Stadelman verified statement) which demonstrates the magnitude of the governmental investment put at risk by an unconditioned grant of the Primary Application.

SECTION 1180.6(a)(8)

ENVIRONMENTAL DATA

The verified statement of no significant environmental impact has previously been forwarded to the Board.

SECTION 1180.6(b)(1)-(4)

(not applicable)

SECTION 1180.6(b)(5)

RELEVANT ISSUES -- [EXHIBIT 10]

In W&LE's Responsive Application, the relevant issues are:

1. Effect of the Primary Application on W&LE's ability to provide essential rail services.

2. Adequacy of requested conditions to assure W&LE's viability.

3. If W&LE is rendered non-viable, the initiation of an inclusion proceeding.

4. Role of regional railroads in the emerging railroad market in the east.

SECTION 1180.6(b)(6)

CORPORATE CHART - EXHIBIT 11

and

SECTION 1180.6(b)6)(i)

STATEMENT OF COMMON OFFICERS AND DIRECTORS

The Corporate Chart, along with the corporate officers of each subsidiary, are attached hereto as Exhibit 11.

SECTION 1180.6(b)(6)(ii)

CARRIER STATUS LIST

and

SECTION 1180.6(b)(7)

INFORMATION ON NON-CARRIER APPLICANTS

In the corporate chart [Exhibit 11], the Wheeling & Lake Erie Railway Company and the Akron, Barberton Cluster Railway Company are carriers by rail. Intermodal Operators Inc is not a carrier; it operates the Neomodal Terminal. Wheeling Technologies is not a carrier. It is involved with equipment maintenance and engineering.

SECTION 1180.6(b)(8)

DIRECT OR INDIRECT INTERCORPORATE OR FINANCIAL RELATIONSHIPS

The corporate relationships of Responsive Applicants are fully described in Exhibit 11.

SECTION 1180.7

MARKET IMPACT ANALYSIS -- EXHIBIT 12

Mr. Reginald Thompson, W&LE Vice President of Marketing, studied and projected diversionary losses at the individual shipper level in his verified statement. Appendix A of that statement -- which is submitted as Exhibit 12 -- contains disaggregated diversion data totaling more than $12 million in the first year.

Mr. Thompson also attempts to quantify the potential relief to be gained if the conditions are granted. Stating that the requested relief is only the ability to compete against the vastly stronger and growing NS and CSXT systems, his analysis shows that, even assuming aggressive marketing, W&LE will still be in a negative posture if the conditions are granted.

SECTION 1180.8(a)(5)

DENSITY CHART -- EXHIBIT 14

A density chart is submitted for W&LE.

SECTION 1180.8(b)

OPERATING PLAN (MINOR TRANSACTION) EXHIBIT 15

Recognizing both the relatively minor and contingent nature of the relief sought, the operating plan is contained in the verified statement of President Steven Wait, infra.

SECTIONS 1180.9(a)-(c)
EXHIBITS 16, 17, 18

PRO FORMA BALANCE SHEETS, INCOME STATEMENTS, AND SOURCES AND APPLICATION OF FUNDS STATEMENTS

These pro-forma statements are sponsored by CFO Mokodean and are attached to his verified statement.

SECTION 1180.9(e)

CURRENT BALANCE SHEETS AND INCOME STATEMENTS
EXHIBITS 20 AND 21

W&LE's current balance sheets and income statements are submitted after CFO Mokodean's verified statement.

PRAYER FOR RELIEF

The exhibits and verified statements submitted herewith will show that, without appropriate relief, W&LE will be rendered non-viable. Given its role of: providing essential rail service to shippers on properties neglected or cast off by Class I's; providing essential service to Neomodal Terminal as funded by an innovative public/private partnership; providing essential rail service to intrastate Ohio stone shippers largely avoided by the Class I's; providing rate competition to important shippers in the Pittsburgh/Chicago Corridor; and perhaps most important, providing competitive regional rail service in the heart of industrial east in an era of Class I consolidation, we respectfully request that the Board:

1. Grant the conditions sought by W&LE;

2. Retain oversight jurisdiction concerning the fair implementation of the conditions; and

3. Retain specific jurisdiction to entertain an inclusion petition should the Wheeling & Lake Erie become non-viable during the oversight period.

Respectfully submitted,

Charles H. White Jr.

Counsel for the Wheeling &
Lake Erie Railway Company

October 21, 1997

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GEORGE F. GALLAND (1910-1985)

WRITER'S DIRECT DIAL NUMBER
(202) 342-6789

October 21, 1997

VIA HAND DELIVERY

Mr. Vernon Williams
Office of the Secretary
Surface Transportation Board
1925 K Street, NW
Washington, DC 20423

Re: Finance Docket No. 33388 (Sub No. 80)

CSX, NS -- Control -- Conrail
Responsive Application of
Wheeling & Lake Erie Railway Company

Dear Mr. Williams:

I serve as counsel to the Wheeling & Lake Erie Railway Company ("W&LE") in these proceedings. In my opinion, W&LE's request for conditions complies with the Board's regulations, and its contingent request for the initiation of an inclusion proceeding if it fails during the oversight period is appropriate under the circumstances of this case.

Very truly yours,

Charles H. White, Jr.

Counsel for Wheeling & Lake Erie Railway Company

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**RESPONSIVE APPLICANT'S
VERIFIED STATEMENTS**

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388 (Sub - No. 80)

VERIFIED STATEMENT

OF

LARRY R. PARSONS

My name is Larry Parsons. I am Chairman, CEO, and majority shareholder of the Wheeling & Lake Erie Railway Company ("W&LE"). I assumed this position in March of 1992. My tenure at W&LE was interrupted for important service with western railroads. I served with Southern Pacific as Executive Vice President Operations from June 1995 to November 1996. I then joined Union Pacific as Vice President Operations for Southern Pacific Lines where, from November 1996 to January 1997, I was responsible for all operating matters on the former SP property, and was involved in the initial planning and initiating the early implementation of the SP integration with UP. While these were exciting and challenging assignments, I chose to return to my duties at W&LE in early 1997.

Prior to joining W&LE, and the assignments with UP/SP, I served as Senior Vice President and COO of Kansas City Southern Railway Company. I also served as Vice President of Marketing and of Administration at KCS.

My longest period of rail service was with the Denver & Rio Grande Western Railroad where I served as Vice President - Operations, Chief Transportation Officer, and various other operating positions between 1968 and 1989.

In addition to international consulting assignments for the World Bank and European Development Bank relating to railroad development in emerging economies, I was also appointed by the Governor of Ohio to be the rail freight representative and Commissioner on the Ohio Rail Development Commission and served as Chairman of the Operating Committee during my tenure. I believe I have sufficient background to be the policy witness for W&LE, and to provide an expert opinion on both eastern and western US railroading.

In order to fully appreciate W&LE's position in this proceeding and the dire consequences of the traffic diversions of the merger, which were grossly understated in the Joint Application, I think it is first appropriate to outline W&LE's history in both its original and "new" forms.

History of the Wheeling & Lake Erie

The original W&LE was incorporated in 1871 to connect the coal originating Ohio River port town of Wheeling, West Virginia with a Lake Erie port. Sandusky, Ohio was the original anticipated northern terminus, however, after line construction was begun, the original plan ran into financial difficulties. By coincidence, in 1880 financier Jay Gould began to connect his Wabash line with the Central of New Jersey by constructing a new line across Ohio. This line would parallel W&LE's graded but unfinished right of way for part of its way across the state. In order to accommodate a section of this trans-Ohio line, Gould's agents acquired a block of W&LE shares. W&LE, in turn, used this infusion of capital for its own construction purposes. W&LE began operating between the Huron dock on Lake Erie and Massillon, Ohio in 1892 and pushed on to Toledo later that year. The basic core of the original W&LE was, thus, in place before the turn of the century.

Over the succeeding years, control of W&LE passed to the Nickel Plate which leased the property in 1949. W&LE's corporate form continued to exist after the Nickel Plate itself was merged out of existence by its successor, the Norfolk & Western. N&W's successor, Norfolk Southern, however, dissolved the original W&LE in 1989.

The historic franchise was not to be dormant for long. The bulk of the old W&LE, along with the Pittsburgh & West Virginia ("PWV") was resurrected as the "new" Wheeling & Lake Erie in May, 1990.

At the outset of my review of the creation of the new W&LE I want to state my disappointment with NS's treatment of W&LE after it created the new railroad. After W&LE relied on presale consulting projections for adequate coal movements to support its revenues for at least five years, NS actively captured what little was left of an almost immediately disappearing coal flow. In addition, both the "marketing alliance" agreement and the NS equipment lease, (for our initial locomotive and car supply) were part of the original sale and were very one sided in favor of the NS. I was instrumental in terminating both agreements in order to pursue more reasonable terms. However, it would be unfair to fail to note the NS's cooperation in the 1994 W&LE debt restructuring with our lenders where the NS's forgiveness of debt and prospective relief of a portion of P&WV lease payment/obligations for 5 years allowed us to go forward with that transaction.

After beginning constructive negotiations in this case, NS effectively stopped further negotiations when we did not accept their "best offer" in a letter dated August 12th, 1997. We requested the opportunity to explore other solutions to make up what we believed was the shortfall of revenues based on that offer but have received no response of substance. On October 16, near the very threshold of the completion of our responsive application, we received a clarification of their earlier letter and a statement that everything offered (except some stone access) would be withdrawn if we filed with the STB. This forced us to file these responsive pleadings to protect the very future of the now jeopardized carrier which the NS created. I now believe these actions are consistent with the real purpose of disabling its new regional competitor post merger.

I believe that the strategic recreation of W&LE in 1990 had its origins in NS's earlier, mid 80's attempt to control and exploit Conrail's lines in Ohio.

The recent history of the "new" W&LE is inextricably tied to NS's attempts to control Conrail. When the issue of Conrail's "privatization" was first raised, NS moved to acquire the Conrail shares from the government. This move, as is well known, triggered an intense battle between CSX and NS, and, in turn, generated equally intense scrutiny by the various interested arms of government.

The Antitrust Division initiated a thorough evaluation of NS's attempted acquisition and identified areas of "significant concern" which include Cuyahoga, Jefferson, Stark and Lorain Counties in Ohio. (See Report of J.P.McGrath, Assistant Attorney General, Antitrust Division, attached as Appendix A). This is the basic "footprint" of the new W&LE. Moreover, the Department identified Jefferson County, Ohio to be an area of "particularly acute" concern because of a 2 - 1 reduction problem. (Id at 5). In order to offset its concerns in the Pittsburgh/Chicago Corridor, the Department demanded a focused divestiture in this territory by either Conrail or NS as a precondition to any NS control of Conrail.

I have reason to believe that the recreation of the W&LE in this described territory was NS's response to the Antitrust Division's divestiture demand. This would-be new W&LE, added to the then-viable Pittsburgh & Lake Erie, was supposed to offset the clearly anticompetitive aspects of a Conrail/NS combination in the Pittsburgh/Chicago Corridor.

Of course, it is well known that the original Conrail control plan did not succeed, and that the P&LE did not survive deregulation and the radical change in the Pittsburgh - centered steel industry. What is not so well known is that the creation of the new W&LE could be seen as the divestiture mechanism intended to bring competition to the new NS/Conrail combination in the Pittsburgh/Chicago Corridor. This fact, coupled with the excessive price of the later W&LE spin off (thus imposing debt burden constraints to effective competition) appeared to assure the new NS/Conrail combination of not-too-worrisome competition despite the technical compliance with the Antitrust Division's divestiture order. The initial debt problem was partly the result of a faulty consultant study by Woodside Group which erroneously projected for the new W&LE $40 million in operating revenues and five years of coal traffic originations despite the passage of the Clean Air Act. Coal traffic was extraordinarily important for the new W&LE. Its projections accounted for a signficiant part of the revenues and a very high percentage of the new railroad's margins.

In any event, after Conrail was privatized through a general stock sale, the already "packaged" W&LE was then spun off. In my view, in addition to addressing some of the Antitrust Division's concerns in any later Conrail control attempts, the recreation of W&LE also allowed NS to establish a temporary low cost joint line competition with Conrail in the identified territory --- temporary until NS finally succeeds in controlling Conrail in the Pittsburgh / Chicago Corridor.

While handicapped by capital constraints, I believe that W&LE has shown that, despite its debt burden, it can and does provide essential competitive rail service to its shippers in its part of the corridor between Pittsburgh/Chicago. But this essential rail service leads to an irony --- what was originally conceived to solve potential anticompetitive problems in an aborted merger is now itself being seriously threatened in the face of the actual NS/Conrail combination. And this threat by means of substantial traffic diversion can cripple W&LE's essential rail service over the short term and eventually lead to our financial failure. Of course the real losers in this case will be our shippers, new and old, who have come to rely on our essential rail services. The evidence which leads to this conclusion is contained in the Verified Statements of Reginald M. Thompson, Michael D. Mokodean, and Wilbert A. Pinkerton.

In order to outline our competitive service within the W&LE part of the Pittsburgh/Chicago rail corridor I will describe the new W&LE, which differs somewhat from the old W&LE. I will also describe our physical growth and financial restructuring.

The new W&LE as reconstituted in the NS sale of 1990 was different from the W&LE that was absorbed into the Nickel Plate in the late 40's and the N&W in the 60's. The 1990 system sale did not convey rights to Toledo and did not have access to Huron dock (nor any other access to Lake Erie). The Cleveland line was in disrepair and out of service and the Brewster to Zanesville line had been recently sold to the Ohio Central.

There were two additions, however. One was the Akron Canton & Youngstown route between Carey, and Mogodore, Ohio. The other was the P&WV which had been leased to the N&W in the mid sixties and that lease was essentially assigned to the W&LE as part of the NS 1990 sale. The 112 mile **P&WV** has been both an opportunity and a burden. The annual lease payments are $915,000 / year * and the railroad line is difficult to maintain with many bridges and tunnels and

* It should be noted that the NS helped defray P&WV payments for 5 years after debt restructuring. While they have not agreed to forgive recent defaults during the Wheeling Pitt strike, they have not forced payment obligations.

few shippers. While the W&LE partnership with NS allowed it to compete successfully for US Steel traffic out of Pittsburgh (Irvin Works)new NS access to that plant over former Conrail tracks as a result of the merger will essentially take away the most profitable W&LE traffic left on the P&WV. The P&WV lease included trackage rights over CSX to Hagerstown, MD (Western Maryland trackage rights given to N&W by the ICC in the B&O / C&O merger). These trackage rights have been used for occasional grain traffic and more recently used for a brief period for NS double stack haulage traffic between Detroit and Norfolk via W&LE from Bellevue through Hagerstown. This haulage disappeared around the time the second phase of the merger was announced. The Conrail route to be obtained by NS in the merger would obviate any future NS need for this haulage route. However, it remains potentially a highly efficient route structure between Baltimore and Toledo (and Chicago).

Since my arrival at the W&LE there have been three significant additions to the W&LE's system. The first and foremost was the purchase of the Akron & Barberton Belt Railroad (a joint facility owned 50% by Conrail) and the additional Conrail trackage in the Akron area called the Akron Cluster. Conrail had decided to depart the Akron market and preferred a sale to W&LE than to CSXT because the W&LE could remain a competitive force and retain Conrail's access to the Akron market. The new Akron Barberton Cluster Railway (ABC) has been a great success story (Please see the Verified Statement of James Johnson of Empire Wholesale Lumber). Where the old joint facility had consistently lost money, the new ABC has paid off its debt in three years, has consistently paid profit sharing to its employees and is now paying dividends to its parent to help defray debt. We regard ABC's fine track record for service with its customers, new and old, to be as important as its financial success.

Just as Conrail sought a way to depart the Akron market because of marginal traffic, CSXT departed the Canton market by means of the sale of the south Sandyville line and the lease and abandonment of the northern portion. In 1992 CSXT and W&LE entered into a conditional sale agreement for the south portion of the line and an operating lease agreement for the north. CSXT then abandoned the North Canton to Akron part of the line.

The significance of these two acquisitions is that the W&LE is CSXT's only competition for the many shippers in Akron and Conrail's only competition in Canton where Timken and Republic Engineered Steel are located (among the many other shippers in the area).

Finally, the W&LE purchased from CSXT in 1992 the rail line between Martins Ferry, Ohio and CSXT's Benwood yard in West Virginia (including the Benwood bridge over the Ohio River). This line sale helped create a haulage arrangement for CSXT's Benwood to Willard freight which averaged approximately 8,500 carloads per year in 1995 and 1996 for the W&LE. The haulage traffic promptly ceased about the time the first phase (ie. CSX/CR) of the present merger was announced but the route remains as one of potentially significant capacity and efficiency for CSXT.

While not an acquisition, NS did negotiate a restricted, contingent Huron dock lease with the W&LE and restricted trackage rights to the dock for taconite destined to Wheeling Pittsburgh Steel (and NS postponed lease payments during the Wheeling Pitt strike).

Turning from the physical structure of the railroad, I will summarize the financial history of the W&LE. The W&LE was purchased for $42 million (not including any imputed value of a NS equipment lease which was terminated shortly after I arrived at the W&LE). The railroad incurred approximately $42 million of debt based upon a study by Woodside Consulting Group of Menlo Park, Ca. that indicated, among other things, that the W&LE would generate about $40 million in annual revenues and that coal revenues which comprised roughly 25% of W&LE's most profitable traffic would remain for 5 years. Within 6 months the W&LE's original management team found that the railroad's performance was not going according to plan. The W&LE was in default of virtually all bank covenants. The W&LE financial situation continued to deteriorate in 1990 and 1991 as revenues were grossly inadequate to cover the debt load.

It is worthy of note that the Woodside Consulting Group was the consultant in 1990 upon whom the original W&LE management, lenders and equity relied for revenue projections in the sale. Woodside Group is also the consultant hired by the NS to measure W&LE's merger losses. Woodside was as grossly in error for the overstating revenue projections in the 1990 sale transaction as they are currently grossly in error for underestimating the revenue losses which the W&LE will sustain in this merger. **

The Board of Directors let most of the original management team go in 1991 and in April of 1992, I was brought in to cut the railroad's losses, increase its revenues and attempt to restructure the debt. By summer of 1992 I had a new management team in place. Based on the Woodside report, which should have taken into account the impact of the Clean Air Act on Ohio coal producers and the W&LE coal traffic base, I believed we still had at least 3 years to replace any loss of coal revenues. By 1993 the coal traffic we interchanged with NS to the CEI Avon Lake, Ohio power plant had gone entirely to the NS with a new NS low sulphur coal source. We also lost the East Lake, Ohio CEI coal traffic which we interchanged to Conrail which then went single line to

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** An example of Woodside's persistent misunderstanding of W&LE's traffic base is attached as Appendix B.

a Conrail coal source. Nonetheless the W&LE doubled its non coal revenues within a year with new and old shippers. Despite the loss of high margin coal revenues we found a basis to restructure our debt with our lenders.

By November of 1994, our lenders, Bank of America and the Bank of New York, as well as our creditor the NS, had agreed to a debt restructuring which roughly halved our recourse debt and set up a security agreement for payments on a non-recourse note. To date we remain in compliance with our lenders, despite severe recent losses due to a 10 ½ month strike by our largest customer Wheeling Pittsburgh Steel. I believe it is a remarkable success story that the W&LE could sustain the loss of 25% of its traffic base for almost a year and survive while continuing to provide excellent service to its shippers. (I attach a Railway Age article as Appendix C).

Despite our being substantially ahead of schedule in paying down our debt, we still remain highly leveraged and thus extremely concerned about the effects of the proposed Conrail merger. Our current financial position is stable despite the remaining effects of the Wheeling Pitt strike. Our financial status is well documented in the Verified Statement of our Controller, Michael D. Mokodean.

While I am very proud of our record of continuing to provide essential services while surviving the Wheeling Pitt strike, my colleague Mike Mokodean points out in the accompanying financial testimony that W&LE has not been left with much of a financial safety margin to survive the effects of the proposed merger. Moreover, the diversions predicted by our marketing and expert witness give the W&LE, our lenders and our customers great concern as to our long term survival. (Please see Verified Statements from our shippers and Bank of America and The Bank of New

York). Since our annual revenue requirement for basic debt service is around $40 million, the traffic diversions we have noted in our Verified Statements will bring revenues below that level and certainly will jeopardize our viability. Beyond that our plan does not take into account the effects on revenue of a recession. I am convinced that our counterparts at the NS are aware of our situation. We have shared our financial statements with NS's negotiating team and have participated in some give and take during the earlier phases of this proceeding. Unfortunately, as I have indicated negotiations appear to have reached an impasse. This necessitates our STB filing because we firmly believe the latest NS offer will not make us viable long term. I think it may be useful to briefly outline those negotiations for the Board.

Negotiations with NS:

As a first step I would say that it was made clear to us that our negotiations were to be handled by a NS team rather than a joint NS/CSX team. I suppose this is a recognition that the viability of W&LE has been identified by CSX and NS mostly as a "NS problem". In light of the recreation of the W&LE in the first Conrail control setting, I think this is understandable. At the same time, I believe a broader negotiating approach may have produced better results.

The negotiations with NS began in a positive way with NS recognizing W&LE's vulnerability and stating it wished to ensure W&LE's viability. Among other things NS offered access to Toledo, additional stone revenues and a promise to abate the lease payments on the PWV lease. But while lease payment abatement may help with cash flow it does nothing to provide compensatory traffic flows and revenue. We repeatedly emphasized that W&LE needs to "redefine" itself by gaining access to compensatory traffic -- no guarantees, only the opportunity to compete -- in order to continue to be able to provide the essential services that it now provides.

Although NS offered the prospect of some traffic access opportunities it was our careful judgment based on the limited information offered that the NS offer was not sufficient to offset their diversions--nor to avoid the inevitable downward spiral from revenue inadequacy that will eventually lead to financial failure and the loss of our essential rail services to our shippers. Despite repeated requests NS would not participate in meaningful negotiations - an action which forced me to assess a broad range of options and make this filing.

The worst case scenario in turn forced us to consider the issue of bankruptcy. Our expert witness testimony will confirm this possibility unless we receive the opportunity to compete on a broader basis.

At the responsive notification stage of this proceeding, negotiations were stalled and I had no alternative but to direct our counsel to notify the Board of the possibility of inclusion as a "remedy". Bankruptcy procedures because of revenue losses may have three results -- reorganization, liquidation, or in railroad jurisprudence, "inclusion" in the merging carriers. We have examined this possibility and believe it fits the current situation given the nature of the creation of the new W&LE. But "inclusion", or liquidation, would not solve any competitive problems arising out of a NS/Conrail combination in the rail corridor we serve. Indeed, such a move would lead us back to the problem identified by the Antitrust Division before the creation of the new W&LE.

Further, and most importantly, a new assumption of the W&LE franchise by NS would create a whole raft of new 2 - 1 shippers who today enjoy the benefits of W&LE competitive service. And the Board would be faced with "finding" another carrier other than CSXT, especially if the duopoly problems now plaguing the west are to be avoided in the Pittsburgh/Chicago

Corridor Yet another new "W&LE" or perhaps a group of non integrated short lines would have to be divested under the still valid Antitrust Division analysis This is a most wasteful alternative given the highly competitive essential services now provided by W&LE The common sense approach for our shippers, both in terms of the competitive marketplace and the regulatory process, is to keep the W&LE in place as a competitive force in the Pittsburgh/Chicago Corridor by giving it the opportunity to compete by imposed conditions to allow its survival.

W&LE seeks no windfalls, but only the opportunity to work to keep its viability. We seek no guarantees, only the ability to compete. As our shipper support statements show, W&LE provides essential services today That shipping public deserves the retention of our essential services

In light of the above we will seek the following carefully limited conditions to give us the chance to preserve our viability These conditions and their benefits are more fully discussed in Steve Wait's Verified Statement.

1. Haulage and trackage rights to Chicago: to Belt Railway of Chicago and rights for interchange with all carriers.
2. Haulage and trackage rights from Bellevue to Toledo, Ohio.
3. Lease to own the Huron Branch (Shinrock to Huron) and Huron dock on Lake Erie.
4. Trackage rights from Benwood to Brooklyn Junction and its yard facilities for commercial access to captive shippers PPG and Bayer
5. Stone traffic access: Bucyrus, Alliance, Redlands, Spore, Wooster, Macedonia, Twinsburg and Ravenna, Ohio.
6. Haulage and Trackage rights with commercial access to Wheeling Pittsburgh Steel at

Allenport, Pa.

7. Haulage and trackage Rights on CSX New Castle Subdivision for commercial access to Ohio Edison Power plant at Niles, Ohio and to Erie, Pennsylvania for interchange to the Buffalo & Pittsburgh.

8. Lease to own the Randall Secondary from Cleveland, MP 2.5 to Mantua, MP 27.5.

9. Trackage rights and commercial access to Reserve Iron & Metal (2 to 1 shipper).

10. Trackage rights and commercial access to Weirton Steel.

11. Reverse Joint Facility maintenance obligations.

12. Guarantee of fairness and nondiscriminatory treatment on any haulage and trackage rights granted.

I believe the above conditions are not excessive, and they are in accord with the Department of Justice's preliminary view of the need to preserve competition in the Pittsburgh/Chicago Corridor. The benefits of these conditions are clear and are more fully explained in the Verified Statements of my colleagues Mr. Steven W. Wait, Reginald M. Thompson and Michael D. Mokodean.

<u>Preservation of W&LE Service in the Pittsburgh/Chicago Corridor is in the Public Interest</u>

I am proud of our record of providing essential competitive rail service in our territory. We have been an effective rate policeman for otherwise monopolistic rail services. The necessity of preserving this function will only increase as the megasystems consolidate. In addition this relief will set up the basis for an operational relief valve if capacity and service problems appear in the east as they have in the west. Shippers in this region deserve no less. In short we believe that a strengthened W&LE is consistent with the solutions to anticompetitive problems earlier identified by the Antitrust Division. Even with this relief I must state that I am quite concerned about CSX's and NS's ability to make tying arrangements which could frustrate our ability to compete.

W&LE fears the market power of the enlarged NS will allow it to tie rates for a W&LE/NS customer at one location to that customer at another location which W&LE does not serve. Even where W&LE provides superior rates and service, NS can capture directly competitive W&LE traffic as a condition of a larger bid package with the same customer. Thus, while W&LE can offer better rates and service on its traffic, it can still lose the traffic because of a tying arrangement to other traffic at another location. For an example of this market power, in discussion with George Bokelberg, former Vice President of US Steel, concerning support of W&LE's position in the merger, Mr. Bokelberg noted that after the merger, "NS will be the largest railroad for steel mills and their products." Why would US Steel dare oppose NS and support W&LE?

Another example of NS's attempt to maintain power over shippers is Weirton Steel's initially strong support of W&LE's access to their captive steel mill in Weirton, West Virginia just across the Ohio River from W&LE's Wheeling Pittsburgh Steel operations. NS then offered a five year rate contract that made it difficult for Weirton to maintain it's support for W&LE's access. This was especially true given NS's refusal to come to terms with W&LE, thus forcing W&LE through its STB filing to admit the merger could undermine W&LE's financial future. To the best of my knowledge Weirton Steel has still not signed the NS five year package. However, if Weirton takes the five year NS contract and such contract coincides with an STB oversight condition it is likely that the door will be closed on future STB review of the situation and Weirton's last opportunity for competitive access will probably be lost.

I wish to explain briefly the operational advantages of preserving W&LE service in the

Pittsburgh/Chicago Corridor. As our President and Chief Operating Office Steven W. Wait points out in his Verified Statement, the W&LE route structure will allow bunched traffic flows to bypass the congested Cleveland metropolitan areas as well as many other benefits. As the Board well knows, this operational safety valve would be of considerable importance if experience in the recent western railroad consolidation and related urban congestion problems serve as a teacher. Moreover, more efficient W&LE routing possibilities are available if the megasystems are motivated to optimize route efficiencies for their shippers. Again, Mr. Wait has a number of examples of win-win situations using the W&LE infrastructure.

Finally, I would like to discuss the Neomodal Terminal. This state of the art intermodal terminal has been called one of the best examples of state and federal and private sector partnership in transportation in recent history. The Neomodal Terminal is indeed a special case of an "extraordinary cooperative effort at the federal, state, and local levels" and is" an excellent example of the strategic investment of federal resources." See the letter of President Clinton of June 4, 1996, enclosed in Stark Development Board's Responsive Application, SDB-4. The Neomodal Terminal was located on W&LE precisely because of W&LE's competitive position connecting with the three eastern Class I's. As Mr. Stadelman points out in his Verified Statement, NS and CSXT closely advised and consulted with the Stark Development Board in placing the Terminal on W&LE. Destruction of the Neomodal Terminal rationale now by allowing W&LE to fail would jeopardize the public investment in Neomodal, both in terms of money and the political capital used to improve the environment through creating the terminal. More important, avoidance of Neomodal in favor of constructing new intermodal yards on either CSX or NS systems would cause unnecessary expenditures by these systems as they face the task of financing the Conrail acquisitions. Neomodal is a publicly financed state of the art facility which deserves its chance for survival along with the W&LE.

Larger View

While all of the foregoing is very important, I believe an additional consideration makes this case an historic opportunity for the Board. As noted earlier, I participated in the planning for Union Pacific's absorption of Southern Pacific's lines at the highest levels and although I returned to W&LE before the current problems occurred in the west, I know the difficulties of megasystem consolidation. I believe there is a critical need for the preservation of regionals and short lines in the eastern rail mix if the merger is to be approved. Such smaller roads (and especially larger integrated regionals like W&LE) play a critical role as safety valves for overflow traffic when capacity constraints and service problems overwhelm consolidating lines. Our President & Chief Operating Officer, S. W. Wait focuses on this in his testimony. In my judgment, this is the case -- perhaps the last chance-- for the Board to refine and define the competitive relationship between megasystem Class I's and regionals and short lines. The Board must seize this opportunity.

In my view, the potential for rail gridlock is greater in the east than in the west. With the multiplicity of yards -- nodes in a tighter network -- more switching, shorter hauls, a greater percentage of mixed trains vs. unit trains, geographic clustering, and urban environments, I believe the prospect of rail chaos is much higher here than in the UP/SP case. This is especially so given that Conrail must be "broken in two" before remerging. In addition the Conrail "segments" must accommodate two corporate cultures, operating practices, computer systems, etc. This, alone, multiplies the likelihood of problems.

In simple terms, "duopoly" is dangerous for railroading for the industrial east. Regional railroads must be preserved and their competitive strengths enhanced as a matter of policy.

I am sure the Board is well aware of the pressure involved in avoiding another "western" railroad problem in this case. I hope the Board will examine the continued necessity of viable regionals and short lines as a policy goal in maintaining capacity, service and rate competition in the rail market in the east. As our shipper statements show, W&LE is such a necessary participant in the critical Pittsburgh/Chicago Corridor as the eastern roads approach the operational and marketing perils of massive consolidation.

SUMMARY

To briefly summarize my testimony, I would repeat my disappointment with NS's overall treatment of its spin off during this early phase of the merger and I believe NS has an obligation in this merger to its creation, not to mention its former shippers and the W&LE's many new shippers.

Moreover, it has come to my attention that NS representatives are using this very proceeding to undercut our marketing efforts by claiming that W&LE may not survive in the long run, yet, at the same time, refusing to make adequate concessions to assure our survival.

I also would repeat my view that the new W&LE was originally formed by NS to comply with the Antitrust Division's divestiture demands arising in the first Conrail control case. NS now is presently attempting to obtain Conrail as well as the power to destroy the W&LE if it refuses to provide W&LE with adequate new shipper access to remain viable. And this result -- with its inherent ability to control the real level of competition -- can and will frustrate the Board's oversight functions. Needless to say the W&LE lenders, customers and employees all have the gravest of doubts about this merger and hope the wisdom of the Board can give hope for W&LE's viability.

In light of the above, I believe the Board should comply with its obligation to the public interest -- and the shippers' rights -- to preserve competition and essential rail service by recognizing the critical public policy issues raised by this case concerning the relationship between the ever larger Class I's and the regionals and short lines. I ask the Board to act to protect the public interest by allowing us the opportunity to sustain our essential services, through granting W&LE's conditions to preserve its viability.

APPENDIX A

U.S. Department of Justice

Antitrust Division

Office of the Assistant Attorney General

Washington, D.C. 20530

January 29, 1985

Honorable Elizabeth H. Dole
Secretary
Department of Transportation
Washington, D.C. 20590

Dear Secretary Dole:

This letter sets forth the Department of Justice's analysis of the competitive implications of a proposed sale of Consolidated Rail Corporation ("Conrail") to Norfolk Southern Corporation ("Norfolk Southern"), as you requested on September 11, 1984. As explained below, on the basis of our independent investigation, we have concluded that, without appropriate divestitures, the proposed merger would violate both Clayton Act and Interstate Commerce Act merger review standards. The merger would have a significant adverse effect on competition for the transport of commodities to and from a number of locations in several states, with the greatest adverse effect occurring at locations along an east-west rail corridor running between Buffalo and Pittsburgh in the east and St. Louis and Chicago in the west. The merger would likely enable the merged entity to achieve certain efficiencies. These efficiencies do not appear, however, to be sufficiently great to offset all of the competitive effects in all of the affected markets.

The Department of Justice therefore would oppose the proposed merger unless its competitive problems are remedied through a prior or concurrent divestiture of assets 1/ that is approved by the Attorney General. Appropriate divestiture must include divestiture of Conrail and/or Norfolk Southern rail assets along the designated corridor to one or more independent acquirers, other than CSX or any entity owned or controlled by CSX, that would provide long-term, viable, and competitive rail service to locations along the corridor. Such divestiture would preserve the vast bulk of the competition that would

1/ "Divestiture" means the conveyance or other transfer by sale, lease, or otherwise of rail tracks and facilities or the right to use rail tracks and facilities.

have been eliminated by the merger. While there may be some possible anticompetitive consequences remaining in some isolated markets after the divestiture, these anticompetitive consequences are likely to be insignificant relative to the merger's expected efficiencies. This precondition to approval of the merger has been set forth in language agreed to by the Departments of Justice and Transportation (attached to this letter as Appendix A) which is to be included in the Agreement of Sale between Norfolk Southern and the Department of Transportation.

Our analysis is explained in detail below.

I. Competitive Analysis

A. Analytical Approach

Although mergers play a beneficial role in our economy, they sometimes may harm competition by creating, enhancing, or facilitating the exercise of "market power." "Market power" is the power of a firm or firms to raise the price of a product or service in a specific market above a competitive level for a significant period of time without fear that existing competitors or new entrants will make such a price increase unprofitable by expanding their output or charging a lower price. When only a few firms in a market into which entry is difficult account for most of the sales of a product, they may either explicitly or implicitly coordinate their actions to eliminate rivalry on price and non-price variables. When firms exercise market power in this way, the result is a transfer of wealth from buyers to sellers and a misallocation of resources that harms the economy. Therefore, a merger that would eliminate a significant competitor in an already highly concentrated market into which entry is difficult may enhance the ability of the remaining firms to exercise market power. Such a merger normally would be challenged by the Department under Section 7 of the Clayton Act unless other economic factors or some appropriate divestiture indicate that the merger should be permitted. 2/

2/ See, U.S. Department of Justice, Merger Guidelines, June 14, 1984. The standards used by the Department to analyze mergers under the Clayton Act are substantially the same as those used by the Interstate Commerce Commission, which is directed by statute to approve only transactions that are "consistent with the public interest." 49 U.S.C. § 11344. In applying this standard, the Commission disapproves transactions that would "substantially reduce the transport alternatives available to shippers unless there are substantial and demonstrable benefits to the transaction that cannot be achieved in a less anticompetitive fashion." General Policy Statement for Merger on Control of at Least Two Class I Railroads, 49 C.F.R. § 11801(a).

We analyzed this proposed merger according to the same standards and principles that we apply to mergers generally. As with any merger, our first step was to identify economically relevant markets--product-location combinations which could be subject to the exercise of market power--in which both Conrail and Norfolk Southern operate. Our next step was to identify "problem" markets (i.e., product-location combinations) with respect to which the merger would result in significantly high post-merger concentration and where entry by new firms (for example, trucking companies) would be difficult or unlikely in response to the exercise of market power following the merger. Once we identified the markets in which the merger would likely have a significant anticompetitive effect, we then considered whether these anticompetitive effects might be offset by efficiencies resulting from the merger. Finally, we considered what would be required to resolve any competitive problems that might be raised by the merger--that is, to prevent a reduction in the number of competing rail alternatives in highly concentrated markets where considerable revenues are involved and where the merger would otherwise be likely significantly to diminish competition.

B. Methodology

We defined two types of economically relevant markets for the purpose of analyzing this proposed merger-- (1) transportation of a commodity to a location ("destination markets") and (2) transportation of a commodity from a location ("origin markets"). 3/ In addition to railroads, non-rail

3/ We identified commodity and location combinations using the five-digit Standard Transportation Commodity Codes ("STCCs") and four-digit Standard Point Location Codes ("SPLCs"), respectively, designated in the 1983 ICC 1% Waybill Sample. Five-digit STCCs were used because, for the most part, the products in a single five-digit group are close substitutes for one another and have similar transportation characteristics. A four-digit SPLC is in most cases a county, although, in a significant number of cases, a single county may contain two or more four-digit SPLCs.

Usually, the relevant geographic market will be as small as a county. However, even if in some cases the market may be broader, the competitive analysis would be the same because in markets located along the east-west corridor towards which our proposed remedy is directed, there are at most four competing railroads before the merger. In addition, where we knew with some certainty that the market was broader than a county, we incorporated this into our analysis. For example, we analyzed separately outbound shipments of corn, wheat, and soybeans, as well as the movement by rail of coal to utility plants. Producers of these commodities tend to be able to select among transportation alternatives that extend beyond county lines through the use of a combination of rail and nonrail movements.

transportation modes, such as truck and barge, were considered to be in the market to the extent they appeared to be close substitutes for rail transportation.

To identify those markets in which the merger might have a significant adverse effect (i.e., would result in high post-merger concentration and would significantly increase pre-merger concentration), we first identified markets (product-location combinations) where in 1983 Conrail and Norfolk Southern each participated (independently of one another) in at least 10 percent of the rail movements and where together the two railroads accounted for at least 50 percent of all rail movements in the market. 4/ Using 1977 Census of Transportation data, supplemented by surveys and interviews with over 200 shippers concerning approximately 700 facilities, we then eliminated those markets where non-rail competition appeared to be significant. Finally, we employed a number of other screens designed to eliminate from further consideration those markets in which over a significant portion of the route into the destination or out of the origin market in question, a single carrier other than Conrail or Norfolk Southern provides rail service, in which the total revenues affected were small, or in which the major shipper in the market supported the merger.

Using this screening procedure, we identified more than one hundred markets located in 39 counties in 21 states in which it appeared that a merger between Conrail and Norfolk Southern could have a significant anticompetitive effect. With respect to these markets, Conrail and Norfolk Southern participated in movements involving $516.1 million in rail revenues in 1983. Of the 39 counties, 15 had "problem" markets in which Conrail or Norfolk Southern participated in movements involving less than $5 million of revenues. If these 15 counties had been the only locations potentially affected by the merger, we would not oppose the merger, given the likely efficiencies that would

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4/ Although in some of the markets shippers can now be served only via the tracks of either Conrail or Norfolk Southern, but not both, many of these shippers nevertheless consider other carriers identified on the Waybill to be competitive alternatives because of "reasonable" reciprocal switching arrangements currently in place. One factor that probably keeps the switching rates of Norfolk Southern and Conrail low enough to allow competition in these markets is the fact that the two carriers rely on each other for switches into different markets and each might feel constrained from unilaterally exercising its full market power (by raising the switching rates at locations it alone controls) for fear that the other railroad would retaliate in other locations. Thus, even where shippers can be reached only by the tracks of Conrail or Norfolk Southern, the merger may eliminate competition that resulted from reciprocal switching.

result from the merger and given the fact that the commerce affected as to these 15 counties is so small compared to the actual overall volume of commerce involved in the merger. Even after eliminating these counties, however, a number of others remain and the potentially affected revenues in these counties are substantial enough to be of significant concern. The remaining counties include, among others, Wayne and Washtenaw counties in Michigan; Allen and Marion counties in Indiana; Erie county in New York; and Cuyahoga, Jefferson, Lucas, Stark, and Lorain counties in Ohio, as well as several counties in the southern United States that originate shipments of pulp, paper, and fiberboard products destined for locations served by Norfolk Southern and/or Conrail in the Midwest and Northeast. 5/ In two of these counties, Jefferson county in Ohio and Allen county in Indiana, our concern is particularly acute because the number of competing railroads would be reduced from two to one. In the other counties, the competitive situation would not be much better, because the number of rail alternatives would be reduced either from three to two or from four to three. We have determined that, although they are used by shippers to some limited extent, non-rail transport alternatives are inadequate substitutes for rail transport in these markets.

We also considered the argument that following the merger, the combined entity would divert so much interchange traffic from regional railroads in the northeast and midwest that some of these railroads would be unable to compete effectively in the markets they currently serve and that the resulting loss of competition would reduce consumer welfare. We find, however, that, as a general matter, it is extremely difficult to estimate the size of future diversions. 6/ It may be even more difficult to determine whether such diversions would be so substantial as to render otherwise viable regional railroads incapable of providing competition in markets where they currently operate and where their exit would reduce competition significantly. Because diversions often result from lower costs to railroads of providing single-line, rather than interline, service and because single-line service is often attractive to shippers, any potential harm in markets currently served by regional carriers

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5/ A complete listing of the product-location combinations identified through our screening methodology is attached to this letter as Appendix B. This listing is limited to counties in which in 1983 the potential problems identified involved Norfolk Southern's and Conrail's participation in rail revenues exceeding $2 million.

6/ While we have received diversion estimates from a number of sources, including the Department of Transportation, Norfolk Southern, Conrail, and some regional carriers, these estimates vary considerably and it is very difficult to draw firm conclusions from them.

must be weighed against possibly substantial benefits. Hence, even if we knew with certainty that such diversions would significantly impair the operations, or even the viability, of regional railroads, this would not demonstrate that the diversions are, on balance, harmful to the economy. To the extent that they may be harmful, however, the divestiture that we have proposed in Section II of this letter would address that problem by ensuring that there will be an opportunity for regional carriers to continue receiving interline traffic from independent carriers other than Norfolk Southern or Conrail.

C. Efficiencies

The primary benefit of mergers to the economy is their efficiency-enhancing potential, e.g., their ability to lower overall production costs to the benefit of society. Some mergers that would significantly increase concentration in a market nevertheless result in significant real efficiencies. Therefore, if the parties to a merger establish by clear and convincing evidence that a merger will achieve such efficiencies, the Department considers those efficiencies in evaluating the merger.

As stated in the Department's Merger Guidelines, 7/ cognizable efficiencies include, but are not limited to, economies of scale, better integration of operating facilities, and similar efficiencies relating to specific operations of the merging firms. The Department also considers claimed efficiencies resulting from reductions in general administrative and overhead expenses, and other efficiencies that otherwise do not relate to specific operations of the merging firms, although, as a practical matter, those types of efficiencies are more difficult to demonstrate and to quantify. The Department does not give weight to claimed efficiencies if comparable savings reasonably could be achieved by the parties through means short of a merger likely to reduce competition.

We have reviewed efficiency claims made by Norfolk Southern. We believe that some of these claims are overstated, 8/ while others, such as abandonment of unprofitable track, would probably occur even in the absence of a merger. Nevertheless, we believe, based in part on interviews with affected shippers, that substantial benefits are likely to

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7/ U.S. Department of Justice, Merger Guidelines, June 14, 1984, at Section 3.5.

8/ For example, Norfolk Southern's estimated annual savings of $139 million due to the elimination of redundant personnel and facilities is highly speculative given the unpredic-able results of union labor negotiations.

result from increased single-line service, an option that is in many cases both less costly to railroads and more desirable to shippers.

On balance, we have concluded that the possible benefits of the proposed merger are not sufficiently great to outweigh the very serious anticompetitive effect the merger would have, particularly in the designated east-west corridor. The potential efficiency gains--particularly relating to the offering of single-line service--are, however, likely to be sufficiently great to offset the less significant adverse competitive effects that would remain after the divestiture outlined in Section II of this letter is effected.

II. Proposed Remedy

As discussed above, although the proposed merger would have an anticompetitive effect in a number of markets, the markets of primary concern are located along a rail corridor bounded on the east by Buffalo and Pittsburgh and on the west by Chicago and St. Louis. Accordingly, we believe that a sale of Conrail to Norfolk Southern must be expressly conditioned on the prior or concurrent divestiture 9/ of rail assets to an independent entity or entities capable of providing long-term, viable, and competitive rail service along this corridor. For these purposes, "divestiture" means the conveyance or other transfer by sale, lease, or otherwise, of rail tracks and facilities or the right to use rail tracks and facilities.

To ensure competitive service, the divestiture must satisfy three conditions. First, the acquirer or acquirers (hereinafter "acquirer") must demonstrate to the satisfaction of the Attorney General that it possesses the managerial, operational, and financial capability necessary to compete effectively, and to remain a viable entity providing long-term rail service along the designated corridor.

Second, the divestiture should provide the acquirer direct connections in Buffalo, Chicago, Toledo, and East St. Louis to one or more railroads other than the the merged carrier or CSX Corporation or any railroad controlled by either of them. This condition is essential to the competitive viability of an alternative rail line because traffic to and from the affected markets moves not only on Conrail and Norfolk Southern lines, but also, to a significant extent, off those lines to or from

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9/ Concurrent divestiture may involve a transaction such as a contract between Norfolk Southern and a purchaser to transfer assets acquired from Conrail. Such a contract could become effective as at the closing of the sale of Conrail to Norfolk Southern.

connections with other railroads in Buffalo, Chicago, Toledo, and East St. Louis. Therefore, an independent connection to other railroads at each of these gateways would have to be available so as to remove the acquirer's need to rely upon the merged carrier or CSX to make these connections. 10/

Third, following the divestiture, in each of the designated counties in the east-west corridor, the merged Norfolk Southern/Conrail entity must switch cars between its tracks and facilities and the tracks and facilities of any shipper served by Norfolk Southern, Conrail, or Norfolk Southern/Conrail on customary terms and conditions whenever switching is practicable and necessary in order to provide a shipper with effective competitive access to the track and facilities of the acquirer.

The specific rail tracks and facilities to be divested and the consideration to be paid should be determined by agreement between the parties to the divestiture so that the market, rather than the Department of Justice, can determine the most suitable divestiture alternative. Because the divestiture would be subject to the Attorney General's approval, however, to assist him in evaluating the divestiture the Department of Justice should be supplied with complete information concerning all offers and inquiries received in connection with the divestiture, including those that are rejected by either the Department of Transportation or Norfolk Southern. 11/

This proposed divestiture addresses the vast majority of the larger "problem" markets we identified. While several markets are not affected by the proposal, these markets are either located in areas where a divestiture would be impractical or are locations where the amount of commerce shared by Conrail and Norfolk Southern was less than $5 million. When an independent rail alternative able to maintain competition within the designated corridor is found, such divestiture would resolve at least $371.4 million of potential problems out of a total of $516.1 million in the markets we have identified. In addition, this remedy would benefit some shippers, such as pulp, paper, and fiberboard producers located in 11 "problem" counties in the South, whose goods pass through or terminate in this corridor.

10/ The Toledo gateway would give shippers in Wayne and Washtenaw counties in Michigan access to a railroad other than Norfolk Southern/Conrail and CSX that provides a direct link to eastern and western destinations via Buffalo, Chicago, and East St. Louis.

11/ These terms and conditions are set forth in Appendix A and, we understand, will be included in the Agreement of Sale between the Department of Transportation and Norfolk Southern.

Finally, as discussed above, we have determined that the efficiencies that are likely to result from the proposed merger would be substantial enough to offset the potential anticompetitive effect in markets that are not directly addressed by the proposed divestiture.

III. Conclusion

I trust that this letter is responsive to your request for the Department's advice concerning the competitive impact of a sale of Conrail to Norfolk Southern. I would like to thank you and your staff for the competent and willing assistance that has been provided to us throughout our review process.

Sincerely,

J. Paul McGrath /RCA.

J. Paul McGrath
Assistant Attorney General
Antitrust Division

Attachment A

"Divestiture" means the conveyance or other transfer by sale, lease, or otherwise of rail tracks and facilities owned or operated by CR or NS or the right to use such rail tracks and facilities.

"NS" means Norfolk Southern Corporation, its subsidiaries, affiliates, successors and assigns.

"CR" means Consolidated Rail Corporation, its subsidiaries and affiliates.

"CSX" means CSX Corporation, its subsidiaries, affiliates, successors and assigns.

1. This Agreement of Sale is contingent upon prior or concurrent Divestiture sufficient to enable an acquirer or acquirers ("acquirer(s)"), not controlled as control is defined in 49 U.S.C. §10102 by NS/CR or CSX, to provide rail service along a rail corridor bounded on the West by Chicago and E.St. Louis and on the East by Buffalo and Pittsburgh, with service to, from, and between the following counties in that rail corridor: Erie, New York; Cuyahoga, Lorain, Jefferson, Lucas, and Stark, Ohio; and Allen and Marion, Indiana. Subject to the requirements of paragraph (5) with respect to Marion County, Indiana, such rail service may be limited to service along those sold or leased rail lines where prior to divestiture shippers, had service by both NS and CR. Such rail service shall include direct connections in Buffalo, E.St. Louis, Toledo and Chicago to a railroad or railroads not controlled by NS/CR or CSX as control is defined in 49 U.S.C. §10102.

2. The rail tracks, rights and facilities divested pursuant to paragraph (1) and the consideration paid therefor shall be determined by agreement between NS and the acquirer(s).

3. The Divestiture required by paragraph (1) shall be made to acquirer(s) who shall have demonstrated to the Department of Justice that they will be able to provide long-term, viable, competitive rail service along the rail corridor(s) and to, from and between the counties enumerated in paragraph (1), as indicated by their having managerial, operational, and financial capability necessary to compete effectively in the provision of such rail service. The Divestiture required by paragraph (1) may not be accomplished without the prior approval by the Attorney General of its terms and conditions and of the acquirer(s).

4. Following the execution of this Agreement of Sale, NS shall promptly solicit offers to purchase, lease, or operate upon property to be divested in accordance with paragraph (1). NS shall keep records of its efforts to accomplish the Divestiture required by paragraph (1), including the identification of any person or persons expressing an interest to any officer or official of NS, and the terms and conditions of each offer, and shall allow the Department of Justice access to such records. NS shall immediately notify the Department of Justice of the details of any offer related to the Divestiture required by paragraph (1). If NS rejects any such offer, it shall promptly notify the Department of Justice and fully describe the reasons for such rejection.

5. It is further agreed that following Divestiture NS, CR, or NS/CR shall switch cars, on terms and conditions customary at other locations within the region of the Divestiture, between the tracks and facilities of the acquirer(s) and the tracks and facilities of any shipper physically served by NS, CR, or NS/CR and open to service by both as of the date hereof, at each of the counties specified in paragraph (1) whenever such switching is practicable and necessary in order to provide a shipper with effective competitive access to the tracks and facilities of the acquirer(s). Following Divestiture, in Marion County, Indiana, NS, CR or NS/CR shall establish switching charges at levels no higher than those customarily charged at other locations within the region of the Divestiture for switching cars between the tracks and facilities of the acquirer(s) and the tracks and facilities of any shipper served by NS, CR or NS/CR as of the date hereof. If there is a dispute as to whether such switching is practicable and necessary, or as to such customary conditions and compensation for such switching, such dispute shall be resolved within six months by an arbitration procedure governed by the rules of the American Arbitration Association. In respect of such requirements for practicable and necessary switching of cars, the acquirer(s) and the directly affected shipper(s) shall be entitled to enforce this paragraph, in each such instance, for their sole benefit.

MARKETS IN COUNTIES WITH REVENUE PROBLEMS OF $2 MILLION OR MORE

ST=AL

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	4759	DALLAS	26111	PULP
ORIG	4783	WILCOX	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD

ST=AR

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	6118	JEFFER	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD

ST=FL

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	4936	TAYLOR	26111	PULP

ST=GA

	SPLC	COUNTY	STCCS	PRODUCT
DEST	4685	DOUGHE	26111	PULP
ORIG	4655	GLYNN	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
ORIG	4637	MACON	26111	PULP

ST=IL

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	3877	CHAMPA	20921	SOYBEAN OIL,CRUDE OR REFINED
ORIG	3922	MACON	20419	FLOUR OR OTHER GRAIN MILL PRODUCTS,NE
ORIG	3922	MACON	20463	CORN SUGAR
DEST	3876	VERMIL	28712	SUPERPHOSPHATE
DEST	3876	VERMIL	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
ORIG	3876	VERMIL	20413	CORN MEAL OR FLOUR
ORIG	3876	VERMIL	20419	FLOUR OR OTHER GRAIN MILL PRODUCTS,NE
ORIG	3876	VERMIL	20923	SOYBEAN CAKE,FLOUR,GRITS,MEAL OR OTHE

ST=IN

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	3642	ADAMS	20923	SOYBEAN CAKE,FLOUR,GRITS,MEAL OR OTHE

ST=IN

	SPLC	COUNTY	STCCS	PRODUCT
DEST	3618	ALLEN	11212	PREPARED BITUMINOUS COAL
DEST	3618	ALLEN	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
DEST	3618	ALLEN	26471	SANITARY TISSUES OR HEALTH PRODUCTS
DEST	3618	ALLEN	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
DEST	3618	ALLEN	41114	ARTICLES, USED
ORIG	3618	ALLEN	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE
ORIG	3618	ALLEN	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
ORIG	3682	CLINTO	20923	SOYBEAN CAKE,FLOUR,GRITS,MEAL OR OTHE
DEST	3687	MARION	11212	PREPARED BITUMINOUS COAL
ORIG	3687	MARION	20411	WHEAT FLOUR
ORIG	3687	MARION	20413	CORN MEAL OR FLOUR
ORIG	3687	MARION	20462	CORN STARCH
ORIG	3687	MARION	20923	SOYBEAN CAKE,FLOUR,GRITS,MEAL OR OTHE
ORIG	3623	ST JOS	37112	MOTOR TRUCKS OR TRUCK TRACTORS,ASSEMB

ST=KY

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	2865	JEFFER	28212	SYNTHETIC RUBBERS
ORIG	2865	JEFFER	36321	HOUSEHOLD REFRIGERATORS OR HOME OR FA

ST=LA

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	6451	ASCENS	49057	FLAMMABLE COMPRESSED GASES
ORIG	6451	ASCENS	49066	FLAMMABLE LIQUIDS, THERMALLY UNSTABLE

ST=MA

	SPLC	COUNTY	STCCS	PRODUCT
DEST	1452	HAMPDE	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD

ST=MI

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	3167	INGHAM	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE
DEST	3193	KALAMA	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
DEST	3193	KALAMA	33123	IRON OR STEEL SHEET OR STRIP
ORIG	3194	WASHTE	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE

------------------------------------ ST=MI ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
DEST	3181	WAYNE	20841	WINE,BRANDY OR BRANDY SPIRITS OR FRUI
DEST	3181	WAYNE	26213	PRINTING PAPER,COATED OR UNCOATED,
DEST	3181	WAYNE	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE
DEST	3181	WAYNE	41114	ARTICLES, USED
ORIG	3181	WAYNE	37111	MOTOR PASSENGER OR AIR CARS,ASSEMBLED
ORIG	3181	WAYNE	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE
ORIG	3181	WAYNE	41114	ARTICLES, USED
DEST	3183	WAYNE	41114	ARTICLES, USED
ORIG	3183	WAYNE	37111	MOTOR PASSENGER OR AIR CARS,ASSEMBLED
ORIG	3183	WAYNE	37112	MOTOR TRUCKS OR TRUCK TRACTORS,ASSEMB
ORIG	3183	WAYNE	37142	MOTOR VEHICLE ACCESSORIES
ORIG	3183	WAYNE	37147	MOTOR VEHICLE BODY PARTS
ORIG	3183	WAYNE	41114	ARTICLES, USED

------------------------------------ ST=MO ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
DEST	5675	ST LOU	33125	STRUCTURAL SHAPES OR PILING,STEEL MIL
DEST	5675	ST LOU	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE
ORIG	5675	ST LOU	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE

------------------------------------ ST=MS ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	4893	ADAMS	26111	PULP

------------------------------------ ST=NC ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	4033	WASHIN	24211	LUMBER,ROUGH OR DRESSED,OF SOFTWOOD C
ORIG	4033	WASHIN	26213	PRINTING PAPER,COATED OR UNCOATED,
ORIG	4033	WASHIN	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD

------------------------------------ ST=NY ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
DEST	1854	ERIE	1195	POTATOES, OTHER THAN SWEET
DEST	1854	ERIE	20411	WHEAT FLOUR
DEST	1854	ERIE	20452	PREPARED FLOUR MIXES
DEST	1854	ERIE	20955	MIXED LOADS OF FOOD OR KINDRED PRODUC
DEST	1854	ERIE	24321	PLYWOOD OR VENEER OR BUILT-UP WOOD
DEST	1854	ERIE	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
ORIG	1854	ERIE	33123	IRON OR STEEL SHEET OR STRIP
ORIG	1854	ERIE	37149	MOTOR VEHICLE ACCESSORIES OR PARTS,NE

------------------------------------ ST=OH ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
DEST	3418	CUYAHO	11212	PREPARED BITUMINOUS COAL
DEST	3418	CUYAHO	24321	PLYWOOD OR VENEER OR BUILT-UP WOOD
DEST	3418	CUYAHO	26213	PRINTING PAPER,COATED OR UNCOATED,
DEST	3418	CUYAHO	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
DEST	3418	CUYAHO	26471	SANITARY TISSUES OR HEALTH PRODUCTS
DEST	3418	CUYAHO	41114	ARTICLES, USED
ORIG	3418	CUYAHO	33121	STEEL INGOT OR SEMI-FINISHED SHAPES
ORIG	3418	CUYAHO	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
ORIG	3418	CUYAHO	40241	PAPER WASTE OR SCRAP
DEST	3419	CUYAHO	20431	COOKED CEREALS,FLAKED,GRANULATED,POPP
DEST	3419	CUYAHO	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
DEST	3419	CUYAHO	26471	SANITARY TISSUES OR HEALTH PRODUCTS
DEST	3419	CUYAHO	41114	ARTICLES, USED
DEST	3461	HANCOC	20621	SUGAR,GRANULATED OR POWDERED,SUGAR CU
ORIG	3461	HANCOC	36311	HOUSEHOLD RANGES,OVENS OR SURFACE COO
DEST	3472	JEFFER	10111	IRON DIRECT-SHIPPING ORES, CRUDE
DEST	3472	JEFFER	11212	PREPARED BITUMINOUS COAL
DEST	3472	JEFFER	32741	LIME OR LIME PLASTER
DEST	3472	JEFFER	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
ORIG	3472	JEFFER	33121	STEEL INGOT OR SEMI-FINISHED SHAPES
ORIG	3472	JEFFER	33123	IRON OR STEEL SHEET OR STRIP
ORIG	3472	JEFFER	33127	TIN MILL PRODUCTS
ORIG	3472	JEFFER	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
ORIG	3422	LORAIN	29914	COKE PRODUCED FROM COAL
ORIG	3422	LORAIN	33124	IRON OR STEEL BARS,BAR SHAPES OR RODS
ORIG	3422	LORAIN	33126	IRON OR STEEL PIPE,TUBES OR FITTINGS
ORIG	3422	LORAIN	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
ORIG	3422	LORAIN	41114	ARTICLES, USED
DEST	3431	LUCAS	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
ORIG	3431	LUCAS	1139	GRAIN,NEC
ORIG	3431	LUCAS	20411	WHEAT FLOUR
ORIG	3431	LUCAS	20412	WHEAT BRAN, MIDDLINGS OR SHORTS
ORIG	3431	LUCAS	20419	FLOUR OR OTHER GRAIN MILL PRODUCTS,NE
ORIG	3431	LUCAS	20431	COOKED CEREALS,FLAKED,GRANULATED,POPP
ORIG	3431	LUCAS	26128	POTASSIUM COMPOUNDS
ORIG	3431	LUCAS	29914	COKE PRODUCED FROM COAL
ORIG	3431	LUCAS	49057	FLAMMABLE COMPRESSED GASES
DEST	3449	STARK	40211	IRON OR STEEL SCRAP,WASTES OR TAILING
ORIG	3449	STARK	33124	IRON OR STEEL BARS,BAR SHAPES OR RODS
ORIG	3459	WYANDO	32959	NONMETALLIC MINERALS OR EARTHS,GROUND

------------------------------------ ST=PA ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

------------------------------------ ST=SC ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	4478	CHARLE	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD

------------------------------------ ST=TN ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	4273	MCMINN	26212	GROUND WOOD PAPER, UNCOATED

------------------------------------ ST=TX ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	6847	HARRIS	28151	CYCLIC INTERMEDIATES FROM BENZENE,
ORIG	6847	HARRIS	28212	SYNTHETIC RUBBERS
ORIG	6847	HARRIS	49122	COMBUSTIBLE LIQUIDS, POLYMERIZABLE
DEST	6848	HARRIS	26212	GROUND WOOD PAPER, UNCOATED
DEST	6848	HARRIS	33126	IRON OR STEEL PIPE,TUBES OR FITTINGS
ORIG	6848	HARRIS	26213	PRINTING PAPER,COATED OR UNCOATED,

------------------------------------ ST=VA ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	2624	HOPEWE	26311	FIBERBOARD, PAPERBOARD OR PULPBOARD
ORIG	2624	HOPEWE	28191	AMMONIA OR AMMONIUM COMPOUNDS

------------------------------------ ST=WI ------------------------------------

	SPLC	COUNTY	STCCS	PRODUCT
ORIG	3231	DOUGLA	20411	WHEAT FLOUR
ORIG	3231	DOUGLA	26613	WALLBOARD

APPENDIX B

Memorandum

To: L. R. Parsons

From: R. M. THOMPSON, VICE PRESIDENT

Date: 07/19/97

Re: Loss Study.. CR Split Up

I have attached both the W&LE loss sheets as well as the summary loss sheet faxed to us on 7/18/97 by John Friedman of the NS.

In an attempt to match what we submitted vs. what he has submitted (or the NS consultant), I come to the following conclusions.

1. The NS shows no losses for STCC's 01 (Grain), 20 (Food and Kindred), 40 (Scrap) or 41 (Intermodal).
2. They do show losses for Forest Products inbound. In our loss study, there were no losses in this commodity group. Please note the destinations that NS has, i.e. Brittain, Wadsworth, Copley , Massillon (these are local WE destinations), Waltz is a destination I am not familiar with, and in Canton, I don't know of a forest product users (unless you want to count Schneider Lumber which is again a local point).
3. Our loss of grain traffic stems from the assumption that we will no longer use the route to Hagerstown (via the PWV) with the loss coming from the difference between the long haul Hagerstown vs. short haul move to Bellevue.
4. The W&LE loss on STCC 20 and the Reichhold business is because we will no longer move east of the Ohio River.
5. The NS assumes a loss of almost $1,000,000.00 in chemical traffic due to the split up. Our loss study puts the loss at around $225,000.00. I would love to discover what I missed.
6. Under the NS heading of "Construction/Metals", they show a loss of $686,300.00. Our loss study puts the number around $3,700,000.00. I am surprised to note that the NS only accounted for an outbound loss of $8,300.00 from U.S.Steel at Irvin, PA. (in light of the large volume moving to both

Leipsig, OH and Mexico). Other W&LE losses in this group are current moves to NS destinations. Again, they show losses inbound and outbound Construction and Metals for Akron, Wadsworth, and Brittain and are local points on our line (including ABCR). These are not in our study.

7. The loss of ore off Huron Dock was not included in the NS study.

I will double-check the destinations that we looked at to see if they are local NS destinations. However, the assumption I used in the loss study was if it is moving via an WLE-NS route today, it will move NS single line post acquisition, even if the destination is jointly served by both CSXT and NS (again the adage single line will defeat a two/three line haul every time).

Let me know if you have any questions, or how you wish me to peruse this study farther.

R.M.T.

Norfolk Southern Corporation
3 Commercial Place
Norfolk, VA 23510

Strategic Planning Dept.
Box 207

1 Sheets (including this cover sheet)

To: Bill Callison Telecopier No. 330 767 4327
Telephone No.

Diversion breakdown as promised.

From: John Friedmann Telecopier No. (757) 533-4884
Telephone No. (757) 4942

Estimated NSCR Diversion Effects on W&LE

Construction/Metals

	Revenues (000)		
Station	**Inbound**	**Outbound**	**Total**
Akron	70.7	40.4	
Martin's Ferry	36.5	14.3	
Canton	309.8	45.2	
E. Canton		0.5	
Wadsworth		22.8	
Mingo Jct.	133.4		
Brittain	4.4		
Irvin		8.3	
Total	554.8	131.5	686.3

Forest Products

	Revenues (000)		
Station	**Inbound**	**Outbound**	**Total**
Akron	68.9		
Copley	1.7		
Canton	21.6		
Wadsworth	125.9		
Brittain	0.7		
Massillon	15.1		
Waltz	11.8		
Total	245.7	0.0	245.7

Chemicals

	Revenues (000)		
Station	**Inbound**	**Outbound**	**Total**
Akron	28.5	145.9	
Canton	406.6	16.6	
E. Canton			
Mingo Jct.		6.1	
Kent	29.5		
Brittain	2.9		
Massillon	51.3		
Barberton	139.8		
Mogadore	3.4		
Clairton	25.8	110.6	
Medina	1.0		
Total	688.8	279.2	968.0

Grand Total	**1489.3**	**410.7**	**1900.0**

New Loss Computation from "Estimated NSCR Diversion Effects on W&LE"
Based on removal of local points on W&LE and ABCR

COMMODITY: Construction/Metals

Station Name	Local Point	Diverted Inbound Rev	Diverted Outbound Rev	Diverted Total	NS Inbound	NS Outbound	TOTAL
Akron	NO	70.7	40.4	111.1	70.7	40.4	111.1
Martin's Ferry	NO	36.5	14.3	50.8	36.5	14.3	50.8
Canton	NO	309.8	45.2	355	309.8	45.2	355
E. Canton	NO	0	0.5	0.5	0	0.5	0.5
Wadsworth	YES	0	0	0	0	22.8	22.8
Mingo, Jct.	NO	133.4	0	133.4	133.4	0	133.4
Brittain	YES	0	0	0	4.4	0	4.4
Irvin	NO	0	8.3	8.3	0	8.3	8.3
TOTAL		**550.4**	**108.7**	**659.1**	**554.8**	**131.5**	**686.3**

COMMODITY: Forest Products (See Note 1)

Station Name	Serving Road	Diverted Inbound Rev	Diverted Outbound Rev	Diverted Total	NS Inbound	NS Outbound	TOTAL
Akron	WE/CSX	$ -	$ -	$ -	$ 68.90	$ -	$ 68.90
Copley	WE	$ -	$ -	$ -	$ 1.70	$ -	$ 1.70
Canton	WE	$ -	$ -	$ -	$ 21.60	$ -	$ 21.60
Wadsworth	WE/CSX	$ -	$ -	$ -	$ 125.90	$ -	$ 125.90
Brittian	WE	$ -	$ -	$ -	$ 0.70	$ -	$ 0.70
Massillon	WE	$ -	$ -	$ -	$ 15.10	$ -	$ 15.10
Waltz	Unknown	$ -	$ -	$ -	$ 11.80	$ -	$ 11.80
TOTAL		$ -	$ -	$ -	$ 245.70	$ -	$ 245.70

COMMODITY: Chemicals

Station Name	Serving Road	Diverted Inbound Rev	Diverted Outbound Rev	Diverted Total	NS Inbound	NS Outbound	TOTAL
Akron	WE/CSX	$ -	$ -	$ -	$ 28.50	$ 145.90	$ 174.40
Canton	WE/CR	$ 406.60	$ 16.60	$ 423.20	$ 406.60	$ 16.60	$ 423.20
E. Canton	WE/CR	$ -		$ -	$ -		$ -
Mingo, Jct.	WE/CR	$ -	$ 6.10	$ 6.10	$ -	$ 6.10	$ 6.10
Kent	WE	$ -		$ -	$ 29.50		$ 29.50
Brittain	WE	$ -		$ -	$ 2.90		$ 2.90
Massillon	WE/CR	$ -		$ -	$ 51.30		$ 51.30
Barberton	WE	$ -		$ -	$ 139.80		$ 139.80
Mogadore	WE	$ -		$ -	$ 3.40		$ 3.40
Clairton	ALL	$ 25.80	$ 110.60	$ 136.40	$ 25.80	$ 110.60	$ 136.40
Medina	WE	$ -	$ -	$ -	$ 1.00	$ -	$ 1.00
TOTALS		$ 432.40	$ 133.30	$ 565.70	$ 688.80	$ 279.20	$ 968.00
RAND TOTALS		$ 982.80	$ 242.00	$ 1,224.80	$1,489.30	$ 410.70	$ 1,900.00

Note 1:

In Akron the Forest Products/Paper Customers as as follows:

Akron Beacon Journal (ABCR)
Empire Wholesale Lumber (ABCR)
Mill Paper Co. (WE Local)
Cotter Warehouse (ABCR)
Carter Jones (ABCR)

In Canton the Forest Products/Paper Customers as as follows:

Schneider Lumber (WE Local)
Fulton Lumber (WE Local)
84 Lumber (WE Local)

In Wadsworth the Forest Products/Paper Customers as as follows:

There are no customers in Wadsworth. At Rittman, OH there is:
Rittman Paper (ABCR and CSXT)

APPENDIX C

Anthony Kruglinski

THE FINANCIAL EDGE

How one regional railroad survived a major customer's strike

Wheeling Pittsburgh Steel recently settled a strike that had idled the nation's ninth largest steel manufacturer for over 10 months. The strike was noteworthy because it was among the longest for a major steel producer in U.S. history. Wheeling Pittsburgh's very survival was at stake. So was the survival of the Wheeling & Lake Erie Railway, because approximately 25% of this regional railroad's revenue came from Wheeling Pitt.

Each of us has heard about the financial body blows that have tormented (and in some cases overcome) short lines and regional railroads over the years—shipper shutdowns, crop failures, natural disasters. So why is W&LE's experience worth writing about?

For starters, when the Wheeling Pitt strike began, W&LE was already in a "work-out" situation, with a management team that had replaced the original owners. Led by Larry Parsons (formerly of the DRG&W, KCS and SP), this management group had already spent four years turning the company around and had succeeded in largely replacing the W&LE's departed high-sulphur coal with new traffic of various kinds.

Parsons' deal with the financial parties that had recruited him for the W&LE called for continued payments of principal and interest on the railroad's restructured debt and provided an equity incentive for prepayments. By the time of the strike, the railroad had made several debt prepayments and had organized an employee profit sharing program. W&LE's new team had stopped the financial hemorrhaging and was looking forward to the future.

It's noteworthy that 10 months later, W&LE is still around and has established a record during the Wheeling Pitt strike of meeting its financial obligations and of continuing to make prepayments on its debt and profit sharing payments to its employees. How did it accomplish this?

As soon as Wheeling Pitt was struck, W&LE's management team and staff met to map out a strategy designed to reduce cash outflow including capital expenses. They also implemented planned opportunities for property sales and asset dispositions that would have the potential of generating cash. Turning to the "receivables" side, W&LE began to aggressively seek payment of such past-due obligations as freight charges and miscellaneous demurrage and switching bills. Norfolk Southern helped by deferring certain lease payments.

At the same time, W&LE's senior managers were meeting with their bankers and calling their lessors to alert them to the strike and its likely impact on the railroad. At this time, no one thought the strike would last more than a few weeks. Because of this, W&LE's financial partners settled back to observe developments as they provided counsel regarding near term and long term financial options.

In conversations with W&LE President and COO Steve Wait, who handled employee communications during the strike, we learned that the railroad placed a priority on keeping its employees fully informed at all times. They were told that even though there would likely be furloughs, there were still substantial opportunities for growth and enough new traffic possibilities to support the eventual return to service of most if not all of the railroad's employees.

Once a strike plan was formulated, the railroad placed tight controls on every aspect of its expense side. The budget process became a crucial survival element. Weekly monitoring of financial controls allowed quick reaction to problems as well as new income opportunities. And yes, sometimes the railroad had to spend money to make money during this process. It acquired new cars and laid new track.

The railroad's budget process became a crucial survival element.

To almost everyone's surprise, the Wheeling Pitt strike continued through Christmas of 1996 and entered 1997 with no end in sight. Despite offers by the railroad's lessors to delay or reduce lease payments, the W&LE chose to tough it out and not to generate additional debt. At the same time, existing customer traffic grew and a number of new, high-volume customers established sites on the railroad. While this new traffic couldn't take up the slack created by the Wheeling Pitt strike, it did enabled W&LE to meet or exceed its budget projections each month of the strike.

On Aug. 15 the strike ended. But in order to maintain and grow traffic, W&LE will need to align its service and costs with those required by a newly restructured Wheeling Pitt. Service schedules, equipment issues, and the fact that new managers are now involved in the process on the steel company side are all challenges that W&LE must meet.

We asked Steve Wait if there was one specific lesson he had learned from the strike experience. He said that W&LE has an employee stock option plan that covers all employees. In his mind this was vital: "Our employees have an equity opportunity with W&LE, so they know that there is more at stake here than just a paycheck. I think this made a difference in surviving this strike."

The Wheeling & Lake Erie Railway is a financial advisory customer of Railroad Financial Corporation, which Mr. Kruglinski serves as president.—Editor.

State of Ohio)
)
County of Stark)

VERIFICATION

Larry R. Parsons being duly sworn on 17th October, states that he has read the foregoing, and that is it true and accurate to the best of his knowledge and belief.

Larry R Parsons

Larry R. Parsons

Sheryl L. Durant
Notary Public, State of Ohio
My Commission Expires August 29, 1999

Sheryl L Durant

Notary Public

My Commission expires Aug. 29, 1999.

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388 (Sub-No. 80)

VERFIED STATEMENT

OF

STEVEN W. WAIT

My name is Steven Wait. I am President and COO of the Wheeling & Lake Erie Railway Company. I joined W&LE in April of 1992 as Vice President, Operations and assumed my present position on July 1995.

Prior to joining W&LE, I served as Assistant Vice President, Transportation on the Kansas City Southern Railway. I also served in various marketing functions on that line from 1990 to 1991. My earlier career included increasingly responsible operating and sales positions with the Denver & Rio Grande Western Railroad Company. In all, I have almost 20 years of experience with Class I railroads.

INTRODUCTION

The purpose of this statement is to describe W&LE's operations as they have developed since start up in 1990, describe the operational feasibility and benefits of our requested relief, and to show a sensible operational approach to activate our requested relief.

To set the stage for these showings, I will briefly comment on W&LE's operations and capacity. The Wheeling & Lake Erie is requesting access to new markets as a way of reducing some of the anticompetitive aspects of the upcoming division and realignment mergers of Conrail. By the addition of a series of relatively short and simple connections, the W&LE will have the ability to bring many efficiencies to rail transportation in this region. In addition, W&LE seeks the ability to establish new interchanges that will develop traffic patterns that do not exist today. With a location central to a geographic area that includes the heart of Conrail, the W&LE needs to reach out to connections that make sense for our customers, and to provide a *real* transportation alternative.

W&LE has survived, and grown, on the cast off lines and facilities of Class I's. The core of W&LE was divested by the Norfolk Southern and lines along the Ohio river and in Canton, Ohio, were sold by CSX. When Conrail decided to exit Akron, Kent and Ravenna, Ohio, the W&LE established an operating subsidiary to provide rail service in those areas. The W&LE has grown the business in this area and attracted new rail shippers to its lines, by being a low cost, quality provider of transportation services.

Wheeling & Lake Erie was also instrumental in the construction of a state-of-the-art intermodal terminal, (Neomodal Terminal) at a cost of $22 million (in public and private funds), at a strategic location on our line in northeast Ohio. W&LE operates dedicated trains to service this facility. A daily train of outbound intermodal traffic is taken from the intermodal terminal to Willard, Ohio (a major crew change point and classification yard), for interchange to CSX. However, CSX occasionally is too busy to move our intermodal traffic, so it is allowed to sit until the next day. We fear that future density of traffic will exacerbate the Willard, Ohio yard congestion. This is one example of why the W&LE needs a "way out" of the entanglement, and anticipated congestion, of the rail system in its operating region.

Conrail has described its system as "The Big X". W&LE lies in the very heart of this "X". This is also where the major split of the Conrail system will be divided between the Norfolk Southern and CSX. We believe that W&LE's system is an important safety valve for this region, and that by using our routes, gains can be made in the safety, environmental, and service elements of rail transportation.

Wheeling & Lake Erie Railway Operations

Today

The Wheeling & Lake Erie Railway was reconstituted as an independent regional railroad in 1990 by the sale of 578 miles of track previously owned and operated by the Norfolk Southern Corporation. Included in the sale were the trackage rights previously held by the NS on CSX to Hagerstown, MD, and on Conrail from Wellington, Ohio, to Cleveland, Ohio. Numerous other trackage rights were granted by NS to access customers and points of interchange. During the past seven years other line acquisitions and trackage rights on Conrail, CSX and NS brought the mileage total to 864 miles operated in four states. Approximately one third of these miles are accessed via trackage rights.

The W&LE maintains yards for servicing surrounding areas in Akron, Canton, Hartland, Carey, Mingo Junction, Ohio, and Pittsburgh (Rook), Pa. There are an average of 49 crew starts per day which serve local customers on a daily basis as needed. Annual car loads for 1998 is expected to be 126,000. The Wheeling accomplishes all of this with an average of 345 employees. The W&LE is truly a safe, efficient, low cost, regional carrier. My colleague Ron Hynes will comment separately on our excellent safety record.

W&LE's operations are accomplished through the dedicated efforts of its employees. About

50% of all W&LE employees have had long careers in the rail transportation industry, coming from Class I carriers such as NS, CSX, and Conrail. As service demands required hiring, W&LE hired locally, which frequently resulted in family members of many generations of railroaders joining the Wheeling family.

Three labor unions, BLE, BRS, and UTU, represent approximately 75% of Wheeling's work force in seven (7) crafts. An open continuing dialogue is addressing various issues, and communication from senior management to labor and employees is candid and frequent through "town hall" meetings, letters, safety luncheons, and visits in the workplace.

W&LE management has been dedicated to sharing opportunities by promoting from within and encouraging long term relationships through:

- Profit Sharing (5% of EBITDA)
- 401-K Plan ($1,000 a year/emp.)
- Stock Options (equity ownership potential)
- Superior Health, Dental, and Vision Coverage.
- Educational Reimbursement
- Additional Skills Training (while under pay)
- Scheduled Starting Times for Train Crews
- Issuance of Personal Protective Equipment
- Tangible Recognition of Individual Safety and Service Efforts

Our commitment to our employees is to grow the business, grow the opportunities and grow the profit, so as to add value to their long term ownership and personal commitment.

As W&LE strives, through access to new markets, to replace the anticompetitive aspects of the Conrail division and realignment mergers, it will continue to enhance and harness its greatest asset, human power, through communication, training, and ownership opportunity.

Company headquarters are in Brewster, Ohio, and include a four-story office building with 21,000 sq. ft. of office space, locomotive and car shops, a 25 track classification yard, five track storage yard, seven track car shop yard, and a multi track dry-bulk transfer terminal. Since the railway was formed seven years ago, the 600 acre Brewster facility has been improved in virtually all areas. The Wheeling fleet currently numbers 1,718 cars and 44 locomotives which are maintained in Brewster.

Prior to the sale in 1990, the NS had closed the locomotive and car shop, transferring mechanical repair and rebuilding to other locations on the NS system. In 1990 W&LE reopened both the car and locomotive shop, using a ready supply of local skilled labor that had previously been employed by the NS. In the past several years the 152,600 sq. ft. shop complex has been upgraded by:

- Rehabilitation of all diesel locomotive servicing tracks and locomotive inspection pits
- Replacement of major sections of the shop roof
- Installation of a modern, roll-on, wheel lathe for truing locomotive and car wheels
- Installation of a modern drop-pit for locomotive truck replacement
- Replacement of the electrical power distribution system

Complete locomotive overhauls are accomplished in our locomotive shop including diesel engine rebuilding, complete rewiring, and complete truck, frame, and car body repair. Daily locomotive servicing is performed on a four track servicing facility. Contract repair and refurbishing of locomotives owned by other railroads and leasing companies is also performed.

Our car shop has the capacity to work 14 cars indoors on the "light" repair tracks and 24 cars indoors on the "heavy" repair tracks. Overhead cranes operate for the length of the 528 ft. building.

The car shop regularly performs work as a contract repair facility.

The car and locomotive shops are supported by a complete fabrication and machine shop with material handling and material storage facilities. Complete fueling and servicing facilities are environmentally safe with the help of a modern ground water treatment facility.

Physical Plant

The main stem of W&LE is a main track extending from Bellevue, Ohio, 149 miles to Mingo Junction, Ohio, and is predominantly Class III track, permitting freight train speeds of 40 mph. Approximately 87% of this segment is 132# continuously welded rail (CWR). East of Mingo Junction, extending to Connellsville, Pennsylvania, a distance of 91 miles, the main line is 112# and 115#, with some CWR, held to Class II standards. Heavy traffic areas such as between Mingo Junction and Warrenton, and between Brewster and Canton, Ohio, are 132# CWR. Main tracks of other subdivisions are generally held to Class II standards, allowing train speeds of 25 mph. Some light density branch lines are held to 10 mph. Of all W&LE lines approximately 33% is large-sized CWR, 55% is 110# to 115# jointed rail, and 12% is 90# jointed rail. The main line and branches of the Wheeling are composed of 67% class II track, 29% class III track, and 4% class I track. Generally, all track sections, bridges, signals and other structures are in good operating condition. Federal and state funding has been utilized to accelerate cross tie maintenance

Akron Barberton Cluster Railway

As I stated above, today's W&LE is comprised largely of properties "cast off" from Class I's. The Akron Barberton Cluster Railway is just such an orphaned property. Today it is a wholly owned subsidiary of the Wheeling Corporation. This railway was formed to operate trackage in the Akron, Ohio, area that was previously served by Conrail. In 1994, Conrail sought to pull out of the Akron, Barberton, Wadsworth, Kent and Rittman, Ohio areas. Conrail had identified this market area as not being one in which they could grow and offer a transportation service at acceptable levels of return. Since beginning operations under W&LE management, the ABCR has steadily grown rail business levels with existing customers. Several new customers were added; the largest of these is a stone receiver that was built on the ABCR because the W&LE Marketing Department was able to identify price and service requirements that were possible by utilizing the existing W&LE trackage rights on NS in the Bellevue area. The ABCR operates to and from the W&LE via trackage rights on the CSX. The working relationship between those two companies is excellent in all operations coordination. Since beginning operations the ABCR has had zero injuries.

The ability to set up a switching and terminal railway in a competitive area such as Akron is significant and <u>should</u> be looked at in such areas as Cleveland and Pittsburgh to relieve congestion, perform service, balance the scales of competition and provide W&LE a further opportunity to utilize its expertise.

CONDITIONS SOUGHT AND OPPORTUNITIES PROVIDED BY W&LE

As I will next show, the relief outlined in Mr. Parsons' testimony is not only reasonable it is operationally feasible and, in the main, preferable to existing operating practice.

Additional Trackage Rights and Line Acquisitions Required:

1. Access to Chicago:

The W&LE needs to access Chicago, IL, with a haulage agreement and underlying trackage rights so as to develop a more seamless system for customers and to be consistent with the Antitrust Division's divestiture order. However, W&LE seeks a focused access. Specifically a Wisconsin Central link through Chicago would provide service improvements for W&LE paper and industrial minerals customers, i.e., Owens Corning Fiberglass, Georgia Pacific and Inland Paper. Reduced delays of shipments are possible by 8 to 10 days, given CSX and NS past poor performance. In addition, W&LE needs an intermodal direct link to Chicago and carriers beyond.

Wheeling has the ability to expand current rolling stock assets through acquisition and lease arrangements to serve the Chicago link. Crew training and qualification can be quickly addressed.

2. **Access to Toledo:**

The W&LE seeks a haulage agreement, with underlying trackage rights from Bellevue to Toledo, Ohio, a distance of 54 miles, for an interchange with the Ann Arbor Railroad, Canadian National and the Indiana & Ohio Railroad. Also to be included is access to British Petroleum for movement of coke to Cressup, WV. The Toledo-Lucas County Port Authority strongly supports W&LE access to the port facilities.

3. **Access to Erie, PA:**

The W&LE seeks a haulage agreement, with underlying trackage rights to Erie, PA, for interchange with other railroads. This is to protect business currently moving on an Haulage Agreement to the Buffalo & Pittsburgh Railroad.

4. **Operation of the Randall Secondary:**

The W&LE seeks to lease to own the Randall Secondary from Cleveland, MP 2.5, to Mantua, MP 27.5. Conrail had been seeking a buyer for this light density branch for some time. The W&LE believes the best solution would be a connection near 93rd Street in Cleveland. It may also be possible to eliminate the diamonds at "Erie Crossing", MP 116.9, on the CR-NS Cleveland Line. The W&LE has two locals in this area of Cleveland today. With a new connection customers on the Randall Secondary could benefit from daily service as needed.

5. **Operation of the NS Huron Branch:**

The W&LE seeks to lease to own and operate the Huron Branch, construct a better connection at Shinrock, and eliminate and streamline facilities that are rendered redundant by the new connection. This would allow development of the Huron Port without restriction of cargo or destination. This would also allow the growth of agricultural traffic with the ConAgra facility in Huron.

The Huron Dock is important to the W&LE to serve the needs of one of our largest customers, Wheeling Pittsburgh Steel. W&LE already has the equipment and manpower in place and is moving daily trains to Mingo Junction, Ohio. With unrestricted access, beyond the current restrictions, Wheeling could provide superior service to the other on-line customers who need Lake Erie access.

6. **Trackage rights on CSX from Benwood to Brooklyn Junction:**

The W&LE desires to have a haulage agreement, with underlying trackage rights, between the present W&LE interchange in Benwood, and Brooklyn Junction. This would allow the W&LE to move British Petroleum coke from Toledo to Cressup, WV, via a more direct route, saving time and equipment. Also of interest to the Wheeling is existing W&LE traffic to PPG in Natrium, WV and traffic to Bayer, also in Natrium, WV.

As an example of W&LE regional efficiencies, eight (8) car days can be trimmed off each round trip shipment of coke. CSX line abandonments have left that carrier with a very circuitous route for this traffic. From Toledo to Cressup, West Virginia, the Wheeling's route is 250 miles shorter than CSX.

W&LE single line rates, route, service and performance will be superior.

The State of West Virginia strongly supports this request to enhance efficiency.

7. **W&LE provides Route Congestion Relief:**

NS trains operating on the Chicago and Fostoria Districts west of Bellevue on the current NS Chicago route could easily operate from the "New Haven Connection" to the "Lake Shore Connection" to W&LE tracks at Yeomans, Ohio. Such a route does not involve the trackage through

Bellevue Yard, thus eliminating a major choke point.

NS traffic from the Conrail Chicago Line that is routed via a new connection at Oak Harbor, Ohio, to the NS Toledo District would be taken into Bellevue Yard, and the power placed on the opposite end, before heading onto W&LE tracks. Reinstalling the diamond at railroad crossings at grade near Center Street would eliminate these trains from having to enter Bellevue Yard. Trains would then proceed to:

1) Orrville, via W&LE, to access the CR-NS Fort Wayne Line at "CP Orr" (MP 124) via a simple connection to an existing control point.

And to

2) East Canton, to an existing connection with the Fort Wayne Line at MP 97.8. This route would provide access to the NEOMODAL intermodal facility.

It is understood that the NS is contemplating the construction of a connection between the NS Cleveland District and the CR Chicago Line at a point west of Vermillion to funnel Chicago traffic to and from Pittsburgh and points east. This connection would be lengthy and costly. It would also serve to concentrate traffic on the already crowded Cleveland District (NS) and Cleveland Line (CR). The Wheeling route is nine miles shorter, with fewer grade crossings and no main line choke points, such as the CSX crossing at BE tower. Instead of undertaking this unnecessary construction, W&LE would recommend the use of its strategically placed facilities.

8. Stone Traffic:

On the Conrail Fort Wayne Line:

The W&LE seeks access to the National Stone quarry near Bucyrus, via the Spore Industrial Track, a distance of 6.2 miles from "CP Colsan", MP 200.5 on the Ft. Wayne Line. Access to the

Ft. Wayne line would be from the W&LE at "CP Orr", MP 124 and from a point near Fairhope at MP 97.8. Stone receivers are located in Wooster, MP 135, and on a side track extending approximately from MP 87.3 to MP 85.1, near Alliance.

On the NS Sandusky District:

The W&LE currently has trackage rights from Bellevue to Chatfield, a distance of 22.7 miles, on the NS Sandusky District. We wish to extend these trackage rights an additional 10.8 miles beyond Chatfield to Colsan, a junction with the Conrail Fort Wayne Line and access to the Spore Industrial Track.

On the NS Fostoria District:

The W&LE seeks access to a stone quarry located on the Northern Ohio Railway at Maple Grove, via a junction on the NS Fostoria District at MP 269.4. This is 21.3 miles west of the present W&LE trackage rights in the Bellevue area at MP 248.1.

On the Conrail Cleveland Line:

For the delivery of stone from the quarries at Spore and Maple Grove, and the quarries presently served by W&LE, access is desired to the stone terminals in the Macedonia, Twinsburg, and Ravenna areas. This can be accomplished from the present connection with CSX at Summit Street, then operating approximately 0.5 miles east to the former Conrail Akron Secondary (now owned by Summit County) a track eight miles in length to Hudson, MP 98.

Trackage rights from Hudson west to Macedonia, four miles on the current Conrail track, to the Chrysler Lead, an industrial track 2.5 miles in length, upon which the Whitestone stone terminal is located. Just before Macedonia W&LE would have access to the Roger's Group stone terminal at MP 103.5. Hugo Stone could be accessed by operating east from Hudson to Brady Lake, a distance of approximately eight miles.

All of the opportunities in the above mentioned stone markets can be accomplished by adding fleet capacity and crews. W&LE has done this many times over the past seven years, taking four (4) stone quarries from six (6) destination terminals in 1990 to fifteen (15) terminals today!

9. Access to Wheeling Pittsburgh Steel at Allenport, PA:

The W&LE could provide a shorter route between the Wheeling Pittsburgh Steel complex in Mingo Junction, Ohio, and the Wheeling Pitt Mill in Allenport, Pennsylvania. This would be accomplished by building a connection in Monessen, PA, from the Monessen South Western, operated by the Wheeling, to the CSX Mon Subdivision near MP 41. Trackage rights of 12.9 miles, from MP 41 to "Brown", MP 53.9, (near Brownsville, Pa), the use of the present junction with CR-NS, via the bridge at West Brownsville, and on CR-NS from "Brown" to Allenport, a distance of 9.5 miles.

This is a much shorter and more efficient direct route, (93.1 miles) than the CR-NS routing via Wellsville, Conway Yard, Pittsburgh, and Allenport, (111.5 miles). This route would also avoid the congestion of the Conway area.

Again, the W&LE with small points of trackage rights provides service to a key customer that would be superior than that offered in the future by the Class I carrier.

- They have congestion - W&LE provides dedicated service.
- They have indirect routing - W&LE cuts route miles.

10. Trackage rights on CSX New Castle Subdivision:

Currently the W&LE handles three coal trains of 40 cars each per week from Harrison Mining to Ohio Edison at Niles, Ohio. A round trip between the mine and the power plant is 274.8 miles, 84 of these miles are on CSX, which is about 30% of the total mileage. The Wheeling supplies the locomotive power and equipment for this move, committing 3 locomotives and 80 hoppers to the service.

The Wheeling should operate the equipment for the entire round trip, which would necessitate trackage rights on the CSX New Castle Subdivision from Akron, Summit Street Interchange, to Ohio Edison in Niles, a distance of 42 miles. True seamless service will result in benefits for the shipper, receiver, and both railroads.

Problems arise when the ability of either road to immediately take the train at the Summit Street interchange results in the train lingering on the steep grade in anticipation of another crew. There are only two tracks at the area of interchange. One coal train, with engines, will usually block both tracks. Numerous hand brakes must be set because of the steep grade.

The benefits to Ohio Edison:

Eliminating the need to interchange equipment will provide our customer with a more certain delivery time.

The benefits to Harrison Mining:

Harrison mining must know when the empty equipment will be available to load. By providing all aspects of the service the Wheeling can more accurately inform Harrison Mining of the expected arrival of the empty equipment at their facility.

The benefits for the W&LE:

1. Parking loaded coal trains, with locomotives, on a severe grade at Summit Street is a safety hazard due to trespassers who thrive in the surrounding area of highway bridges and deserted buildings. Numerous incidents, some involving bodily harm and others involving hazardous materials, have been attributed to the direct actions of

trespassers in the area. W&LE could eliminate the hazard with direct access to Niles, Ohio.

2. Eliminating the CSX requirement of a change of crews at the interchange would permit a more accurate scheduling of crews and equipment.

3. Eliminating the interchange of equipment would improve the utilization of equipment. If the equipment is not interchanged at Summit Street there would be no need to stop there to transfer crews.

4. Eliminating the need for an interchange would free up needed track space at Summit Street for the interchange of other freight between CSX, ABCR, and W&LE. These tracks are also used as a running track for the ABCR to operate trains between the W&LE and the CSX.

The benefits for CSX:

1. It is only 42 miles from Akron to Niles. Crews usually work one way and then are transported back by taxi. Crews could be utilized in other service, instead of having a short day for a one way delivery of coal from Akron to Niles. Another crew used for a short day when transferring empties from Niles to Akron could be utilized on core CSX business.

2. CSX would benefit from relieving the limited space problem for interchange of other business at Summit Street.

OPERATING PLAN

As business develops, haulage agreements would become secondary to utilization of the underlying trackage rights. The following assumes W&LE success in securing substantial long term contracts.

A realistic approach to implementing the requested conditions will be followed:

Chicago

Without limitation of a future increase in train frequency, the W&LE should be allowed to commence through service to Chicago by operating one train in each direction per day, six days per week. Initially, trains would consist of twenty intermodal platforms and forty freight cars. A typical train would be 3,600 ft. in length and 2,400 tons westbound, 6,400 tons eastbound. Power would meet the required tonnage ratings per locomotive.

Alternative routings:

Via the NS:

Crews would operate westward from the W&LE Brewster Yard a distance of 78.3 miles before entering the NS "Lake Shore Connection" near Bellevue, Ohio, to access the NS "Fostoria District". Crews would operate westward on the "Fostoria District" to the "Chicago District". Crews would be changed in Fort Wayne, IN, which is 201.4 miles from Brewster. A fresh crew would operate 140.7 miles to Pullman Junction, then into Clearing Yard. Crews would obtain rest in Chicago while the power was being fueled and serviced for the return trip. The total distance from Brewster to Clearing Yard is 354 miles, 276 of which are on NS. It is estimated that a one way trip would take 19 hours.

Via CSX:

CSX Alternative Service Route:

W&LE trains would depart Brewster, Ohio, and proceed westbound 13.1 miles to Orrville Junction, then make a reverse move on the Orrville Branch for a distance of 0.6 miles. Trains would operate via the connection to the Conrail "Fort Wayne Line" at Orrville, Ohio, westward via NS 64.7 miles to Crestline, Ohio. From Crestline W&LE trains would follow the route as identified by CSX as the "Alternative Service Route" between Chicago and points east. CSX indicates that this line will be used for bulk traffic and will accommodate anticipated traffic growth. This line will also host NS trackage rights from Crestline, Ohio, to Chicago.

Operating westward on the "Alternative Service Route" from Crestline, trains would change crews at Fort Wayne, Indiana, after traveling a distance of 209 miles. A fresh crew would proceed westward to Chicago, approximately 147 miles, to a suitable interchange with The Belt Railway of Chicago. The total distance from Orrville, Ohio, to Chicago, Illinois, is 343 miles. Approximately 19% of these miles are on NS, 81% on CSX. It is estimated that a one way trip would take 23 hours.

Toledo

Without limitation of a future increase in train frequency, the W&LE should be allowed to commence through service to Toledo by operating one train in each direction per day, six days per week between an existing connection with the Norfolk Southern at Yeomans, Ohio, and Toledo for interchange with the Ann Arbor Railroad, Canadian National and the Indiana & Ohio. Additional traffic would be loaded hoppers of petroleum coke received from British Petroleum.

Train crews that operate in the Bellevue area are well experienced on the section of railroad between Bellevue and Toledo. The railroad between Bellevue and Toledo was built and operated as a contiguous line from the section of track sold to the W&LE in 1990. The mile posts continue from the W&LE property at MP 54.7 to MP 2.1 in Toledo. All crews on that section of the Wheeling are required to be qualified on NS Operating Rules because of the existing trackage rights held by the Wheeling in that area. Most all of the W&LE crews in this area have worked into Toledo when they were employed by the NS.

Crews would originate at the W&LE station of Hartland, Ohio, and travel west to Yeomans, Ohio, which is the last W&LE siding east of the point of track ownership change from W&LE to NS. Trains would enter the Yeomans Siding for the purpose of placing the engines on the rear of the train. After a proper air test, and after obtaining permission from the NS dispatcher, the train would be backed out of the siding and onto the NS "Lakeshore Connection", then onto the Sandusky District main. This move is made necessary because of the removal of diamonds at the railroad at grade crossing near Center Street, the location where the Toledo District had crossed the Sandusky District. Trains would then pull westward toward Toledo, a distance of about 52 miles. Running time would be approximately two hours.

The maximum grades in this area are found on the Wheeling. Therefore, power requirements would be less than the W&LE. Crews would operate on a round trip between Toledo and Hartland. There would be no need to take rest or service locomotives in Toledo.

Brooklyn Junction

The Wheeling currently owns trackage into Benwood, West Virginia, where an interchange with CSX takes place. Wheeling crews operate out of Mingo Junction, Ohio, a point that is 24.3 miles north of Benwood. Presently the Wheeling operates a train from Mingo Junction to Benwood five times per week. The exact schedule is determined by the arrival of traffic for the Wheeling at Benwood. Brooklyn Junction is 33.4 miles south of Benwood, with a running time of two hours.

Total running time between Mingo Junction and Brooklyn Junction would be 10 hours for the 115.4 miles round trip. The W&LE and CSX, for some time, had a haulage agreement whereby the W&LE hauled CSX freight between Willard, Ohio and Benwood, West Virginia. Most all of this freight was destined to points between Benwood and Brooklyn Junction. Crew qualifications to Benwood and power requirements for the tonnage have been fulfilled when hauling the above mentioned tonnage.

Stone Traffic

Maple Grove: The quarry at Redlands, located on the Northern Ohio Railway, can be accesses from the NS "Fostoria District" at Maple Grove, Ohio. Crews would go on duty at Hartland, Ohio, to operate a dedicated 20 to 40 car train of empty hoppers westward from Hartland to the NS "Lakeshore Connection" at Bellevue, Ohio, directly to the "Fostoria District" and proceed west a distance of 21.3 miles to connect with the Northern Ohio Railway. The crew would return via the reverse route with loaded stone hoppers. Loaded cars of stone would move via W&LE to Hudson, Ohio, for movement to Twinsburg.

Spore and Wooster: W&LE crews would operate from Brewster on the W&LE to the connection at Orrville, Ohio, then westward 11.2 miles on the "Fort Wayne Line" to Wooster, Ohio, to pick up empty stone cars at the unloading facility, before proceeding westward 65.3 miles to "CP Colsan" then 6.2 miles on the Spore Industrial Track to access National Stone. On the return trip the crew would place the loaded cars of stone at the unloading facility and depart for Orrville with additional loads of stone for distribution on the W&LE.

The extension of existing trackage rights on the NS for 10.8 miles from Chatfield and Colsan will allow flexibility in routes to better serve stone customers. This will also allow a W&LE local crew to serve National Stone at Spore from the W&LE Carey Subdivision, a major route for W&LE stone shipments and the return of empty equipment. This route will also allow stone shipments from National Limestone in Carey, Ohio, to be combined with the stone from National Limestone at Spore for shipments eastward to the distribution centers.

Alliance: Twice per week, the W&LE would originate blocks of 35 loaded stone hoppers destined to Alliance from Wyandot Limestone in Carey, Ohio. This facility is currently served daily by the W&LE. These cars would be handled through Spencer, Ohio, to Canton, and then to the "Fort Wayne Line" at an existing W&LE connection at MP 97.8. The W&LE crew would operate this dedicated train eastward approximately 10 miles to Alliance, Ohio, and return to W&LE trackage via a lite engine. The cars would be retrieved when they were empty the next day.

Macedonia, Twinsburg, and Ravenna: W&LE crews would go on duty at Spencer, Ohio, grouping the inbound loads of stone for these stone terminals. Trains would operate eastward via the W&LE to Summit Street, to access the CSX "New Castle Subdivision" for 0.5 miles to the existing connection with the line owned by Summit County, to Hudson, Ohio. Another crew would be called on duty at Hudson, the locomotive power divided for each crew, then the appropriate stone distribution centers would be serviced. At Hudson, crews would operate four miles west to Macedonia with the block of stone cars from Parkertown, Ohio, and the block of stone cars from Redlands for delivery to Whitestone in Twinsburg, and seven miles east to Hugo Stone in Ravenna, on the NS "Cleveland Line" between Macedonia and Ravenna. Crews would be flexible in the direction of travel on the Cleveland Line, depending on the available track time. Upon returning, the trains of empty equipment would be combined at Hudson for the return trip to the quarries.

Performance on trackage rights

Whenever the W&LE operates on NS or CSX trackage rights, an acceptable level of service is necessary to be sure that the trackage rights can actually be of use. The Wheeling requests that the

Surface Transportation Board retain jurisdiction over trackage rights to assure that service levels and rates result in trackage rights that are functional, fair and competitive.

We are all aware of the delays encountered in day to day railroad operations and the resulting delays in and around congested terminals. The Wheeling is accustomed to enduring its share of delays. However, it is apparent that when traffic is heavy, the way to keep the owning road's trains moving is to hold W&LE trains in place. This is particularly frustrating when it occurs on the NS because the distances involved are often only a matter of a few miles.

When the W&LE property was purchased from the NS in 1990, the agreement included NS trackage rights to two stone quarries in Bellevue. The distance from the W&LE connection to the stone quarries is less than 1 mile in one direction and 3 miles in another direction. However, the W&LE is often denied permission to access the trackage rights that were agreed to in the sale of this property because the NS prefers its own traffic. NS trains are sometimes held at locations that block W&LE access, when they could have been held at other locations that would not have interfered with the W&LE's ability to perform.

The stone business is a low revenue business that is successful only if cars are moved dependably. Stone can be moved at an average speed of ten mph, but it does have to move. The quarries load during the day, the cars move to the unloading points during a twelve hour window during the night, then the stone is unloaded during the following day. If the NS denies the W&LE the ability to use the trackage rights for three, six, or eight hours during the course of a night, the stone cannot be delivered on time, the unloading terminals will not unload all of the cars, the effect is cumulative; there is not enough empty equipment to deliver the following night, so there are less cars loaded the next day. This cycle is repeated with the result that the W&LE regularly losses stone revenue due to not being allowed access to its customers. The W&LE is unable to provide service two to three times per week solely because of being denied the use of its trackage rights. Fact: Sometimes the Wheeling trains sit for eight hours, are recrewed, and still denied access. Locomotives, cars, and crews have been dedicated, but on several occasions each month perform zero service that produces zero revenue, simply because we were not permitted to execute service on trackage rights.

The result of these decisions are costly to the W&LE, resulting in wasted resources and missed revenue on a regular basis. The Wheeling needs to be treated with some measure of fairness in areas of trackage rights, those that are now in existence and those that will be granted in the future. A set standard, using a measure of time (such as a wait of one hour) or distance (being held for a train that is 25 miles distant), needs to be in place to allow a standard of fairness.

An example would be:

1) A Wheeling train arrives at a certain point and is held. After a period not to exceed one hour, the Wheeling train would be next in line to proceed.

2) A Wheeling train arrives at a certain point and is held. After a train that was twenty five miles away has passed the point where the Wheeling train is being held it would be the Wheeling's turn next. First come, at <u>least</u> second served.

The Wheeling seeks oversight from the Surface Transportation Board and an order to guarantee performance on access to trackage rights so as to enable a return on the equipment and crews that have been dedicated to the service. When a Class I makes the decision to hold a W&LE train at any location for an extended period of hours while their own trains are run without delay, they should be compelled to make the W&LE whole for the revenue that was lost due to their decision. When a Class I decision to hold a Wheeling train results in a delay that requires the train to be recrewed, the Wheeling should be compensated $1,000. On the occasions that the Wheeling has squandered a crew and equipment that was dedicated to performing a task that could not be completed solely because of the decisions to give other trains preference, and the customer misses that days switch, the W&LE should be compensated $10,000 as lost opportunity liquidated damages.

Joint Facilities Maintenance

With the purchase of the property, the W&LE assumed the responsibilities for maintenance of certain joint facilities including railroad grade crossings in Wellington, Canton, Steubenville, and Cleveland, Ohio. As a result of CSX and NS acquiring Conrail, with the resultant increase in gross ton miles associated with the growth in traffic for CSX and NS, when combined with the W&LE "post acquisition" traffic loss, it is no longer feasible for the W&LE to maintain these facilities nor the costs of maintenance for the larger, more profitable Class I's.

1) Wellington, Ohio: The CSX will have ownership of the Conrail "Indianapolis Line". The CSX operating plan calls for this line to have an addition of a main track, and crossing diamond, across the W&LE at Wellington, Ohio. Figures in the CSX Operating Plan indicate that the traffic will increase 250% from 31 to 108 MGT per year at this location. In 1996, the W&LE line at this location carried 5.5 MGT.

2) Canton, Ohio: The NS will control the railroad grade crossing at "Wandle" on the "Fort Wayne Line" in Canton, Ohio. The W&LE line at this location handled 1996 tonnage of 3.5 MGT. The NS Operating Plan indicates that tonnage will be reduced at this double track location from 36.1 to 15.9 MGT annually. This is more than five times what the Wheeling will haul "post acquisition".

3) Steubenville: The NS will control the railroad grade crossing at "Rockville" on the "River Line" in Steubenville, Ohio. The NS Operating Plan indicates that there will be a modest increase in traffic, 18.5 to 18.9 MGT over this line. Presently, the Wheeling handles less than 0.1 MGT over this crossing.

4) Cleveland, Ohio. The NS will control the railroad grade crossing at "Harvard" on the "Cleveland Line" in Cleveland, Ohio. The double track NS line at this location is slated for a large increase in train frequency. Figures in the NS Operating Plan indicate that the traffic will increase 93%, from 25.9 to 49.9 MGT per year. In 1996, the W&LE line at this location carried less than two MGT.

In light of the relative tonnages involved, we request that the Surface Transportation Board relieve the W&LE from the burden of maintaining these joint facilities and allocate costs of maintenance based on "proportional" use basis.

Conclusion

Wheeling has the capacity in its physical plant, the capability in its rolling stock and excellent expertise in its human resources to provide quality service, tough competition and needed connections if given the opportunity to survive and thrive between Chicago - Toledo - Pittsburgh - and Hagerstown.

Our daily action, in communities like Canton, Ohio, for customers like Timken and Republic Steel speak louder than all our words or for that matter all of NS and CSX words. W&LE can handle the operations anticipated by its request for conditions in a way that will increase overall railroad efficiency and customer welfare.

S. W. Wait
Steven W. Wait

VERIFICATION

Steven W. Wait being duly sworn 17th October, deposes and says that he has read the foregoing, and that it is true and accurate to the best of his knowledge and belief.

Sheryl L. Durant
Notary Public

Sheryl L. Durant
Notary Public, State of Ohio
My Commission Expires August 29, 1999

My Commission expires Aug. 29, 1999

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388 (Sub No. 80)

VERIFIED STATEMENT

OF

REGINALD M. THOMPSON

My name is Reginald Thompson. I am Vice President of Marketing & Sales at the Wheeling & Lake Erie Railway Company. I joined the W&LE in 1992 as Vice President of Sales and added the Marketing function later that year.

The purpose of my testimony is twofold: to present my views as to the impact of Conrail's split up and merger on W&LE, and to give an assessment of our proposed conditions' potential to restore W&LE to viability.

At the outset, I want to state that my twelve years of progressively increasing responsibility in marketing functions for a Class I railroad prepared me well for my work on the W&LE. Although Norfolk Southern and CSX Transportation may view the W&LE as a "short line", the challenges we face in customer service within our territory are more like Class I's than captive originating short lines. For instance, our multiple connections with NS, CSX and Conrail was the reason that the Neomodal Terminal chose to locate its facility on our line. And as Steve Wait points out in his testimony, the reach and position of our system offers efficiencies for major traffic flows now moving over more circuitous NS and CSX routings.

In short, we have the infrastructure and ability to remain a meaningful and competitive railroad in our region with the addition of the relatively modest connections outlined in Messrs. Parsons and Wait's statements. We also stand to be severely harmed -- to the point of losing viability -- if the anticompetitive aspects of the NS/CR combination are not corrected.

I am also concerned that the contemplated Conrail realignment will foreclose W&LE's system efficiencies. The Board should encourage the use of more efficient routing possibilities as a means to keep the W&LE viable in order to continue to provide its essential services, to promote the public welfare inherent in optimizing rail plant efficiencies, and to preserve "safety valve" alternatives in case a rail gridlock occurs in the east pursuant to the present Class I consolidations.

At any rate, I will focus on the W&LE's expected traffic losses arising directly out of the Conrail realignment, and identify those traffic flows and revenues susceptible to diversion. After doing so, I will forecast traffic gain possibilities inherent in our requested conditions. It is important, however, to keep in mind that our conditions seek only the ability to compete and, therefore, any prediction of "gain" (especially in the context of competing against the powerful NS and CSX systems) must remain tentative.

Before addressing our expected losses, it would be helpful to outline W&LE's present position in our current rail market. NS is our largest interchange partner in terms of revenue percentage, accounting for more than 25% of revenue. On the other hand, W&LE competes with Conrail at more common points than with any other Class I. The maps at Exhibit 1 entitled "Current Wheeling & Lake Erie, Conrail and Norfolk Southern" and "Post Acquisition of Conrail by Norfolk Southern" graphically show these relationships.

When our most significant joint line partner assumes the role of our most pervasive head-to-head competitor, our railroad world will change dramatically, if not turn upside down. For instance NS will now be in a position to directly compete for a major share of our most significant shippers. Importantly, a number of these major shippers, who presently rely on W&LE joint line services, may find themselves captive to NS if W&LE is eliminated by bankruptcy, inclusion, or just plain nonviability. In the first two cases, the shippers may find themselves in the 2-1 category under current Board jurisprudence; in the last, they simply will have inadequate competition. The important shippers in this category include Timken at Canton, OH; Republic Engineered Steel at Canton and Massillon, OH; Wheeling Pittsburgh Steel at Steubenville, Mingo Junction, Yorkville and Martins Ferry, OH; Tube City Scrap at Mifflin Junction, PA; US Steel at Irvin PA; Aristech Chemical at Neville Island, PA; Ashland Petroleum at Canton, OH; and Rubbermaid at Wooster, OH -- Owens Brockway, Rubbermaid is served via transload at Brewster, OH.

In short, even without addressing specific loss assumptions, the Conrail acquisition will have a profound impact on the Ohio and Pennsylvania rail market.

A. W&LE Diversion Anticipation

I am aware that the Joint Applicants project a minor diversionary loss for W&LE in an order of magnitude less than $2 million. A quick review of our "real world" marketplace, however, shows that the Applicants' experts are way off the mark. This is best shown by examining commodity groups.

- Petroleum Coke Shipments - With NS in the shoes of Conrail and able to serve Wheeling Pittsburgh Steel, US Steel Clariton Works, and Shenango Coke Works at Neville Island, PA and destinations at LTV Steel in Cleveland, OH and Indiana Harbor, IN, it is my judgement that W&LE will have no chance to effectively bid on moves to Indiana Harbor or to any other destination that requires a Class I connection. The traffic lost or foreclosed by this market change is roughly $2 million a year.

- Industrial Minerals - W&LE currently has a short-term lease allowing limited access to Lake Erie via Huron Dock at Huron, OH which will expire in less than a year. Wheeling Pittsburgh Steel currently has a contractual ability to ship up to 25% of its ore shipments other than by Conrail. With NS serving Wheeling Pittsburgh Steel in place of Conrail, i.e., succeeding to Conrail's shipping contract, NS control of Huron Dock will open the door for NS to become the sole supplier of ore for Wheeling Pittsburgh Steel. Wheeling Pittsburgh Steel consumes between 2.1 and 2.6 million tons of iron ore per year of which, under the previous Conrail contract, W&LE had the opportunity to handle more than 500,000 tons annually. This important traffic will be foreclosed by the combination of NS's absorption of Conrail's rights, and its exclusive position on Huron Dock.
  I also expect that present lime shipments now interchanged with W&LE from NS will be a total loss when NS gains access to Wheeling Pittsburgh Steel and will gain single line advantage.

- Steel and Steel Products - In my judgement, W&LE will lose all steel shipments outbound from US Steel Irvin works in Pittsburgh. After NS obtains Conrail's franchise, there will be no need for W&LE originations and terminations into or out of US Steel. After the purchase of Conrail, NS single line service will eliminate W&LE from the Pittsburgh market. This will eliminate a major portion of traffic currently moving from US Steel-Irvin to US Steel at Leipsig, OH. Another large loss from US Steel-Irvin works is traffic moving to Mexico.

In my judgement, W&LE will also lose all outbound steel moves from Wheeling Pittsburgh Steel to NS destinations.

I also believe we will lose at least 50% of the remaining outbound moves because of NS's knowledge of our joint rate line structure (for competitive purposes) and because of NS's great reach advantage. In other words, NS can offer rate concessions elsewhere on its system to effect shipper decisions on offers competitive with W&LE.

I also believe that we will suffer significant traffic losses from both Republic Engineered Steel at Canton, OH, and Timken Steel at Canton. Again NS will have the advantage of scale and scrap, as well as its knowledge of joint line rates in place with W&LE, in its competitive offers.

In my judgement, W&LE's vulnerability in Steel and Steel Products alone is sufficient to put the lie to applicants forecast of W&LE's diversionary loss being below $2 million.

- Scrap Metal - W&LE provides inbound scrap moves to three of the five steel mills we serve. W&LE will suffer 100% loss of inbound scrap from NS origins coming out of Toledo, Detroit and Canadian origins to Republic Engineered Steel, Timken and Wheeling Pittsburgh Steel after NS replaces Conrail. We will also lose 100%

of scrap moving from Harry Rock at Cleveland to Republic Engineered Steel and Timken Steel. These scrap moves are substantial losses.

- Chemicals and Related Products - After NS absorbs Conrail, NS will both directly serve and be one of two carriers in the Pittsburgh and surrounding areas. Chemical traffic out of Aristech moving via W&LE/NS will become an anomaly. I expect to lose all this traffic to single line NS service.

- Petroleum Products - After the instant proceeding is approved, NS will be able to serve the Ashland Petroleum facility at Canton, OH. Inbound moves of LP gas will move single line via NS to the Canton refinery. Again, because of NS's reach, and succession to Conrail's position, W&LE will suffer significant diversion of traffic moving to this facility.

- Intermodal Traffic - W&LE has a five year agreement with NS providing for a run through intermodal train service between Bellevue, OH and Hagerstown, MD. These trains moved for a period of about six weeks at the beginning of the Conrail control case. However, when CSX and NS announced their accommodation to divide Conrail, the through intermodal train service stopped and was rerouted back to its more circuitous routing.

- Stone - W&LE's stone service has to traverse trackage rights to reach two of the four quarries it now serves. In doing so, it must pass into and out of Bellevue Yard. This choke point gives NS the ability to control the timeliness of W&LE's service, either by design or by inadvertence. In short, W&LE's essential service is captive to NS's scheduling decisions. While not asserting the existence of overt discrimination, I would state that NS can indirectly control the stone movements in North Eastern Ohio by its operational products.

In summary, the analysis of various commodity groupings outlined above clearly shows that W&LE faces diversions far in excess predicted by the applicants' expert witnesses. I have attached, as Appendix A, our diversion study analyzing specific traffic flows by STCC category. This shipper level (shippers identity deleted) study shows a loss of more than 16,000 cars and $12.7 million gross revenue (FY 1996 data) attributable to the NS-CSXT-CR mergers.

B. Corrective Conditions - My analysis of our requested conditions is based on a somewhat different approach given the speculative nature of the conditions themselves, i.e., only providing the opportunity to compete. Our rationale is to either match the conditions to presently identifiable W&LE traffic flows to preserve competitive alternatives, or to provide operational flexibility which may, in part, help preserve W&LE's viability. Also, Mr. Wait's analysis largely emphasizes this approach. Nonetheless, I will also attempt to quantify the potential of the conditions in a table (Appendix B) to accompany my loss analysis previously attached as Appendix A. My analysis parallels the conditions outlined in Messrs. Parsons' and Wait's statements.

- Haulage with underlying trackage rights to Chicago - This allows transport alternatives to the congestion at Bellevue and Willard, OH (see Verified Statement of S. Wait). Access to the Chicago gateway will also insure expeditious movement for time sensitive traffic such as intermodal, inbound raw materials for producers such as Owens Corning, steel products for Timken and Republic Engineered Steels, and inbound plastics into the Akron, OH area. Direct Chicago access will allow W&LE to provide better service for its existing shippers.

- <u>Haulage with underlying trackage rights to Toledo</u> - This would replace a connection lost in the Conrail realignment. It would also insure competition in the Toledo area, and provide a new outlet for inbound and outbound traffic to Canadian National, Ann Arbor, and the Indiana and Ohio Railroad. It would also provide a possible outlet for British Petroleum for outbound coke to somewhat offset our loss of coke outlined above.
- <u>Lease/Purchase of the Huron Branch and Huron Dock</u> - As pointed out above, NS currently owns the Huron Dock. W&LE has a short term lease on the dock and participates on the move of iron ore from the dock to Wheeling Pittsburgh Steel. NS could chose not to renew the lease or to make it prohibitive for W&LE to continue in this service.

  NS, by virtue of the Conrail acquisition, will control the Pinny Dock in Ashtabula, OH which currently handles the majority of the inbound ore for Wheeling Pittsburgh Steel. By allowing W&LE to secure its interests at Huron Dock, rail competition for Wheeling Pittsburgh Steel would be assured.
- <u>Access to Wheeling Pittsburgh Steel at Allenport, PA</u> - NS will gain approximately 15,000 new carloads of business between Wheeling Pittsburgh Steel in Ohio and its Allenport, PA facility by virtue of its control of Conrail. NS may then use its dominant position at Allenport to tie rates to broader "package" quotes which will discriminate against W&LE at Wheeling Pittsburgh Steel's Mingo, Yorkville and Martin Ferry operations. W&LE access to Allenport will protect against the tying

of operations. This will also give Wheeling Pittsburgh Steel new competitive access to CSXT.

- <u>Trackage rights on CSX to Niles, OH</u> - The power plant owned by Ohio Edison was previously supplied 100% by truck. Through persistent effort by W&LE it is now virtually 100% supplied by rail. The present joint line CSX/W&LE service discriminates against W&LE. We have to provide 100% of the power and cars, and about 70% of the haul is over W&LE, yet we receive less than half of the revenues on the move. Competitive access to the plant will insure its commitment to rail with its corresponding environmental advantages. It will also allow Harrison Mining to remain competitive. CSXT control of Conrail in the contiguous area further shifts market power in this corridor.
- <u>Access to Reserve Iron and Metal in Cleveland, OH</u> - Though technically not a "condition" we note that Reserve will find itself in the 2-1 position, losing a competitive alternative when CSXT acquires its previous competitor - Conrail. Reserve Iron and Metal will file a Verified Statement outlining its request that W&LE be the carrier chosen to be its "2-1" "make whole" carrier.
- <u>Access to various stone quarries</u> - W&LE derives over 30% of its revenue from stone and aggregate moves. It has the know-how, equipment, and desire to handle this traditionally marginal and seasonal traffic. The Class Is have neglected, if not avoided this traffic. The State of Ohio will strongly support W&LE's willingness to provide a more complete service to this segment of Ohio's economy. In an important sense, this condition is grounded on the public interest.

- Improved scheduled service to Neomodal - A great deal of the testimony provided in this responsive application touches on the Neomodal Terminal. I will not repeat that here. I would, however, state that intermodal service depends on the frequency and predictability of through train service. CSXT in correspondence with W&LE stated that it is contemplating operating a direct intermodal train to Chicago eliminating the current block swapping at Willard. We strongly suggest that the Board issue an oversight condition to encourage the full development of CSXT/W&LE/Neomodal efforts to preserve the public interest, and investment, in the Neomodal Terminal.
- Access to Weirton Steel - Although this maybe an unusual request -- given that Weirton itself has apparently taken itself out of play by executing a long term contract with NS -- we nonetheless believe that in the long run overwhelming public interest that this major shipper have access to a second competitive railroad. The State of West Virginia strongly concurs in this on behalf of that State's largest private sector employer. Some day the present advantageous contract with NS will end.

Conclusion

As I said above, I have tried to put some quantitative measure on the above conditions even though, in the main, they represent opportunity rather than guarantee. Further, a significant number look to protect existing traffic flows rather than create new offsetting flows, and, in that light, cannot be viewed as adding net traffic.

In any event, my quantitative analysis shows a potential "gain" from the conditions to be in the vicinity of $11 million. However, this revenue possibility is burdened with extensive cost factors including trackage rights fees. In my judgement, this market access does not make us "whole" and is far from a windfall.

APPENDIX A

NS/CSXT SPLIT UP OF CR
LOSS STUDY BASED ON FY 1996 DATA

Or. ST.	Orign City	Dest. ST	Dest. City	Shipper Identity Protected	STCC	CARS	REVENUE
OH	Bellevue	PA	Rook		1132	76	$ 44,453.18
OH	Clarksfield	MD	Hagerstown		1132	647	$ 265,817.46
OH	Clarksfield	PA	Clairiton		1132	85	$ 20,510.00
OH	Mansfield	MD	Hagerstown		1132	97	$ 56,939.95
OH	Monroevl.	MD	Hagerstown		1132	595	$ 260,736.88
OH	Monroevl.	PA	Clairiton		1132	40	$ 17,040.00
OH	New Wash	MD	Hagerstown		1132	735	$ 282,733.19
OH	New Wash	PA	Clairiton		1132	60	$ 13,890.00
PA	Rook	IN	S.Bend		1132	152	$ 74,975.40
					1132 Total	2,487	$ 1,037,096.06
OH	Huron	OH	Mingo Jct.		10113	3,701	$ 1,819,985.58
					10113 Total	3,701	$ 1,819,985.58
PA	Pittsburgh	Various	Various		20000	37	$ 34,455.45
					20000 Total	37	$ 34,455.45
PA	Bridgeville	Various	Various		28000	5	$ 4,216.82
PA	Bridgeville	Various	Various		28000	186	$ 186,067.64
					28000 Total	191	$ 190,284.46
PA	Pittsburgh	LA	Geismar		28184	1	$ 781.96
PA	Pittsburgh	LA	Geismar		28184	34	$ 26,609.09
PA	Pittsburgh	LA	Geismar		28184	9	$ 7,096.96
					28184 Total	44	$ 34,488.01
OH	Bellevue	OH	Smithville		28191	1	$ 510.00
					28191 Total	1	$ 510.00
OH	Mingo Jct	VA	Kimballton		32741	127	$ 49,701.95
					32741 Total	127	$ 49,701.95
OH	Canton	Various	Various		33121	689	$ 297,707.86
OH	Mingo Jct	Various	Various		33121	75	$ 41,514.87
PA	Irvin	LA	New Orleans		33121	70	$ 51,899.58
					33121 Total	834	$ 391,122.31
OH	Martins F.	KS	Hutchinson		33123	2	$ 1,312.00
OH	Mingo Jct	AL	Fairfield		33123	11	$ 6,597.17

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OH	Steubenv.	Various	Various	33123	30	$	19,857.48
OH	Steubenv.	Various	Various	33123	192	$	130,318.90
PA	Irvin	Various	Various	33123	443	$	289,601.97
PA	Irvin	Various	Various	33123	1,453	$	838,415.93
PA	Irvin	Various	Various	33123	3,057	$	1,934,277.77
PA	Mifflin Jct	OH	Bellevue	33123	3	$	2,452.00
PA	Mifflin Jct	MN	New Hope	33123	14	$	8,858.16
				33123 Total	5,205	$	3,231,691.38
OH	Canton	IN	Gary	33124	11	$	4,293.53
OH	Canton	IN	Toledo	33124	18	$	11,907.49
OH	Canton	OH	Bellevue	33124	2	$	906.66
				33124 Total	31	$	17,107.68
PA	Mifflin Jct	MO	Kansas Cty	33126	1	$	637.44
				33126 Total	1	$	637.44
OH	Martins F.	AL	Alabama Cty	33219	27	$	18,005.74
				33219 Total	27	$	18,005.74
OH	Martins F	PQ	Valley Forg.	33331	29	$	15,227.55
PA	Pittsburgh	IL	Chicago	33331	2	$	1,338.00
				33331 Total	31	$	16,565.55
OH	Bellevue	OH	Canton	34433	18	$	29,699.69
OH	Mingo Jct	Various	Various	34433	1	$	3,499.62
				34433 Total	19	$	33,199.31
OH	Bellevue	OH	Steubenville	40211	3	$	1,825.00
OH	Bellevue	OH	Canton	40211	11	$	4,950.00
OH	Bellevue	OH	Steubenville	40211	12	$	6,570.00
OH	Canton	OH	Warren	40211	5	$	5,975.00
OH	Canton	OH	Bellevue	40211	1	$	520.00
OH	Canton	Various	Various	40211	4	$	1,895.00
OH	Canton	TN	Elizabethton	40211	1	$	495.53
OH	Canton	Various	Various	40211	8	$	4,000.56
OH	Canton	IL	NatCity	40211	1	$	500.07
OH	Canton	Various	Various	40211	60	$	30,003.99
OH	Canton	Various	Various	40211	485	$	236,771.93
OH	Canton	MI	Detroit	40211	21	$	12,198.76
OH	Canton	Various	Various	40211	29	$	15,825.65
OH	Cleveland	OH	Canton	40211	147	$	135,315.00

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OH	Cleveland	OH	Steubenville	40211	104	$ 81,006.00
OH	Cleveland	OH	Canton	40211	75	$ 55,808.00
OH	Cleveland	OH	Canton	40211	59	$ 44,250.00
OH	Cleveland	OH	Steubenville	40211	5	$ 3,990.00
OH	Martins F.	OH	Steubenville	40211	170	$ 110,500.00
OH	Maumee	OH	Canton	40211	17	$ 13,360.00
OH	Steuben	IN	Muncie	40211	12	$ 7,488.00
OH	Steuben	Various	Various	40211	45	$ 27,314.40
OH	Steuben	ON	Windsor	40211	10	$ 6,003.20
OH	Steubenv.	OH	Warren	40211	1	$ 560.00
OH	Steubenv.	PA	Mifflin JCT	40211	8	$ 3,152.00
OH	Yorkville	OH	Bellevue	40211	128	$ 91,995.40
PA	Mifflin Jct	GA	N. Columbus	40211	134	$ 94,738.00
PA	Mifflin Jct	Various	Various	40211	293	$ 191,371.00
PA	Mifflin Jct	Various	Various	40211	8	$ 5,286.00
PA	Mifflin Jct	PA	Midland	40211	2	$ 600.00
PA	Mifflin Jct	Various	Various	40211	49	$ 29,948.00
PA	Munhall	ON	Windsor	40211	8	$ 835.00
				40211 Total	**1,916**	**$ 1,225,051.49**
OH	Steubenv.	OH	Bellevue	41000	1	$ 550.00
				41000 Total	**1**	**$ 550.00**
MD	Hgrstwn	OH	Bellevue	48000		$ 3,600,000.00
				48000 Total	**-**	**$ 3,600,000.00**
OH	Canton	Various	Various	49054	193	$ 79,118.29
OH	Canton	Various	Various	49054	783	$ 323,072.43
				49054 Total	**976**	**$ 402,190.72**
PA	Clairton	Various	Various	49411	16	$ 8,898.78
				49411 Total	**16**	**$ 8,898.78**
PA	Pittsburgh	Various	Various	49621	37	$ 46,249.19
PA	Pittsburgh	Various	Various	49621	9	$ 10,867.80
				49621 Total	**46**	**$ 57,116.99**
OH	Mingo Jct	ON	Hamilton	49633	1	$ 459.39
PA	Clairton	Various	Various	49633	175	$ 127,287.00
PA	Clairton	Various	Various	49633	577	$ 430,687.43
				49633 Total	**753**	**$ 558,433.82**
	Grand TOTAL				16,444	12,727,093

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APPENDIX B

Quantification of "Gains"

The following table is a listing of the W&LE's conditions as outlined in Mr. Parsons verified statement, including the gross revenue that I calculate each condition could generate. This chart shows that the conditions asked do not fully compensate for the losses I project.

CONDITION	ESTIMATED GROSS REVENUE
Trackage to Niles, OH	$ 1,190,600
Lease/Ownership of Huron Dock	$ 1,819,986
Haulage/Trackage to Toledo, OH	Unknown
Trackage to various stone origins/destinations	$ 1,638,250
Access to Natruim, West Virginia (PPG and Bayer Corporation)	$ 2,473,800 (See Note 1)
Haulage /Trackage to Chicago	$ 1,367,040
NS to assume P&WV lease payments	$ 915,000
Haulage/Trackage to Allenport, PA (Wheeling Pittsburgh Steel)	$ 1,317,115 (See Note 2)
TOTAL	$10,721,791
Calculated Loss	$12,727,093
NET (LOSS)/GAIN	$(2,005,302)

Note 1: We are assuming a 30% market share for both carloads and revenue
Note 2: We are assuming a 30% market share for both carloads and revenue

I point out that the Wheeling & Lake Erie Railway is asking for access to these places. There are no guarantees that this will produce one dime of revenue. The W&LE will have to earn any dollars gained by working and competing for business against an even larger and stronger NS and CSXT.

I must also point out that the *net contribution* for any traffic gained above will produce <u>lower</u> margin than the traffic being lost due to NS and CSXT acquiring CR. This is due in part to the greater expense of trackage rights charges and larger operational expense. Equally important, any gains earned will be a gentle slope upward versus the *almost immediate loss* of revenue the W&LE will suffer when NS and CSXT take the traffic we previously identified.

State of Ohio)
)
County of Stark)

VERIFICATION

Reginald M. Thompson being duly sworn on 17th October, states that he has read the foregoing, and it is true and accurate to the best of his knowledge and belief.

Reginald M. Thompson

Reginald M. Thompson

Sheryl L. Durant
Notary Public, State of Ohio
My Commission Expires August 29, 1999

Sheryl L. Durant

Notary Public

My Commission expires Aug. 29, 1999

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VERIFIED STATEMENT

OF

WILBERT A. PINKERTON, JR.

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Verified Statement
of
Wilbert A. Pinkerton, Jr.

I. INTRODUCTION

My name is Wilbert A. Pinkerton, Jr. I am a Director of Putnam, Hayes and Bartlett, Inc. (PHB), an economic consulting firm based in Cambridge, Massachusetts. PHB has over 300 employees in four offices in the United States, two in New Zealand, two in Australia, and an affiliate, PHB, Ltd. in London. I am the head of PHB's transportation practice which covers all modes as well as logistics management.

I am providing this statement at the request of Counsel for the Wheeling & Lake Erie Railway Company (W&LE). The purpose of my statement is to present the results of my assessment of the viability of the W&LE in the greatly restructured competitive environment in which it will operate if the proposed transactions among Norfolk Southern (NS), CSX Transportation (CSXT), and Conrail (CR) are approved, and the operating plans outlined in their applications filed June 16, 1997 are implemented. My analysis was focused upon car load and revenue losses, and the resulting substantial negative impacts upon W&LE's profits, cash flow, and financial position.

II. QUALIFICATIONS

My background includes faculty positions at Harvard Business School and MIT (Center for Transportation Studies), executive positions in trucking and intermodal companies, government (USRA) and consulting. A detailed curriculum vitae is attached as Appendix A.

A brief summary of my experience which is particularly relevant to the issues affecting the W&LE in this proceeding include:

- USRA - Director of Asset Valuation: responsible for development of the economic evidence for litigation between the U. S. Government and the more than 25 bankrupt railroad estates regarding compensation due them for their properties; consultant during development of Preliminary System Plan and Final System Plan for Conrail.
- Utah Railroad - Analysis and contribution to expert statement regarding the Utah's position in the UP-SP merger.
- Penn Central - consultant to the management and then the Trustees in bankruptcy regarding marketing, operations, and financial restructuring efforts.
- Boston and Maine - Consultant to the Trustees in bankruptcy regarding marketing, operating, and financial restructuring.
- IU International / ITOFCA - Vice President, Marketing of the IU International Transportation Group ($1.5 billion revenue at peak in trucking and intermodal, now Landstar Transportation); President of Ameritrans Intermodal and Chief Operating Officer of ITOFCA after its purchase of Ameritrans.
- MK Transit/Amerail - project director for the restructuring of the former MK Transit Division of Morrisen Knudsen, (rail car manufacturing) including operations, cash flow planning, customer contract negotiations, and customer financing (Amtrak).

I have prepared numerous marketing and economic studies in a broad range of industries as shown in Appendix A. I also have assisted in the preparation of a number of expert reports, verified Statements, and expert testimony for regulatory proceedings and litigation. I have testified before state regulatory bodies and in commercial litigation.

III. CONCLUSIONS

My conclusions are summarized in the sections below beginning with an assessment of the car load losses resulting from the restructured network and competitive conditions facing W&LE, and ending with my assessment of the viability of the W&LE in light of the deteriorating financial position through FY 2001.

A. Car Load Losses

The proposed NS-CSXT-CR transaction and planned operating changes in W&LE's service area will lead to a significant diversion of freight to either the NS or CSXT as described in the statements of Mr. Larry Parsons and Mr. Reginald Thompson. Based upon my review of Mr. Thompson's analysis, and my own analysis of selected commodities, the car load losses and intermodal unit losses shown in Table 1 (following page) are very likely to be exceeded if NS and CSXT are successful in implementing their plans and fully exploiting their new networks.

As shown in Table 1, W&LE will lose nearly 20 percent of its planned car loads in FY 2001, and a total of 61,237 car loads in the first three years following the transaction. In addition, the intermodal unit losses represent nearly all of the units in W&LE's Five Year Plan.

B. Net Linehaul Revenue Losses

The Carload losses shown in Table 1 will produce very significant losses in net linehaul revenue for W&LE. As shown in Table 2, the net linehaul revenue associated with the lost carloads and intermodal units represent more than 30 percent of W&LE's plan for FY 2001. The relatively higher impact on revenues compared to carloads is due to differences between the mix of commodities and moves that will be lost and W&LE's overall traffic mix.

Table 1
Wheeling & Lake Erie Railway

CARLOAD LOSSES
FY 1999 - FY 2001

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
W&LE Five Year Plan [1]	110,409	115,413	119,408	124,605	128,664
Post Transaction Losses	N/A	N/A	12,927	23,066	25,244
Adjusted Carloads	N/A	N/A	106,082	98,655	98,536
Percentage Lost	N/A	N/A	10.8	18.5	19.6
Intermodal Units Lost	N/A	N/A	59,500	64,300	68,000

1) Source: W&LE Five Year Plan, October 25,1996.

2) Actual for FY 1997 was 97,257, including the impact of 10 month strike at Wheeling Pittsburgh Steel which reduced carloads by approximately 23,800 cars.

Note: W&LE fiscal year is July 1 to June 30.

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Table 2
Wheeling & Lake Erie Railway

NET LINE HAUL REVENUE LOSSES
FY 1999 - FY 2001
($000)

	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
W&LE Five Year Plan [1]	36,186 [2]	41,549	43,76	46,109	47,628
Post Transaction Losses [3]	N/A	N/A	(9,300)	(13,880)	(15,013)
Adjusted Line Haul Net Revenue	N/A	N/A	24,676	32,228	32,615
Percentage Lost	N/A	N/A	21.1	30.1	31.5

1) Source: W&LE Five Year Plan, October 25, 1996.

2) Actual for FY 1997 was 34,779, including the impact of 10 month strike at Wheeling Pittsburgh Steel which reduced carloads approximately $6.2 million.

3) Revenue losses to W&LE from the proposed transaction will occur starting in Fiscal Year 1999 (July 1, 1998 - June 30, 1999)

Note: W&LE fiscal year is July 1 to June 30.

C. Financial Impacts

The net linehaul revenue losses shown in Table 2 predictably will lead to substantial deterioration in the financial condition of the W&LE. The impact of these revenue losses upon W&LE's earnings, and more importantly its cash position, are summarized in Table 3 on the following page. The combined loss of $12.4 million in gross profit in the first three years following the transaction will put W&LE into a serious cash deficit, reaching $4.2 million at the end of 2001. This compares to the Five Year Plan which projected a positive cash position of over $4 million at the end of 2001. With reference to the Five Year Plan, W&LE's results in FY 1997 (year ended June 30, 1997) exceeded the revenue, profit and cash flow projections after conservative adjustments for the effects of the ten week strike at Wheeling Pittsburgh Steel. The strike reduced FY 1997 total net revenue by $6.2 million from a carload reduction of 23,800 compared to FY 1996, and these additions would have put W&LE well ahead of its plan for FY 1997.

D. VIABILITY OF W&LE

The ultimate effect of the reduced earnings and substantial cash deficits, beginning in FY 1999, is to make it impossible for W&LE to continue to function as the high service, competitive regional rail carrier which its customers rely upon for essential transportation requirements. While the W&LE has begun to recover from its earlier difficulties, including its most recent results for the first quarter of FY 1998 which show continued improvement and performance ahead of the Five Year Plan, it has no prospect for obtaining additional funding to meet the cash deficits beginning in FY 1999, absent conditions that will preserve its ability to serve the customer base it has developed since 1992.

Table 3
Wheeling & Lake Erie Railway

SUMMARY OF FINANCIAL IMPACTS
FY 1999 - FY 2001
($000)

	FY 1999		FY 2000		FY 2001	
	PLAN	AFTER LOSSES	PLAN	AFTER LOSSES	PLAN	AFTER LOSSES
TOTAL NET REVENUE [1]	47,173	37,316	49,405	34,761	50,996	35,165
GROSS PROFIT	12,050	9,352	12,981	8,351	13,662	8,639
CASH SURPLUS/(DEFICIT) (Position Year End)	1,759	(1,641)	1,807	(3,134)	4,068	(4,199)

1) Total Net Revenue = Net Linehaul Revenue + Demurrage + Interline Switching Customer Switching + Misc. Rent + Other Revenue
Note: W&LE fiscal year is July 1 to June 30.

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F:\USER\SLD1612\DATA\SLD\TABLE1-2 WLE

Although the absolute amount of the cash deficiencies facing W&LE - $4.2 million at the end of FY 2001 - may not seem overwhelming in the context of the billions involved in the proposed NS-CSXT-CR transactions, the deficits are very significant, and almost certainly insurmountable to W&LE.

As shown in the financial statements included with Mr. Michael Mokodean's statement, the W&LE's financial condition has improved since its debt restructuring in 1994. However, W&LE has just begun its recovery and the losses from the proposed transactions will seriously threaten its continued existence. Further, the restructuring accomplished in 1994 forecloses any opportunity for additional financing to fund any cash deficit in the relevant time frame for W&LE. This is particularly true since their plan excludes the refinancing of a $13.1 balloon payment on its term financing which is due in FY 2000. This refinancing, while feasible with continuation of performance at or above the Five Year Plan, would be extremely difficult or impossible in face of the losses shown in Tables 1, 2, and 3.

In summary, the viability of the W&LE is very seriously threatened by the losses that will be experienced due to the effects of the proposed transactions upon its customer base and resulting lost revenues and cash flow.

IV. APPROACH / METHODOLOGY

A. Background

The purpose of my analysis was to assess the impact of the proposed NS-CSXT-CR transaction upon the W&LE. In order to meet this objective it was necessary first to develop estimates of car load losses (diversion), if any, and then evaluate the financial impact of those car load losses upon the viability of the W&LE.

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The approach taken in my analysis is based upon a micro perspective on the traffic flows of the W&LE before and after the proposed transaction, compared to the macro, waybill sample perspective used in the studies of the applicants. In contrast to other studies submitted and referenced in the applicants' filings regarding traffic diversions and impacts upon other railroads and shippers not involved in the transaction, my car load loss projections for W&LE are based upon analysis of specific customers, commodities, origins, destinations, rate levels, intermediate and short-run costs, and operating plans described by the NS and CSXT in their application.

B. Car Load and Intermodal Unit Losses

Car load loss projections were developed starting with the analysis performed by Mr. Reginald Thompson using 1996 data (see Statements by L. Parsons and R. Thompson). The estimates made by Mr. Thompson first were confirmed, and then adjusted to reflect potential growth through FY 2001 for the customers and movements involved. In addition, I performed an independent assessment of the intermodal losses and general merchandise commodities, including the potential for diversion to truck in W&LE's service territory.

Half of the total projected losses for each commodity group are projected to occur in FY 1999, the first year following implementation of the proposed transaction, with a full 100 percent of the losses occurring in FY 2000 and FY 2001. Exceptions are intermodal and iron ore where all of the losses are projected beginning in FY 1999. These assumptions are conservative since there are some indications of losses occurring in FY 1997 and FY 1998 due to actions keyed to the proposed transaction.

C. Net Linehaul Revenue Losses

Net linehaul revenue associated with the car load and intermodal unit losses were developed from the actual revenue per car and unit for the moves lost, with an assumption of flat rates through FY 2001. This is conservative in view of recent rate increases of up to six percent for selected commodities by W&LE.

D. Avoided Costs per Car Load and Intermodal Unit

Intermediate and short-run costs for lost carloads and units were developed using the W&LE's costing model to calculate specific figures for individual moves. System-wide costs were also evaluated for calibration, and adjustments were made where indicated. The overall costs reflect the productivity improvements included in W&LE's Five Year Plan which was developed in October, 1996. No escalation in costs for inflation is included.

E. Lost Contribution per Car Load and Intermodal Unit

Lost contribution per car load and intermodal unit was calculated as the difference between net linehaul and the average of intermediate and short-run costs from the costing model.

F. Cash flow and Financial Position

The combined impacts of the lost revenue, costs avoided, and contribution reductions upon W&LE's cash flow and financial position were calculated using a combination of PHB's models, and the planning and proforma model used by W&LE for its budgeting and planning purposes. In calculating the cash position, I used the same assumptions regarding working capital requirements, capital expenditures, interest payments, principal repayments, and balance sheet relationships as those used in the W&LE Five Year Plan (October 1996). Adjustments for limits on capital expenditures and property disposals by W&LE's banks were also included.

G. Time Horizon

All projections begin in FY 1999 and go through FY 2001. This period begins when the NS-CSXT-CR transaction is proposed to begin its implementation and also to the last year of W&LE's Five Year Plan which provides an independent, pre-application basis for comparison. As discussed in Section V below, the precarious the financial position of the W&LE as result of the transaction is clearly indicated by the end of FY 2001 and additional annual projections would only show further deterioration.

H. Information Sources

I reviewed the applicants' materials filed June 16, 1997, along with other generally available information about NS, CSXT, and CR e.g., annual reports, 10K's 10Q's, marketing bulletins. For the W&LE, I reviewed an extensive number of company documents, data base summaries, marketing reports, financial reports, costing studies, equipment registers, etc. I also reviewed several studies prepared by W&LE executives and staff regarding a variety of subjects, and I also had the opportunity to interview those executives and participate in several meetings with them. In addition, I examined documents and data relating to the NEOMODAL facility including plans and projections, current traffic reports, analysis and Statement prepared by Mr. Joseph Stadelman, etc.

V. ANALYSIS AND RESULTS

A. Five Year Plan

The framework for assessing the impact of the proposed NS-CSXT-CR transaction upon the W&LE is to compare the performance of W&LE to its most recent Five Year Plan which was developed in October, 1996. That plan incorporates all of the restructured financing arrangements negotiated by the new W&LE owner/managers in FY 1994 and it also includes car load projections by commodity based upon the information available one year ago. The complete

Five Year Plan is attached as Appendix B.

Revenues in FY 1997 were $37.7 million compared to the plan level of $38.8 million. However, adjusted for the ten month Wheeling Pittsburgh Steel strike, the revenue would have been $43.9 million, reflecting above plan performance for other customers and commodities.

The plan reflects improvements in productivity in operations that reduce total operating expenses from 80.66% in FY 1996 to 73.21% in FY 2001. Actual performance in FY 1997 was 79.23%, virtually identical to the plan figure. The ratio in the first quarter of FY 1998 was 71.6%.

Capital expenditures in the plan include a one year spike of $6.5 million in FY 1998. However, restrictions imposed by W&LE's financing agreements with Bank of America and The Bank of New York will limit that to $2.25 million. In turn this will show cash at year end in excess of $4 million in all years through FY 2001, reaching $7.1 million in June, 2001, well above the $3 million minimum needed to cover W&LE's working capital and financing requirements.

Based upon performance in FY 1997 and the first quarter of FY 1998, the Five Year Plan appears reasonable and would be achievable for W&LE in the competitive environment and economic conditions under which it was prepared.

B. Carload Losses

Carload loss projections were developed starting with the study prepared by Mr. Reginald Thompson (included and described in detail in Statements of Mr. L. Parsons and R. Thompson). In that study Mr. Thompson examined all of W&LE's existing business in the context of the network changes and operating plans described in the proposed NS-CSXT-CR transaction. Based upon my review of that study and extensive interviews with Mr. Thompson I concur with his conclusions regarding the customer - commodity - origin - destination combinations that will be affected. Further, I concur with his assessment of recent losses that have occurred that, though prior to implementation of the plans described in the applicants' materials, are properly attributed to the impact of the proposed transaction.

In order to calculate car load losses for FY 1999, FY 2000, and FY 2001 the projections in Mr. Thompson's study were adjusted by the growth shown in the Five Year Plan for each commodity group, starting with FY 1997. The resulting losses are presented in Table 4 and Figure 1 on the following pages. Car load losses reach 25,243 in FY 2001 out of a planned total of 128,664 or 19.6%. Intermodal units lost are shown on Table 4 and in Figure 2.

The losses in Mr. Thompson's study, which provide the basis for these projections, are due principally to network ownership changes which present single line service as a replacement for existing W&LE interline moves. Additional losses are probable, particularly if W&LE's connecting roads, i.e. NS and CSXT, do not provide equipment and service levels equal to past standards. Clearly they do not have the same incentives to do so as they have had in the past.

C. Net Linehaul Revenue Losses

Net linehaul revenue losses were calculated by applying net linehaul revenue per car load for each commodity group to the losses in each projection year. The revenue per car load in each group is W&LE's system average, adjusted to reflect the specific moves lost. Rates are based upon FY 1997 with no inflation or rate increases.

Net linehaul revenue losses for FY 1999 through 2001 are shown in the last three columns of Table 5 and in Figure 3. Revenue losses are ($9.3) million, ($13.9) million, and ($15.0) million, reaching 31.5% of the amount in the Five Year Plan.

Table 4
Wheeling & Lake Erie Railway
Car Load Losses
(FY 1999 - FY 2001)

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	Five Year Plan			Car Loads Lost Each Year			Car Loads (Net of Losses)		
COMMODITY	**FY 99**	**FY 00**	**FY 01**	**FY 99**	**FY 00**	**FY 01**	**FY 99**	**FY 00**	**FY 01**
Coal	13,228	13,428	13,632	0	0	0	13,228	13,428	13,632
Coke	3,600	3,600	3,600	0	0	0	3,600	3,600	3,600
Stone	35,541	36,883	37,962	0	0	0	35,541	36,883	37,962
Industrial Minerals	2,516	2,587	2,661	(73)	(151)	(155)	2,443	2,436	2,506
Steel	15,961	16,134	16,174	(3,915)	(7,914)	(7,934)	12,046	8,220	8,240
Iron Ore	5,515	8,000	10,000	(5,515)	(8,000)	(10,000)	0	0	0
Scrap	9,033	9,088	9,155	(1,034)	(2,080)	(2,096)	7,999	7,008	7,059
Chemicals	4,883	4,995	5,103	(519)	(1,061)	(1,084)	4,364	3,934	4,019
Plastics	4,681	4,775	4,870	0	0	0	4,681	4,775	4,870
Petroleum	4,632	4,725	4,820	(515)	(1,051)	(1,073)	4,117	3,674	3,747
Lumber	1,285	1,348	1,348	0	0	0	1,285	1,348	1,348
Paper	1,509	1,659	1,597	0	0	0	1,509	1,659	1,597
Brick, Clay, Glass	278	299	320	0	0	0	278	299	320
Grain	4,931	5,104	5,277	(1,356)	(2,807)	(2,902)	3,575	2,297	2,375
Tires	715	730	745	0	0	0	715	730	745
All Other	11,100	11,250	11,400	0	0	0	11,100	11,250	11,400
Total Car Loads	119,408	124,605	128,664	(12,927)	(23,065)	(25,243)	106,481	101,540	103,421
Intermodal Units	59,500	64,300	68,000	(59,500)	(64,300)	(68,000)	0	0	0

Source: W&LE Five Year Plan; October 1996.

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Figure 1
Wheeling & Lake Erie Railway
Car Loads Lost
(FY 1999 - 2001)

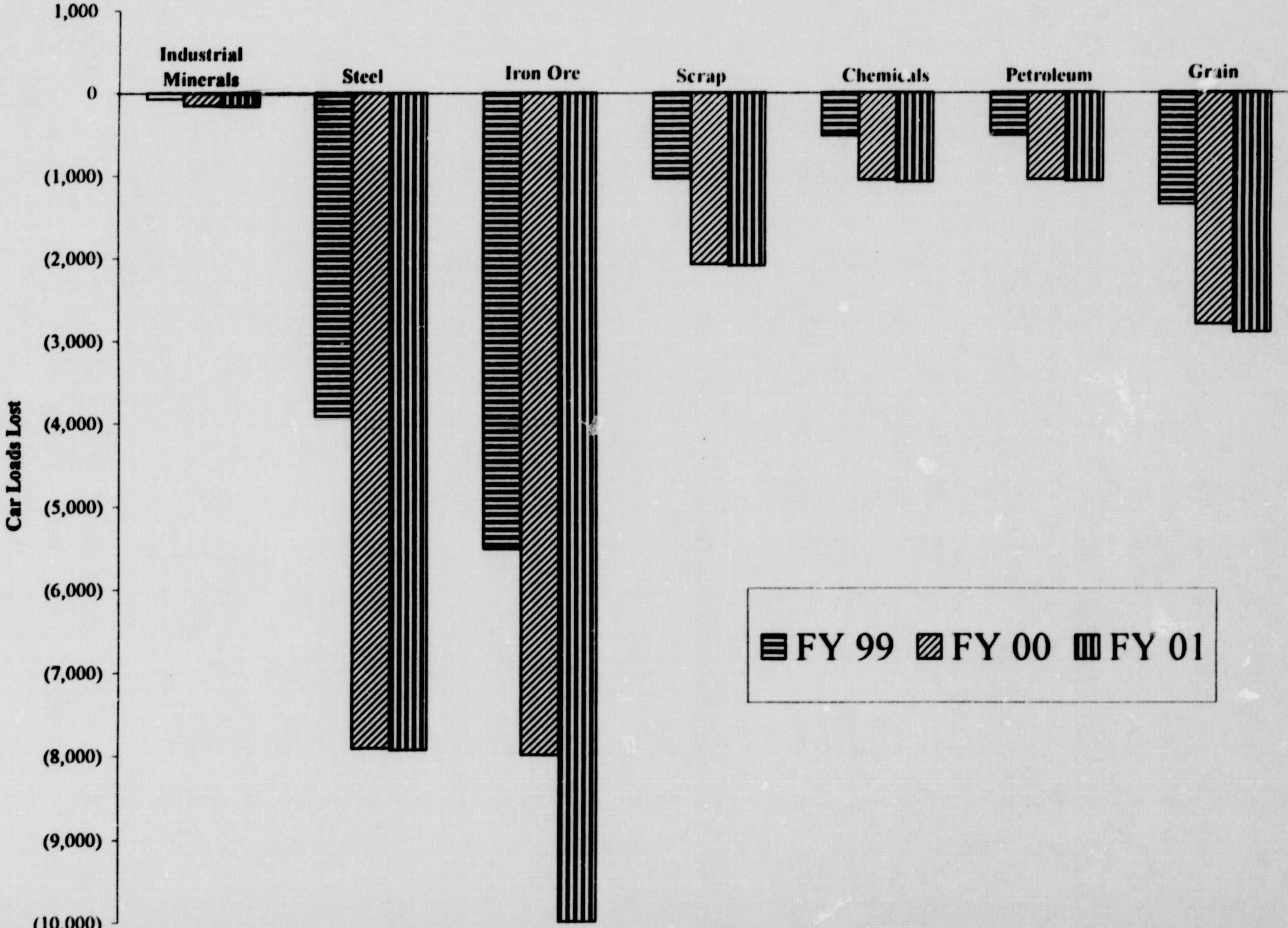

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Figure 2
Wheeling & Lake Erie Railway
Intermodel Units Lost
(FY 1999 - 2001)

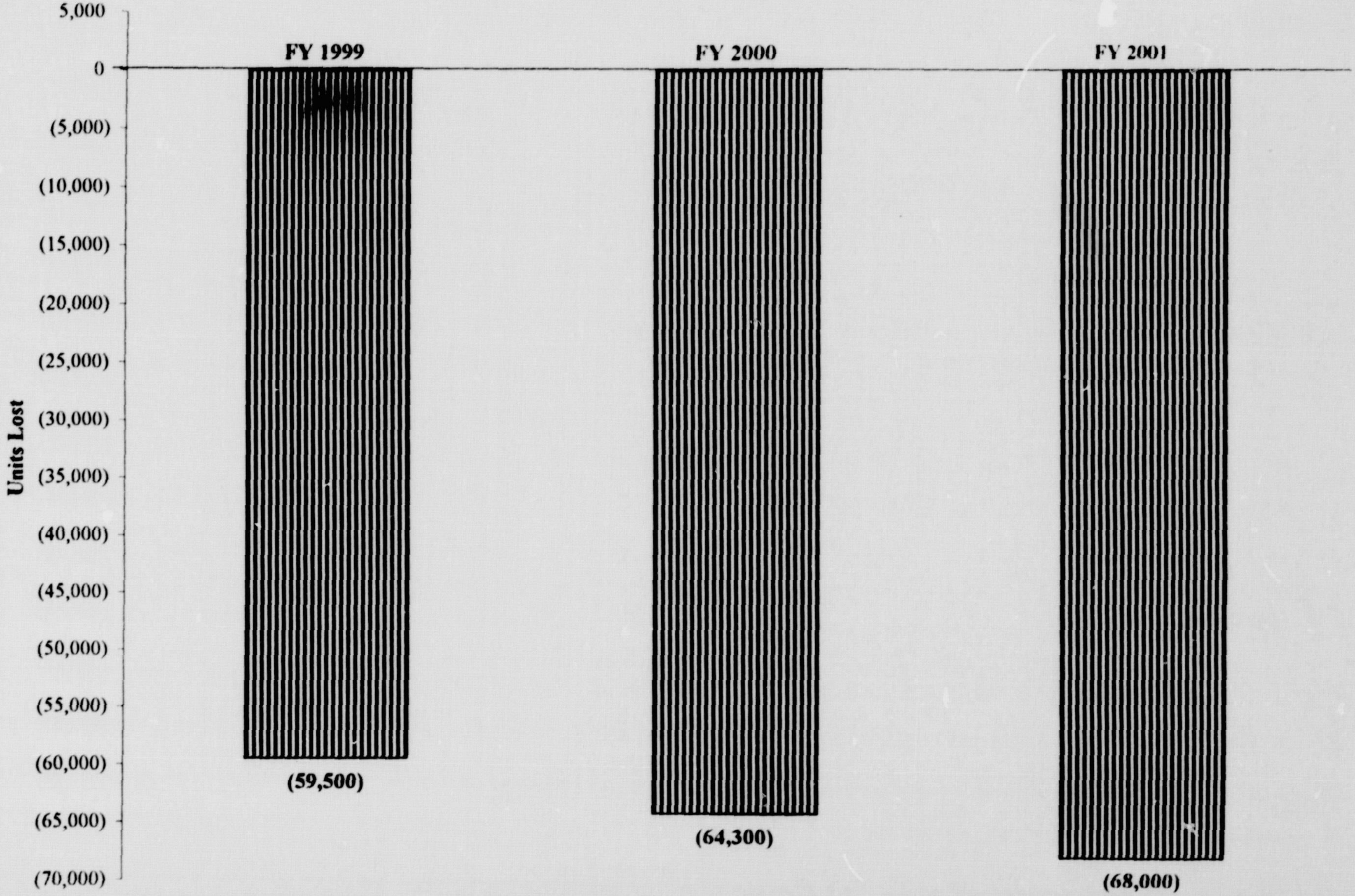

Table 5
Wheeling & Lake Erie Railway Company
Lost Net Linehaul Revenue
(FY 1999 - FY 2001)

	Number of Cars Lost Each Year			Revenue per Car Load ($)	Lost Net Linehaul Revenue ($)		
COMMODITY	FY 99	FY 00	FY 01	FY 99 - 01	FY 99	FY 00	FY 01
Coal	0	0	0	140.08	0	0	0
Coke	0	0	0	272.87	0	0	0
Stone	0	0	0	323.92	0	0	0
Industrial Minerals	(73)	(151)	(155)	477.30	(35,045)	(72,067)	(74,128)
Steel	(3,915)	(7,914)	(7,934)	368.11	(1,441,076)	(2,913,391)	(2,920,614)
Iron Ore	(5,515)	(8,000)	(10,000)	400.00	(2,206,000)	(3,200,000)	(4,000,000)
Scrap	(1,034)	(2,080)	(2,096)	449.22	(464,445)	(934,547)	(941,437)
Chemicals	(519)	(1,061)	(1,084)	624.74	(324,032)	(662,929)	(677,263)
Plastics	0	0	0	678.32	0	0	0
Petroleum	(515)	(1,051)	(1,073)	369.25	(190,296)	(388,234)	(396,039)
Lumber	0	0	0	383.89	0	0	0
Paper	0	0	0	456.52	0	0	0
Brick, Clay, Glass	0	0	0	339.62	0	0	0
Grain	(1,356)	(2,807)	(2,902)	518.91	(703,512)	(1,456,389)	(1,505,753)
Tires	0	0	0	192.91	0	0	0
All Other	0	0	0	106.46	0	0	0
Total Car Loads	(12,927)	(23,065)	(25,243)		(5,364,406)	(9,627,556)	(10,515,234)
Intermodal Units	(59,500)	(64,300)	(68,000)	66.15	(3,935,677)	(4,253,177)	(4,497,917)
					(9,300,084)	(13,880,733)	(15,013,151)

Note: Numbers may not add due to rounding.

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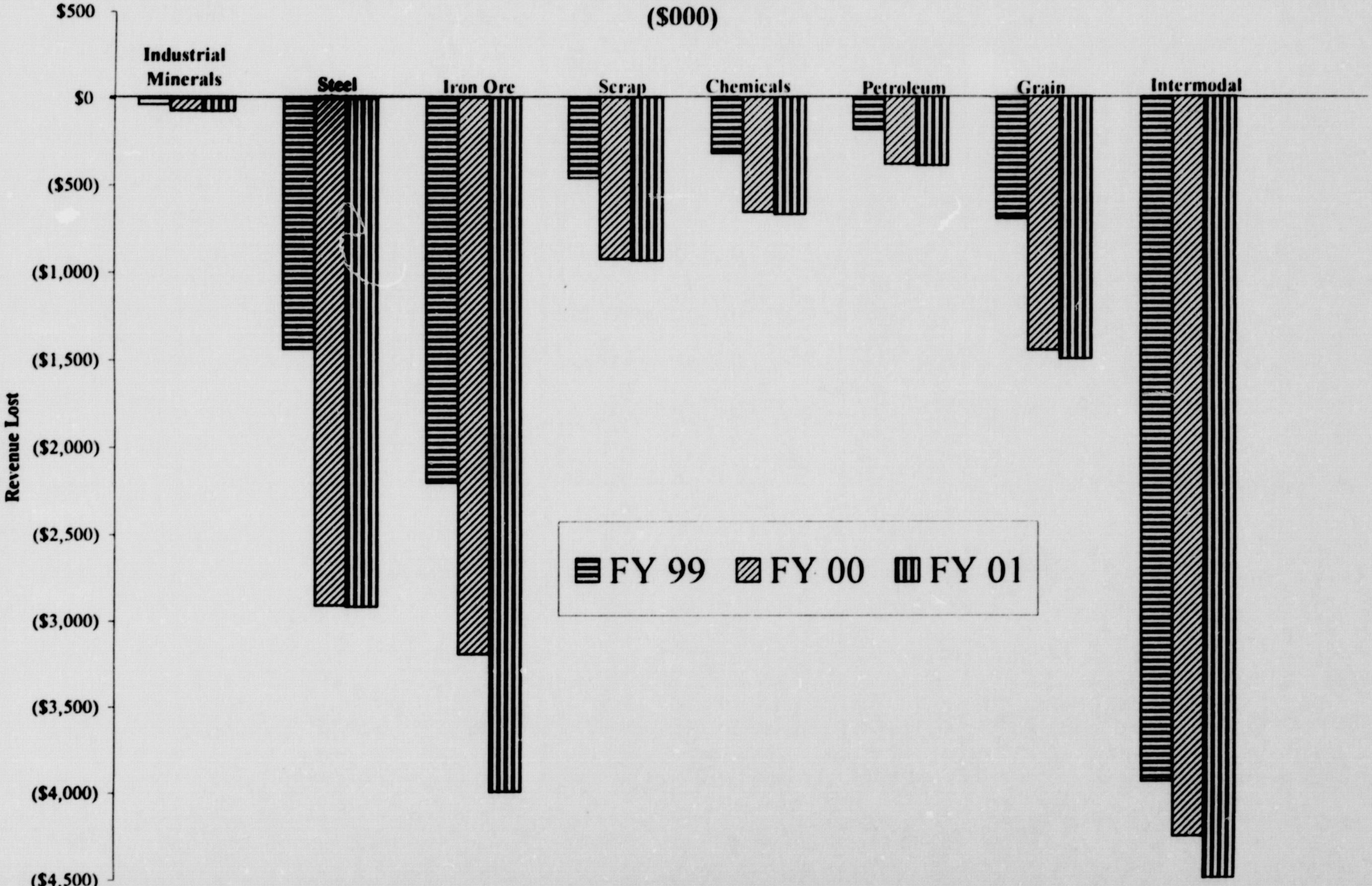
Figure 3
Wheeling & Lake Erie Railway
Lost Net Linehaul Revenue
(FY 1999 - 2001)
($000)



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This lost revenue far exceeds the ($1.9) million calculated by Mr. John Williams of the Woodside Consulting group in his study for the NS. The Woodside methodology is based upon the Carload Waybill Sample and global decision rules regarding diversions among railroads. His methodology appears to ignore possible diversions to truck. More importantly, that methodology would not have identified the recent diversion of major coal moves from W&LE to NS and CR, representing nearly one - third of W&LE's traffic. Another loss that the Woodside methodology would fail to identify is the coke move recently diverted from W&LE to CR.

D. Avoided Costs

The car load and revenue loss projections are substantial but significant costs would also be avoided if W&LE lost the projected traffic. In order to project the avoided costs associated with the lost car loads, W&LE's costing model was used to develop both short run and intermediate costs for selected moves in each commodity group. The average of these two figures was used to be conservative, i.e. high, in calculating the amount of costs which could be avoided if the car loads were lost.

Consistent with lost revenue projections, actual FY 1997 figures were used with no escalation for inflation or wage increases.

The avoided costs by commodity group are presented in Table 6, showing both carload avoidable costs by commodity group and totals. The overall savings are $6.7 million in FY 1999, $9.4 million in FY 2000, and $10.2 million in FY 2001.

E. Contribution Losses

Lost contribution due to the car load losses projected in Table 4 is calculated by taking the difference between the Net Linehaul Revenue Figures in Table 5 and the Avoided costs

Table 6
Wheeling & Lake Erie Railway Company
Avoided Costs
(FY 1999 - FY 2001)

	Number of Cars Lost Each Year			Cost per Car Load ($)	Avoided Costs ($)		
COMMODITY	FY 99	FY 00	FY 01	FY 99 - 01	FY 99	FY 00	FY 01
Coal	0	0	0	83.42	0	0	0
Coke	0	0	0	196.67	0	0	0
Stone	0	0	0	129.98	0	0	0
Industrial Minerals	(73)	(151)	(155)	222.32	(16,323)	(33,567)	(34,527)
Steel	(3,915)	(7,914)	(7,934)	197.40	(772,780)	(1,562,313)	(1,566,186)
Iron Ore	(5,515)	(8,000)	(10,000)	255.24	(1,407,621)	(2,041,880)	(2,552,350)
Scrap	(1,034)	(2,080)	(2,096)	259.98	(268,784)	(540,841)	(544,829)
Chemicals	(519)	(1,061)	(1,084)	358.69	(186,041)	(380,617)	(388,846)
Plastics	0	0	0	165.82	0	0	0
Petroleum	(515)	(1,051)	(1,073)	217.38	(112,026)	(228,551)	(233,146)
Lumber	0	0	0	254.24	0	0	0
Paper	0	0	0	212.68	0	0	0
Brick, Clay, Glass	0	0	0	126.97	0	0	0
Grain	(1,356)	(2,807)	(2,902)	324.08	(439,374)	(909,577)	(940,407)
Tires	0	0	0	184.61	0	0	0
All Other	0	0	0	91.00	0	0	0
Total Car Loads	(12,927)	(23,065)	(25,243)		(3,202,949)	(5,697,346)	(6,260,292)
Intermodal Units	(59,500)	(64,300)	(68,000)	58.00	(3,451,000)	(3,729,400)	(3,944,000)
					(6,653,949)	(9,426,746)	(10,204,292)

Note: Numbers may not add due to rounding.

in Table 6. The totals are shown in Table 7 and Figure 4. The losses represent 22 percent of the gross profit in the Five Year Plan for FY 1999, growing to a 35 percent reduction in gross profit in FY 2001.

F. Financial Impacts

The severe impacts upon the financial condition of W&LE due to the network ownership changes and operating plans in the proposed transaction are shown in full detail in Appendix C.

Most importantly, even with the conservative assumptions used (including continued productivity improvements in accordance with the Five Year Plan), the W&LE will be in a serious cash deficit - $4.1 million - at the end of FY 2001, if they were able to survive to that point. (See Cash Deficit line, Appendix C, Page 5.4) In the first year following the transaction the cash deficiency is $1.6 million, compared to a projected positive cash position of $1.5 million surplus in the Five Year Plan over the $3.0 million minimum cash requirement to meet operating and financial commitments (the same requirement was used to calculate the deficit in Appendix C.)

Although other railroads perhaps could continue to function in the face of the cash deficits shown in Appendix C, the W&LE is very restricted in its ability to obtain additional financing due to its earlier difficulties and the financial restructuring completed in FY 1994. Deviations from the profits and cash flows projected in W&LE's Five Year Plan will severely limit its ability to continue to make the reinvestments needed to maintain its services to its customers, and to meet the financial obligations negotiated in 1994.

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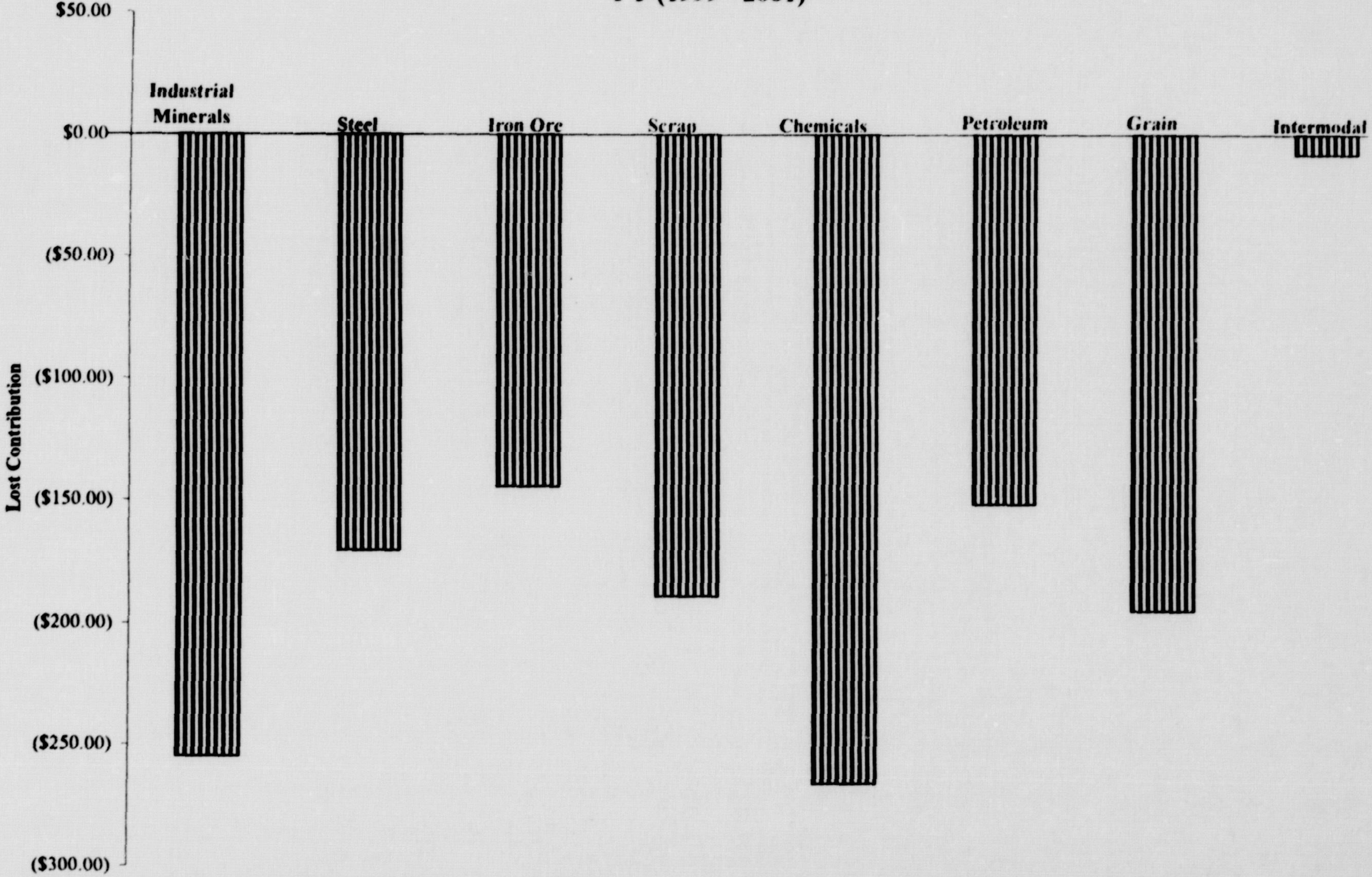
Table 7
Wheeling & Lake Erie Railway Company
Lost Contribution
(FY 1999 - FY 2001)

	Number of Cars Lost Each Year			Lost Contribution per Car Load ($)	Lost Contribution ($)		
COMMOD[redacted]99		FY 00	FY 01	FY 99 - 01	FY 99	FY 00	FY 01
Coal	0	0	0	56.66	0	0	0
Coke	0	0	0	76.20	0	0	0
Stone	0	0	0	193.94	0	0	0
Industrial Minerals	(73)	(151)	(155)	254.99	(18,722)	(38,500)	(39,601)
Steel	(3,915)	(7,914)	(7,934)	170.71	(668,295)	(1,351,078)	(1,354,428)
Iron Ore	(5,515)	(8,000)	(10,000)	144.77	(798,379)	(1,158,120)	(1,447,650)
Scrap	(1,034)	(2,080)	(2,096)	189.25	(195,661)	(393,705)	(396,608)
Chemicals	(519)	(1,061)	(1,084)	266.05	(137,991)	(282,312)	(288,416)
Plastics	0	0	0	512.50	0	0	0
Petroleum	(515)	(1,051)	(1,073)	151.87	(78,270)	(159,683)	(162,893)
Lumber	0	0	0	129.66	0	0	0
Paper	0	0	0	243.84	0	0	0
Brick, Clay, Glass	0	0	0	212.65	0	0	0
Grain	(1,356)	(2,807)	(2,902)	194.83	(264,139)	(546,812)	(565,346)
Tires	0	0	0	8.31	0	0	0
All Other	0	0	0	15.46	0	0	0
Total Car Loads	(12,927)	(23,065)	(25,243)		(2,161,457)	(3,930,210)	(4,254,942)
Intermodal Units	(59,500)	(64,300)	(68,000)	8.15	(484,677)	(523,777)	(553,917)
					(2,646,134)	(4,453,987)	(4,808,859)

Note: Numbers may not add due to rounding.

Figure 4
Wheeling & Lake Erie Railway
Lost Contribution
FY (1999 - 2001)



Note: 1) No escalation in revenue or costs to account for inflation.
2) Intermodal lost contribution is in units.

In summary, the viability - near or long term - of the W&LE will be very much at risk if the NS-CSXT-CR transaction is approved and implemented as described in their application.

W. A. Pinkerton J.

Wilbert A. Pinkerton, Jr.

VERIFICATION

Wilbert A Pinkerton, Jr being duly sworn 17th October, deposes and says that he has read the foregoing, and that it is true and accurate to the best of his knowledge and belief.

Sheryl L Durant

Notary Public

Sheryl L. Durant
Notary Public, State of Ohio
My Commission Expires August 29, 1999

My Commission expires Aug. 29, 1999.

WHEELING & LAKE ERIE RAILWAY

Appendix A

Curriclum Vitae

Wilbert A. Pinkerton, Jr.

Al Pinkerton's extensive professional background includes senior executive management positions and consulting, government service and academic appointments at the Massachusetts Institute of Technology and Harvard Business School. His consulting work focuses primarily on the areas of transportation and logistics (domestic and international) and economic analysis in litigation support. He recently served as project director of a large financial restructuring in the rail car manufacturing industry. He also has served as project director for restructuring and privatization programs in Russia (trucking) and the Ukraine (river-sea shipping).

Before joining Putnam, Hayes & Bartlett, Inc. (PHB), Mr. Pinkerton was a senior vice president, then EVP/COO, of ITOFCA, one of the largest intermodal transportation firms in North America. Prior to that, Mr. Pinkerton was with the IU International Transportation Group where he was vice president, marketing and then a division president.

Mr. Pinkerton also served as the deputy director of MIT's Center for Transportation Studies; was director of Asset Valuation for the U.S. Railway Association; was an assistant professor at Harvard Business School; and was a visiting associate professor at the U.S. Naval War College and a guest lecturer at Northwestern University's Transportation Center.

He received an S.B. in industrial management from Carnegie Mellon University and an M.B.A. from Harvard University and he has completed all courses and examination requirements for a D.B.A. at Harvard University as well.

Mr. Pinkerton has consulted independently and was a founding member of Temple, Barker & Sloane. Representative projects include:

RAIL

- Provided economic analysis and policy development advice regarding truck-rail competition in the U.S.
- Developed analysis of coal transportation costs for litigation regarding clean coal technologies.
- Developed operating and financial performance assessment of a regional railroad for litigation involving holding company and trustee.
- As director of Asset Valuation for the U.S. Railway Association, developed the economic and analytical evidence for the federal government's valuation of the all properties assembled into Conrail. Worked extensively with USRA legal staff and special counsel in formulating alternative valuation theories.
- Performed various economic studies for the trustees of bankrupt railroads, including traffic projections for reorganization plans.
- Co-leader of the Harvard/MIT Railroad Management and Government Policy executive program, including research on freight car utilization and control, financial control and alternative regulatory proposals.

- Developed forecast of the long-range demands for rail transportation in the United States.

MOTOR CARRIER

- Project director for IFC/British Know-How Fund; study to develop privatization program and implement pilot for Russian trucking in Nizhny Novgorod.
- Project director for EU/TACIS-sponsored project to evaluate trucking privatization in Russia, develop a revised program and implement pilot; establishing industry training support included in project.
- Provided strategic advice regarding logistics services and intermodal market development for a major U.S. truckload carrier.
- Evaluated acquisition and divestiture alternatives for a trucking conglomerate.
- Performed an economic review and evaluation of the household goods segment of the motor carrier industry, a summary of which was published in *Physical Distribution and Transportation Management*.
- Conducted financial and operations planning for a large Southeast carrier in conjunction with participating financial institutions.
- Cofounder of the Motor Carrier Strategies program at Harvard, including research covering all areas of motor carrier management and regulation.

OCEAN/INLAND WATERWAY

- Project director for EBRD project to restructure and privatize state-owned river-sea shipping monopoly in Ukraine and to develop foreign capital sources for the new company.
- Analyzed feasibility and economics of proposed bulk-container service between United States and South America for testimony in litigation.
- Performed an economic analysis of the U.S. Merchant Marine and regulatory policy alternatives for the industry.
- Researched trade projections and U.S. flag capability and market share in key trade routes for testimony in several proceedings before the Maritime Subsidy Board and the Federal Maritime Commission.
- Developed a mathematical programming technique for fleet planning, deployment and utilization for a major inland waterway operator.

- For the U.S. Postal Service, developed a revised worldwide rate schedule for procurement of marine transportation, based upon carrier costs, comparative rates and cargo flows.

- For the U.S. Maritime Administration, developed and taught an industry/government executive program, Quantitative Methods for Maritime Management.

- Performed research for the Naval War College in two areas: shipbuilding in the United States and an assessment of the impact of alternative policies upon the Navy, the Merchant marine and the shipyards; and the sealift for national security, including an economic evaluation of alternatives for meeting emergency sealift requirements.

AIR

- Performed financial and strategic planning studies for major airlines, focusing on route/equipment economics and market development.

- Codeveloper and leader of the Harvard program on airline strategies and regulatory policy.

- Analyzed equipment investment alternatives for local service airlines.

- Developed cargo strategy for a major U.S. carrier.

LOGISTICS

- Project director for study of reformulated gasoline markets, demand for ethanol and resulting changes in transportation, blending and distribution of ethanol and gasoline in the affected markets.

- Redesigned and implemented the European distribution network for a large specialty chemical manufacturer.

- For the Governor's Office/Attorney General, State of Alaska, analyzed the ownership, regulation and financial alternatives for TAPS, including a computer-based economic model of the production and pipeline and tanker transportation of the oil and gas from the North Slope to the lower 48 states.

- For the governor of Massachusetts, served as the Transportation and Logistics Task Force Leader on the Governor's Food Commission.

GENERAL INDUSTRY

- Valuation of one of the largest fuel oil and gasoline distributors in the Northeast for a shareholder dispute.
- Performed financial, market and product analyses for a potential acquisition in the agricultural and construction equipment industry.
- Analyzed automobile insurance rates, commissions and agency cost; presented testimony at rate hearings in Massachusetts.
- Performed market research and economic evaluation of a new product line for a major agricultural equipment firm.
- Forecasted U.S. housing demand, including an analysis of existing stock, economic and demographic projections.

WHEELING & LAKE ERIE RAILWAY

APPENDIX B

Five Year Plan

FY 1997 - FY 2001

WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED FINANCIAL SUMMARY
($000)

	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Forecast 1997	Projected 1998	Projected 1999	Projected 2000	Projected 2001
Income Statement:										
Net Revenue	33,039	34,706	35,766	39,573	37,156	38,836	44,632	47,173	49,405	50,996
Gross Profit	6,651	8,916	6,539	10,011	7,186	8,103	10,994	12,050	12,981	13,662
EBITDA	2,495	5,375	2,333	5,656	2,471	3,944	6,559	7,493	8,298	8,848
EBITDA - CAPEX	743	3,845	663	3,987	1,113	1,990	59	4,993	5,798	6,348
EBIT	(256)	2,742	(363)	2,840	(831)	368	2,488	3,299	4,079	4,893
Operating Ratio (C)	100.77%	92.10%	101.01%	92.82%	102.24%	99.05%	94.43%	93.01%	91.74%	90.41%
EBITDA Margin	7.55%	15.49%	6.52%	14.29%	6.65%	10.16%	14.70%	15.88%	16.80%	17.35%
EBITDA - CAPEX MARGIN	2.25%	11.08%	1.85%	10.07%	2.99%	5.12%	0.13%	10.58%	11.74%	12.45%
EBIT Margin	-0.77%	7.90%	-1.01%	7.18%	-2.24%	0.95%	5.57%	6.99%	8.26%	9.59%
Balance Sheet:										
Cash	2,554	1,959	1,592	3,185	2,116	1,750	451	759	1,807	3,068
Other Current Assets	10,086	10,207	8,371	9,894	11,245	10,624	11,548	12,215	12,802	13,219
Current Liabilities (A)	13,691	12,215	13,730	10,966	12,622	13,296	13,277	13,907	14,462	14,860
Working Capital	(1,051)	(49)	(3,767)	2,113	739	(922)	(1,278)	(933)	146	1,427
Revolving Loan (B)	3,800	3,800	3,800	0	0	0	0	0	0	0
Term Loan (B)	35,999	35,952	35,730	0	0	0	0	0	0	0
Restructured Debt (B)	0	0	0	19,599	18,632	17,219	15,886	14,553	13,220	11,887
Seller Financing (B)	0	1,974	1,422	1,815	919	501	4,004	3,189	2,291	1,303
Capitalized Leases (B)	9,309	51	2,212	2,226	3,338	2,812	2,416	2,075	1,935	1,901
Total Debt	49,108	41,777	43,164	23,640	22,889	20,532	22,307	19,817	17,446	15,091
Common Stock	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900
Retained Earnings	(11,039)	(11,384)	(16,571)	(18,621)	(19,722)	(20,625)	(20,628)	(19,979)	(18,654)	(16,583)
Treasury Stock	0	0	0	0	0	0	0	0	0	0
Total Stockholders' Equity	(139)	(484)	(5,671)	(7,721)	(8,822)	(9,725)	(9,728)	(9,079)	(7,754)	(5,683)

(A) Excludes current portion of Revolving Loan, Term Loan, Seller Financing, Other Notes Payable, and Capitalized Leases.
(B) Includes current portion of Revolving Loan, Term Loan, Seller Financing and Capitalized Leases.
(C) Operating Ratio = (Net Revenue - EBIT)/(Net Revenue)

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY INCOME STATEMENT
($000)

	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Forecast 1997	Projected 1998	Projected 1999	Projected 2000	Projected 2001
Revenues:										
Net Linehaul	29,458	29,800	32,101	35,800	34,294	36,186	41,549	43,976	46,109	47,628
Demurrage	710	686	746	752	469	431	568	601	631	651
Interline Switching Rec.	678	409	323	322	195	197	236	250	262	271
Customer Switching	1,155	1,851	1,034	1,049	940	835	1,139	1,205	1,264	1,305
Misc. Rent	546	664	670	1,158	910	670	600	600	600	600
Other	[illegible]	1,296	892	492	348	516	540	540	540	540
Net Revenue	33,[illegible]	34,706	35,766	39,573	37,156	38,836	44,632	47,173	49,405	50,996
Operating Expenses:										
Car Hire & Car Leases	4,407	5,573	6,184	6,131	5,633	5,819	7,341	7,481	7,601	7,670
Locomotive Lease	20	117	165	204	249	310	306	306	306	306
Fuel	2,307	2,212	2,404	2,314	2,496	2,446	2,820	2,985	3,129	3,233
Accident Expense	1,868	1,001	1,507	780	1,337	1,180	1,000	1,000	1,000	1,000
Property & Excise Taxes	1,111	882	(110)	853	215	408	488	488	488	488
Insurance	986	894	852	804	836	984	1,119	1,162	1,200	1,227
NS Lease - PWV & Huron Dock	915	918	915	700	1,116	1,115	1,115	1,115	1,115	1,115
Transportation	6,130	6,911	8,906	9,259	9,492	9,244	10,083	10,672	11,189	11,558
Maint. of Way	5,054	4,634	4,943	5,172	4,913	4,779	5,201	5,505	5,772	5,962
Maint. of Equipment	3,590	2,648	3,461	3,346	3,684	4,449	4,166	4,409	4,623	4,776
Total Operating Expenses	26,388	25,790	29,227	29,562	29,970	30,733	33,638	35,123	36,424	37,334
Gross Profit	6,651	8,916	6,539	10,011	7,186	8,103	10,994	12,050	12,981	13,662
General & Admin. Expenses:										
Wages & Benefits	1,959	2,220	2,564	2,447	2,289	2,519	2,670	2,750	2,833	2,918
Professional Fees	1,004	793	971	996	1,366	1,118	1,188	1,200	1,212	1,224
Management Fee - ABC Railway	0	0	0	(70)	(71)	(70)	(70)	(70)	(70)	(70)
Other	1,193	528	671	1,049	1,251	710	764	795	826	859
Other Expense (Income)	0	0	0	(68)	(120)	(118)	(117)	(117)	(117)	(117)
EBITDA	2,495	5,375	2,333	5,656	2,471	3,944	6,559	7,493	8,298	8,848
Depreciation & Amort.	2,751	2,633	2,696	2,816	3,302	3,576	4,071	4,195	4,219	3,955
EBIT	(256)	2,742	(363)	2,840	(831)	368	2,488	3,299	4,079	4,893
Restructed Term Interest	0	0	0	1,474	1,762	1,634	1,531	1,408	1,285	1,161
Restructed Revolver Interest	0	0	0	0	0	0	0	5	0	0
Interest - Revolver	231	283	332	78	0	0	0	0	0	0
Interest - Term	3,739	3,469	3,740	615	0	0	0	0	0	0
Interest - Lease	1,219	179	86	277	282	318	243	166	104	15
Interest - Other	29	293	153	166	134	73	460	381	298	208
Interest - Income	(105)	(47)	(57)	(208)	(233)	(66)	(70)	(18)	(30)	(72)
EBT	(5,369)	(1,435)	(4,617)	438	(2,776)	(1,590)	324	1,358	2,422	3,581
Profit Sharing	0	0	0	49	0	197	328	375	415	442
(Gains) Losses on Nonrecurring Items	225	(1,005)	0	(3,068)	(976)	(419)	0	0	0	0
Income Tax	0	0	0	400	(700)	(465)	(1)	334	683	1,067
NET INCOME	(5,594)	(430)	(4,617)	3,057	(1,100)	(903)	(3)	649	1,325	2,071

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED INCOME STATEMENT
(% of Net Revenue)

	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Forecast 1997	Projected 1998	Projected 1999	Projected 2000	Projected 2001
Revenues:										
Net Linehaul	89.16%	85.86%	89.75%	90.47%	92.30%	93.18%	93.09%	93.22%	93.33%	93.40%
Demurrage	2.15%	1.98%	2.09%	1.90%	1.26%	1.11%	1.27%	1.27%	1.28%	1.28%
Interline Switching Rec.	2.05%	1.18%	0.90%	0.81%	0.52%	0.51%	0.53%	0.53%	0.53%	0.53%
Customer Switching	3.50%	5.33%	2.89%	2.65%	2.53%	2.15%	2.55%	2.56%	2.56%	2.56%
Misc. Rent	[illegible]	1.91%	1.87%	2.93%	2.45%	1.73%	1.34%	1.27%	1.21%	1.18%
Other	1.49%	3.73%	2.49%	1.24%	0.94%	1.33%	1.21%	1.14%	1.09%	1.06%
Net Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:										
Car Hire & Car Leases	13.34%	16.06%	17.29%	15.49%	15.16%	14.98%	16.45%	15.86%	15.39%	15.04%
Locomotive Lease	0.06%	0.34%	0.46%	0.52%	0.67%	0.80%	0.69%	0.65%	0.62%	0.60%
Fuel	6.98%	6.37%	6.72%	5.85%	6.72%	6.30%	6.32%	6.33%	6.33%	6.34%
Accident Expense	5.65%	2.88%	4.21%	1.97%	3.60%	3.04%	2.24%	2.12%	2.02%	1.96%
Property & Excise Taxes	3.36%	2.54%	-0.31%	2.16%	0.58%	1.05%	1.09%	1.03%	0.99%	0.96%
Insurance	2.98%	2.58%	2.38%	2.03%	2.25%	2.53%	2.51%	2.46%	2.43%	2.41%
NS Lease - PWV & Huron Dock	2.77%	2.65%	2.56%	1.77%	3.00%	2.87%	2.50%	2.36%	2.26%	2.19%
Transportation	18.55%	19.91%	24.90%	23.40%	25.54%	23.80%	22.59%	22.62%	22.65%	22.66%
Maint. of Way	15.30%	13.35%	13.82%	13.07%	13.22%	12.30%	11.65%	11.67%	11.68%	11.69%
Maint. of Equipment	10.87%	7.63%	9.68%	8.45%	9.91%	11.46%	9.33%	9.35%	9.36%	9.36%
Total Operating Expenses	79.87%	74.31%	81.72%	74.70%	80.66%	79.14%	75.37%	74.45%	73.72%	73.21%
Gross Profit	20.13%	25.69%	18.28%	25.30%	19.34%	20.86%	24.63%	25.55%	26.28%	26.79%
General & Admin. Expenses:										
Wages & Benefits	5.93%	6.40%	7.17%	6.18%	6.16%	6.49%	5.98%	5.83%	5.73%	5.72%
Professional Fees	3.04%	2.28%	2.71%	2.52%	3.68%	2.88%	2.66%	2.54%	2.45%	2.40%
Management Fee - ABC Railway	0.00%	0.00%	0.00%	-0.18%	-0.19%	-0.18%	-0.16%	-0.15%	-0.14%	-0.14%
Other	3.61%	1.52%	1.88%	2.65%	3.37%	1.83%	1.71%	1.68%	1.67%	1.69%
Other Expense (Income)	0.00%	0.00%	0.00%	-0.17%	-0.32%	-0.30%	-0.26%	-0.25%	-0.24%	-0.23%
EBITDA	7.55%	15.49%	6.52%	14.29%	6.65%	10.16%	14.70%	15.88%	16.80%	17.35%
Depreciation & Amort.	8.33%	7.59%	7.54%	7.12%	8.89%	9.21%	9.12%	8.63%	8.49%	8.27%
EBIT	-0.77%	7.90%	-1.01%	7.18%	-2.24%	0.95%	5.57%	7.25%	8.31%	9.08%
Restructed Term Interest	0.00%	0.00%	0.00%	3.73%	4.74%	4.21%	3.43%	2.98%	2.60%	2.28%
Restructed Revolver Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%	0.00%	0.00%
Interest - Revolver	0.70%	0.82%	0.93%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest - Term	11.32%	10.00%	10.46%	1.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest - Lease	3.69%	0.52%	0.24%	0.70%	0.76%	0.82%	0.55%	0.35%	0.21%	0.03%
Interest - Other	0.09%	0.84%	0.43%	0.42%	0.36%	0.19%	1.03%	0.81%	0.60%	0.41%
Interest - Income	-0.32%	-0.14%	-0.16%	-0.53%	-0.63%	-0.17%	-0.16%	-0.04%	-0.06%	-0.14%
EBT	-16.25%	-4.13%	-12.91%	1.11%	-7.47%	-4.09%	0.73%	3.14%	4.95%	6.51%
Profit Sharing	0.00%	0.00%	0.00%	0.12%	0.00%	0.51%	0.73%	0.79%	0.84%	0.87%
(Gains) Losses on Nonrecurring Items	0.68%	-2.90%	0.00%	-7.75%	-2.63%	-1.08%	0.00%	0.00%	0.00%	0.00%
Income Tax - Current	0.00%	0.00%	0.00%	1.01%	-1.88%	-1.20%	-0.00%	0.71%	1.38%	2.09%
NET INCOME	-16.93%	-1.24%	-12.91%	7.73%	-2.96%	-2.32%	-0.01%	1.64%	2.73%	3.55%

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY BALANCE SHEET
($000)

	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Forecast 1997	Projected 1998	Projected 1999	Projected 2000	Projected 2001
ASSETS										
Cash	2,554	1,959	1,592	3,185	2,116	1,750	451	759	1,807	3,068
Accounts Receivable	9,155	9,056	7,542	8,632	9,845	9,594	10,474	11,086	11,623	12,006
Material & Supplies Inventory	546	556	478	713	902	739	705	746	782	808
Other Current Assets	385	595	351	549	498	292	369	383	396	405
Total Current Assets	12,640	12,166	9,963	13,079	13,361	12,374	11,999	12,974	14,608	16,287
PP & E - Net	43,853	44,438	44,575	44,217	42,480	41,314	44,226	42,984	41,673	40,433
Capitalized Leases - Net	8,088	258	1,160	2,366	3,502	2,963	2,667	2,400	2,160	1,944
Other Assets	1,412	1,148	851	999	733	540	354	167	0	0
Total Assets	65,993	58,010	56,549	60,661	60,076	57,191	59,245	58,526	58,441	58,664
LIABILITIES & STOCKHOLDERS' EQUITY										
Accounts Payable - Trade	3,743	1,983	2,433	1,687	1,918	2,207	1,828	1,902	1,968	2,015
Accounts Payable - Interline	6,980	6,287	4,521	6,249	6,687	7,149	7,236	7,659	8,031	8,295
Wages & Benefits Payable	1,619	1,780	2,385	1,988	2,029	1,940	2,299	2,424	2,536	2,618
Profit Sharing Payable	0	0	0	49	0	85	82	94	104	111
Property & Excise Taxes Payable	662	496	332	564	318	555	488	488	488	488
Income Tax Payable	0	0	0	(148)	0	0	0	0	0	0
Interest Payable	443	1,157	3,165	0	0	0	0	0	0	0
Restructured Int. Pay.-Term	0	0	0	0	141	0	0	0	0	0
Restructured Int. Pay.-Revolver	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities	244	512	894	577	1,529	1,360	1,343	1,340	1,337	1,334
Total Current Liabilities	13,691	12,215	13,730	10,966	12,622	13,296	13,277	13,907	14,462	14,860
Restructured Term Note	0	0	0	19,599	18,632	17,219	15,886	14,553	13,220	11,887
Restructured Revolver	0	0	0	0	0	0	0	0	0	0
Revolving Loan	3,800	3,800	3,800	0	0	0	0	0	0	0
Term Loan	35,999	35,952	35,730	0	0	0	0	0	0	0
Payable to NS	2,790	3,806	4,721	500	1,093	1,512	1,931	2,350	2,572	2,532
Seller Financing & Other Notes Payable	0	1,974	1,422	1,815	919	501	4,004	3,189	2,291	1,303
Capitalized Leases	9,309	51	2,212	2,226	3,338	2,812	2,416	2,075	1,935	1,901
Other Long-term Liabilities	543	696	605	11,061	10,079	9,362	9,243	9,316	9,499	9,649
Contingent Payment Obligation	0	0	0	22,215	22,215	22,215	22,215	22,215	22,215	22,215
Total Liabilities	66,132	58,494	62,220	68,382	68,898	66,916	68,972	67,605	66,195	64,347
Common Stock	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900
Retained Earnings	(11,039)	(11,384)	(16,571)	(18,621)	(19,722)	(20,625)	(20,628)	(19,979)	(18,654)	(16,583)
Treasury Stock	0	0	0	0	0	0	0	0	0	0
Total Stockholders' Equity	(139)	(484)	(5,671)	(7,721)	(8,822)	(9,725)	(9,728)	(9,079)	(7,754)	(5,683)
Total Liab. & Stockholders' Eq.	65,993	58,010	56,549	60,661	60,075	57,191	59,245	58,526	58,441	58,664

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY CASH FLOW STATEMENT
($000)

	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Forecast 1997	Projected 1998	Projected 1999	Projected 2000	Projected 2001
BITDA	2,495	5,375	1,790	5,656	2,470	3,944	6,559	7,493	8,298	8,848
ayment of Profit Sharing	0	0	0	0	(49)	(112)	(331)	(363)	(405)	(436)
ayment of Income Tax	0	0	0	(148)	148	0	0	(144)	(382)	(800)
Gain) Loss on Nonrecurring Items	0	(19)	9	3,058	813	419	0	0	0	0
ncrease/(Decrease) in Cash:										
Accounts Receivable	(1,686)	(10)	1,660	(1,507)	(1,213)	251	(880)	(612)	(538)	(383)
Inventories	113	(10)	78	(235)	(189)	163	34	(41)	(36)	(26)
Other Current Assets	(177)	(187)	274	2,552	51	206	(77)	(14)	(13)	(9)
Accounts Payable - Trade	1,715	(1,372)	493	(458)	231	289	(379)	74	66	47
Accounts Payable - Interline	2,529	(693)	(1,766)	1,728	438	462	87	423	371	265
Wages Payable	375	190	577	(349)	41	(89)	359	125	111	83
Property & Excise Taxes Payable	286	(166)	(164)	232	(246)	237	(67)	0	0	0
Other Current Liabilities	(147)	269	382	(318)	985	(169)	(17)	(3)	(3)	(3)
Net (Incr.)/Decr. in WC	3,008	(1,979)	1,534	1,645	98	1,351	(940)	(49)	(41)	(27)
ash Flow from Operations	5,503	3,377	3,333	10,221	3,480	5,602	5,288	6,938	7,470	7,586
ash Flows from Investing Activities:										
Capital Expenditures	(1,752)	(1,530)	(1,670)	(3,337)	(1,358)	(1,954)	(6,500)	(2,500)	(2,500)	(2,500)
Acquisitions	0	(600)	0	0	0	0	0	0	0	0
Property Sales	127	104	228	153	422	372	0	0	0	0
Scrap Sales	0	1,015	204	0	250	0	0	0	0	0
Capital Lease Assets	(300)	0	(1,749)	(665)	(1,565)	(84)	0	0	0	0
Other Assets/Liabilities	427	176	(91)	24,289	(282)	(252)	(117)	(117)	(117)	(117)
Net Cash Flows from Investing	(1,498)	(835)	(3,078)	20,440	(2,533)	(1,918)	(6,617)	(2,617)	(2,617)	(2,617)
ash Flows from Financing Activities:										
Incr./(Decr.) in Restr. Term	0	0	0	19,599	(967)	(1,413)	(1,333)	(1,333)	(1,333)	(1,333)
Incr./(Decr.) in Restr. Revolver			0	0	0	0	0	0	0	0
Incr./(Decr.) in Revolver	(42)	0	0	(3,800)	0	0	0	0	0	0
Incr./(Decr.) in Term	(143)	(49)	(222)	(35,727)	0	0	0	0	0	0
Incr./(Decr.) in Payable to NS	1,199	787	915	(4,221)	594	419	419	419	222	(40)
Incr./(Decr.) in Seller Financing	0	(23)	(547)	398	(896)	(418)	3,504	(815)	(898)	(988)
Incr./(Decr.) in Refinancing Gain	0	0	0	0	0	0	0	0	0	0
Incr./(Decr.) in Capital Lease	215	(450)	1,506	352	1,112	(526)	(396)	(342)	(140)	(34)
Incr./(Decr.) in Capital Stock	(1)	0	0	0	0	0	0	0	0	0
Other Interest Income(Expense)	76	(23)	(169)	19	98	(7)	(390)	(363)	(268)	(135)
Payment of Restr. Term Interest	0	0	0	(1,574)	(1,675)	(1,788)	(1,531)	(1,408)	(1,285)	(1,161)
Payment of Restr. Revol. Interest	0	0	0	0	0	0	0	(5)	0	0
Payment of Bank Interest	(3,986)	(3,018)	(2,048)	(3,857)	0	0	0	0	0	0
Payment of Lease Interest	(11)	(361)	(66)	(256)	(282)	(318)	(243)	(166)	(104)	(15)
Net Cash Flows from Financing	(2,693)	(3,137)	(631)	(29,068)	(2,016)	(4,050)	30	(4,012)	(3,805)	(3,707)
et Increase/(Decrease) in Cash	1,312	(595)	(376)	1,594	(1,069)	(366)	(1,299)	309	1,047	1,262
ash at Beginning of Period	1,242	2,554	1,967	1,592	3,185	2,116	1,750	451	759	1,807
et Increase/(Decrease) in Cash	1,312	(595)	(376)	1,594	(1,069)	(366)	(1,299)	309	1,047	1,262
ash at End of Period	2,554	1,959	1,591	3,186	2,116	1,750	451	759	1,807	3,068

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED TRAFFIC ANALYSIS

CARLOAD SUMMARY

	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Forecast 1997	Projected 1998	Projected 1999	Projected 2000	Projected 2001
Coal	27,193	15,311	20,353	18,533	11,915	12,840	13,032	13,228	13,428	13,632
Coke	6,821	4,166	8,061	4,093	6,270	6,750	3,600	3,600	3,600	3,600
Stone	24,672	28,083	30,594	36,380	29,306	29,087	33,393	35,541	36,883	37,962
Industrial Minerals	1,836	2,752	1,782	2,436	2,110	2,176	2,457	2,516	2,587	2,661
Steel	10,842	10,683	11,188	14,374	13,193	12,533	15,794	15,961	16,134	16,174
Iron Ore	0	0	0	3,509	5,058	5,515	5,116	5,116	5,116	5,116
Scrap	4,518	6,854	7,755	8,995	9,101	8,370	8,950	9,033	9,088	9,155
Chemicals	5,141	5,100	4,344	4,862	4,984	4,872	4,788	4,883	4,995	5,103
Plastics	2,362	3,308	4,112	4,899	4,502	4,604	4,590	4,681	4,775	4,870
Petroleum	2,521	3,647	4,186	3,965	4,705	4,458	4,540	4,632	4,725	4,820
Lumber	1,121	970	633	891	1,004	995	1,225	1,285	1,348	1,348
Paper	913	861	853	898	1,586	1,246	1,263	1,509	1,659	1,597
Brick, Clay, Glass	775	794	351	383	142	233	257	278	299	320
Grain	1,987	2,607	2,562	4,487	4,591	4,590	4,758	4,931	5,104	5,277
Autos	1,089	1,870	1,397	1,221	665	675	700	715	730	745
Intermodal	0	0	0	0	0	7,750	55,200	59,500	64,300	68,000
Other	156	201	1,560	7,192	9,218	11,465	10,950	11,100	11,250	11,400
Total	91,947	87,207	99,731	117,118	108,350	118,159	170,613	178,509	186,021	191,780

NET LINEHAUL ($000)

	Actual 1992	Actual 1993	Actual 1994	Actual 1995	Actual 1996	Forecast 1997	Projected 1998	Projected 1999	Projected 2000	Projected 2001
Coal	11,534	6,500	6,044	3,250	1,875	1,657	1,714	1,781	1,855	1,926
Coke	1,491	896	1,708	889	1,710	1,867	882	900	914	936
Stone	5,497	7,868	8,779	11,212	9,310	9,153	10,883	11,913	12,687	13,023
Industrial Minerals	588	1,066	636	997	996	1,043	1,175	1,243	1,310	1,379
Steel	2,176	2,503	2,942	3,876	3,453	4,017	4,782	4,947	5,118	5,244
Iron Ore	0	0	0	1,486	2,071	2,206	2,046	2,046	2,046	2,046
Scrap	1,877	2,669	3,263	3,784	3,916	3,723	4,106	4,201	4,313	4,433
Chemicals	2,270	2,686	2,547	2,817	2,754	2,950	2,967	3,090	3,231	3,370
Plastics	1,063	1,789	1,996	2,441	2,501	3,034	3,065	3,194	3,329	3,469
Petroleum	912	1,454	1,719	1,688	1,774	1,491	1,737	1,808	1,881	1,956
Lumber	288	244	172	264	330	368	468	502	526	533
Paper	293	359	352	396	704	527	570	696	769	772
Brick, Clay, Glass	291	326	173	152	60	120	132	149	164	180
Grain	757	1,015	1,079	1,737	2,190	2,670	2,807	2,993	3,159	3,329
Autos	350	356	281	210	116	127	98	138	144	150
Intermodal	0	0	0	0	0	404	3,296	3,542	3,819	4,027
Other	70	71	410	602	534	751	821	833	844	855
Total	29,457	29,802	32,100	35,801	34,294	36,108	41,549	43,976	46,109	47,628

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WHEELING & LAKE ERIE RAILWAY

APPENDIX C

Projected Financial Condition

FY 1999 - FY 2001

WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED FINANCIAL SUMMARY
($000)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
Income Statement:									
Net Revenue	34,708	35,766	39,573	37,156	37,742	42,500	37,316	34,761	35,165
Gross Profit	8,916	6,556	10,010	7,186	7,838	10,683	9,352	8,351	8,639
EBITDA	5,375	2,334	5,656	2,471	4,346	6,879	5,446	4,341	4,522
EBITDA - CAPEX	3,845	662	2,319	(866)	2,275	4,629	2,946	1,841	2,022
EBIT	2,742	(362)	2,840	(831)	733	3,207	2,090	960	455
Operating Ratio (C)	92.10%	101.01%	92.82%	102.24%	98.06%	92.46%	94.40%	97.24%	98.71%
EBITDA Margin	15.49%	6.53%	14.29%	6.65%	11.52%	16.18%	14.60%	12.49%	12.86%
EBITDA - CAPEX MARGIN	11.08%	1.85%	5.86%	-2.33%	6.03%	10.89%	7.90%	5.30%	5.75%
EBIT Margin	7.90%	-1.01%	7.18%	-2.24%	1.94%	7.54%	5.60%	2.76%	1.29%
Balance Sheet:									
Cash	1,959	1,592	3,185	2,116	2,279	3,239	3,000	3,000	3,000
Other Current Assets	10,207	10,704	9,894	11,245	9,570	11,582	9,956	9,275	9,380
Current Liabilities (A)	12,215	13,443	10,966	12,622	11,657	13,839	10,559	9,964	10,061
Working Capital	(49)	(1,147)	2,113	739	192	982	2,396	2,311	2,319
Revolving Loan (B)	3,800	3,800	0	0	0	0	0	0	0
Term Loan (B)	35,952	35,730	0	0	0	0	0	0	0
Restructured Debt (B)	0	0	19,599	18,632	16,837	14,795	13,112	11,429	9,746
Seller Financing (B)	1,974	1,422	1,815	919	504	224	159	10	0
Capitalized Leases (B)	51	1,878	2,226	3,338	2,794	2,108	1,712	1,370	1,230
Total Debt	41,777	42,830	23,640	22,889	20,135	17,126	14,983	12,809	10,976
Common Stock	0	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900
Retained Earnings	(11,384)	(21,678)	(18,621)	(19,722)	(19,198)	(17,829)	(17,380)	(17,524)	(17,898)
Treasury Stock	0	0	0	0	0	0	0	0	0
Total Stockholders' Equity	(11,384)	(10,778)	(7,721)	(8,822)	(8,298)	(6,929)	(6,480)	(6,624)	(6,998)

(A) Excludes current portion of Revolving Loan, Term Loan, Seller Financing, Other Notes Payable, and Capitalized Leases.
(B) Includes current portion of Revolving Loan, Term Loan, Seller Financing and Capitalized Leases.
(C) Operating Ratio = (Net Revenue - EBIT)/(Net Revenue)

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY INCOME STATEMENT
($000)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
Revenues:									
Net Linehaul	29,800	32,101	35,800	34,191	34,779	39,818	34,676	32,228	32,615
Demurrage	686	746	752	469	403	461	402	373	378
Interline Switching Rec.	409	323	322	195	192	220	191	178	180
Customer Switching	1,851	1,034	1,049	940	909	1,041	906	842	852
Misc. Rent	684	670	1,158	910	728	600	600	600	600
Other	1,286	892	492	451	731	360	540	540	540
Net Revenue	34,706	35,766	39,573	37,156	37,742	42,500	37,316	34,761	35,165
Operating Expenses:									
Car Hire & Car Leases	5,573	6,184	6,131	5,633	5,374	5,845	5,092	4,777	4,777
Locomotive Lease	117	165	204	249	278	306	306	306	306
Fuel	2,212	2,404	2,314	2,496	2,599	2,723	2,372	2,225	2,238
Accident Expense	1,001	1,507	780	1,337	1,162	1,080	1,000	1,000	1,000
Property & Excise Taxes	882	(110)	853	215	390	408	408	408	408
Insurance	894	852	804	836	851	984	994	951	958
NS Lease - PWV & Huron Dock	918	915	700	1,116	996	1,055	875	875	875
Transportation	6,911	8,889	9,259	9,492	8,901	9,732	8,478	7,953	8,001
Maint. of Way	4,634	4,943	5,172	4,913	5,271	5,431	4,732	4,439	4,465
Maint. of Equipment	2,648	3,461	3,346	3,684	4,083	4,254	3,706	3,476	3,497
Total Operating Expenses	25,790	29,210	29,563	29,970	29,904	31,817	27,964	26,411	26,526
Gross Profit	8,916	6,556	10,010	7,186	7,838	10,683	9,352	8,351	8,639
General & Admin. Expenses:									
Wages & Benefits	2,220	2,576	2,447	2,289	2,232	2,438	2,511	2,586	2,664
Professional Fees	793	971	996	1,366	1,056	1,130	1,141	1,153	1,164
Management Fee - ABC Railway	0	0	(70)	(71)	(72)	(70)	(70)	(70)	(70)
Other	528	675	1,049	1,251	394	424	441	459	477
Other Expense (Income)	0	0	(68)	(120)	(119)	(117)	(117)	(117)	(117)
EBITDA	5,375	2,334	5,656	2,471	4,346	6,879	5,446	4,341	4,522
Depreciation & Amort.	2,633	2,696	2,816	3,302	3,613	3,672	3,356	3,380	4,067
EBIT	2,742	(362)	2,840	(831)	733	3,207	2,090	960	455
Restructed Term Interest	0	0	1,474	1,762	1,604	1,514	1,326	1,166	1,006
Imputed Interest on Cash Deficit	0	0	0	0	0	44	0	156	298
Interest - Revolver	283	332	78	0	0	0	0	0	0
Interest - Term	3,469	3,740	615	0	0	0	0	0	0
Interest - Lease	179	123	277	282	332	243	166	104	15
Interest - Other	293	176	166	134	89	48	46	30	14
Interest - Income	(47)	(79)	(208)	(233)	(252)	(100)	(130)	(120)	(120)
EBT	(1,435)	(4,654)	438	(2,776)	(1,040)	1,457	683	(376)	(758)
				0	217	344	272	217	226
(Gains) Losses on Nonrecurring Items	(1,005)	(161)	(3,068)	(976)	(2,180)	(980)	(350)	(350)	(350)
Income Tax	0	5,800	400	(700)	400	705	312	(100)	(260)
NET INCOME	(430)	(10,293)	3,106	(1,100)	524	1,369	449	(143)	(374)

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED INCOME STATEMENT
(% of Net Revenue)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
Revenues:									
Net Linehaul	85.86%	89.75%	90.47%	92.02%	92.15%	93.69%	92.93%	92.71%	92.75%
Demurrage	1.98%	2.09%	1.90%	1.26%	1.07%	1.09%	1.08%	1.07%	1.07%
Interline Switching Rec.	1.18%	0.90%	0.81%	0.52%	0.51%	0.52%	0.51%	0.51%	0.51%
Customer Switching	6.33%	2.89%	2.65%	2.53%	2.41%	2.45%	2.43%	2.42%	2.42%
Misc. Rent	1.91%	1.87%	2.93%	2.45%	1.93%	1.41%	1.61%	1.73%	1.71%
Other	2.73%	2.49%	1.24%	1.21%	1.94%	0.85%	1.45%	1.55%	1.54%
Net Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses:									
Car Hire & Car Leases	16.06%	17.29%	15.49%	15.16%	14.24%	13.75%	13.65%	13.74%	13.58%
Locomotive Lease	0.34%	0.46%	0.52%	0.67%	0.74%	0.72%	0.82%	0.88%	0.87%
Fuel	6.37%	6.72%	5.85%	6.72%	6.89%	6.41%	6.36%	6.40%	6.37%
Accident Expense	2.88%	4.21%	1.97%	3.60%	3.08%	2.54%	2.68%	2.88%	2.84%
Property & Excise Taxes	2.54%	-0.31%	2.16%	0.58%	1.03%	0.96%	1.09%	1.17%	1.16%
Insurance	2.58%	2.38%	2.03%	2.25%	2.25%	2.32%	2.66%	2.74%	2.72%
NS Lease - PWV & Huron Dock	2.65%	2.56%	1.77%	3.00%	2.64%	2.48%	2.34%	2.52%	2.49%
Transportation	19.91%	24.85%	23.40%	25.54%	23.58%	22.90%	22.72%	22.88%	22.75%
Maint. of Way	13.35%	13.82%	13.07%	13.22%	13.97%	12.78%	12.68%	12.77%	12.70%
Maint. of Equipment	7.63%	9.68%	8.46%	9.91%	10.82%	10.01%	9.93%	10.00%	9.95%
Total Operating Expenses	74.31%	81.67%	74.70%	80.66%	79.23%	74.86%	74.94%	75.98%	75.43%
Gross Profit	25.69%	18.33%	25.30%	19.34%	20.77%	25.14%	25.06%	24.02%	24.57%
General & Admin. Expenses:									
Wages & Benefits	6.40%	7.20%	6.18%	6.16%	5.91%	5.74%	6.73%	7.44%	7.58%
Professional Fees	2.28%	2.71%	2.52%	3.68%	2.80%	2.66%	3.06%	3.32%	3.31%
Management Fee - ABC Railway	0.00%	0.00%	-0.18%	-0.19%	-0.19%	-0.16%	-0.19%	-0.20%	-0.20%
Other	1.52%	1.89%	2.65%	3.37%	1.04%	1.00%	1.18%	1.32%	1.36%
Other Expense (Income)	0.00%	0.00%	-0.17%	-0.32%	-0.32%	-0.28%	-0.31%	-0.34%	-0.33%
EBITDA	15.49%	6.53%	14.29%	6.65%	11.52%	16.18%	14.60%	12.49%	12.86%
Depreciation & Amort.	7.59%	7.54%	7.12%	8.89%	9.57%	8.64%	8.99%	9.66%	9.61%
EBIT	7.90%	-1.01%	7.18%	-2.24%	1.94%	7.54%	5.60%	2.83%	3.25%
Restructed Term Interest	0.00%	0.00%	3.72%	4.74%	4.25%	3.56%	3.55%	3.35%	2.86%
Restructed Revolver Interest	0.00%	0.00%	0.00%	0.00%	0.00%	0.10%	0.00%	0.45%	0.85%
Interest - Revolver	0.82%	0.93%	0.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest - Term	10.00%	10.46%	1.55%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest - Lease	0.52%	0.34%	0.70%	0.76%	0.88%	0.57%	0.44%	0.30%	0.04%
Interest - Other	0.84%	0.49%	0.42%	0.36%	0.24%	0.11%	0.12%	0.09%	0.04%
Interest - Income	-0.14%	-0.22%	-0.53%	-0.63%	-0.67%	-0.24%	-0.35%	-0.35%	-0.34%
EBT	-4.13%	-13.01%	1.11%	-7.47%	-2.75%	3.43%	1.83%	-1.01%	-0.20%
Profit Sharing	0.00%	0.00%	0.00%	0.00%	0.58%	0.81%	0.73%	0.62%	0.64%
(Gains) Losses on Nonrecurring Items	-2.90%	-0.45%	-7.75%	-2.63%	-5.78%	-2.26%	-0.94%	-1.01%	-1.00%
Income Tax - Current	0.00%	16.22%	1.01%	-1.88%	1.06%	1.66%	0.84%	-0.29%	-0.74%
NET INCOME	-1.24%	-28.78%	7.85%	-2.96%	1.39%	3.22%	1.20%	-0.34%	0.89%

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY BALANCE SHEET
($000)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
ASSETS									
Cash	1,959	1,592	3,185	2,116	2,279	3,239	3,000	3,000	3,000
Accounts Receivable	9,056	7,125	8,632	9,845	8,106	9,959	8,741	8,124	8,222
Material & Supplies Inventory	556	478	713	902	685	865	593	556	560
Other Current Assets	595	3,101	549	498	779	758	621	594	599
Total Current Assets	12,166	12,296	13,079	13,361	11,849	14,821	12,956	12,275	12,380
PP & E - Net	44,438	43,452	44,217	42,480	41,920	40,935	40,535	40,064	38,715
Capitalized Leases - Net	258	1,921	2,366	3,502	2,952	2,701	2,431	2,188	1,969
Other Assets	1,148	851	999	733	538	352	165	0	0
Total Assets	58,010	58,520	60,661	60,076	57,259	58,809	56,087	54,526	53,064
LIABILITIES & STOCKHOLDERS' EQUITY									
Accounts Payable - Trade	1,983	2,145	1,687	1,918	2,090	1,841	1,449	1,373	1,381
Accounts Payable - Interline	6,287	4,521	6,249	6,687	5,632	7,759	6,039	5,613	5,680
Wages & Benefits Payable	1,780	2,385	1,988	2,029	2,106	2,667	2,018	1,921	1,940
Profit Sharing Payable	0	0	49	0	70	110	110	110	110
Property & Excise Taxes Payable	496	332	564	318	372	408	408	408	408
Income Tax Payable	0	0	(148)	0	0	0	0	0	0
Interest Payable	1,157	3,165	0	0	0	0	0	0	0
Restructured Int. Pay.-Term	0	0	0	141	0	0	0	0	0
Restructured Int. Pay.-Revolver	0	0	0	0	0	0	0	0	0
Other Current Liabilities	512	895	577	1,529	1,387	1,052	535	538	541
Total Current Liabilities	12,215	13,443	10,966	12,622	11,657	13,839	10,559	9,964	10,061
Restructured Term Note	0	0	19,599	18,632	16,837	14,795	13,112	11,429	9,746
Cash Deficit	0	0	0	0	0	0	1,641	3,134	4,199
Revolving Loan	3,800	3,800	0	0	0	0	0	0	0
Term Loan	35,952	35,730	0	0	0	0	0	0	0
Payable to NS	3,806	4,721	500	1,093	1,739	2,159	2,577	2,652	2,612
Seller Financing & Other Notes Payable	1,974	1,422	1,815	919	504	224	159	10	0
Capitalized Leases	51	1,878	2,226	3,338	2,794	2,108	1,712	1,370	1,230
Other Long-term Liabilities	696	8,304	11,061	10,079	9,993	10,581	10,775	10,558	10,181
Contingent Payment Obligation	0	0	22,215	22,215	22,033	22,033	22,033	22,033	22,033
Total Liabilities	58,494	69,298	68,382	68,898	65,557	65,738	62,568	61,150	60,062
Common Stock	0	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900
Retained Earnings	(11,384)	(21,678)	(18,621)	(19,722)	(19,198)	(17,829)	(17,380)	(17,524)	(17,898)
Treasury Stock	0	0	0	0	0	0	0	0	0
Total Stockholders' Equity	(11,384)	(10,778)	(7,721)	(8,822)	(8,298)	(6,929)	(6,480)	(6,624)	(6,998)
Total Liab. & Stockholders' Eq.	47,110	58,520	60,661	60,076	57,259	58,809	56,087	54,526	53,064

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WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY CASH FLOW STATEMENT
($000)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
EBITDA	5,375	2,334	5,656	2,471	4,346	6,879	5,446	4,341	4,522
Payment of Profit Sharing	0	0	0	(49)	0	(303)	(272)	(217)	(226)
Payment of Income Tax	0	0	(148)	148	0	0	0	0	0
Gain (Loss) on Nonrecurring Items	(19)	161	3,068	813	2,180	960	350	350	350
Increase/(Decrease) in Cash:									
Accounts Receivable	(10)	1,931	(1,507)	(1,213)	1,739	(1,853)	1,218	617	(98)
Inventories	(10)	78	(235)	(189)	217	(180)	272	37	(3)
Other Current Assets	(187)	(2,506)	2,552	51	(281)	21	136	27	(4)
Accounts Payable - Trade	(1,372)	162	(458)	231	172	(249)	(393)	(75)	8
Accounts Payable - Interline	(693)	(1,766)	1,728	438	(1,055)	2,127	(1,720)	(426)	57
Wages Payable	190	605	(348)	41	77	561	(650)	(97)	19
Property & Excise Taxes Payable	(166)	(164)	232	(246)	54	36	0	0	0
Other Current Liabilities	269	383	(318)	985	(142)	(335)	(517)	3	3
Net (Incr.)/Decr. in WC	(1,979)	(1,277)	1,646	98	781	129	(1,653)	85	(8)
Cash Flow from Operations	3,377	1,218	10,222	3,481	7,307	7,665	3,871	4,559	4,638
Cash Flows from Investing Activities:									
Capital Expenditures	(1,530)	(1,672)	(3,337)	(1,358)	(2,071)	(2,250)	(2,500)	(2,500)	(2,500)
Acquisitions	(600)	0	0	0	0	0	0	0	0
Property Sales	104	307	151	422	740	0	0	0	0
Scrap Sales	1,015	199	0	250	0	0	0	0	0
Capital Lease Assets	0	(1,951)	(665)	(1,565)	(84)	0	0	0	0
Other Assets/Liabilities	176	1,849	24,289	(282)	(1,312)	(117)	(117)	(117)	(117)
Net Cash Flows from Investing	(835)	(1,268)	20,438	(2,533)	(2,727)	(2,367)	(2,617)	(2,617)	(2,617)
Cash Flows from Financing Activities:									
Incr./(Decr.) in Restr. Term	0	0	19,599	[illegible]67)	(1,977)	(2,042)	(1,683)	(1,683)	(1,683)
Incr./(Decr.) in Cash Deficit	0	0	0	0	0	0	1,641	1,493	1,065
Incr./(Decr.) in Revolver	0	0	(3,800)	0	(10)	0	0	0	0
Incr./(Decr.) in Term	(49)	(222)	(35,727)	0	0	0	0	0	0
Incr./(Decr.) in Payable to NS	787	915	(4,221)	594	647	420	418	75	(40)
Incr./(Decr.) in Seller Financing	(23)	(552)	398	(896)	(415)	(280)	(65)	(149)	(10)
Incr./(Decr.) in Refinancing Gain	0	0	0	0	0	0	0	0	0
Incr./(Decr.) in Capital Lease	(450)	1,826	352	1,112	(544)	(686)	(396)	(342)	(140)
Incr./(Decr.) in Capital Stock	0	0	0	0	0	0	0	0	0
Other Interest Income(Expense)	(23)	(97)	19	98	163	52	84	90	106
Payment of Restr. Term Interest	0	0	(1,574)	(1,675)	(1,802)	(1,514)	(1,326)	(1,166)	(1,006)
Payment of Restr. Revol. Interest	0	0	0	0	0	(44)	0	(156)	(298)
Payment of Bank Interest	(3,018)	(2,064)	(3,857)	0	0	0	0	0	0
Payment of Lease Interest	(361)	(123)	(256)	(282)	(332)	(243)	(166)	(104)	(15)
Net Cash Flows from Financing	(3,137)	(317)	(29,067)	(2,016)	(4,270)	(4,338)	(1,492)	(1,942)	(2,020)
Net Increase/(Decrease) in Cash	(595)	(367)	1,593	(1,069)	310	960	(239)	(0)	0
Cash at Beginning of Period	2,554	1,959	1,592	3,185	2,116	2,279	3,239	3,000	3,000
Net Increase/(Decrease) in Cash	(595)	(367)	1,593	(1,069)	310	960	(239)	(0)	0
Cash at End of Period	1,959	1,592	3,185	2,116	2,426	3,239	3,000	3,000	3,000

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388

VERIFIED STATEMENT

OF

MICHAEL D. MOKODEAN

My name is Michael D. Mokodean. I am the Controller of Wheeling & Lake Erie Railway Company ("WLE"), a position I have held since the inception of the Company in May 1990. I am WLE's financial witness in these proceedings. I am a CPA and have been in the accounting profession with various companies for twenty-three years, most recently the Chief Financial Officer for Formu-3 International, a weight-loss franchisor.

WLE was formed as a spin off from the Norfolk Southern Railway for $42 million. The financing of this amount was a combination of equity by the owners of $11 million and a term note of $37.6 million from Bank of America and Bank of New York with a maturity of eight years. Also, a revolving line of credit was available for $5 million. The first monthly principal payment due on the term note was due on December 1, 1990, in the amount of $291,667. But, by September 1990 cash flow problems were already cropping up. Eventually, the revolving credit was used to make principal and interest payments, and principal payments ceased to be made after the April 1, 1991, payment.

The debt was restructured in November 1994, with a term note of $20 million and a contingent payment obligation of $23.4 million. The first quarterly principal payment was due on December 31, 1996, in the amount of $333,250. A balloon payment of $13.1 million is due June 30, 2000. Interest on the term note is one percent (1%) over prime rate, currently 9.50%, and is due monthly. The contingent payment obligation is non-interest bearing and expires June 30, 2019. No revolving line of credit was provided in the restructured debt agreement.

The process of forecasting at WLE starts with revenue projections from the marketing department. Once these have been applied to the model, expenses are compiled. Some expenses such as fuel, transportation, maintenance of way, and maintenance of equipment are pretty much variable to the revenues, and are compared to past known periods to compute their values. Other expenses such as car hire and car leases, locomotive leases, accident expense, property and excise taxes, insurance, NS Leases, G & A, and interest expenses are a combination of a variable and fixed or totally fixed in relation to revenue, or have no relation to revenue at all. These expenses are analyzed, some based on history, and some based on current conditions.

Once all revenues and expenses have been compiled, the balance sheet and especially the cash flow statements are the focus of the forecasting procedure. The Company must have a positive cash balance to operate, and if negative, adjustments have to be made. Adjustments in expenses, fine tuning in transportation, maintenance of way, and maintenance of equipment or the amount of capital expenditures for the period become the main focus of attention. Cash position is the goal of forecasting at WLE.

Forecasting for the effects on WLE because of the Conrail merger was done in much the same procedure as described above. Loss of revenue related to the merger was provided by the marketing department, expenses were compiled and adjustments were made. My initial analysis shows that the WLE will not be financially viable after the NS-CSXT transaction if it is approved as proposed. As evidenced by the attached Exhibit 16, proforma balance sheet, the cash deficit grows from $1,641,000 in fiscal 1999 to $4,199,000 in fiscal year 2001. Discussions in more detail contained in Pinkerton's statement (and also in Parsons', Wait's, and Thompson's) confirm the results of this analysis.

Michael D. Mokodean

State of Ohio
County of Stark

Michael D. Mokodean being duly sworn on October 16, 1997, deposes and says that he has read the foregoing, and it is true and accurate to the best of his knowledge and belief.

Sheryl L. Durant
Notary Public

Sheryl L. Durant
Notary Public, State of Ohio
My Commission Expires August 29, 1999

My Commission expires Aug. 29. 1999

APPENDIX A

WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY BALANCE SHEET
($000)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
ASSETS									
Cash	1,959	1,592	3,185	2,116	2,279	3,239	3,000	3,000	3,000
Accounts Receivable	9,056	7,125	8,632	9,845	8,106	9,959	8,741	8,124	8,222
Material & Supplies Inventory	556	478	713	902	685	865	593	556	560
Other Current Assets	595	3,101	549	498	779	758	621	594	599
Total Current Assets	12,166	12,296	13,079	13,361	11,849	14,821	12,956	12,275	12,380
PP & E - Net	44,438	43,452	44,217	42,480	41,920	40,935	40,535	40,064	38,715
Capitalized Leases - Net	258	1,921	2,366	3,502	2,952	2,701	2,431	2,188	1,969
Other Assets	1,148	851	999	733	538	352	165	0	0
Total Assets	58,010	58,520	60,661	60,076	57,259	58,809	56,087	54,526	53,064
LIABILITIES & STOCKHOLDERS' EQUITY									
Accounts Payable - Trade	1,983	2,145	1,687	1,918	2,090	1,841	1,449	1,373	1,381
Accounts Payable - Interline	6,287	4,521	6,249	6,687	5,632	7,759	6,039	5,613	5,680
Wages & Benefits Payable	1,780	2,385	1,988	2,029	2,106	2,667	2,018	1,921	1,940
Profit Sharing Payable	0	0	49	0	70	110	110	110	110
Property & Excise Taxes Payable	496	332	564	318	372	408	408	408	408
Income Tax Payable	0	0	(148)	0	0	0	0	0	0
Interest Payable	1,157	3,165	0	0	0	0	0	0	0
Restructured Int. Pay.-Term	0	0	0	141	0	0	0	0	0
Restructured Int. Pay.-Revolver	0	0	0	0	0	0	0	0	0
Other Current Liabilities	512	895	577	1,529	1,387	1,052	535	538	541
Total Current Liabilities	12,215	13,443	10,966	12,622	11,657	13,839	10,559	9,984	10,061
Restructured Term Note	0	0	19,599	18,632	16,837	14,795	13,112	11,429	9,746
Cash Deficit	0	0	0	0	0	0	1,641	3,134	4,199
Revolving Loan	3,800	3,800	0	0	0	0	0	0	0
Term Loan	35,952	35,730	0	0	0	0	0	0	0
Payable to NS	3,806	4,721	500	1,093	1,739	2,159	2,577	2,652	2,612
Seller Financing & Other Notes Payable	1,974	1,422	1,815	919	504	224	159	10	0
Capitalized Leases	51	1,878	2,226	3,338	2,794	2,108	1,712	1,370	1,230
Other Long-term Liabilities	696	8,304	11,061	10,079	9,993	10,581	10,775	10,568	10,181
Contingent Payment Obligation	0	0	22,215	22,215	22,033	22,033	22,033	22,033	22,033
Total Liabilities	58,494	69,298	68,382	68,898	65,557	65,738	62,568	61,150	60,062
Common Stock	0	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900
Retained Earnings	(11,384)	(21,678)	(18,621)	(19,722)	(19,198)	(17,829)	(17,380)	(17,524)	(17,898)
Treasury Stock	0	0	0	0	0	0	0	0	0
Total Stockholders' Equity	(11,384)	(10,778)	(7,721)	(8,822)	(8,298)	(6,929)	(6,480)	(6,624)	(6,998)
Total Liab. & Stockholders' Eq.	47,110	58,520	60,661	60,076	57,259	58,809	56,087	54,526	53,064

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BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388 (Sub-No. 80)

VERIFIED STATEMENT

OF

RONALD E. HYNES

My name is Ronald E. Hynes. I am Superintendent of Safety, Rules, Training and Quality of the Wheeling & Lake Erie Railway Company.

Prior to joining W&LE I served with Conrail in a number of operating positions of increasing responsibility. I earlier served on the Pittsburgh & Lake Erie from 1973 to 1982. I became an engineer while employed by P&LE.

I am very proud of W&LE's safety record which I will now outline.

<u>Safety Performance</u>

The W&LE is a safe railroad. Safety Goals are obtained through training, equipment, technology and development of safe procedures. Some of the components of Safety on the W&LE are:

- Special recognition of individual safety performance
- Significant recognition of group safety performance among similar work groups
- Profit sharing tied to safety performance
- Documentation of each employee's individual safety performance

Safety performance has been positive. The Wheeling has been honored with the following

Harriman Awards:

- 1993 Bronze Metal for Group C Railroads
- 1993 Certificate of Commendation for improvements in Safety
- 1994 Bronze Metal for Group C Railroad

The safety of American railroads is recorded by the Association of American Railroads report that lists the relative standing of railroads by comparing employee injuries per 200,000 man hours. When using these statistics the Wheeling is consistently better than average and is within the above average range of railroads in this region of Ohio and Pennsylvania

Injuries per 200,000 man hours

Year	NS	CSX	CR	Industry Average	W&LE
1994	1.82	2.26	5.05	4.55	2.77
1995	1.51	1.69	3.76	3.77	2.81
1996	1.25	1.99	3.11	3.21	2.93

High importance is placed on safety by the dedication of significant resources for training. This is particularly applicable to trainmen and engineers operating on other railroads. Because the W&LE currently operates on all three of the Class I's in this region, Wheeling operating supervision and transportation employees must be well versed on each railroad's operating rules, timetables, and safety rules. Each major railroad, Conrail, CSX, and Norfolk Southern, authorize W&LE supervision to train, promote and qualify Wheeling employees on each of the Class I's safety rules, operating rules and timetable instructions.

The Wheeling has recently been inspected by the Federal Railroad Administration during a detailed regulatory compliance review. Federal inspectors examined safety records, train operations, communications, track maintenance records, and conducted field inspections of transportation practices. No major deficiencies were found. In fact, at a review meeting of their findings, FRA inspectors had high praise for the Wheeling employees and management for working together in accomplishing major goals in safety, communication, and training performance.

The Wheeling has developed a data base for storing information that is relevant to the safety performance of all employees. This data base is used to identify safety concerns and areas where additional training is required.

<u>Safety in the Communities We Serve</u>

Wheeling & Lake Erie is an important contributor to Operation Lifesaver, a program of coordinated education, awareness and law enforcement that is designed to prevent highway grade crossing accidents. The Wheeling participates in this program by donating the operation of special Operation Lifesaver trains, coordinating efforts of law enforcement, and by providing speakers at schools and community groups. Safety talks are presented to local law enforcement and emergency responders to increase the awareness of grade crossing safety, and emergency procedures to be followed should a non-railroad accident or fire occur near our right of way.

As the Wheeling expands into new opportunities it will continue to be a strong leader and proponent in community service and education.

<u>Transportation of Hazardous Materials</u>

Railroads are a safe way to transport hazardous materials that are used in the chemical and manufacturing processes that are common today. The W&LE takes its responsibility seriously to train and supervise employees in the transportation of hazardous materials. The Wheeling goes beyond all regulatory measures in this regard, periodically sending not only Company superivison, but emergency responders from communities along our route, to the Association of American Railroads Transportation Technology Center in Pueblo, Colorado. Here they receive training on the safe transportation of hazardous materials, as well as training in the measures to be taken if a hazardous materials incident should occur. The Wheeling also regularly sets up drills and provides educational classes on railroad safety for fire, police, and hazardous material teams in the communities that we serve. The "track" record of safe handling and quality service will continue through to new markets en route to Toledo and Chicago.

In sum, I am proud to assert that the W&LE is a safe railroad.

State of Ohio)
)
County of Stark)

VERIFICATION

Ronald E. Hynes being duly sworn on 13th October, 1997, states that he has read the foregoing, and that it is true and accurate to the best of his knowledge and belief.

Ronald E. Hynes

Ronald E. Hynes

Sheryl L. Durant

Notary Public

STB FD 33388 (Sub 80) 10-21-97 A 182886 4/6

VERIFIED STATEMENT
OF
JOSEPH R. STADELMAN

My name is Joseph R. Stadelman. I am President of Stadelman & Associates which served as consultant to the Stark Development Board in the development, design, project management, construction, marketing and operations oversight of the Neomodal Terminal. Although I presented extensive testimony on behalf of the Stark Development Board in (SDB-4), I welcome this opportunity to support the Wheeling & Lake Erie because its future is of critical importance to Neomodal.

The Neomodal Terminal is a state of the art intermodal terminal built through the cooperative efforts of the federal, state and local government, along with private interests.

At the federal level, Neomodal received $11.2 million of Congestion Mitigation and Air Quality (CMAQ) program funds as authorized by the Intermodal Surface Transportation Efficiency Act of 1991. Indeed, Neomodal has been called the model for such projects financed under the Department of Transportation's Innovative Financing program.

While I am very proud of the pioneering work we did to bring the Neomodal Terminal into being, the real purpose of this statement is to underline the importance of a viable Wheeling & Lake Erie to Neomodal. We consciously located Neomodal on the W&LE because of that regional carrier's connection with three Class I's: NS, CSX and Conrail. Partnership with the W&LE, as a bridge to the Class One carriers, would allow us to effectively market and sell Neomodal's service in a much broader context -- one characterized by rail rate competition.

It is important to state that CSX and NS appeared to concur in this marketing philosophy at the outset. CSX thoroughly reviewed the Neomodal design to be sure that it was compatible with CSX standards. NS was more specific. It insisted that Neomodal be equipped with ELME lifting beams on the cranes in order to accommodate the J.B. Hunt high stack units which they envisioned as becoming a major Neomodal user. Despite this initial encouragement, however, neither carrier has made extensive use of Neomodal's efficiencies.

I am very disappointed that the initial support by NS has disappeared now that the Terminal has been constructed. NS's policy of bypassing Neomodal has jeopardized its future as well as the environmental benefits on which it was premised.

Stark Development Board, and the Neomodal officers, fully support W&LE's efforts to build traffic over this facility, and recommend that the Board take appropriate steps to assure that the joint applicants build the Neomodal Terminal into their intermodal operational plans.

STATE OF OHIO)
)
COUNTY OF STARK)

VERIFICATION

Joseph R. Stadelman, being duly sworn, deposes and says that he is the President of Stadelman & Associates, that he knows the contents of this Verified Statement and that the contents are true and correct.

Joseph R. Stadelman

Subscribed and sworn to before me by Joseph R. Stadelman on this 13th day of October, 1997.

Sheryl L Durant
Notary

My Commission expires on Aug. 29, 1999

Sheryl L. Durant
Notary Public, State of Ohio
My Commission Expires August 29, 1999

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EXHIBITS

EXHIBIT 10

RELEVANT ISSUES

In W&LE's Responsive Application, the relevant issues are:

1. Effect of the Primary Application on W&LE's ability to provide essential rail services.

2. Adequacy of requested conditions to assure W&LE's viability.

3. If W&LE is rendered non-viable, the initiation of an inclusion proceeding.

4. Role of regional railroads in the emerging railroad market in the east.

EXHIBIT 11

CORPORATE CHART

ORGANIZATIONAL CHART FOR WHEELING CORPORATION

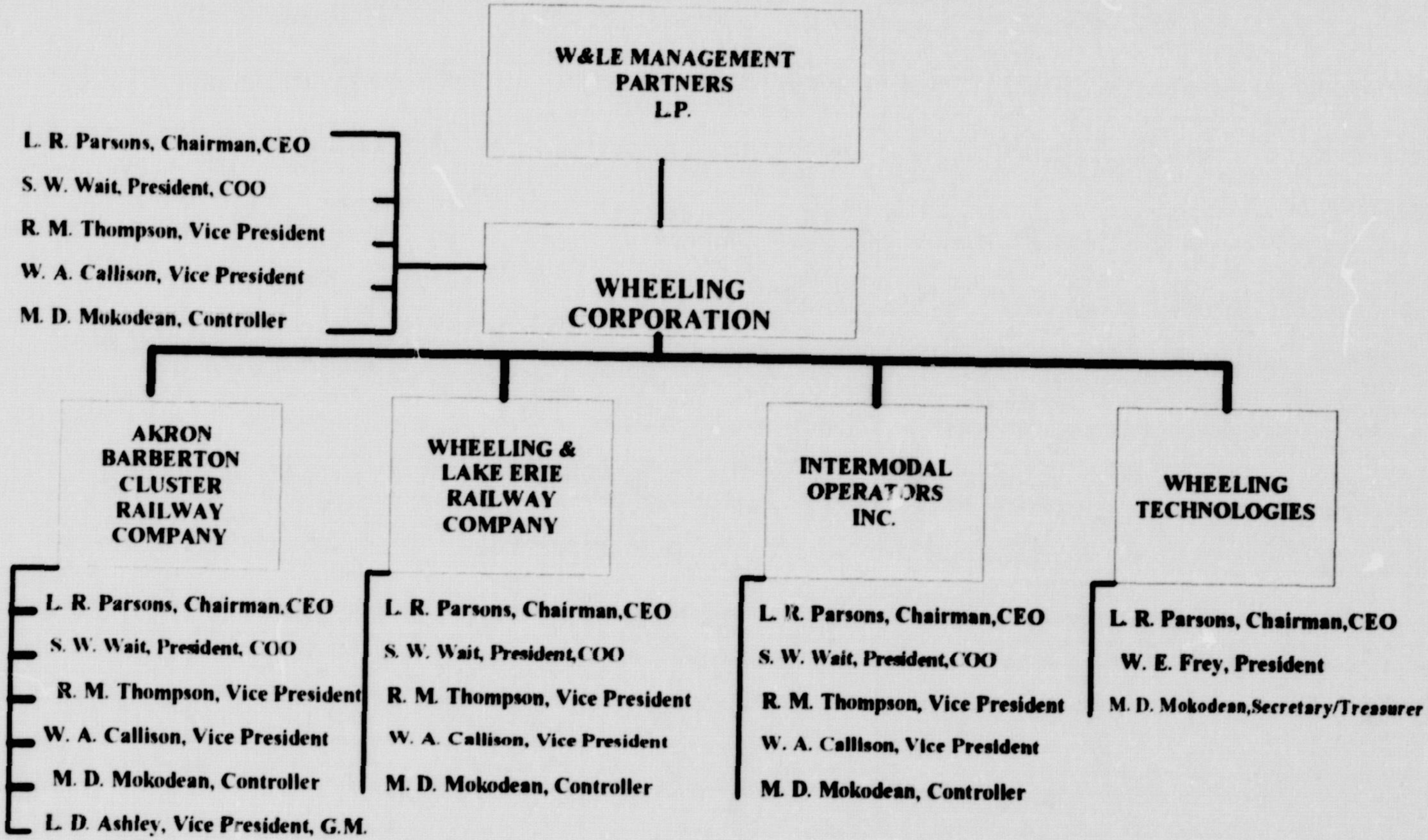

EXHIBIT 12

MARKET IMPACT ANALYSIS

EXHIBIT 12

NS/CSXT SPLIT UP OF CR
LOSS STUDY BASED ON FY 1996 DATA

Or. ST.	Orign City	Dest. ST	Dest. City	Shipper Identity Protected	STCC	CARS		REVENUE
OH	Bellevue	PA	Rook		1132	76	$	44,453.18
OH	Clarksfield	MD	Hagerstown		1132	647	$	265,817.46
OH	Clarksfield	PA	Clairiton		1132	85	$	20,510.00
OH	Mansfield	MD	Hagerstown		1132	97	$	56,939.95
OH	Monroevl.	MD	Hagerstown		1132	595	$	260,736.88
OH	Monroevl.	PA	Clairiton		1132	40	$	17,040.00
OH	New Wash	MD	Hagerstown		1132	735	$	282,733.19
OH	New Wash	PA	Clairiton		1132	60	$	13,890.00
PA	Rook	IN	S.Bend		1132	152	$	74,975.40
					1132 Total	2,487	$	1,037,096.06
OH	Huron	OH	Mingo Jct.		10113	3,701	$	1,819,985.58
					10113 Total	3,701	$	1,819,985.58
PA	Pittsburgh	Various	Various		20000	37	$	34,455.45
					20000 Total	37	$	34,455.45
PA	Bridgeville	Various	Various		28000	5	$	4,216.82
PA	Bridgeville	Various	Various		28000	186	$	186,067.64
					28000 Total	191	$	190,284.46
PA	Pittsburgh	LA	Geismar		28184	1	$	781.96
PA	Pittsburgh	LA	Geismar		28184	34	$	26,609.09
PA	Pittsburgh	LA	Geismar		28184	9	$	7,096.96
					28184 Total	44	$	34,488.01
OH	Bellevue	OH	Smithville		28191	1	$	510.00
					28191 Total	1	$	510.00
OH	Mingo Jct	VA	Kimballton		32741	127	$	49,701.95
					32741 Total	127	$	49,701.95
OH	Canton	Various	Various		33121	689	$	297,707.86
OH	Mingo Jct	Various	Various		33121	75	$	41,514.87
PA	Irvin	LA	New Orleans		33121	70	$	51,899.58
					33121 Total	834	$	391,122.31
OH	Martins F.	KS	Hutchinson		33123	2	$	1,312.00
OH	Mingo Jct	AL	Fairfield		33123	11	$	6,597.17

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OH	Steubenv.	Various	Various	33123	30	$	19,857.48
OH	Steubenv.	Various	Various	33123	192	$	130,318.90
PA	Irvin	Various	Various	33123	443	$	289,601.97
PA	Irvin	Various	Various	33123	1,453	$	838,415.93
PA	Irvin	Various	Various	33123	3,057	$	1,934,277.77
PA	Mifflin Jct	OH	Bellevue	33123	3	$	2,452.00
PA	Mifflin Jct	MN	New Hope	33123	14	$	8,858.16
				33123 Total	5,205	$	3,231,691.38
OH	Canton	IN	Gary	33124	11	$	4,293.53
OH	Canton	IN	Toledo	33124	18	$	11,907.49
OH	Canton	OH	Bellevue	33124	2	$	906.66
				33124 Total	31	$	17,107.68
PA	Mifflin Jct	MO	Kansas Cty	33126	1	$	637.44
				33126 Total	1	$	637.44
OH	Martins F.	AL	Alabama Cty	33219	27	$	18,005.74
				33219 Total	27	$	18,005.74
OH	Martins F	PQ	Valley Forg.	33331	29	$	15,227.55
PA	Pittsburgh	IL	Chicago	33331	2	$	1,338.00
				33331 Total	31	$	16,565.55
OH	Bellevue	OH	Canton	34433	18	$	29,699.69
OH	Mingo Jct	Various	Various	34433	1	$	3,499.62
				34433 Total	19	$	33,199.31
OH	Bellevue	OH	Steubenville	40211	3	$	1,825.00
OH	Bellevue	OH	Canton	40211	11	$	4,950.00
OH	Bellevue	OH	Steubenville	40211	12	$	6,570.00
OH	Canton	OH	Warren	40211	5	$	5,975.00
OH	Canton	OH	Bellevue	40211	1	$	520.00
OH	Canton	Various	Various	40211	4	$	1,895.00
OH	Canton	TN	Elizabethton	40211	1	$	495.53
OH	Canton	Various	Various	40211	8	$	4,000.56
OH	Canton	IL	NatCity	40211	1	$	500.07
OH	Canton	Various	Various	40211	60	$	30,003.99
OH	Canton	Various	Various	40211	485	$	236,771.93
OH	Canton	MI	Detroit	40211	21	$	12,198.76
OH	Canton	Various	Various	40211	29	$	15,825.65
OH	Cleveland	OH	Canton	40211	147	$	135,315.00

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OH	Cleveland	OH	Steubenville	40211	104	$	81,006.00
OH	Cleveland	OH	Canton	40211	75	$	55,808.00
OH	Cleveland	OH	Canton	40211	59	$	44,250.00
OH	Cleveland	OH	Steubenville	40211	5	$	3,990.00
OH	Martins F.	OH	Steubenville	40211	170	$	110,500.00
OH	Maumee	OH	Canton	40211	17	$	13,360.00
OH	Steuben	IN	Muncie	40211	12	$	7,488.00
OH	Steuben	Various	Various	40211	45	$	27,314.40
OH	Steuben	ON	Windsor	40211	10	$	6,003.20
OH	Steubenv.	OH	Warren	40211	1	$	560.00
OH	Steubenv.	PA	Mifflin JCT	40211	8	$	3,152.00
OH	Yorkville	OH	Bellevue	40211	128	$	91,995.40
PA	Mifflin Jct	GA	N. Columbus	40211	134	$	94,738.00
PA	Mifflin Jct	Various	Various	40211	293	$	191,371.00
PA	Mifflin Jct	Various	Various	40211	8	$	5,286.00
PA	Mifflin Jct	PA	Midland	40211	2	$	600.00
PA	Mifflin Jct	Various	Various	40211	49	$	29,948.00
PA	Munhall	ON	Windsor	40211	8	$	835.00
				40211 Total	**1,916**	**$**	**1,225,051.49**
OH	Steubenv.	OH	Bellevue	41000	1	$	550.00
				41000 Total	**1**	**$**	**550.00**
MD	Hgrstwn	OH	Bellevue	48000		$	3,600,000.00
				48000 Total	**-**	**$**	**3,600,000.00**
OH	Canton	Various	Various	49054	193	$	79,118.29
OH	Canton	Various	Various	49054	783	$	323,072.43
				49054 Total	**976**	**$**	**402,190.72**
PA	Clairton	Various	Various	49411	16	$	8,898.78
				49411 Total	**16**	**$**	**8,898.78**
PA	Pittsburgh	Various	Various	49621	37	$	46,249.19
PA	Pittsburgh	Various	Various	49621	9	$	10,867.80
				49621 Total	**46**	**$**	**57,116.99**
OH	Mingo Jct	ON	Hamilton	49633	1	$	459.39
PA	Clairton	Various	Various	49633	175	$	127,287.00
PA	Clairton	Various	Various	49633	577	$	430,687.43
				49633 Total	**753**	**$**	**558,433.82**
	Grand TOTAL				16,444		12,727,093

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EXHIBIT 14

DENSITY CHART

EXHIBIT 14

Wheeling & Lake Erie

1996 Gross Tons

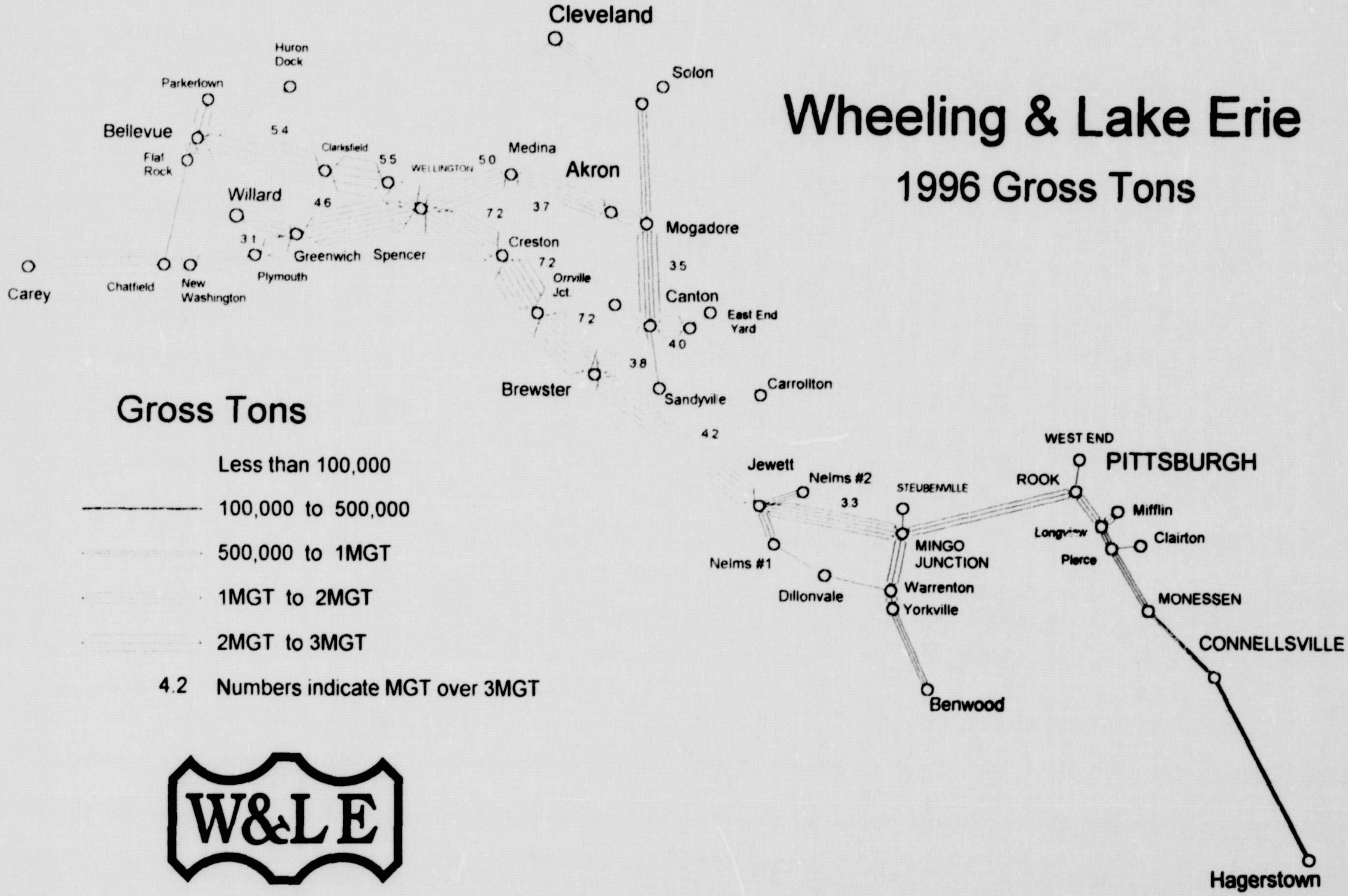

EXHIBIT 15

OPERATING PLAN

See pp. 15-22 of Steven Wait's
Verified Statement

EXHIBITS 16 - 18

Pro Forma Balance Sheets, Income Statements and
Sources and Application of funds Statements.

WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY BALANCE SHEET
($000)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
ASSETS									
Cash	1,959	1,592	3,185	2,116	2,279	3,239	3,000	3,000	3,000
Accounts Receivable	9,056	7,125	8,632	9,845	8,106	9,959	8,741	8,124	8,222
Material & Supplies Inventory	556	478	713	902	685	865	593	556	560
Other Current Assets	595	3,101	549	498	779	758	621	594	599
Total Current Assets	12,166	12,296	13,079	13,361	11,849	14,821	12,956	12,275	12,380
PP & E - Net	44,438	43,452	44,217	42,480	41,920	40,935	40,535	40,064	38,715
Capitalized Leases - Net	258	1,921	2,366	3,502	2,952	2,701	2,431	2,188	1,969
Other Assets	1,148	851	999	733	538	352	165	0	0
Total Assets	58,010	58,520	60,661	60,076	57,259	58,809	56,087	54,526	53,064
LIABILITIES & STOCKHOLDERS' EQUITY									
Accounts Payable - Trade	1,983	2,145	1,687	1,918	2,090	1,841	1,449	1,373	1,381
Accounts Payable - Interline	6,287	4,521	6,249	6,687	5,632	7,759	6,039	5,613	5,680
Wages & Benefits Payable	1,780	2,385	1,988	2,029	2,106	2,667	2,018	1,921	1,940
Profit Sharing Payable	0	0	49	0	70	110	110	110	110
Property & Excise Taxes Payable	496	332	564	318	372	408	408	408	408
Income Tax Payable	0	0	(148)	0	0	0	0	0	0
Interest Payable	1,157	3,165	0	0	0	0	0	0	0
Restructured Int. Pay -Term	0	0	0	0	0	0	0	0	0
Restructured Int. Pay -Revolver	0	0	0	141	0	0	0	0	0
Other Current Liabilities	512	895	577	1,529	1,387	1,052	535	538	541
Total Current Liabilities	12,215	13,443	10,966	12,622	11,657	13,839	10,559	9,964	10,061
Restructured Term Note	0	0	19,599	18,632	16,837	14,795	13,112	11,429	9,746
Cash Deficit	0	0	0	0	0	0	1,641	3,134	4,199
Revolving Loan	3,800	3,800	0	0	0	0	0	0	0
Term Loan	35,952	35,730	0	0	0	0	0	0	0
Payable to NS	3,806	4,721	500	1,093	1,739	2,159	2,577	2,652	2,612
Seller Financing & Other Notes Payable	1,974	1,422	1,815	919	504	224	159	10	0
Capitalized Leases	51	1,878	2,226	3,338	2,794	2,108	1,712	1,370	1,230
Other Long-term Liabilities	696	8,304	11,061	10,079	9,993	10,581	10,775	10,568	10,181
Contingent Payment Obligation	0	0	22,215	22,215	22,033	22,033	22,033	22,033	22,033
Total Liabilities	58,494	69,298	68,382	68,898	65,557	65,738	62,568	61,160	60,062
Common Stock	0	10,900	10,900	10,900	10,900	10,900	10,900	10,900	10,900
Retained Earnings	(11,384)	(21,678)	(18,621)	(19,722)	(19,198)	(17,829)	(17,380)	(17,524)	(17,898)
Treasury Stock	0	0	0	0	0	0	0	0	0
Total Stockholders' Equity	(11,384)	(10,778)	(7,721)	(8,822)	(8,298)	(6,929)	(6,480)	(6,624)	(6,998)
Total Liab. & Stockholders' Eq	47,110	58,520	60,661	60,076	57,259	58,809	56,087	54,526	53,064

WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY INCOME STATEMENT
($000)

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	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
Revenues:									
Net Linehaul	29,800	32,101	35,800	34,191	34,779	39,818	34,676	32,228	32,615
Demurrage	686	746	752	469	403	461	402	373	378
Interline Switching Rec.	409	323	322	195	192	220	191	178	180
Customer Switching	1,851	1,034	1,049	940	909	1,041	906	842	852
Misc. Rent	664	670	1,158	910	728	600	600	600	600
Other	1,296	892	492	451	731	360	540	540	540
Net Revenue	34,706	35,766	39,573	37,156	37,742	42,500	37,316	34,761	35,165
Operating Expenses:									
Car Hire & Car Leases	5,573	6,184	6,131	5,633	5,374	5,845	5,092	4,777	4,777
Locomotive Lease	117	165	204	249	278	306	306	306	306
Fuel	2,212	2,404	2,314	2,496	2,599	2,723	2,372	2,225	2,238
Accident Expense	1,001	1,507	780	1,337	1,162	1,080	1,000	1,000	1,000
Property & Excise Taxes	882	(110)	853	215	390	408	408	408	408
Insurance	894	852	804	836	851	984	994	951	958
NS Lease - PWV & Huron Dock	918	915	700	1,116	986	1,055	875	875	875
Transportation	6,911	8,889	9,259	9,492	8,901	9,732	8,478	7,953	8,001
Maint. of Way	4,634	4,943	5,172	4,913	5,271	5,431	4,732	4,439	4,465
Maint. of Equipment	2,648	3,461	3,346	3,684	4,063	4,254	3,706	3,476	3,497
Total Operating Expenses	25,790	29,210	29,563	29,970	29,904	31,817	27,964	26,411	26,526
Gross Profit	8,916	6,556	10,010	7,186	7,838	10,683	9,352	8,351	8,639
General & Admin. Expenses:									
Wages & Benefits	2,220	2,576	2,447	2,289	2,232	2,438	2,511	2,586	2,664
Professional Fees	793	971	996	1,366	1,056	1,130	1,141	1,153	1,164
Management Fee - ABC Railway	0	0	(70)	(71)	(72)	(70)	(70)	(70)	(70)
Other	528	675	1,049	1,251	394	424	441	459	477
Other Expense (Income)	0	0	(68)	(120)	(119)	(117)	(117)	(117)	(117)
EBITDA	5,375	2,334	5,656	2,471	4,346	6,879	5,446	4,341	4,522
Depreciation & Amort.	2,633	2,696	2,816	3,302	3,613	3,672	3,356	3,380	4,067
EBIT	2,742	(362)	2,840	(831)	733	3,207	2,090	980	455
Resiructed Term Interest	0	0	1,474	1,762	1,604	1,514	1,326	1,166	1,006
Imputed Interest on Cash Deficit	0	0	0	0	0	44	0	166	298
Interest - Revolver	283	332	78	0	0	0	0	0	0
Interest - Term	3,469	3,740	615	0	0	0	0	0	0
Interest - Lease	179	123	277	282	332	243	166	104	15
Interest - Other	293	176	166	134	89	46	46	30	14
Interest - Income	(47)	(79)	(208)	(233)	(252)	(100)	(130)	(120)	(120)
EBT	(1,435)	(4,654)	438	(2,776)	(1,040)	1,457	683	(376)	(758)
				0	217	344	272	217	226
(Gains) Losses on Nonrecurring Items	(1,005)	(161)	(3,0[illegible])	(976)	(2,180)	(980)	(350)	(350)	(350)
Income Tax	0	5,800	400	(700)	400	705	312	(100)	(260)
NET INCOME	(430)	(10,293)	3,106	(1,100)	524	1,369	449	(143)	(374)

WHEELING & LAKE ERIE RAILWAY COMPANY
PROJECTED SUMMARY CASH FLOW STATEMENT
($000)

	FY93 Actual	FY94 Actual	FY95 Actual	FY96 Actual	FY97 Actual	FY98 Projection	FY99 Projection	FY00 Projection	FY01 Projection
EBITDA	5,375	2,334	5,656	2,471	4,346	6,879	5,446	4,341	4,522
Payment of Profit Sharing	0	0	0	(49)	0	(303)	(272)	(217)	(226)
Payment of Income Tax	0	0	(148)	148	0	0	0	0	0
Gain (Loss) on Nonrecurring Items	(19)	161	3,068	813	2,180	960	350	350	350
Increase/(Decrease) in Cash									
Accounts Receivable	(10)	1,931	(1,507)	(1,213)	1,739	(1,853)	1,218	617	(98)
Inventories	(10)	78	(235)	(189)	217	(180)	272	37	(3)
Other Current Assets	(187)	(2,506)	2,552	51	(281)	21	136	27	(4)
Accounts Payable - Trade	(1,372)	162	(458)	231	172	(249)	(393)	(75)	8
Accounts Payable - Interline	(693)	(1,766)	1,728	438	(1,055)	2,127	(1,720)	(426)	67
Wages Payable	190	605	(348)	41	77	561	(650)	(97)	19
Property & Excise Taxes Payable	(166)	(164)	232	(246)	54	36	0	0	0
Other Current Liabilities	269	383	(318)	985	(142)	(335)	(517)	3	3
Net (Incr)/Decr in WC	(1,979)	(1,277)	1,646	98	781	129	(1,653)	85	(8)
Cash Flow from Operations	3 377	1,218	10,222	3,481	7,307	7,665	3,871	4,559	4,638
Cash Flows from Investing Activites									
Capital Expenditures	(1,530)	(1,672)	(3,337)	(1,358)	(2,071)	(2,250)	(2,500)	(2,500)	(2,500)
Acquisitions	(600)	0	0	0	0	0	0	0	0
Property Sales	104	307	151	422	740	0	0	0	0
Scrap Sales	1,015	199	0	250	0	0	0	0	0
Capital Lease Assets	0	(1,951)	(665)	(1,565)	(84)	0	0	0	0
Other Assets/Liabilities	176	1,849	24,289	(282)	(1,312)	(117)	(117)	(117)	(117)
Net Cash Flows from Investing	(835)	(1,268)	20,438	(2,533)	(2,727)	(2,367)	(2,617)	(2,617)	(2,617)
Cash Flows from Financing Activities									
Incr /(Decr) in Restr Term	0	0	19,599	(967)	(1,977)	(2,042)	(1,683)	(1,683)	(1,683)
Incr./(Decr.) in Cash Deficit	0	0	0	0	0	0	1,641	1,483	1,085
Incr /(Decr) in Revolver	0	0	(3,800)	0	(10)	0	0	0	0
Incr /(Decr) in Term	(49)	(222)	(35,727)	0	0	0	0	0	0
Incr /(Decr) in Payable to NS	787	915	(4,221)	594	647	420	418	75	(40)
Incr /(Decr) in Seller Financing	(23)	(552)	398	(896)	(415)	(280)	(65)	(149)	(10)
Incr /(Decr) in Refinancing Gain	0	0	0	0	0	0	0	0	0
Incr /(Decr) in Capital Lease	(450)	1,826	352	1,112	(544)	(686)	(396)	(342)	(140)
Incr /(Decr) in Capital Stock	0	0	0	0	0	0	0	0	0
Other Interest Income(Expense)	(23)	(97)	19	98	163	52	84	90	108
Payment of Restr Term Interest	0	0	(1,574)	(1,675)	(1,802)	(1,514)	(1,326)	(1,166)	(1,008)
Payment of Restr Revol Interest	0	0	0	0	0	(44)	0	(156)	[illegible]
Payment of Bank Interest	(3,018)	(2,064)	(3,857)	0	0	0	0	0	0
Payment of Lease Interest	(361)	(123)	(256)	(282)	(332)	(243)	(166)	(104)	[illegible]
Net Cash Flows from Financing	(3,137)	(317)	(29,067)	(2,016)	(4,270)	(4,338)	(1,492)	(1,942)	(2,020)
Net Increase/(Decrease) in Cash	(595)	(367)	1,593	(1,069)	310	960	(239)	(0)	0
Cash at Beginning of Period	2,554	1,959	1,592	3,185	2,116	2,279	3,239	3,000	3,000
Net Increase/(Decrease) in Cash	(595)	(367)	1,593	(1,069)	310	960	(239)	(0)	0
Cash at End of Period	1,959	1,592	3,185	2,116	2,426	3,239	3,000	3,000	3,000

EXHIBITS 20, 21

Current Balance Sheets
and Income Statements

Also attached are summary Income Statements, Balance Sheets, and
Cash Flow Statements for the First Quarter of the Current Fiscal Year

Financial Statements

Wheeling & Lake Erie Railway Company

Years ended June 30, 1997 and 1996
with Report of Independent Auditors

EXHIBIT 20
and 21

Wheeling & Lake Erie Railway Company

Audited Financial Statements

Years ended June 30, 1997 and 1996

Contents

ERNST & YOUNG LLP

1 Cascade Plaza
Akron, Ohio 44308-1336

Report of Independent Auditors

Board of Directors
Wheeling & Lake Erie Railway Company

We have audited the accompanying balance sheets of Wheeling & Lake Erie Railway Company (the Company) as of June 30, 1997 and 1996, and the related statements of operations, stockholder's deficiency in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wheeling & Lake Erie Railway Company at June 30, 1997 and 1996, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Ernst + Young LLP

September 17, 1997

Wheeling & Lake Erie Railway Company

Balance Sheets

	June 30	
	1997	**1996**
Assets		
Current assets:		
Cash and cash equivalents	**$ 2,468,886**	$ 2,116,350
Accounts receivable, net of allowance for doubtful accounts of $200,000 and $390,000 at June 30, 1997 and 1996, respectively	**7,007,927**	8,997,860
Material and supplies	**685,272**	901,638
Billable work-in-process	**728,063**	425,260
Prepaid expenses	**50,287**	72,419
Due from affiliated companies, net	**773,138**	847,095
Total current assets	**11,713,573**	13,360,622
Properties—net	**44,682,340**	45,982,158
Other assets	**537,974**	732,978
Note receivable from affiliated company	**325,000**	–
Total assets	**$ 57,258,887**	$60,075,758

	June 30	
	1997	**1996**
Liabilities and stockholder's deficiency in net assets		
Current liabilities:		
Accounts payable	**$ 2,776,842**	$ 2,375,247
Interline freight accounts payable	**4,841,262**	5,509,701
Car hire payable, net	**867,618**	1,142,803
Payroll accruals	**2,175,733**	2,029,267
Other current liabilities	**1,682,000**	2,022,090
Current portion of long-term debt	**1,565,968**	1,406,402
Current portion of capital lease obligations	**694,188**	621,994
Total current liabilities	**14,603,611**	15,107,504
Long-term debt	**15,775,372**	18,144,652
Capital lease obligations	**2,099,721**	2,716,099
Deferred income tax liabilities	**7,800,000**	7,400,000
Other noncurrent liabilities	**3,245,196**	3,314,140
Contingent payment obligations	**22,032,927**	22,215,038
Stockholder's deficiency in net assets:		
Common stock, $.01 par value, 1,000 shares authorized, issued and outstanding	**10**	10
Additional paid-in capital	**10,899,990**	10,899,990
Accumulated deficit	**(19,197,940)**	(19,721,675)
Total stockholder's deficiency in net assets	**(8,297,940)**	(8,821,675)
Total liabilities and stockholder's deficiency in net assets	**$ 57,258,887**	$60,075,758

See accompanying notes.

Wheeling & Lake Erie Railway Company

Statements of Operations

	Year ended June 30 1997	1996
Operating revenue:		
Line haul	**$34,377,624**	$ 34,294,600
Other	**3,364,322**	2,861,421
Total revenue	**37,741,946**	37,156,021
Operating expenses:		
Transportation	**19,080,788**	20,124,576
Maintenance of way	**5,448,426**	5,009,811
Maintenance of equipment	**4,136,779**	3,779,255
General and administrative	**5,066,142**	5,892,323
Depreciation and amortization	**3,611,685**	3,206,868
	37,343,820	38,012,833
Operating income (loss)	**398,126**	(856,812)
Other (expense) income:		
Interest expense	**(2,026,487)**	(2,273,438)
Interest income	**253,398**	233,347
Gain on property disposals—net	**1,383,378**	519,065
Other—net	**915,320**	577,057
	525,609	(943,969)
Income (loss) before income taxes	**923,735**	(1,800,781)
Provision (credit) for income taxes	**400,000**	(700,000)
Net income (loss)	**$ 523,735**	$ (1,100,781)

See accompanying notes.

Wheeling & Lake Erie Railway Company

Statements of Stockholder's Deficiency
in Net Assets

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
Balance at July 1, 1995	$ 10	$10,899,990	$ (18,620,894)	$ (7,720,894)
Net loss	–	–	(1,100,781)	(1,100,781)
Balance at June 30, 1996	10	10,899,990	(19,721,675)	(8,821,675)
Net income	–	–	**523,735**	**523,735**
Balance at June 30, 1997	**$ 10**	**$10,899,990**	**$ (19,197,940)**	**$ (8,297,940)**

See accompanying notes.

Wheeling & Lake Erie Railway Company

Statements of Cash Flows

	Year ended June 30	
	1997	**1996**
Operating activities		
Net income (loss)	**$ 523,735**	$ (1,100,781)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**3,611,685**	3,301,911
Deferred income taxes	**400,000**	(700,000)
Gain on property disposals—net	**(1,383,378)**	(519,065)
Changes in operating assets and liabilities:		
Accounts receivable	**1,989,933**	(798,741)
Material and supplies	**216,366**	(188,540)
Prepaid expenses and other assets	**(280,671)**	120,211
Accounts payable	**401,595**	688,811
Interline freight accounts payable	**(668,439)**	473,412
Car hire payable—net	**(275,185)**	(38,553)
Other liabilities	**(262,568)**	843,411
Due from affiliated companies—net	**73,957**	(414,573)
Net cash provided by operating activities	**4,347,030**	1,667,503
Investing activities		
Note receivable from affiliated company	**(325,000)**	–
Purchases of property	**(2,781,742)**	(1,361,049)
Proceeds from sale of property	**2,132,028**	941,147
Net cash used in investing activities	**(974,714)**	(419,902)
Financing activities		
Payments on long-term debt	**(2,209,714)**	(1,863,681)
Payments on capital lease obligations	**(627,955)**	(452,997)
Payments on contingent payment obligations	**(182,111)**	–
Net cash used in financing activities	**(3,019,780)**	(2,316,678)
Increase (decrease) in cash and cash equivalents	**352,536**	(1,069,077)
Cash and cash equivalents at beginning of year	**2,116,350**	3,185,427
Cash and cash equivalents at end of year	**$ 2,468,886**	$ 2,116,350

See accompanying notes.

Wheeling & Lake Erie Railway Company

Notes to Financial Statements

June 30, 1997

1. The Company

Wheeling & Lake Erie Railway Company (the "Company") is a freight railroad which operates principally in Ohio, Pennsylvania, West Virginia and Maryland. The Company is a wholly-owned subsidiary of The Wheeling Corporation. All of the outstanding capital stock of The Wheeling Corporation is owned by a limited partnership that is controlled by management of the Company.

2. Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Material and Supplies

Materials and supplies consist mainly of diesel fuel, repair parts for equipment and other railroad property and are valued at the lower of cost (principally weighted average) or market.

Properties and Depreciation

Properties are stated at cost. Properties acquired under capital leases are stated at the present value of the future minimum lease payments at the inception of the lease. Depreciation and amortization of properties is computed over their estimated useful lives using the straight-line method for financial reporting purposes and using accelerated methods for income tax purposes. Major additions and betterments are capitalized while other repairs and maintenance are charged to expense.

Capital expenditures for certain transportation property are reimbursable by the U.S. or applicable state government. Such reimbursements are applied to reduce the depreciable cost of the related equipment.

2. Significant Accounting Policies (continued)

Deferred Revenue

The Company executed an agreement with the State of Ohio Department of Transportation (the "ODOT Agreement"), and received $2,400,000 in cash in December 1994. The grant was received for the Company's commitment to preserve a certain segment of its rail lines for the next twenty years, and grants certain rights to the State of Ohio to secure that commitment (as defined in the ODOT Agreement). This amount is recorded as deferred revenue within other noncurrent liabilities in the balance sheet, and is being amortized over twenty years using the straight-line method. The unamortized balance was approximately $2,044,000 and $2,161,000 at June 30, 1997 and 1996.

Revenue Recognition

Line haul revenue is recognized when the Company completes its portion of a movement of goods from origin to destination. Related expenses are recognized as incurred.

Income Taxes

The Company uses the liability method of accounting for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. The operations of the Company are included in the consolidated federal income tax return of its parent, The Wheeling Corporation. The provision for federal income taxes has been determined as if the Company files a separate federal income tax return.

Concentration of Credit Risk

Credit is extended based on an evaluation of the customer's financial condition and generally collateral is not required. Credit terms are consistent with the industry, and credit losses are provided for in the financial statements and consistently have been within management's expectations.

2. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from those estimates.

Concentration in Supply of Labor

The total salaried and hourly workforce is 327. A total of approximately 200 employees are covered by eight collective bargaining agreements with various expiration dates through January 1, 1998. Several of these agreements had expired at June 30, 1997, and the Company is currently in negotiations for new agreements. Management anticipates that new agreements will be reached with these unions during the year ending June 30, 1998.

Reclassifications

Certain 1996 amounts have been reclassified to conform to 1997 presentation.

3. Financing Arrangements

During 1994, the Company and its lenders executed the First Amended and Restated Credit Agreement (the "Restated Credit Agreement") which effectively restructured the terms and provisions of its existing credit agreement. The lenders effectively refinanced all unpaid principal, interest and late payment penalties through the date of the restructuring, which amounted to approximately $43,388,000, by issuing Term Loans totaling $20,000,000 and non-interest bearing non-recourse notes (the "Contingent Payment Obligations") totaling approximately $23,388,000 and by receiving Warrants to purchase up to 75% of the common stock of The Wheeling Corporation (the "Warrants"). The Restated Credit Agreement is secured by substantially all the assets of the Company and contains various covenants and restrictions with respect to cash flow coverage ratio, maintenance of net worth, additional borrowings, capital expenditures, payment of dividends, dispositions of assets, investments and other items.

3. Financing Arrangements (continued)

The Company was in default under the Restated Credit Agreement for certain periods during the year ended June 30, 1997. These defaults have been waived by the lenders with the latest waiver being obtained by the Company on April 11, 1997. Based on current financial forecasts, the Company believes that it will be able to comply with all financial covenants for the remainder of the fiscal year ending June 30, 1998.

The Term Loans carry interest at the lead lender's reference rate (which usually approximates the lender's prime rate) plus 1% (9.50% and 9.25% at June 30, 1997 and 1996, respectively) and have scheduled quarterly principal repayments of $333,250 due beginning December 1996 with a balloon repayment of $13,172,000 due on June 30, 2000. Mandatory prepayments of the Term Loans are also required upon the occurrence of certain events and if excess cash flow is generated by the Company, as defined in the Restated Credit Agreement. These certain events comprise primarily the receipt of Net Proceeds (the "Net Proceeds") from the sale of certain assets or rights of the Company, and 50% to 100% of the Net Proceeds, depending on the specific transaction, is required to be applied to the Term Loans if the Contingent Payment Obligations have been paid in full.

Long-term debt at June 30 consisted of the following:

	1997	1996
Term Loans under Restated Credit Agreement	**$ 16,837,498**	$18,632,451
Equipment notes, 9.25%, maturing through 1998	**186,492**	559,183
Real estate note, 10%, maturing through 2002	**317,350**	359,420
	17,341,340	19,551,054
Less current portion	**1,565,968**	1,406,402
	$ 15,775,372	$18,144,652

Scheduled maturities of long-term debt for the years 1998 through 2002 are as follows: $1,565,968, $1,384,342, $14,228,216, $62,658 and $69,219, respectively. The Company paid interest of $2,168,000 and $2,037,000 during 1997 and 1996, respectively.

The equipment notes and real estate note are secured by certain property and equipment with a net book value of approximately $1,076,320 at June 30, 1997.

3. Financing Arrangements (continued)

The Contingent Payment Obligations established at the date of the restructuring are non-interest bearing and payment thereof is without recourse to the Company. Repayments of the Contingent Payment Obligations are required only upon the occurrence of certain events. These certain events comprise primarily the receipt of net Proceeds (the "Proceeds") from the sale or disposition of certain assets or rights of the Company, and 50% to 100% of the Proceeds, depending on the specific transaction, is required to be applied to the Contingent Payment Obligations. The Contingent Payment Obligations are payable only out of the Proceeds and any unpaid amount expires on June 30, 2019.

The Warrants initially permitted the lenders to purchase up to 75% of the common stock of The Wheeling Corporation for $.01 per share at the Effective Date, which is the earliest of the following: maturity of the Term Loans; expiration of the Contingent Payment Obligations; or upon the occurrence of certain stock transactions. The maximum percentage of common stock that the lenders may purchase under the Warrants (the "Percentage") declines at various dates if there is no existing Default or Event of Default and upon the repayment of specified portions of the Term Loans prior to scheduled maturities or acceleration, and upon the repayment of specified portions of the Contingent Payment Obligations prior to acceleration. However, after all of the amounts owed under the Restated Credit Agreement have been repaid and all of the related terms and provisions have been satisfied in full, the Percentage shall equal 17% and shall not be subject to any further reductions.

In accordance with the Restated Credit Agreement, the Company made prepayments of the Term Loans and the Contingent Payment Obligations amounting to approximately $3,517,300 through June 30, 1997. These prepayments reduced the Percentage under the Warrants from 75% to 67%.

Wheeling & Lake Erie Railway Company

Notes to Financial Statements (continued)

4. Properties

Properties at June 30 consisted of the following:

	1997	1996
Transportation property:		
Road	**$ 43,073,585**	$42,307,695
Equipment	**12,286,569**	11,907,029
Buildings	**3,116,328**	3,013,017
	58,476,482	57,227,741
Accumulated depreciation and amortization	**(16,466,554)**	(13,479,649)
Net transportation property	**42,009,928**	43,748,092
Construction-in-progress	**887,387**	433,981
Nontransportation property	**1,785,025**	1,800,085
	$ 44,682,340	$45,982,158

Nontransportation property consists primarily of land which is not used in the railway operations. Certain parcels of the land are leased under agreements which are cancelable upon 30 days notice by the lessor or the lessee. The lease terms vary from one month to five years. Rental income on these leases was approximately $398,300 and $548,400 in 1997 and 1996, respectively, and is included in other operating revenue in the statements of operations.

Properties include assets acquired under capital leases, principally transportation equipment, of approximately $4,566,325 and $4,482,600 at June 30, 1997 and 1996, respectively (see Note 7). The Company purchased properties under capital leases of approximately $83,800 and $1,564,700 during 1997 and 1996, respectively. The related amounts of accumulated amortization are approximately $1,613,900 and $980,500, respectively. Amortization of assets acquired under capital leases is included in depreciation and amortization expense.

5. Income Taxes

The provision (credit) for income taxes consisted of the following:

	Year ended June 30	
	1997	1996
Federal:		
Current	$ –	$ –
Deferred	350,000	(575,000)
	350,000	(575,000)
State:		
Current	–	–
Deferred	50,000	(125,000)
	$ 400,000	$ (700,000)

In May 1994, a change in control (as defined by the Internal Revenue Code) occurred with respect to the Company's parent which resulted in a significant limitation on the ability to utilize the existing net operating loss carryforwards as a deduction from future taxable income prior to their expiration dates. The net operating loss carryforwards subject to this limitation that were generated by the Company through the date of the change in control amounted to approximately $25,000,000. After the debt restructuring in November 1994 described in Note 3, the pre-change in control net operating loss carryforwards were reduced to approximately $5,400,000. These carryforwards, if not utilized, expire from 2007 to 2009.

The Company generated additional net operating loss carryforwards for federal income tax purposes from the date of the change in control to June 30, 1996. These net operating loss carryforwards are available as a deduction from future taxable income and amount to approximately $4,900,000 at June 30, 1997. Net operating loss carryforwards for alternative minimum tax purposes from the date of change in control to June 30, 1997 amount to approximately $2,500,000. These carryforwards, if not utilized, expire from 2009 to 2011.

5. Income Taxes (continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the Company's deferred tax assets and liability at June 30 consisted of the following:

	1997	1996
Deferred income tax assets:		
Net operating loss carryforwards:		
Pre-change in control	**$ 2,200,000**	$ 2,200,000
Post-change in control	**1,900,000**	1,500,000
Contingent payment obligations	**7,900,000**	8,000,000
Non-deductible accruals and reserves	**2,700,000**	2,700,000
Total deferred income tax assets	**14,700,000**	14,400,000
Valuation allowance for deferred income tax assets	**(11,400,000)**	(11,500,000)
Net deferred income tax assets	**3,300,000**	2,900,000
Deferred income tax liability—depreciation and amortization	**11,100,000**	10,300,000
Net deferred tax liability	**$ 7,800,000**	$ 7,400,000

The Company did not pay income taxes during 1997 and received a refund of approximately $148,000 during 1996.

6. Employee Retirement Plan

The Company sponsors a defined contribution plan with a 401(k) tax deferred savings option which covers substantially all employees. The Company contributes $1,000 per year for salaried employees and hourly employees (retirement contributions) and may make additional contributions at the discretion of the Company (non-elective contributions). Retirement contributions amounted to approximately $302,500 and $301,000 in 1997 and 1996, respectively. No non-elective contributions were made to the plan in 1997 or 1996.

7. Lease Commitments

Concurrently with the Asset Purchase Transaction in 1990, the Company entered into an operating lease with NS for main line track between Pittsburgh Junction, Ohio and Connellsville, Pennsylvania. The operating lease expires in 2063. Leases with other parties were entered into for certain transportation equipment and trackage rights over certain segments of track. Certain of these leases contain renewal options, limited escalation clauses and provisions for contingent rentals. Contingent rentals primarily represent payments due for trackage rights, which generally require rental payments based only on usage, if any, with no minimum rental payments required.

The operating lease with NS requires quarterly lease payments of $228,750 ($915,000 per year). Pursuant to the NS Agreement (see Note 2), NS released the Company from the obligation to pay a portion of these operating lease payments. Specifically, the Company is required to pay only one-half of the above lease payments from December 1995 through November 1999, depending on the timing of the potential sale of certain assets (as defined in the NS Agreement). The future minimum lease payments under noncancelable operating leases included in the table below give effect to the reduced payments provided for in the NS Agreement.

The future minimum lease payments, by year and in the aggregate, under capital leases and under noncancelable operating leases with initial or remaining lease terms in excess of one year, consisted of the following at June 30, 1997:

	Capital Leases	Noncancelable Operating Leases
1998	$ 952,927	$ 2,333,392
1999	908,916	1,651,879
2000	628,540	1,523,026
2001	476,482	1,521,619
2002	222,756	1,385,132
Thereafter	263,406	57,320,000
Total minimum lease payments	3,453,027	$ 65,735,048
Amounts representing interest	659,118	
Present value of net minimum lease payments	$2,793,909	

7. Lease Commitments (continued)

Net rent expense consisted of the following:

	1997	1996
Minimum rentals	**$4,400,000**	$4,100,000
Contingent rentals	**407,000**	406,000
Sublease rentals	**(329,000)**	(156,000)
	$4,478,000	$4,350,000

8. Related Party Transactions

In July 1994, the Akron Barberton Cluster Railway Company (the "ABC") (a wholly-owned subsidiary of The Wheeling Corporation that was incorporated in March 1994) executed two separate asset purchase agreements to acquire certain railway assets in the Akron area from Consolidated Rail Corporation and from the Akron and Barberton Belt Railroad Company (in which the Company previously had a 25% ownership interest).

The Company routinely enters into transactions with the ABC principally in the ordinary course of business. In addition, the Company sold certain equipment to the ABC in 1995. This equipment was sold for $225,000 and resulted in a gain of approximately $190,000. Management fees received from the ABC amounted to approximately $70,000 in 1997 and 1996. Amounts paid to the ABC for switching and other services and for equipment leases amounted to approximately $1,020,000 and $132,000 in 1997 and $917,000 and $132,000 in 1996, respectively.

On April 8, 1997, the Company entered into a promissory note agreement with the Wheeling Corporation and advanced the Wheeling Corporation $325,000 through June 30, 1997. The Wheeling Corporation in turn loaned these funds to Intermodal Operators, Inc., an affiliate of the Company. Repayments of the advances commence on July 1, 1998 and the note bears interest at 9.5%. The Company recognized approximately $23,000 of interest income from this note.

The Company routinely enters into transactions in the ordinary course of business (primarily interline freight hauls) with certain railways which employ Directors and a stockholder in The Wheeling Corporation. Net line haul expenses paid to these railways were approximately $1,237,000 and $745,000 in 1997 and 1996, respectively.

9. Contingencies

There are pending or threatened against the Company various claims, lawsuits and administrative proceedings, all arising from the ordinary course of business primarily with respect to railway crossing accidents and employee injury claims under the Federal Employer's Liability Act. Management of the Company believes that the financial statements include adequate accruals to cover anticipated losses.

10. Uncertainty

During 1997, CSX Corporation ("CSX") and Norfolk Southern ("NS") acquired the outstanding stock of Conrail and filed a joint petition with the Surface Transportation Board ("STB") to seek control and division of Conrail. The Company derives approximately 32% and 18% of its operating revenue from traffic that is interchanged with CSX and NS, respectively. The Company believes that approximately $10 million of its revenue on traffic interchanged with NS will be lost as a result of the Conrail acquisition. The Company is in the process of negotiating conditions with NS to offset the loss of this traffic. The Company is unable to predict what the final outcome of the Conrail acquisition and the related negotiations with NS will be; however, it could have a material adverse impact on the Company, including its ability to maintain compliance with its loans agreements. Among the alternatives available to the Company are to petition the STB for competitive access to new shippers, revision of traffic and/or operating agreements, relief of obligations and failing these, inclusion in the Conrail acquisition. Because of the uncertainty of the outcome of these matters, no adjustment has been made to the carrying value of the assets and liabilities in the accompanying balance sheet. A written decision by the STB on the joint petition is not expected until June 30, 1998.

First Quarter Data

EXHIBIT 21

WHEELING & LAKE ERIE RAILWAY COMPANY
FISCAL 1998 FINANCIAL SUMMARY
($000)

	September, 1997				Year To Date			
	Actual	Plan	Var-Plan	Prior Year	Actual	Plan	Var-Plan	Prior Year
Income Statement								
Net Revenue	3,557	3,117	440	3,428	10,208	9,283	925	11,188
Gross Profit	1,154	707	447	885	2,898	2,051	847	3,165
EBITDA	796	395	401	613	1,919	1,111	808	2,250
EBITDA - CAPEX	613	297	316	816	1,601	824	777	2,181
EBIT	507	89	418	315	1,052	193	859	1,356
Operating Ratio (C)	85.75%	97.15%	11.40%	90.81%	89.69%	97.92%	8.22%	87.88%
EBITDA Margin	22.38%	12.67%	9.71%	17.88%	18.80%	11.97%	6.83%	20.11%
EBITDA - CAPEX MARGIN	17.23%	9.53%	7.70%	23.80%	15.68%	8.87%	6.81%	19.49%
EBIT Margin	14.25%	2.85%	11.40%	2.85%	10.31%	2.08%	8.22%	2.0[illegible]

			Over/(Under)	
Balance Sheet				
Cash	3,366	1,912	1,454	3,362
Other Current Assets	9,827	9,432	395	11,307
Current Liabilities (A)	11,359	11,125	234	12,758
Working Capital	1,834	219	1,615	1,911
Revolving Loan (B)	0	0	0	0
Term Loan (B)	0	0	0	0
Restructured Debt (B)	16,821	16,504	317	18,435
Seller Financing (B)	400	400	0	809
Capitalized Leases (B)	2,632	2,630	2	3,279
Total Debt	19,853	19,533	320	22,523
Common Stock	11,100	10,900	200	10,900
Retained Earnings	(18,801)	(19,249)	448	(18,945)
Treasury Stock	0	0	0	0
Total Stockholders' Equity	(7,701)	(8,349)	648	(8,045)

(A) Excludes current portion of Revolving Loan, Term Loan, Seller Financing, Other Notes Payable, and Capitalized Leases.
(B) Includes current portion of Revolving Loan, Term Loan, Seller Financing and Capitalized Leases.
(C) Operating Ratio = (Net Revenue - EBIT)/(Net Revenue)

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WHEELING & LAKE ERIE RAILWAY COMPANY
SUMMARY BALANCE SHEET
($000)

	September, 1997			Prior Year
	Actual	Plan	Var-Plan Over/(Under)	
ASSETS				
Cash	3,366	1,912	1,454	3,362
Accounts Receivable	8,125	7,837	288	9,858
Material & Supplies Inventory	701	593	108	696
Other Current Assets	1,001	1,002	(1)	753
Total Current Assets	13,193	11,344	1,849	14,669
Restricted Cash	76	190	(114)	0
PP & E - Net	41,495	41,209	286	42,173
Capitalized Leases - Net	2,803	2,889	(86)	3,431
Other Assets	489	491	(2)	684
Total Assets	58,056	56,124	1,932	60,957
LIABILITIES & STOCKHOLDERS' EQUITY				
Accounts Payable - Trade	2,372	1,342	1,030	2,151
Accounts Payable - Interline	5,724	6,397	(673)	6,915
Wages & Benefits Payable	1,856	1,990	(134)	1,871
Profit Sharing Payable	96	56	41	113
Property & Excise Taxes Payable	264	288	(24)	348
Income Tax Payable	0	0	0	0
Interest Payable	0	0	0	0
Restructured Int. Pay.-Term	66	0	66	0
Restructured Int. Pay.-Rev	0	0	0	0
Other Current Liabilities	981	1,052	(71)	1,360
Total Current Liabilities	11,359	11,125	234	12,758
Restructured Debt	16,821	16,504	317	18,435
Restructured Revolver	0	0	0	0
Revolving Loan	0	0	0	0
Term Loan	0	0	0	0
Payable to NS	1,957	1,844	113	1,197
Seller Financing & Other Notes Payable	400	400	0	809
Capitalized Leases	2,632	2,630	2	3,279
Other Long-term Liabilities	10,557	9,937	620	10,310
Contingent Payment Obligation	22,031	22,033	(2)	22,215
Total Liabilities	65,757	64,472	1,285	69,002
Common Stock	11,100	10,900	200	10,900
Retained Earnings	(18,801)	(19,249)	448	(18,945)
Treasury Stock	0	0	0	0
Total Stockholders' Equity	(7,701)	(8,349)	648	(8,045)
Total Liab. & Stockholders' Eq.	58,056	56,124	1,933	60,957

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WHEELING & LAKE ERIE RAILWAY COMPANY
SUMMARY INCOME STATEMENT
($000)

	September, 1997				Year To Date			
	Actual	Plan	Var-Plan	Prior Year	Actual	Plan	Var-Plan	Prior Year
Revenues								
Linehaul Freight								
Local	1,725	1,393	332	2,050	5,050	4,271	779	7,219
Interline Forwarded	810	756	54	608	2,320	2,171	149	1,750
Interline Received	1,023	1,015	8	1,033	2,860	2,989	(129)	2,963
Intermediate	31	12	19	39	67	28	39	167
Haulage	0	0	0	0	1	0	1	3
Total Gross Linehaul	3,589	3,176	413	3,730	10,297	9,459	838	12,099
Contract Allowances	(33)	(8)	(25)	(52)	(90)	(22)	(68)	(234)
Transloading - Bulk Distribution	(20)	(22)	2	(9)	(49)	(63)	14	(22)
Absorbed Switching	(247)	(235)	(12)	(378)	(725)	(706)	(19)	(1,207)
Haulage Expense	(15)	0	(15)	(13)	(47)	0	(47)	(40)
Total Net Linehaul	3,274	2,911	363	3,278	9,386	8,668	718	10,596
Demurrage	33	34	(1)	17	123	100	23	82
Interline Switching Rec	26	16	10	19	75	48	27	52
Customer Switching	147	76	71	23	285	227	58	135
Misc Rent	53	50	3	58	157	150	7	175
Other	24	30	(6)	33	182	90	92	148
Net Revenue	3,557	3,117	440	3,428	10,208	9,283	925	11,188
Operating Expenses								
Car Hire & Car Leases	333	421	88	435	1,081	1,229	148	1,369
Locomotive Lease	18	26	8	26	57	77	20	80
Fuel	166	199	33	238	516	593	77	712
Accident Expense	96	90	(6)	92	278	270	(8)	370
Property & Excise Taxes	38	34	(4)	37	110	102	(8)	105
Insurance	82	82	0	82	246	246	0	246
NS Lease - PWV & Huron Dock	93	73	(20)	93	259	219	(40)	279
Transportation	767	727	(40)	808	2,271	2,187	(84)	2,527
Maint of Way	479	470	(9)	382	1,469	1,418	(51)	1,237
Maint of Equipment	331	288	(43)	350	1,023	890	(133)	1,098
Total Operating Expenses	2,403	2,410	7	2,543	7,310	7,231	(79)	8,023
Gross Profit	1,154	707	447	885	2,898	2,051	847	3,165
General & Admin Expenses								
Wages & Benefits	181	198	17	185	581	599	18	576
Professional Fees	114	94	(20)	76	287	282	(5)	248
Management Fee - ABC Railway	(6)	(6)	0	(6)	(18)	(18)	1	(18)
Other	79	35	(44)	27	159	106	(53)	139
Other Expense (Income)	(10)	(10)	0	(10)	(30)	(29)	1	(30)
EBITDA	796	395	401	613	1,919	1,111	808	2,250
Depreciation & Amortization	289	306	17	298	867	918	51	894
EBIT	507	89	418	315	1,052	193	859	1,356
Restructed Term Interest	123	129	6	133	378	401	23	415
Restructed Revolver Interest	0	0	0	0	0	0	0	0
Interest - Revolver	0	0	0	0	0	0	0	0
Interest - Term	0	0	0	0	0	0	0	0
Interest - Lease	22	22	0	28	71	68	(3)	87
Interest - Other	6	4	(2)	9	16	11	(5)	25
Interest - Income	(14)	(8)	6	(17)	(43)	(25)	18	(40)
EBT	370	(57)	427	162	630	(282)	892	869
Profit Sharing	40	20	(20)	31	96	56	(41)	113
(Gains) Losses on Nonrecurring Items	(31)	(80)	(49)	(209)	(132)	(240)	(108)	(419)
Provision for Income Taxes	146	1	(145)	116	270	(26)	(296)	401
NET INCOME	215	2	213	225	396	(51)	447	775

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WHEELING & LAKE ERIE RAILWAY COMPANY
SUMMARY CASH FLOW STATEMENT
($000)

	September, 1997			Year To Date		
	Actual	Plan	Var-Plan	Actual	Plan	Var-Plan
EBITDA	796	395	401	1,919	1,111	808
Payment of Profit Sharing	0	0	0	(69)	(70)	1
Payment of or Deferred Income Tax	(10)	0	(10)	(10)	0	(10)
Gain/(Loss) on Nonrecurring Items	31	80	(49)	132	240	(108)
Increase/(Decrease) in Cash						
Accounts Receivable	645	(90)	735	(19)	269	(288)
Inventories	56	9	47	(16)	92	(108)
Other Current Assets	80	11	69	(222)	(223)	1
Accounts Payable-Trade	292	14	278	282	(748)	1,030
Accounts Payable-Freight	6	144	(138)	92	765	(673)
Wages Payable	84	11	73	(250)	(116)	(134)
Taxes Payable	(12)	34	(46)	(108)	(84)	(24)
Other Current Liabilities	(260)	0	(260)	(396)	(335)	(61)
Net (Incr)/Decr in Working Capital	891	133	758	(637)	(380)	(257)
Cash Flow from Operations	1,708	608	1,100	1,335	902	433
Cash Flows from Investing Activites						
Capital Expenditures(Net)	(183)	(98)	(85)	(318)	(288)	(30)
Acquitions	0	0	0	0	0	0
Property Sales	0	0	0	0	0	0
Scrap Sales	0	0	0	0	0	0
Capital Lease Assets	0	0	0	0	0	0
Other Assets/Liabilities	354	(10)	364	317	(29)	346
Net Cash Flows from Investing	171	(108)	279	(1)	(317)	316
Cash Flows from Financing Activities						
Incr /(Decr) in Restr Term	(11)	(333)	322	(16)	(333)	317
Incr /(Decr) in Restr Revolver	0	0	0	(2)	0	(2)
Incr /(Decr) in Revolver	0	0	0	0	0	0
Incr /(Decr) in Term	0	0	0	0	0	0
Incr /(Decr) in Payable to NS	73	(41)	114	218	105	113
Incr /(Decr) in Seller Financing & Other Notes Payable	(35)	(35)	0	(104)	(104)	0
Incr /(Decr) in Refinancing Gain	0	0	0	0	0	0
Incr /(Decr) in Capital Lease	(51)	(55)	4	(162)	(164)	2
Incr /(Decr) in Capital Stock	125	0	125	200	0	200
Other Interest Income(Expense)	8	5	3	27	14	13
Payment of Restr Term Interest	(202)	(265)	63	(338)	(401)	63
Payment of Restr Revol Interest	0	0	0	0	0	0
Payment of Bank Interest	0	0	0	0	0	0
Payment of Lease Interest	(22)	(22)	0	(71)	(68)	(3)
Net Cash Flows from Financing	(115)	(746)	631	(248)	(952)	704
Net Increase/(Decrease) in Cash	1,764	(246)	2,010	1,087	(367)	1,453
Cash at Beginning of Period	1,602	2,158	(556)	2,279	2,279	0
Net Increase/(Decrease) in Cash	1,764	(246)	2,010	1,087	(367)	1,453
Cash at End of Period	3,366	1,912	1,454	3,366	1,912	1,453

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SUPPORT STATEMENTS

RALPH REGULA
16TH DISTRICT, OHIO

RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3516
(202) 225-3876

DISTRICT OFFICE
4150 BELDEN VILLAGE STREET NW
SUITE 408
CANTON, OH 44718
(330) 489-4414

TOLL FREE DISTRICT NUMBER
1-800-826-9015

COMMITTEE
APPROPRIATIONS
SUBCOMMITTEES
CHAIRMAN, INTERIOR
TRANSPORTATION
COMMERCE, STATE, JUSTICE

Congress of the United States
House of Representatives
Washington, DC 20515-3516

October 14, 1997

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Case Control Unit
Attn: STB Finance Docket #33388

Dear Mr. Williams:

As the Member of Congress representing the 16th district of Ohio in which both the Wheeling & Lake Erie Railway Company and the Neomodal Terminal is based, I want to express my concerns regarding the impact of the Conrail acquisition.

I have already conveyed to you my concern as to the future of the Neomodal in other correspondence. The Wheeling & Lake Erie is an increasingly important element of the railroad infrastructure in Ohio. By providing competitive service, Wheeling & Lake Erie has been able to initiate rail service in areas neglected by the large Class I companies.

Norfolk Southern, in part, spun off the Wheeling & Lake Erie in 1990 to avoid anti-competitive problems identified by the Antitrust Division in its analysis of Norfolk Southern's first attempt to control Conrail. Under the proposed transaction presently pending before the Surface Transportation Board, Norfolk Southern will have the ability to cut off its joint line traffic with Wheeling & Lake Erie in favor of its new single system routing alternatives over the Conrail lines it will be acquiring. This course of action will have a disastrous effect on Wheeling & Lake Erie as well as on the Neomodal Terminal which it serves.

Continued service by both Wheeling & Lake Erie and the Neomodal Terminal is of critical importance to the transportation infrastructure and the continued economic growth of Northeast Ohio.

I urge the Surface Transportation Board to take these issues into consideration in your review of the pending Conrail acquisition.

Sincerely,

Ralph Regula, M.C.

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388 (Sub.-No. 80)

VERIFIED STATEMENT

OF

STEPHEN L. PAQUETTE

My name is Stephen L. Paquette. I am President of the Stark Development Board (hereinafter "SDB").

The SDB is a private non-profit 501c(3) corporation organized in 1985 by Stark County's business leaders and public officials to provide a new approach to handling economic development in Stark County, Ohio. Between 1979 and 1983, over 20,000 manufacturing jobs were lost in the area due to the oil crisis and the severe recession that affected the mid-West particularly hard. The mission of the newly created SDB was to attract, expand, and retain business investment and jobs in Stark County. The SDB was organized with three basic principles:

- To be regional in scope - A coordinated countywide economic development effort with all the area chambers of commerce in Stark County.
- Primarily private-sector supported by businesses and local foundations.
- To have representation on the SDB of leadership representing major cities and areas throughout the county.

Today, the SDB is governed by a Board of Trustees that represents business leaders and public officials, and by an Executive Committee that represents the SDB in overseeing the monthly activities and programs operated by SDB. The SDB is served by a professional staff of six persons and an office manager. SDB's current staff have an average of 20+ years of professional experience and includes specialists in economic development, marketing, real estate, infrastructure and finance. The major programs operated by SDB include: New Business Attraction, Real Estate & Site

Selection Services, Infrastructure Development, Business Financing, and Governmental Relations.

As a developmental organization, the Board is very concerned with infrastructure issues. The Wheeling & Lake Erie is an increasingly important component of our infrastructure which provides essential rail service to a wide array of shippers throughout the Country. While a number of those shippers will provide individual statements, I want to stress an overview. Without competitive rail service provided by W&LE, we would have a much more difficult task inducing industry to come to our County or to grow within it. Without W&LE's competitive rates, our existing shippers would carry a much heavier burden of Class I system rates.

In short, a viable W&LE is an element of our plans for future development. We urge the Board to preserve W&LE's viability by granting the conditions it seeks.

STATE OF OHIO

SS:

COUNTY OF STARK

VERIFICATION

Stephen L. Paquette, being duly sworn, deposes and says that he is the President of the Stark Development Board, that he knows the contents of this Verified Statement and that the contents are true and correct.

Stephen L. Paquette

Subscribed and sworn to before me by Stephen L. Paquette on this 16th day of October, 1997.

Julie Anne Uhrich
Notary

My Commission expires on July 10, 2002

NOTARIAL SEAL
STATE OF OHIO

JULIE ANNE UHRICH, Notary Pu...
Recorded in Summit Co...
My Commission Expires Ju...

P:\WPDOCS\JAU\8697592.MI/jau final

Carroll County

County Bird-Blue Bird County Flower-Daffodil County Color-Green

October 16, 1997

The Honorable Vernon A. Williams
Office of the Secretary
Surface Transportation Board
Attention: STB Finance Docket No. 33388
1925 K Street, NW
Washington, DC 20423-001

RE: STB Finance Docket No. 33388

Dear Mr. Williams,

My name is Gary L. Hall, Executive Director of the Carroll County Ohio Economic Development Office and the Carroll County Chamber of Commerce. Both offices are located at 11 East Main Street in Carrollton, Ohio.

Our responsibilities are to help companies that want to expand and/or move into our area. We are here to provide assistance with problems that may arise through transportation, financing, zoning, utilities and other determents. We just recently helped the Wheeling and Lake Erie Railroad secure funds for rehabilitation on the Railroad Branch that serves Carrollton and Minerva Ohio. This financial endeavor involved the State of Ohio Rail Commission, Carroll County, Stark County, The Village of Minerva, The Village of Carrollton, The Village of East Canton and The Wheeling Lake Erie Railroad. This project was to insure continued rail service to customers on this branch and to provide for some new customers that were planning on using the rail or increasing their usage. We have collectively invested over one and one half million dollars ($1.5) in this rehab project.

I believe that a Conrail merger will adversely impact W & LE by diverting its traffic base. Without relief, W & LE will be greatly weakened. If this happens, then our area may be without rail service. We are a small county and the jobs we have here are very important to us. If we lose rail service, we stand to lose between two hundred and two hundred and fifty jobs. This does not include some projected growth potential. Local highways do not offer much of an alternative since we do not have a four-lane highway. It is approximately twenty miles to the closest access to an interstate highway.

Economic Development Council
Box 277 11 East Main Street
Carrollton, Ohio 44615
(216) 627-5500

Striving To Make Carroll County Economically Secure!

I feel that competition is healthy in any business. If this merger proceeds, then the STB will be setting the stage that could seriously jeopardize rail service to small remote rural areas that are now struggling to maintain this service. Regional railroads such as the W&LE could lose access to multi line routing that would eliminate the opportunity to place the rail freight with the least costly carrier. In other words competitive rates would be non-existent, there-by creating the potential for price fixing.

Recently agencies of the Federal Government have questioned large corporations (Microsoft, Intel, AT&T 's) proposed mergers plans that would eliminate competition. If these companies are prohibited from mergers or acquisitions that would harm smaller companies, then how can the STB support a railroad merger that could hurt small railroad companies in the whole Eastern part of the United States?

Our intent is to support efforts of small regional railroads in finding solutions to the crippling loss of traffic that they face if this merger is allowed to proceed. As I see it the only benefactors of this merger is the stockholders of Conrail, and the eventual controlling Norfolk Southern railroad. Everyone else will end up paying higher shipping tariffs and/or possibly losing rail service.

THIS IS NOT A GOOD THING FOR THE MAJORITY OF USERS!

Respectfully yours,

Gary L Hall

Gary L. Hall, Executive Director

STATE OF OHIO,
COUNTY OF CARROLL

Before me, a Notary **Public** in *and for said county and State, personally appeared the above named* Gary **L. Hall, Executive Director,** *of the* **Carroll County Economic Development Office and the Carroll County Chamber of Commerce** *who acknowledged that he did sign the Foregoing letter and that the same is* **his** *free act and deed.*

In Testimony Whereof, I have hereunto set my hand and official seal, at **Carrollton, Ohio** *this* **17th** *day of* **October** *A.D. 1997.*

Dorothy J. Peterson

Notary Public My Commission expires DOROTHY J. PETERSON, Notary Public
State of Ohio
My Commission Expires March 11, 2002

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388 (Sub. No. 80)

VERIFIED STATEMENT

OF

FRED ZAGAR

My name is Fred Zagar. I am a Vice President with Bank of America National Trust and Savings Association ("Bank of America"). I want to take this opportunity to comment regarding Bank of America's interests as they relate to Wheeling & Lake Erie Railway Company ("W&LE") in this important case.

Bank of America and The Bank of New York loaned W&LE $42 million in 1990. The projections on which the banks relied did not take into account various operational problems which resulted in W&LE defaulting on virtually every covenant within six months of the making of the loans. After seeing little hope of restructuring the debt in 1991, a new management team headed by L. R. Parsons took over for W&LE in 1992 and quickly increased revenues and reduced costs. As a result, the newly stabilized operations (which were achieved despite the loss of coal revenues) encouraged Bank of America to agree to restructure the debt of W&LE in 1994. Since then W&LE has worked hard to meet its restructured debt obligations and has kept Bank of America informed of the challenges facing W&LE and the opportunities available to W&LE, including the recent challenge of the loss of revenues from W&LE's largest customer during the 10-1/2 month strike of Wheeling Pittsburgh Steel.

Bank of America is naturally very concerned about the impact on W&LE of the merger of Conrail with other railroads, and it regards the potential loss of a substantial part of the traffic on W&LE from the merger as a significant development which could have an impact on the ability of W&LE to meet its obligations to Bank of America and The Bank of New York. To meet its obligations to the banks, W&LE needs the opportunity to compete for sufficient new traffic to replace revenues lost through the merger. We urge the Surface Transportation Board to grant the relief requested by W&LE in order to keep W&LE viable.

Signed:

State of New York
County of New York:)

Verification

Fred Zagar being duly sworn on 16th of October, deposes and says that he has read the foregoing, and that it is true and accurate to the best of his knowledge and belief.

(Notary Public)

NANCY BRINK WHALEN
Notary Public, State of New York
No. 01BR5051618
Qualified in Westchester County
Certificate Filed in New York County
Commission Expires November 6, 19 97

My Commission expires Nov. 6, 1997

Reserve Iron & Metal, L.P.

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO. 33388

VERIFIED STATEMENT
OF

LINDA BORNANCIN

My name is Linda Bornancin. I am Vice President - Transportation of Reserve Iron & Metal, L.P. I have ten (10) years of experience in transportation matters and am qualified to make this statement on behalf of Reserve Iron & Metal, L.P.

Reserve Iron & Metal has authorized me to submit this statement to stress the essential nature of Wheeling & Lake Erie Railway Company's (W&LE) service. Last year we shipped 3,167 cars over the W&LE, all of which moved in joint line service with CSXT. In every case, Conrail offered direct competition.

Reserve Iron & Metal is a scrap processor with facilities in Cleveland, OH; Chicago, IL; and Attalla, AL. Our Cleveland facility is currently served by both Conrail and CSXT. Since the announcement of the NS/CSXT acquisition of Conrail, I have assumed that Norfolk Southern would replace Conrail's position in our yard. However, I have been unable to confirm this with anyone at Norfolk Southern, and the possibility of losing our second rail carrier causes me great concern.

Reserve is the largest processor of blast furnace iron in the United States and ships to several mills which are dually served by Conrail and the Wheeling & Lake Erie Railway, including Republic Engineered Steel in Canton, Ohio; LTV Steel in Cleveland, Ohio; and Wheeling Pittsburgh Steel in Steubenville, Ohio. In light of the possibility of losing our competitive advantage to these locations, Reserve supports Wheeling & Lake Erie's

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petition to gain access to our Cleveland facility. Their presence in our yard would reduce the impact of the loss of Conrail to Reserve and would prevent us from becoming captive to CSXT options only. At the same time, this would contribute to the continued viability of the Wheeling & Lake Erie as a competitive rail carrier in the East. After meeting with top management at the Wheeling & Lake Erie Railway, it is clear that direct access to their railroad is the only way that Reserve will remain competitive after the acquisition.

It is my understanding that neither the Norfolk Southern nor CSXT intend for the Conrail acquisition to create an anti-competitive environment. However, by eliminating the direct routes that Reserve now has with Conrail and by threatening the existence of the Wheeling & Lake Erie Railway, I do not feel that this acquisition will be beneficial to Reserve Iron & Metal unless direct commercial access to Reserve is granted to the Wheeling & Lake Erie and unless the viability of W&LE can be assured by imposed conditions so that it can continue to provide essential rail service and rate competition. The continued success of Reserve Iron & Metal depends heavily on competitive rail options, and we made a large investment in order to gain this advantage. We do not want to lose it.

Accordingly we urge the Board to direct that W&LE be given direct commercial access and that the Surface Transportation Board grant conditions sufficient to ensure its continuing viability.

Verification

I have read the foregoing statement and declare that it is true and correct to the best of my knowledge.

Linda Bornancin

Linda Bornancin

Bernadine Levine

Notary

Bernadine Levine
Notary Public, State of Ohio
My Commission Expires
September 27, 2000

BEFORE THE
SURFACE TRANSPORTATION BOARD

FINANCE DOCKET NO.33388

VERIFIED STATEMENT
OF

ALFRED NICKLES BAKERY

My name is Jim Kettlewell. I am V.P. Purchasing of Alfred Nickles Bakery. I have 20 years of experience in transportation matters and am qualified to make this statement on behalf of A. Nickles Bakery.

A. Nickles Bakery has authorized me to submit this statement to stress the essential nature of Wheeling & Lake Erie's service. Last year we shipped 25,000 tons over the W&LE. (Give %) of this moved on to joint line connections for delivery throughout the United States.

But more important than this volume was the very presence of W&LE as a competitive alternative to NS. Without W&LE's competitive presence, I am convinced that A. Nickles Bakery rail service and rates would deteriorate. Unfortunately, W&LE's viability has been severely jeopardized by the Conrail control proceeding.

It is well known in the shipper community that Wheeling & Lake Erie has made tremendous efforts to provide excellent rail service despite its heavy debt load. We who depend on W&LE also