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REBUTTAL VERIFIED STATEMENT

OF FRANK B. MEADOR, III

NS SENIOR PLANNING ANALYST

My name is Frank B. Meador, III. I am a Senior Planning Analyst in the Strategic Planning Department of Norfolk Southern Corporation (NS). I have served in my current capacity in this department for just under three years. This rebuttal verified statement is based on my first-hand experience in discussions with AA, primarily since July 1997.

I submit this Rebuttal Verified Statement to refute the Responsive Application and Request for conditions by Ann Arbor Corporation D/B/A Ann Arbor Railroad (collectively, AA) submitted to the Surface Transportation Board in Finance Docket No. 33388. I also refer to the Rebuttal Verified Statement of John H. Williams which discusses in more detail the traffic study aspects related to the AA Responsive Application.

AA claims it will lose approximately \$3,350,000 or 47% of its revenue base as a result of the Transaction. AA seeks two conditions unrelated to its assertions of harm to offset these claimed losses. The Transaction, in reality, does no harm to the competitive position of AA. In fact, some of the claimed revenue losses explained by AA are actually public benefits of the Transaction because they provide some shippers and receivers of AA more competitive options. I intend to discuss each of AA's

claims in detail below and demonstrate that none of the claimed losses are, in fact, valid.

"2-to-1" Corridor

AA claims that as a result of the Transaction, its routing choices to the Chicago gateway will be reduced from 2 carriers to 1. Today, NS connects with AA in Toledo, OH and Milan, MI and Conrail connects with AA in Toledo and Ann Arbor, MI. AA claims that because NS will operate the Conrail routes from Detroit, MI to Chicago (via Ann Arbor, MI) and Toledo to Chicago (via Elkhart, IN), NS will become its only competitive routing choice to the Chicago Gateway. AA submits that all other carriers it currently connects with are circuitous, and thus not competitive.

Today, AA connects with two other Class I carriers, CSX Transportation (CSXT) in Toledo and Canadian National (CN) in Diann, MI. The Transaction will not have any effect on the ability of AA to connect with CSXT and CN. The CN route to Chicago will remain a competitive alternative, even though it is somewhat circuitous compared with the NS and Conrail routes. However, the CSXT route from Toledo to Chicago is only about fifteen (15) miles longer than the Conrail route from Toledo to Chicago (to be operated by NS), which can hardly be deemed circuitous. In fact, the AA routing options via CSX to the Chicago Gateway will actually improve as a result of the Transaction because CSXT is spending over \$200 million to upgrade a significant portion of its route from Toledo to Chicago. This upgrading will make the CSXT route a high capacity, service sensitive route equally able to compete

respect to this sand traffic. The opportunity to provide competitive options for shippers and receivers and/or reduce the numbers of carriers interchanging freight is a significant public benefit, which will encourage carriers to provide better, more economical service to customers.

AA's fear that this sand traffic "may move" TSBY-CSXT actually reveals an AA fear of competition. AA acknowledges that it has not performed any traffic studies regarding this traffic and is unsure the traffic will actually be diverted because Mr. Erickson only states that the traffic "may move" via another route. Nevertheless, AA has requested protective conditions in order to offset the projected loss of all of the AA sand traffic revenue. In addition, Mr. Erickson fails to recognize that the TSBY-CSXT route is highly circuitous.

NS Trackage Rights over AA

NS currently has overhead trackage rights over AA between Toledo and Milan, MI where AA intersects the NS mainline between Ft. Wayne, IN and Detroit. NS has utilized these rights for many years as an effective "shortcut" between Toledo and Detroit for NS traffic. Because the Transaction assigns operation of the Conrail route from Toledo to Detroit to NS, AA claims that NS will utilize the Conrail route because it is shorter than the current NS route via AA, thereby depriving AA approximately \$800,000 in annual revenues.

The integration of the Conrail route between Toledo and Detroit into the new NS system will provide the most direct routing between these two points, and will be

shorter than the AA "shortcut" route NS uses today. As part of the NS system, this Conrail route, integrated as part of the new NS system, will provide shippers with the best, most economical and environmentally friendly service possible. The opportunity to provide the most direct and cost-effective routing of traffic for customers is a significant public benefit. Accordingly, by its opposition to NS's use of its new Conrail route, AA stands clearly in opposition to the public benefits of the Transaction.

NS does not intend to eliminate its trackage rights on AA (CSX/NS-20, Vol. 3B, at 246) although NS does contemplate a significant level of reduced usage. The AA route provides potential opportunities for direct routings for some niche traffic moving between the Conrail lines in Central Michigan to be operated by NS (if the NS trackage rights could be extended over AA from Milan to Ann Arbor) and the current NS system. In addition, retention of these rights will provide routing alternatives in the Ohio/Michigan area so as to prevent capacity and congestion problems.

Automotive Traffic

AA claims the Transaction will divert automotive traffic currently handled by AA at Milan, MI and Toledo, costing AA approximately \$1,750,000 in annual revenues. These claimed diversions are also addressed in the John H. Williams Rebuttal Verified Statement.

As to automotive traffic, the competitive position of AA will not be harmed by

the Transaction. Further, AA acknowledges that it did not perform any traffic studies to substantiate its automotive traffic claims. AA and the automotive customers at Milan and Toledo will continue to enjoy the competitive choices that exist today if the Transaction is approved.

At Milan, AA is concerned that NS will divert traffic that is destined for St. Paul, MN (over the Chicago Gateway) and Louisville, KY. AA has access via a NS switch move to a Ford Motor Company facility located on NS lines in Milan. Because NS already has direct access to this customer and a competitive route to the Chicago Gateway, AA's competitive position with regard to the traffic destined to St. Paul, MN will be identical both before and after the Transaction. Because AA connects with CSXT in Toledo (as it does with Conrail), AA can route this traffic over CSXT to maintain its competitive options.

For traffic destined to Louisville, AA is concerned that traffic currently routed AA-CSXT (interchange at Toledo) will be diverted to NS. Mr. Erickson states that "[a]fter the CRC acquisition, NSR will also have a single line route to Louisville." AA fails to note two important facts: NS already has a single line route to Louisville and the consignee is directly served only by CSXT (NS can access via a CSXT switch move). Again, these competitive routing choices will not change as a result of the Transaction.

At Toledo, AA serves a Chrysler Corporation assembly plant which other carriers in the area (NS, CSXT and CN) can access via an AA switch move. AA is concerned that the Transaction will divert traffic switched by AA for linehaul to the

Chicago Gateway and NS points (Winston Salem, NC and Atlanta, GA).

Mr. Erickson states that "a substantial portion" of all the automotive traffic AA claims will be diverted is switched by AA to Conrail for linehaul movement to the Chicago Gateway. He also asserts that since "NSR is to acquire CRC's Toledo Automotive Terminal (Airline Yard)" and "the CRC route from Toledo to Chicago", NS will not need AA for switching services and will divert the traffic from AA although the Conrail automotive loading facility is located offsite, not near the Chrysler plant. Mr. Erickson fails to note that Conrail is already in such a position today, but that AA still attracts and switches this traffic. NS will simply "step into Conrail's shoes" if the Transaction is approved; the competitive options for this traffic will not change. The competitive marketplace determines how the traffic is handled today and therefore, the Transaction will not affect any of these options.

Mr. Erickson also fails to note that the automotive traffic destined to the two NS points (Winston Salem and Atlanta) can also be handled by CSXT, and that competitive routing option will continue to exist after the Transaction is approved. Within this competitive marketplace, the shipper will be able to select among routing options that include AA switching to CSXT for linehaul, AA switching to NS for linehaul and NS offsite loading for NS linehaul.

AA and NS Discussions

I have had numerous discussions with AA to address their concerns about the Transaction and to attempt to reach a negotiated settlement regarding their concerns.

NS has proposed development of marketing opportunities that will be mutually beneficial to AA and NS. In particular, NS has proposed developing new traffic opportunities in shorthaul and truck dominated markets including marketing arrangements to reach other carriers in the region that connect to NS and not AA. In addition, NS has discussed retaining its trackage rights over AA and even extending them over more of the AA system.

NS believes that these mutually beneficial marketing opportunities are reasonable. AA simply has rejected all NS proposals. From the NS perspective, AA does not appear to be interested in jointly developing these new markets which exploit the economical and environmental advantages of rail services and which, in turn, could increase public benefits.

AA Requested Conditions

AA has requested two protective conditions to offset its perceived losses from the Transaction. The trackage rights condition over the Conrail line from Toledo to Chicago is an opportunistic request to minimize competitive routing choices and increase AA revenues when, as I have demonstrated above, the AA competitive position in the marketplace will not have changed.

AA also requests a protective condition for the right to interchange with the Canadian Pacific (CP) at Ann Arbor, MI. This request is completely unrelated to the Transaction. Nowhere in the AA Responsive Application does AA state that not having a current CP connection harms its competitive position. This request is again

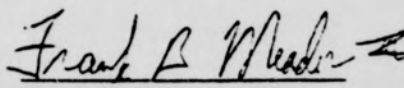
an opportunistic "grab" to reach new markets (and thus obtain new revenues) that are unrelated to the Transaction. Also note that CP only reaches Ann Arbor, MI via overhead haulage rights from Detroit to Chicago as a result of negotiated settlement agreement between NS and CP, which is subject to approval of the Transaction. CP does not have the right to interchange with any other carriers between Detroit and Chicago, and has not requested such rights, because these haulage rights are intended to improve CP longhaul service and opportunities.

Summary

The Transaction will have absolutely no negative effect on the competitive position of AA or its customers. Any revenue losses projected by AA are not supported by any formal or informal traffic studies. In fact, the Transaction will provide better opportunities for AA and its customers as they will connect with two competitively balanced eastern rail systems reaching more markets than ever.

VERIFICATION

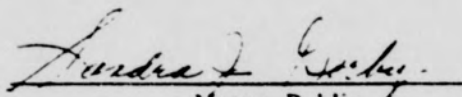
Frank B. Meador, III, makes oath and says that he is Senior Planning Analyst, Strategic Planning, Norfolk Southern Corporation, Norfolk, Virginia, that he is authorized to file and verify the foregoing rebuttal verified statement in STB Finance Docket No. 33388 on behalf of the applicants, that he has carefully examined all the statements in the foregoing verified statement, that he has knowledge of the facts and matters stated therein, and that all representations set forth therein are true and correct to the best of his knowledge, information and belief.


Frank B. Meador, III

COMMONWEALTH OF VIRGINIA

CITY OF NORFOLK

Subscribed and sworn to before me
This 4th day of December, 1997.


Notary Public

My commission expires MARCH 31, 1998.

REBUTTAL VERIFIED STATEMENT OF D. MICHAEL MOHAN

My name is Mike Mohan. I am a consultant employed by The Kingsley Group, an international transportation and logistics consulting group headquartered in San Francisco, CA.

My qualifications are summarized in my Verified Statement in CSX/NS-20, Vol. 3B of this Application. Prior to my consulting engagements, I served for 25 years with the Southern Pacific Transportation Company (SP), including as its President and Chief Operating Officer, until the Fall of 1993. As the Verified Statement explains, I have an extensive background in railroad operations, maintenance and management. I have also served as a member of the Board of Directors of the Association of American Railroads.

For purposes of this statement, it is important that the Board also understand my background in railroad terminal operations, joint operations, and terminal companies. I have served as Assistant Trainmaster, Trainmaster, Senior Assistant Division Superintendent, and Division Superintendent for Southern Pacific's Los Angeles Division. I also have served as Assistant General Manager for Southern Pacific's Western Lines, which encompassed all operations from Portland, OR to El Paso, TX, including Los Angeles. The Los Angeles Division during my service tenure extended from the Central San Joaquin Valley of California on the North, to the Arizona/California border on the East and included the entire Los Angeles Basin.

The Los Angeles Basin was and is one of the country's largest railroad terminal operations. Rail traffic includes carload, intermodal and bulk. There are a significant number of intermodal and carload terminal facilities, and a substantial passenger operation as well. The Los Angeles Basin includes joint operations, involving UP, SP and Santa Fe. Terminal

companies or associations including the Los Angeles Junction Railway and the Harbor Belt Line also conduct operations in the Basin.

Among the most important traffic sources in the Los Angeles Basin are the Ports of Los Angeles and Long Beach, which taken together constitute one the largest port areas in the country. Measured in terms of either total annual tonnage or TEU's handled, the Ports of Los Angeles/Long Beach are approximately twice the size of the operations conducted by the Ports of New York/New Jersey.¹

The Ports of Los Angeles/Long Beach area also includes the U.S.' largest Intermodal Container Transfer Facility, UP (SP)'s ICTF. I am pleased to have had a personal role in the development and construction of this facility.

During my tours of duty as Assistant General Manager, Vice President of Maintenance, Executive Vice President and President of SP, as well as other assignments, I have also become familiar with other major terminal operations on the SP system, including Chicago, St. Louis and Houston.

My involvement with Southern Pacific in Chicago included directing negotiations by which SP entered Chicago from both the West and South, and included an extensive review of terminal operations in the area. In St. Louis, it was my pleasure to have served as President of the Alton and Southern Railway (A&S), one of the country's largest switching

	<u>1996 TEU's</u>	<u>1996 Total Tons</u>
LA/LB	7.6 Million	102.6 Million
NY/NJ	2.3 Million	51.3 Million

Source: Pacific Maritime Assoc., et. al.

and terminal carriers. The A&S at the time included both shared control (UP and SP (St. Louis Southwestern)) and operations by numerous tenant carriers.

My objectives in submitting this statement for the Board's consideration are six-fold:

- (1) To highlight for the Board the fact that joint rail operations are common in this country, particularly in major terminal areas, and that they are operated as a matter of course without major operational problems.
- (2) To offer discussion and examples of the elements of terminal and joint operations so that the Board may confirm its understanding of the nature of these operations.
- (3) To share with the Board my observations regarding carrier co-operation on issues such as maintenance and investment in shared use areas, notwithstanding competition between the carriers.
- (4) To explain that the advantages of the Shared Assets Areas concept are primarily economic and administrative, and that physical operations differ little from joint operations elsewhere.
- (5) To respond to assertions made by the following commenting parties regarding what they perceive to be potential problems associated with Shared Assets Operations:

The Chemical Manufacturers Association

American President Lines Limited

The Port Authority of New York and New Jersey

Millennium Petrochemicals

- (6) To respond to comments of the following parties with respect to other aspects of the NS Operating Plan:

Various Commuter Agencies and Amtrak (NRPC)

The Chemical Manufacturers Association and Society of Plastics

Reading Blue Mountain and Northern

Occidental Chemical

Shell Oil and Chemical Companies

The Northwest Pennsylvania Rail Authority

General Mills at Buffalo, NY

The Institute of Scrap and Recycling

The Ohio Steel Industry Advisory Council

84 Mining

New York State Electric and Gas

Indiana and Ohio Railway

Inland Steel Corp.

West Virginia Association for Economic Development

I. Joint Operations Are Common

In major terminal areas throughout the country, joint operations are perhaps more the rule rather than the exception. Among the urban areas with significant joint operations are:

Los Angeles, CA

The San Francisco/Oakland Bay Area, CA

Portland, OR

Houston, TX

New Orleans, LA

Kansas City, MO and KS

St. Louis, MO, and East St. Louis, IL

Chicago, IL

Cincinnati, OH

Detroit, MI

Philadelphia, PA

Baltimore, MD

Buffalo, NY

Atlanta, GA

Many small terminal areas include significant joint operations as well. It is difficult to find a major urban area where there is not some form of joint rail operations such as trackage rights, joint terminal use, joint traffic control, or participation in a terminal company or association.

Such joint operations generally have been constituted because it has been in the best interests of carriers and their customers to share operational assets in dense urban areas where use of independent facilities would be uneconomic or impractical. Joint operations have also been used in terminal areas where the interchange of traffic between carriers could be done most efficiently through joint use facilities. In certain instances, joint operations have also been used as a means to satisfy the need for carrier competition where it might not

otherwise have existed.

There are no apparent systemic problems with joint operations. Given the nature of joint operations, cooperation of involved parties is required to make such arrangements work best. At times there may be operational issues in these areas between carriers, but these issues are often due more to dense rail use patterns in major terminal areas than they are to any systemic and persistent problems with joint operations. (The same could easily be said for joint air carrier use of major hub facilities.)

II. Examples of Joint Operations

Elements of joint operation can include asset ownership, management, track usage, terminal usage, traffic classification services, traffic gathering and distribution, traffic control, administration, maintenance, investment, and such other elements as participants may find desirable.

Some examples of joint operations may help illustrate how these elements are used.

A. The Los Angeles Basin

Figure 1 attached illustrates some of the principal rail lines and facilities in the Los Angeles area. For purposes of this discussion, although UP and SP are in the process of operations integration pursuant to their recent merger, it is assumed that their operations are still separately constituted.

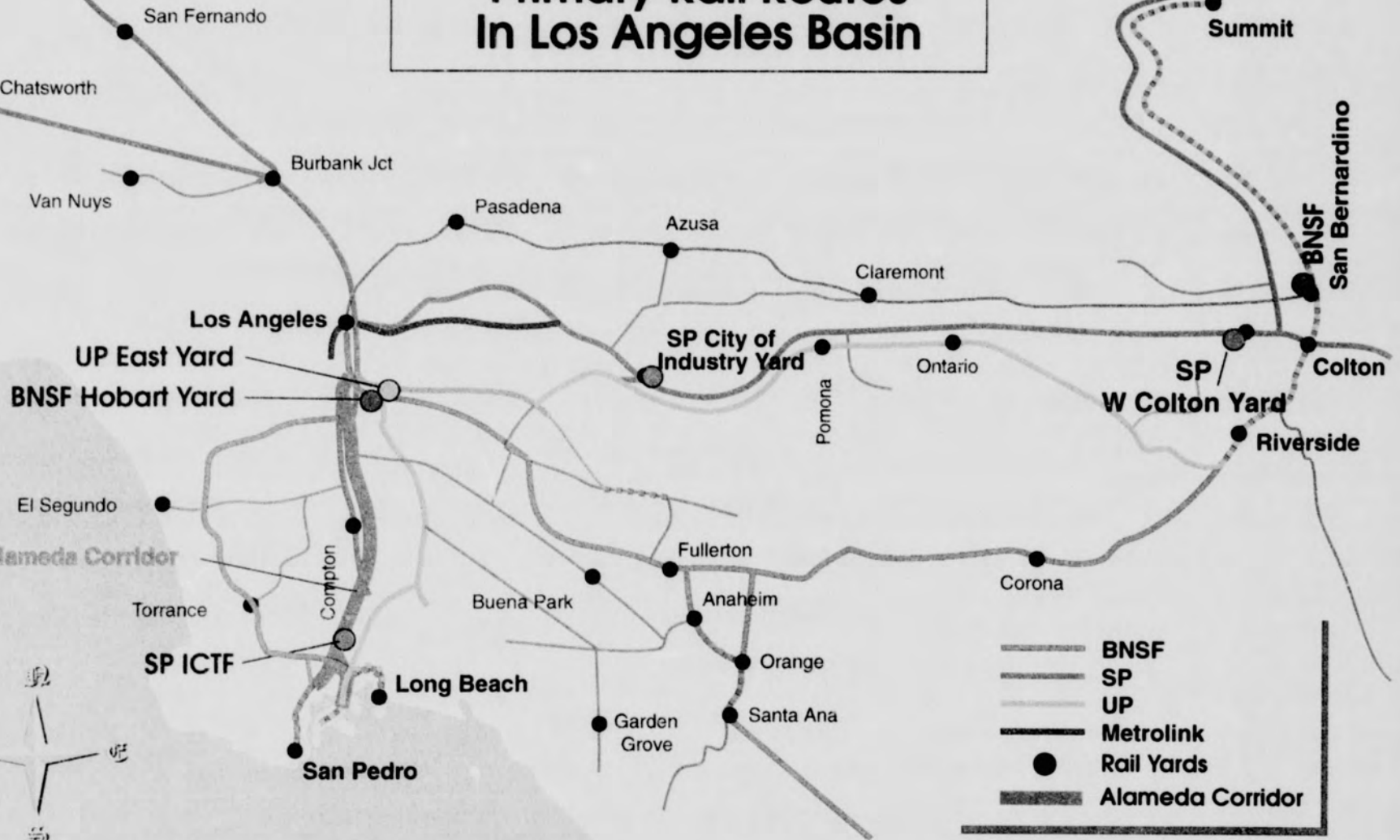
Area Overview

Until the recent UP/SP consolidation, the Los Angeles Basin was served by three major line haul carriers; UP, SP and BNSF (the former Santa Fe lines). In addition,

portions of the Basin are also served by switching companies, i.e., the Harbor Belt Line and the Los Angeles Junction Railway.

Passenger rail operations are conducted by Amtrak, and by Metrolink and the Los Angeles Rapid Transit District on behalf of the Los Angeles County Transportation Commission. While each carrier owns and maintains exclusively served facilities, all the major carriers serve most of the Los Angeles/Long Beach Harbor area directly.

Primary Rail Routes In Los Angeles Basin



Principal Routes

As shown in Figure 1 attached, the principal routes are as follows:

BNSF

Operates a high density mainline from the East via Colton, Riverside and Corona to its Hobart Yard in Los Angeles. BNSF's former mainline from San Bernardino to Los Angeles via Pasadena has been sold for passenger purposes.

BNSF's entrance to the Harbor area has been via its Harbor District through Torrance. With the development of the Consolidated Alameda Rail Corridor, this line will be released for passenger purposes as well.

UP

Operates via trackage rights on BNSF from the East to Riverside Junction, thence on its own mainline via Ontario to its own East Yard in Los Angeles.

UP accesses the Harbor area by its own San Pedro Branch, which will be downgraded effective with construction of the Alameda Corridor.

SP (UP)

Operates via its own high density mainline from the East and South through Colton and City of Industry to Los Angeles. SP also conducts operations north to points on its Coast and Valley lines. SP also conducts substantial branch line operations, including two routes to the Harbor area, one of which will be downgraded incident to the construction of the consolidated Alameda Rail Corridor.

LAJ

The Los Angeles Junction Railway is a switching carrier controlled by BNSF with

operations in the South Central Los Angeles area.

Harbor Belt Line

Harbor Belt is a switching carrier owned by UP, SP, and BNSF. It performs carload switching in a defined zone within Los Angeles Harbor.

Principal Facilities

While there are numerous carload and intermodal facilities in the area, the more important include:

BNSF

Carload and Intermodal: Hobart (Los Angeles), San Bernardino

UP

Carload and Intermodal: East Yard (Los Angeles)

SP (UP)

Carload: West Colton Yard, City of Industry

Intermodal: ICTF, Los Angeles Transportation Center, City of Industry

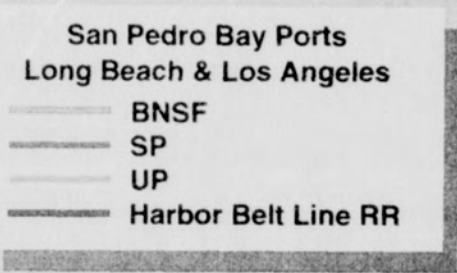
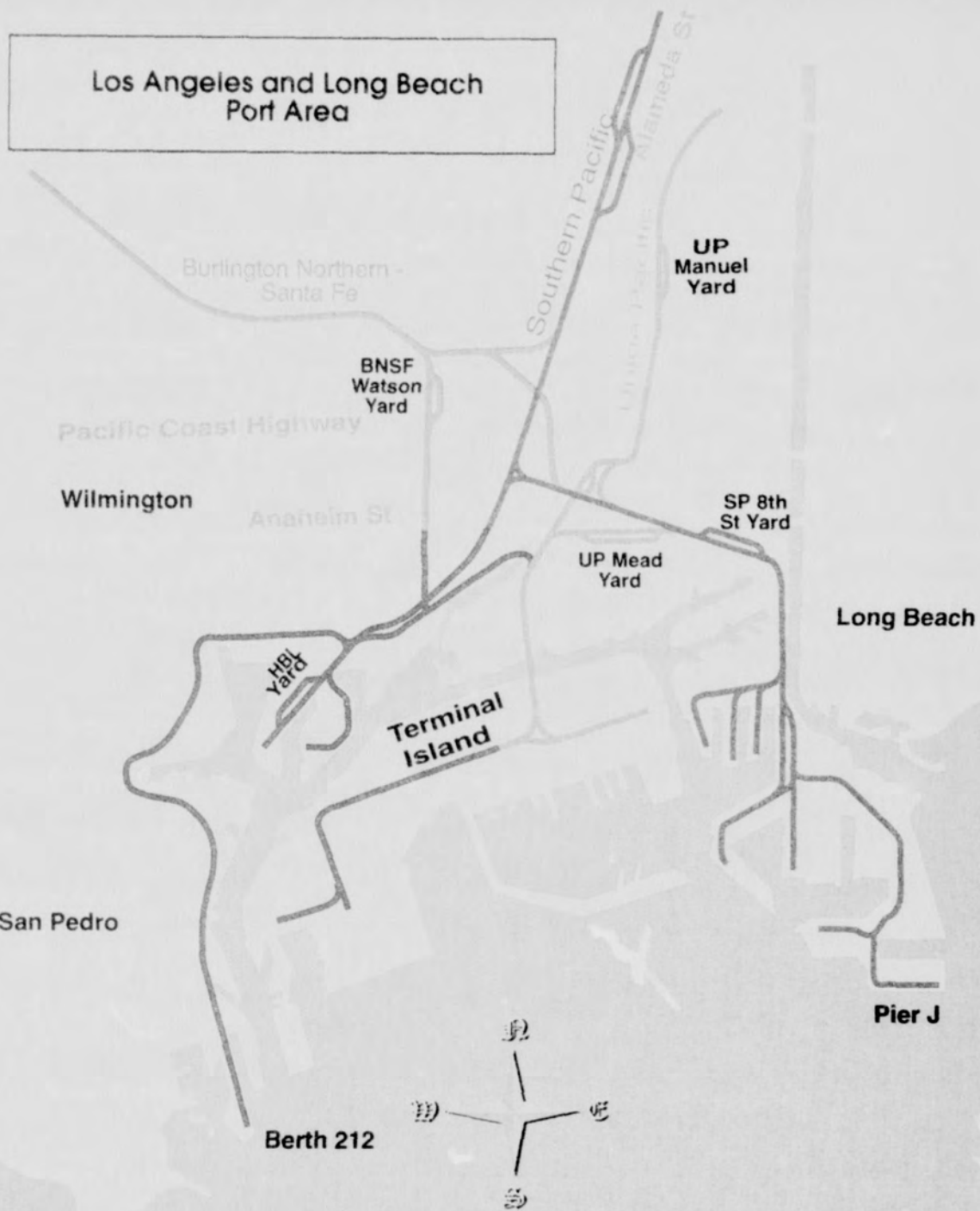
All three (now two) carriers directly access most Harbor area facilities, handling intermodal and bulk traffic with their own road train and engine crews.

Joint Operations in the Los Angeles Basin

Among the most important features of joint operations in the Los Angeles Basin is the ability of each of the line haul carriers serving the Basin to operate trains directly to and from facilities in the Harbor area, principally intermodal and bulk, with its own road crews, with minimal restriction.

Since agreed upon by the General Managers of the line haul carriers over 30 years ago, as long as trains are operated intact between the Port and points 50 miles or more from the Port area, road crews handle such traffic and trains directly without terminal company intervention or processing. Significantly, such traffic is billed and handled administratively directly between the customer and the line haul carriers without terminal company intervention or billing.

Operations of this nature have been regularly and routinely conducted for years despite the fact that, as indicated on Figure 2 attached, most of the Los Angeles Harbor is within the Harbor Belt switching carrier's defined zone of operation. The logical evolution of operations here has dictated that the Harbor Belt perform much of the individual car switching and placement at smaller industries where one entity can perform these services most efficiently. For intact or unit trains, it has been much more logical for the line haul carriers to operate with their own crews directly to and from major facilities such as, but not limited to, the Port's coal unloading facility at Berth 212. (Individual switching movements at these facilities can be and are handled by the Harbor Belt or line haul carriers when needed.)



The large container facilities under construction (such as APL's new facility) in the Terminal Island area of the Harbor also will provide for direct access for line haul carriers.

Similarly, in the Port of Long Beach, SP has for years acted as the switching carrier for smaller carload industries on behalf of all three line haul carriers. Again, all three carriers handle their own intact or unit trains to the appropriate Port facility. These trains are manned by their own road crews and carry containers, grain, ore, coal, and other commodities. Such operations are regularly conducted with container trains to or from Long Beach's Pier J.

Significantly, these operations are conducted over a mixture of railroad and Port right of way and facility ownerships and function smoothly. Despite very large volumes of business handled in the Los Angeles/Long Beach Harbor Port Area ("Port Area") (7.6 million TEU's, 102.6 million tons handled in 1996), rail support infrastructure in the Port Area had been minimal until the construction of Southern Pacific's ICTF. Dispatching in the Port Area, for example, has been under Yardmaster or Operating Supervisor control, and has, by and large, been conducted under yard operating rules.

Setting corporate issues aside, operations in the Port Area are nearly identical to the proposed operational format for the Shared Assets Areas. In the case of NJSAA area, however, a smaller volume of port business will be conducted over an arguably better rail support infrastructure than is currently in place in the Los Angeles/Long Beach Harbor area.

B. The Belt Railway of Chicago

Rail operations in Chicago are well known and understood by the Board. The Belt Railway of Chicago (BRC) is owned by its constituent carriers and is operated for their

benefit, but with independent management. BRC is owned by eight railroad corporations.²

Unlike the proposed NJSAA operations, the BRC does bill rail customers for its services.

Despite the differences in ownership and administrative structure, the BRC's operations are also very similar to the operational pattern proposed for the Shared Assets Areas. Figure 3 shows the BRC's principal routes and facilities.

The BRC provides three primary services for its rail owners and users.

1. Operating Rights: Line haul carriers, including non-owner carriers, can operate trains with their own crews over BRC trackage to access various points in the Chicago area under various compensation arrangements with BRC. In this case, BRC functions as the provider and maintainer of trackage to be used by line haul carriers executing point to point movements around the Chicago area. Altogether, 19 carriers regularly exercise rights on BRC. Importantly, these rights can be and are used by linehaul carriers to access their own exclusively served facilities with their own road crews and trains. One of CSX's largest Chicago intermodal facilities is served on this basis and is adjacent to BRC's Clearing Yard.

² BRC's owners are:

BNSF	UP
Conrail	NS
CSX	SOO (CP)
CN (GTW)	IC

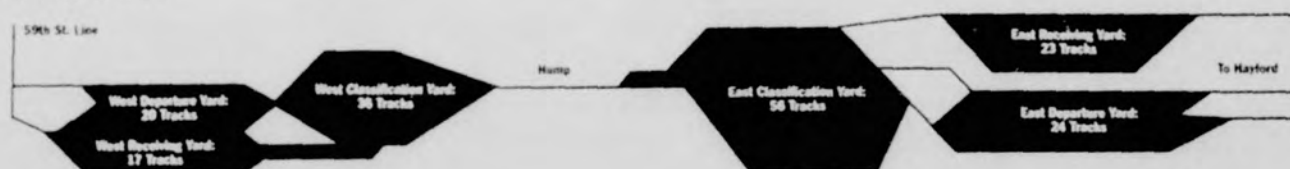
The Belt Railway Company of Chicago



LEGEND
MAIN LINE
TRACKAGE RIGHTS
BELT RAILWAY OWNER LINES:
Santa Fe
Burlington Northern
Conrail
CSX Transportation
Grand Trunk Western
Illinois Central
Union Pacific
Norfolk Southern
Soo Line
NON-OWNER LINES



Clearing Yards



2. Carload Classification Services: BRC classifies carload traffic for line haul carriers upon request and for compensation at its "Clearing" hump yard facility. Line haul carriers can and do operate with their own road crews in and out of BRC "Clearing" on a regular basis subject to direction by BRC supervisors, which is similar to the proposed NJSAA hump yard operation at Oak Island.

3. Industry Switching: As is the case in the Los Angeles/Long Beach Harbor area, small industry carload switching is handled by BRC, as this is the most efficient arrangement considering the multiplicity of carload industries in the area.

As is also the case in the Los Angeles/Long Beach Harbor area, the operational pattern with the BRC includes the operation by line haul carriers with their own crews, including directly to and from both switching carrier and exclusively served facilities. In the case of the BRC, however, there are 19 or more carriers operating, rather than the three mentioned in the Los Angeles/Long Beach example. The differences between BRC operations and those proposed for the NJSAA lie more in matters of corporate structure and compensation for services than they do in the operational concept proposed.

The Alton and Southern Railway (East St. Louis, IL)

The Alton and Southern (A&S), located in East St. Louis, Illinois, is one of the country's largest switching carriers. The A&S was jointly held by UP and SP's St. Louis Southwestern subsidiary until the recently approved UP/SP merger.

In addition to providing industrial switching services, A&S' "Gateway" hump classification yard provides train make up and classification for owners UP (and SP), as well as tenant carriers such as Conrail, NS and CSX. Gateway is the major rail classification yard

in the St. Louis area and processes both East/West transcontinental traffic, and traffic moving between the upper Midwest, Southwest and Gulf Coast. Gateway Yard has a 66 track classification bowl and processes about 2000 cars daily.

Here again, the operations pattern is similar to both the Los Angeles/Long Beach Harbor Area and to the Belt Railway of Chicago, in that industrial carload switching is performed by the A&S in its territory, and the A&S provides classification services at Gateway for the line haul carriers. Road crews of the line haul carriers can operate their own trains directly into and out of Gateway Yard, subject to A&S' direction and consent.

Compensation and ownership issues differ in the case of the A&S when compared with the prior examples, in that A&S' ownership is concentrated and there is a variable system of use charges.






**Alton & Southern Railroad
St. Louis, IL**

MISSOURI

St. Louis

ILLINOIS

Legend

-  Alton & Southern RR
-  Conrail Lines
-  CSX Lines
-  Norfolk Southern Lines
-  Other Railroads

BNSF
Baden Yard

Granite City

Mitchell

UP Madison Yd

TRRA
Madison Yard

Ewing Ave Yards

A&S Gateway Yard

UP Lesperance Yard

SP Valley Jct Yard

Dupo

III. Cooperation in Joint Use Areas

Despite the fact that rail carriers compete vigorously with one another, my personal experience has been that cooperation in joint areas with respect to operations, maintenance and investment has been good. This is not to say that from time to time problems do not arise. They do, as would be the case in any business relationship which is both competitive and cooperative.

In joint operations in major terminal environments, the carriers have chosen to share facilities because it is in their interest to do so, or because it would be impractical to do otherwise. My experience with operational issues in these areas has been that when delays do occur they happen because one movement takes precedence over others. That would be the case in any heavy traffic area, with or without joint operation.

Examples of carrier co-operation in the areas I have mentioned include the following:

The Los Angeles Basin

The Los Angeles Basin on a typical day will see approximately 50 SP through freight movements, 50 BNSF through freight movements, and 25 UP through freight movements. In addition, over one hundred local freight and yard engine assignments are operated by the line haul carriers and terminal companies. Finally, nearly 100 Amtrak, Metrolink and light rail passenger schedules are operated in the area as well. There are numerous trackage rights arrangements and joint facilities, and rail business has been growing steadily for years. It simply would not be possible to conduct railroad operations in this environment without continuing cooperation.

Two examples of co-operation to handle the growth in the area include:

(1) The "unit train" agreement, devised by SP, UP and Santa Fe General Managers working cooperatively to handle traffic in the best manner, despite the competitive environment. As previously mentioned, the agreement provides for direct facility access using road crews in the Los Angeles/Long Beach Harbor area, with few restrictions, irrespective of track ownership or terminal company jurisdiction. This agreement reduced disputes between carriers and eliminated a pattern of inefficient classification, reclassification and interchange of traffic between carriers.

(2) The Consolidated Alameda Rail Corridor. This cooperative project is well-known to the Board and the U.S. Department of Transportation. Begun at the instigation of SP and the Ports of Los Angeles and Long Beach, this \$1.8 billion project will create one high capacity rail corridor between Central Los Angeles and the Port Area. The ports, governments and railroads have worked cooperatively in this vital joint project to ensure that rail infrastructure will be available to handle business growth. Projects of this magnitude do not happen without the cooperative and business-like attitude of all parties involved, rail carriers included.

The Chicago Area

Whether directly or by haulage or trackage rights, virtually all of the country's major railroads now have a presence in Chicago. There are two major terminal companies (BRC and IHB), and "belt" and industrial carriers operate in Chicago as well. METRA conducts commuter operations, and Chicago is a major hub for Amtrak. Hundreds of freight and passenger trains are operated safely and on a timely basis each day. There is no central rail

planning agency for Chicago, and yet operations are generally conducted smoothly and routinely due to a high level of cooperation among the parties involved.

My own experience in Chicago involved negotiated trackage rights over BNSF from Kansas City to Chicago, and acquiring the former CM&W from the St. Louis area, entering Chicago via trackage rights. Despite the fact that SP was a new market entrant to Chicago, our negotiations with other carriers were business-like and successful. The BRC and its owning carriers were accommodating in every way in facilitating SP's entry to BRC and its facilities, despite SP's position as a non-owner.

Again, this type of joint area negotiation could not have been successful without a high level of cooperation among the parties.

The Alton and Southern

The A&S' corporate and operational characteristics are reviewed earlier in this statement. Despite being intense competitors, SP and UP operated this excellent property for their mutual benefit, and to provide service to tenant carriers and their customers.

Senior officers of UP and SP (St. Louis Southwestern) would alternate as President of the A&S, and each would select the General Manager for the property on an alternating or co-operative basis. Each year during my tenure as A&S President, the A&S General Manager would prepare proposed capital improvement and operating budgets which were reviewed by both SP and UP management. Despite the intensely competitive relationship, I do not ever recall a significant dispute with the UP relative to investment or operations. The relationship was purely cooperative. In fact, during this period, SP and UP worked out an entirely new set of use charges for the A&S property in complete cooperation with each other.

From my own personal experience, including on the ground operations in major joint use areas to serving as a company President, I can verify that there has been far more cooperation than conflict with joint operations.

IV. The Advantages of the Shared Assets Area Concept Are Largely Economic and Administrative; Operations Are Similar to Current Joint Use Operations.

The principal economic advantage for a shipper in the Shared Assets Areas proposed by CSX and NS is the introduction of efficient direct rail competition where it did not previously exist. In the designated Shared Assets Areas of North Jersey (NJSAA), South Jersey/Philadelphia and Detroit, rail carload shippers will have direct competitive access to expanded NS and expanded CSX where they now have direct access only to Conrail.

The administrative advantage to the shipper, when compared with other possible arrangements, is that no new "middleman" is introduced between the customer and the chosen line haul carrier, either NS or CSX. Customers will choose their carrier, deal directly with NS or CSX on billing and routing issues, and with Conrail's Shared Assets Operation (CSAO) for switching orders. All physical movements within each Shared Assets Area will be directed and coordinated by the CSAO. Perhaps most importantly, the customer will bypass the administrative burden of dealing with switching carrier charges. Perhaps equally important, the CSAO will act for the exclusive benefit of CSX and NS, and not for numerous parties as is the case with many terminal companies or associations.

In Section II of this statement, I listed some of the elements of joint operations, including: asset ownership, management, track usage, terminal usage, traffic classification services, traffic gathering and distribution, traffic control and supervision, billing and

administration, maintenance and investment, and other services. Using the NJSAA as an example of the proposed Shared Assets Areas operations, the following table summarizes this proposed operation in comparison with the examples reviewed in Section II:

JOINT OPERATIONS

	NJSAA	Los Angeles	Long Beach	BRC	A&S
1. Asset Ownership	CSX NS	Various including SP, UP, BNSF	Various including SP, UP, BNSF	BRC Eight constituent owners	UP/SP
2. Management	CSAO	Various including SP, UP, BNSF and others	Various including SP, UP, BNSF and others	BPC	A&S
3. Traffic Control and Supervision	CSAO	Various including Contract	Various including Contract	BRC and others	A&S and others
4. Billing and Administration	CSX or NS for line haul	UP (SP), BNSF for direct movements HBL and/or line haul carriers for switching	UP (SP), BNSF for direct movements. UP (SP) switch bills for carload	BRC charges for switching or track use	A&S charges for switching and other uses
5. Maintenance and Investment	CSAO (CSX/NS) for heavy	Various, primarily SP (UP)	Various, primarily SP (UP)	BRC	A&S
6. Track usage	CSAO (CSX/NS Certain intact trains)	UP (SP) BNSF, HBL	UP (SP), BNSF	Numerous (19)	Numerous
7. Terminal usage	Both joint (CSAO) and exclusive	Both joint (including HBL) and exclusive	Both joint and exclusive	Both joint and exclusive	Both joint and exclusive
8. Gathering and Distribution	CSAO Line haul trains intact	Various Line haul trains intact	SP (UP) Line haul trains intact	BRC Line haul trains intact	A&S Line haul trains intact
9. Traffic Classification Services	Primarily CSAO	Both joint (HBL) and exclusive	Both joint and exclusive	BRC (joint)	A&S (joint)

Summary Of Sections I-IV

To summarize the key points of Sections I through IV of this statement:

Joint rail operations are common and routinely conducted in this country in many locations. They generally function well. To the extent they present problems, such problems are often due to the fact that the operations are being conducted in major urban areas with high rail traffic volumes where delays would occur with or without joint operation. Problems may also arise when there are multiple ownership interests involved with joint facilities, but by and large even complex ownership arrangements generally accomplish the intended transportation mission, including investment to support ongoing operations.

The differences between the proposed SAA structure and most existing joint operations are primarily economic and administrative, not operational. Proposed SAA operations are, if anything, simpler than many current joint operations. The Shared Assets Areas concept is certainly simpler and more customer-friendly than most of the other joint operations reviewed herein, because with the SAA arrangement there will be no switching carrier serving numerous owners, negotiating switching rates and assessing switching bills, and perhaps pursuing its own independent financial objectives.

When compared with operations in the larger Los Angeles/Long Beach Harbor area, asset ownership, management and traffic control, as well as supervision elements will be more straightforward in the NJSAA and other SAAs. When compared to the numerous tenant carriers using the BRC, and to a lesser extent the A&S, train movement and control will be far simpler in the NJSAA and other SAAs.

Given the customer and competitive advantages of the SAA concept, together with its operational comparability with existing joint use areas, there is every reason to believe that the concept will serve both customer and owning carriers at least as well if not better than existing joint use arrangements.

From my 25 years of experience in all phases of the rail transportation business, I believe the SAA concept is both workable and advantageous.

V. Response to Comments Regarding Shared Assets Operations

A. The Chemical Manufacturers Association (CMA)

Sections II, III and IV of this statement speak to my belief, based on my experience, my understanding of the facts and my participation in developing plans for SAA operations, that these operations can and will work well and serve the interests of shippers and owning carriers. In Section III of this statement, I note that in many cases joint operations areas can present problems, not because they are joint but because they are often conducted in busy urban areas.

CMA witness Grocki's allusion to problems with the Belt Railway of Chicago are not documented extensively and do not comport with my personal experience. With the multiplicity of owners involved with the BRC, however, it could well be that problems may have arisen from time to time. Importantly, with the Shared Assets Area, there are only two owners. The owners will guide CSAO policy decisions, but the CSAO will have managerial control and a supervisory structure of its own to execute all day to day operations.

With respect to Mr. Grocki's example of joint operations problems involving SP and

Santa Fe in Southern California, my background as SP's Superintendent for operations in the area, then Vice President of Maintenance, Executive Vice President and President, assist me in providing a clearer and more fact-based perspective regarding the referenced situation. In my experience, any significant contention between the parties arose from two circumstances: (a) SP's financial inability to invest rapidly in infrastructure; (b) The non-compensatory terms of the joint facility agreement imposed by the Interstate Commerce Commission in the early 20th Century, which caused SP's cost of improvements in the Tehachapi area to be non-recoverable from its joint user, Santa Fe.

During the early 1980s, under my oversight, SP completely rebuilt the Tehachapi area, including a major double tracking project, with no change in the basic joint facility agreement. The issue was not one of "bickering," but rather one of lack of financial capacity for SP to physically rebuild virtually its entire system at one time. It is probably true that the artificially imposed regulatory compensation formula did cause SP capital improvements, other than maintenance, to be made more slowly than they might have been made in the context of a negotiated agreement, since SP, in effect, was subsidizing capital improvements for its competitor Santa Fe.

In the case of the proposed SAAs, neither of the above factors exists. Both NS and CSX are well-capitalized. NS, CSX and Conrail have no extraordinary rebuilding liability to be funded. NS and CSX both have the independent ability and right to invest capital in the SAA's, which was not the case in the SP-Santa Fe example discussed by Mr. Grocki. Moreover, the agreements governing the SAAs have been reached voluntarily. Joint facility compensation issues are rendered substantially moot by the nature of cost sharing agreements

consummated by the parties.

The concerns expressed by Mr. Grocki regarding better definition of SAA operations largely are addressed by CSX/NS-119, the North Jersey Shared Assets Area Supplemental Operating Plan, now on file with the Board.

B. APL Limited

Contrary to APL's assertion, Applicants have demonstrated that they can provide adequate transportation service in the NJSAA. Additionally, the NJSAA Supplemental Operating Plan submitted in response to the Board's Decision No. 44, fully complied with the requirements of that decision.

The NS and CSX Operating Plans, CSX/NS-20, Vols. 3A and 3B, in addition to meeting all legal requirements, presented in detail Applicant's plans for transportation services, capital investment, improvements in patterns of service, and mechanical and engineering services, among others. CSX/NS-119 provided supplemental operational detail regarding the NJSAA. Included in the supplemental filing were projected NS train schedules, projected CSX schedules, current Conrail schedules, a list of all proposed gathering and distribution services including specific local freight and yard engine assignments, an update on systems design for the Shared Assets Area, updates on mechanical and engineering services and projected schedules for freight operations on passenger corridors. A compilation of projected freight schedules also was submitted by CSX and NS in Volumes CSX-21 and NS-19. Further, Applicant's workpapers provided in the document depositories for both the basic filings and for supplemental CSX/NS-119 include current and 1995 baseline Conrail blocking-book schedules, similar information for NS, and working

papers used to determine schedules submitted.

The process of establishing new patterns of service is described in Volumes 3A and 3B of the Application. In brief, professional traffic witnesses determined the amount of business likely to be developed as a result of the transaction, which was added to base traffic levels that had been divided by ALK Associates between CSX and NS. CSX and NS then used operational models to assign traffic to blocks and blocks to trains. The resulting operating plans move all of the traffic provided to the operational models. This methodology provides an accurate assessment of the probable patterns of service, provides an accurate methodology for determining the statement of benefits, the proposed impacts on labor and potential effects on the environment. Any other methodology could easily overstate or understate the impacts of the transaction.

In CSX/NS-119, CSX and NS adhered to the basic methodology, but provided additional detail. Where customer needs could be specifically identified without creating problems with respect to the basic agreement between CSX and NS, or obtaining customer data, or presenting even the appearance of premature control, such input was provided. CSX and NS explained on Page 21 of CSX/NS-119, however, that the supplemental filing should not be used for any purpose other than that intended, namely, to be responsive to STB Decision No. 44.

APL's assertion at Page 3 of APL-8 that Applicants failed to indicate which rail lines will be used to reach certain yards is simply incorrect. Attachment 13-7 contained in CSX/NS-20, Vol. 3A at page 450, which CSX/NS-119 supplements, demonstrates the use of rail lines within the NJSAA. Both Vols. 3A and 3B, in exhibit appendices, indicate

projected levels of activity at certain yards within the NJSAA. Vol. 3B specifies routes to be used by NJSAA traffic and trains, as do the train schedules provided in CSX/NS-119.

Where specific arrival and departure times can be usefully shown within the NJSAA, they are indicated on each of Figures 3, 4 and 5 in CSX/NS-119.

It is stated in both CSX/NS-20, Vol. 3B and CSX/NS-119 that NS and CSX intend to exercise the right to permit their road crews to operate directly to and from certain points within the Shared Assets Areas. In the case of NS, NS plans to have its road crews originate trains directly from APL's Kearny facility, and terminate trains there as well. As discussed in my deposition, such trains originating at APL's facility would operate to Croxton for pickup and operation via the Southern Tier. Given appropriate commercial negotiations and customer preference, trains originating at APL's facility could be operated directly from APL Kearny to the Penn Route as well. There are no contemplated crew change points in the NJSAA, as road crews would handle trains directly to the next appropriate crew change point outside the NJSAA. Storage options for APL include the Meadows Yard near the APL facility as well as the Oak Island and Croxton areas.

With respect to drayage issues, CSX and NS regard these as subject to commercial negotiations. Such arrangements may be unnecessary in that traffic operating via the Southern Tier could be handled by rail to an appropriate point for switching to various schedules and destinations. With respect to operation of traffic via the Penn Route, traffic for intermediate points would be handled to NS' projected new intermodal hub facility at Rutherford, PA, near Harrisburg, where efficient connections could be made to all destinations.

APL's reference (at Page 4 of APL-8) to potential operation by NS of all 61 trains currently operated by Conrail, is taken out of context. The context of the statement is that if the traffic is ultimately there, and provided to NS, then any of the trains shown on CSX/NS-119 Figure 3 on pages 48-51 could be operated by NS. Such a determination is dependent upon customer preference to allocate all of the traffic in the NJSAA to NS, instead of to CSX. Given the availability of both NS and CSX routes to NJSAA customers, this seems unlikely. Figure 3 was provided, as stated in deposition, to show such additional trains as might be operated, given customer preference as expressed through traffic allocation in the marketplace.

With respect to the last paragraph on Page 5 of APL-8, from an NS perspective, it is apparent that APL and NS differ on the level of interaction between APL and NS. In this regard:

- NS has interacted in a manner which it believes to be appropriate with the status of the control case.
- NS will have equal access to the APL Kearny facility with the ability to use its own road crews to arrive and depart trains. Switching services on NS' behalf will be available from the CSAO.
- Applicants have not ignored facility and line capacity issues in the NJSAA, but have provided detailed exhibits in the base filings CSX/NS-20, Vols. 3A and 3B, and have had experienced operating officers, including former Conrail employees as well as current Conrail operating officers, evaluate potential traffic congestion concerns. NS' use of the Croxton facility is in part a recognition that in certain areas of the NJSAA congestion can

occur. The Croxton facility removes rail traffic from the portions of the terminal area most subject to rail congestion, i.e. in and around Kearny. In reviewing terminal activity statistics, as shown in CSX/NS-20, Vol. 3A (Attachment 13-7), it is simply not apparent that there is any severe or repetitive congestion in the area that cannot be managed. NS does not believe that providing APL with binding contractual commitments would be appropriate, given the status of the control case.

With respect to assertions made in the verified statement of Peter K. Baumhefner, I offer the following additional points:

NS and CSX have negotiated an agreement which provides NS access to the APL facility at Kearny. NS access as stated in the Application will be direct, using its own road crews to and from Southern Tier points. As covered in deposition, given traffic commitment and customer preference, NS also would use its own road crews to provide service via the Penn Route comparable to Conrail's current TV-200 and 201. These are Northern New Jersey/Chicago schedules. NS would be free to use its road crews to pick up and set out within and outside NJSA limits, as would be the case with pickups made at Croxton. Switching for the APL facility would be provided by CSAO yard engines, as is the case under present operations where Conrail yard assignments provide the service.

With respect to support trackage, options include the Meadows support facility and the Oak Island or Croxton areas. A specific review of necessary support trackage on railroad property currently is being performed by NS. There is a provision in this review for the possibility of additional support trackage in the Croxton area, based upon a detailed assessment of storage needs relative to probable customer use of facilities.

Commercial drayage issues are more appropriately a subject of commercial negotiations between APL and NS. To repeat, such arrangements may not be necessary, given the ability of NS to handle traffic for all destinations on either Penn Route or Southern Tier Route schedules, and then transfer such traffic to other appropriate connections at Harrisburg or other locations.

With respect to Section 3 of Mr. Baumhefner's Verified Statement, neither Applicant's Vol. 3A or 3B nor CSX/NS-119 are the appropriate vehicles for providing contractual assurance. The schedules provided in both base and supplemental volumes move the traffic provided to the operational plan team members. The operational planning process is described in the basic volumes. As covered in deposition, if there is customer preference for trains and schedules not provided in these volumes, then the development and operation of such schedules would take place in the normal context of negotiation between carrier and customer. It was specifically mentioned in deposition, again, that should customer preference warrant the need for the equivalent of Conrail TV-200 or 201, they would be operated. Discussions regarding Chicago access, which are outside the scope of the CSX/NS-119 supplemental filing, would be handled in the normal course of customer/carrier discussions.

With respect to Section 5 of Mr. Baumhefner's Verified Statement, which asserts the possibility of "runaway congestion," I believe that there is no factual basis for this assertion. Projected traffic and train movements indicated in CSX's Attachment 13-7 in Vol. 3A specifically indicates to the contrary. In addition, NS has reviewed its plans with both current and former Conrail operating managers who believe them to be feasible.

That fact notwithstanding, NS is involved in an ongoing planning process to ensure smooth operation effective Day 1. There will be a time period between Control Date and actual commencement of split operations on Day 1. This time period will be sufficient to validate Applicants' plans using all available appropriate Conrail data and access to Conrail officers and employees at that time. This time frame also will provide for communication and discussion with shippers regarding their specific needs.

For NS' part, given the appropriate forum and subject to legal constraints prior to approval of the control transaction, NS, as always, would be pleased to discuss operational details with APL.

C. Port Authority of New York and New Jersey

I now address comments filed by the Port Authority of New York and New Jersey ("Port Authority") in NYNJ-14 and NYNJ-18.

NYNJ-14 was filed prior to the Board's Decision No. 44. The concerns expressed by the Port Authority in NYNJ-14 with respect to the North Jersey Shared Assets Area have been fully addressed by CSX and NS in CSX/NS-119.

Some of the comments of Port Authority witnesses Schmitz and Barronne in NYNJ-14 deal with questions of capacity. For example, Mr. Schmitz expresses concerns regarding operating problems, centering around his belief that rail terminal capacity is inadequate and that Conrail management has rationalized facilities such that sufficient facilities will not be available post-transaction. CSX and NS have demonstrated to the contrary. They have reviewed traffic on each of the lines within the NJSAA, have assessed line capacities and have analyzed the needs for improvement. Projected line segment use within the NJSAA is

presented in CSX Vol. 3A (Attachment 13-7). Neither current nor projected traffic on line segments in the NJSAA evidences any apparent problem.

Both NS and CSX have analyzed and presented projected increases in terminal usage in the NJSAA. Each has foreseen a necessity for reopening the Oak Island classification facility. Independent of CSX's and NS' observations in this regard, Conrail has reopened the facility and is presently operating it on a two-shift basis. In CSX/NS-119, CSX and NS state their intention to restore this operation to a full three-shift basis. CSX's and NS' estimate of this facility's projected use is well below its approximate capacity of 1200 cars per day.

Mr. Schmitz's concern that there will not be sufficient intermodal facility capacity also is unfounded. Under the plan as proposed, NS will exclusively serve the intermodal facilities at E-Rail and at Croxton. E-Rail currently is processing approximately 60,000 units annually. NS estimates that, including its planned \$25 million investment to improve facility capacity, changes in facility handling procedures could increase capacity toward 165,000 units per year. Given the planned full build-out of the former Central of New Jersey shop property area, capacity could certainly be increased. In addition, in making plans for E-Rail expansion, NS is giving due consideration to the necessity for support trackage and for improved facility access. (I note that in the area of E-Rail, it is possible to build additional support trackage entirely on railroad property.)

The Port Authority's assertion that the Croxton facility is already at capacity may be reasonably accurate under current circumstances and operating practices, but NS intends to change these circumstances and operating practices. First, Croxton plays no significant role in Conrail's current train operation strategy as Conrail has de-emphasized operations on the

Southern Tier. NS will operate more frequent schedules into and out of Croxton via the Southern Tier (and Penn Routes) which will improve turnover and throughput at the facility. Second, changes in the traffic mix at Croxton are likely to occur post-transaction.

International container traffic tends to turn over more slowly than does TOFC or even domestic container traffic. Third, NS plans the relocation of the Conrail Flexi-Flo facility to create more usable space at Croxton. Fourth, NS plans modernization and upgrading of truck gate processing equipment at Croxton, which will again serve to materially increase capacity. Fifth, NS is reviewing the necessity for the construction of additional support trackage in the Croxton area, in light of possible favorable customer response to the improved Croxton facility. There is sufficient room in the area including, but not limited to, support trackage which could be built on railroad property between County Line Road and Harmon Cove to the North and West of the Croxton facility.

NS views this limited set of improvements as providing capacity for at least 125,000 additional lifts annually above and beyond current Croxton operations. NS cannot know if these additional investments will be warranted in their entirety until the Control Date approaches and specific customer preference for NS routes and services can be better identified.

With respect to ExpressRail (Dockside), NS has not commented extensively on this facility, which is privately owned and operated. ExpressRail is not now, and is not proposed to be, a facility of Applicants, but service will be provided to the facility post-transaction that is substantially similar to that provided by Conrail today. NS understands that the Port Authority has certain plans, independent of this transaction, to reconfigure its ExpressRail

facility. The elimination of support trackage presently used by Conrail to support ExpressRail was to be incident to the Port Authority's desire to locate a steamship customer's facility at that location. While NS would not presume to dictate to the Port Authority on issues of land use on Port Authority property, NS does believe that these matters are more appropriately handled by the parties through discussions outside of the context of this proceeding.

NS' analysis contradicts the Port Authority's suggestion, in NYNJ-14, that Conrail has rationalized facilities to the point that the facilities available are not sufficient. The CSX and NS Operating Plans provide estimates of current and projected activity by facility. CSX and NS have identified excess capacity at the largest carload facility in the area, Oak Island Yard. For intermodal traffic, in addition to the capacity estimates at E-Rail and Croxton already discussed, NS will have direct access to the APL facility at Kearny, to ExpressRail and to Portside facilities. NS' projections indicate that this will provide more than sufficient capacity to handle operations through the projected period discussed in the Application. Moreover, should ultimate experience with traffic growth post-transaction warrant further investment above and beyond the \$25 million planned for this area, NS is prepared to participate in construction of appropriate additional support facilities.

The Port Authority further asserts in NYNJ-14 that NS will have an incentive to divert traffic to Norfolk. From an operational perspective, it is difficult, at best, to envision NS having any incentive to divert traffic from the Ports of New York/New Jersey to the Port of Norfolk. First, as outlined in the Port Authority's own submission, the Port of New York/New Jersey is a major market for intermodal container traffic (due in large part to an

area population of 14 million). Steamship companies tend to concentrate their loadings to magnet ports, where both overland rail traffic and traffic to be delivered in the local area can be maximized in large vessel lots. Given the nature of the traffic involved, diversions away from the Port of New York/New Jersey by the ultimate customers of both railroads and ports (namely, the shipping companies involved) seems extremely unlikely.

Second, while NS has developed extensive new service offerings and facility investment for NJSAA traffic, as explained in NS' Operating Plan and in CSX/NS-119, no such improvements are contemplated for Norfolk. NS not only is making a commitment to facility investment in Northern New Jersey (\$25 million), but also plans improvements in the Lehigh (\$50 million) and Southern Tier lines (\$35 million), which are the principal access lines to Northern New Jersey. By contrast, with the exception of improved bulk services principally for coal, there are only two new schedules in NS' Operating Plan involving the Norfolk area, both between Detroit and Norfolk.

Given the line capacity available now and to be created on NS' principal access routes to Northern New Jersey, it is extremely difficult to envision NS attempting to force traffic towards the Port of Norfolk over its heavily used routes from Chicago and from Hagerstown, MD.

Finally, a substantial portion of the Northern New Jersey traffic is container traffic. NS is unable, due to clearance restrictions, to operate double stack traffic in the maximum envelope configuration via its present route between Chicago and Norfolk, and as a consequence must route such traffic circuitously via Knoxville, TN. Given the high cost of clearance improvements on the direct route and the circuitry of the alternate route, it seems

unlikely that NS would take the steps to compete with its own to-be-cleared route into the Northern New Jersey area.

These facts notwithstanding, NS has had a constructive relationship with the Port of Norfolk and would doubtless respond to the needs of its customers in the area. For the foreseeable future, however, the Port of Norfolk will probably continue to be oriented toward bulk traffic, which, for the most part, is not handled at the Port of New York/New Jersey facilities.

The Port Authority also asserts in NYNJ-14 that an independent terminal company would provide more effective service to the New York/New Jersey Port area. The Port Authority provides absolutely no substantiation for this assertion, nor has the Port Authority provided any information concerning proposed governance, operation or financing for such an operation. Consequently, it difficult to respond constructively to this assertion. I discuss earlier in this statement the fact that the CSX and NS proposed Shared Assets Areas operation concept is operationally similar, if not identical, to joint operations in major terminal areas conducted today and that, overall, the proposed SAA operations are even simpler than other existing major terminal joint operations. Where differences do exist, in each case, the advantage of the SAA operation is to the customer. Rather than having a terminal company intervening with its own economic interests and potentially its own competing objectives, and rather than having such an entity charging separately for its services, CSX and NS propose that customers be granted direct linehaul access to both CSX and NS. They further propose that the customers not be burdened with independent commercial transactions or negotiations with a terminal company entity.

The trend within the railroad industry in the last several years has been away from independent terminal company operations whenever and wherever that is feasible. The reasons are both carrier and customer oriented. Among the problems with independent terminal companies are governance difficulties associated with multiple carrier ownership (such as is the case with the Belt Railway of Chicago, which is owned by eight carriers). Customers are not favorably disposed to dealing with an additional terminal carrier entity when they do not have to, in view of the associated administrative burdens and necessity to compensate terminal company operators separately.

The Port Authority further expressed concern that the SAA operating agreement provides an opportunity for NS and CSX to interrupt each other's operations. This concern is misplaced. As is the case with all shared operations, the parties enter into such arrangements because they believe it is in their best interest and in the interests of their customers to do so. In this case, rather than deal with multiple ownerships and numerous tenant carriers, the SAA operator (CSAO) will be owned by and operated for the benefit of only NS and CSX. This is a much simpler operation than is the case with many current joint terminal operations. NS and CSX operate in an intensely competitive environment. If they were to interrupt each other's operations, such behavior would only serve to result in the disruption of operations of both carriers and the customers on whom they rely for revenue generation, which subsequently could cause diversion to other transportation modes. Moreover, traffic control and supervision in the SAAs will be provided entirely by the CSAO. Dispatchers and supervisors will take their daily direction from the CSAO management, which will have its own managerial and supervisory structure in place to ensure

fluid and even-handed operation of the area. For all of these reasons, it would be extremely unlikely for either NS or CSX to deliberately impede the ability of the other to operate in North Jersey.

The Port Authority also asserted in NYNJ-14 that emphasis on North/South traffic would reduce the railroads' capacity to handle water borne traffic at the Port of New York/New Jersey. This assertion is, at best, difficult to substantiate, in view of the fact that the Port Authority controls the principal import/export facility in the area (ExpressRail/Dockside), and that each carrier has developed extensive plans for developing area facilities and services for all traffic. Each carrier has further submitted plans for increasing line capacity to Northern New Jersey irrespective of commercial orientation of the traffic involved.

I will now address the Verified Statement of William Sheppard regarding CSX/NS-119 (the supplemental operating plan for the NJSAA), submitted by the Port Authority in NYNJ-18.

Mr. Sheppard exhibits a basic misunderstanding of the purpose and scope of CSX/NS-119. In its Decision No. 44, the STB stated that NS, in Vol. 3B, and CSX, in Vol. 3A, met the statutory requirements for operating plan submissions. However, the Board ordered the preparation of a supplemental operating plan for the NJSAA, in order for CSX and NS to further explain the feasibility of operations in the NJSAA and to show that there would be no adverse impact on passenger and other operations. CSX and NS discharged this requirement with the filing of CSX/NS-119, which has provided additional information, demonstrated feasibility, and analyzed and reaffirmed the lack of impact on passenger operations. As I

explain above in response to the comments of APL, and as stated in CSX/NS-119, that document should not be used for purposes other than intended by the Board's order. That submission also does not substitute for the ongoing implementation planning being conducted by CSX and NS (which is being described in detail elsewhere in the CSX/NS Rebuttal filing). The operating plans submitted by CSX and NS to the Board have, as regulatory documents, focused on changes in operations and how such changes affect potential patterns of service, labor, passenger service and the environment. It would take many volumes of descriptive material not relevant to most parties to fully describe baseline operations of Conrail. That fact notwithstanding, Applicants have placed in their document depositories current blocking books, track charts and other descriptive material covering baseline operations for NS, CSX and Conrail. CSX and NS have not intended to describe in minute detail each change in operation when compared to baseline operations. As qualified railroad and business operators, CSX and NS reserve such detailed planning for their own implementation process.

Mr. Sheppard also appears to misunderstand the relationship between the CSX and NS Operating Plans, the attendant verified statements and the supplemental NJSA plan. Mr. Sheppard makes allusion to a standard, in which he proposes that CSX's and NS' assessment of improved proposed traffic flows be compared with and judged against current Conrail operations. To the extent that it is practical to do so, given the nature of a control proceeding where all information available to the company whose operations are being acquired may not be available to the acquiring companies, I have provided specific examples of improved handling versus current handling in my Verified Statement included in CSX/NS-

Mr. Sheppard also expresses a number of concerns regarding passenger operations, but he overlooks the fact--clearly stated in CSX/NS-119--that discussions with Amtrak and with New Jersey Transit are ongoing. Both NS and CSX have taken great care to propose operations which are in accord with the requirements of passenger operators (See CSX/NS-20, Vol. 3B, Section 8, and CSX/NS-119), and, in most cases, train movements over passenger lines will be controlled by the passenger agency's dispatchers. Further, schedules for freight operations in joint passenger use territories are flexible to a degree. Such schedules will be negotiated with the parties at interest, namely Amtrak and New Jersey Transit, to minimize any potential interference.

In several instances, Mr. Sheppard suggests that CSX and NS should have dealt with issues that are outside the scope of the Application, such as the State of New Jersey's plan to acquire a portion of the River Line through Hoboken, NJ. This plan is independent of the proceeding and is being addressed by Conrail management. CSX and NS are aware of this issue and are accommodating it and similar issues in their detailed internal plans.

Mr. Sheppard's conclusion of "operational paralysis within a matter of weeks," is both surprising and unsupported by his analysis. Mr. Sheppard's comments consist of scattered minute comparisons of present operations to planned operations and some unsupported concerns about isolated aspects of the proposed operations. It is hard to directly respond to or rebut a conclusion with so little support behind it. I believe that the CSX and NS plans for NJSAA are feasible and will work well for the railroads and their customers. Moreover, the actual minutiae of operating detail is being carefully studied by CSX and NS

implementation teams, and any and all problems will be addressed prior to Day 1 operations.

For all of the above reasons, I do not intend in this statement to try to respond point-by-point to every assertion made by Mr. Sheppard in his Verified Statement. However, the following discussion addresses the more significant of the issues he raises.

Beginning at Section 3.3 of Mr. Sheppard's statement, Page 5, NS Proposed Traffic Flows: Insofar as NS was able to do so, given the pre-control status of the case, such comparisons are provided in my Verified Statement in Vol. 3B of the Application. Mr. Sheppard incorrectly assumes that the blocks for Manville, Bayonne, Bayway, Port Reading and South Amboy are eliminated in the NS Operating Plan. NS/CSX-119 makes no mention of any such elimination. Traffic data available to applicants (pre-control) does not always make it possible to identify traffic assignable to specific points in a terminal area. There will, in fact, be a significant improvement in traffic flow for all Oak Island area traffic, as intermediate switching at Conway Yard in Pittsburgh is eliminated in favor of a run-through operation from Elkhart to Oak Island. Although traffic flows will be divided as between NS and CSX, if actual experience (post-control) suggests that traffic is available for Manville, Bayonne, Bayway, Port Reading and South Amboy blocks, they can and will be operated for direct setout. Train GMALOI is specifically available to perform these functions. In Figure 5 of NS/CSX-119, specific reference is made to Port Reading times for this train.

With respect to the concern expressed on Page 6 of Mr. Sheppard's statement regarding potential interference from New Jersey Transit operations on the Southern Tier: Freight schedules for the Southern Tier are specifically designed to operate outside the primary periods of commuter operation. Schedules are designed to be operated in the

evening and night hours and also during a midday window. No such interference exists, particularly in view of the high capacity double and triple track mainline of New Jersey Transit between Suffern and Harmon Cove. Additionally, NS has met on numerous occasions with New Jersey Transit to harmonize operational objectives and ensure timely operation of both freight and passenger services.

At Page 6 of his statement, Mr. Sheppard makes comments that reflect a misunderstanding and misrepresent the operational purpose of trains GMLIOI and GMOILI. These train schedules, as shown, reflect the current status of discussions with Amtrak. Amtrak controls operations on the Northeast Corridor, and schedule times will be negotiated with Amtrak to assure non-interference between passenger and freight. GMLIOI and GMOILI, operating directly via the shortest route between Oak Island and Linwood, NC, are proposed to be established in specific response to customer requests for improved service between the Southeast and major stations on the Northeast Corridor (including Baltimore, Wilmington, and Philadelphia) as well as the Eastern Shore area. Traffic moving between the Southeast and these areas is not well accommodated in base year Conrail operations (under such operations, the traffic was backhauled and concentrated at Allentown, PA, and was not moved via the most direct route available, the NEC).

With respect to Section 3.3.2, of Mr. Sheppard's statement, regarding NS Proposed Intermodal Operations: As addressed in deposition testimony, NS has repeatedly said that, as outlined in Vol. 3B, the process by which train schedules were created to demonstrate probable patterns of service consisted first of receiving traffic data from professional traffic witnesses. This traffic was allocated as between CSX and NS by ALK Associates. This

allocation, made for Application purposes, influences NS' operating plans. Traffic provided to NS for this analysis is moved by the schedules shown in Vol. 3B, and accompanying documents, as well as the schedules shown in NS/CSX-119. Again, as covered in deposition, if train service substantially similar to the present Conrail TV-11 and Conrail TV-12 is warranted by customer preference, such trains will be operated. Under the NS Operating Plan as presented, which was assembled on the basis of traffic data provided, the NS operation would also provide for similar service with trains ERHB and HBER, operating between E-Rail and the intermodal hub to be constructed at Rutherford, PA, near Harrisburg. Appropriate pickups and setouts at Port Newark would be made for the Dockside facility.

With reference to the concern expressed in Mr. Sheppard's second paragraph on page 7, section 3.3.2, clearance via the National Docks branch currently is sufficient for two marine containers in double-stack mode. The traffic to and from ExpressRail is marine traffic. There is also, of course, no clearance restriction on single stack movements. This concern is further mitigated, as covered in deposition testimony, by the fact that if there is customer preference for service via the Penn Route, post-transaction, it can and will be provided. As explained in NS' Operating Plan, if 20 ft. 2 in. clearances have not been established through the Pattenburg tunnel prior to NS' assumption of control, NS will invest to provide those clearances and provide a fully cleared corridor via the Penn Route.

With respect to Mr. Sheppard's point about Howland Hook, NS and/or the CSAO would fully intend to provide service to that facility if it were operable for rail service. The 1995 traffic base, which forms the basis for the Application, did not indicate an operational rail-served facility at that location. The facility is not actively served by rail today. Further,

traffic tape data supplied is not specific enough to capture such specific location originations.

With respect to Mr. Sheppard's comments beginning on page 8, NS is well aware of customer service requirements in its corridor between the Northeast and Atlanta, GA. The NS schedules proposed between Atlanta and Northern New Jersey perform different service functions than the schedules presently being operated and are designed to satisfy NS customer requirements.

It is not feasible to respond to each point in Section 4.0 of Mr. Sheppard's Verified Statement, because the factual bases for many of Mr. Sheppard's observations are not known. However, I offer the following observations with respect to some of the items in his Section 4.0:

Point one: Interchange patterns change as a result of the transaction. For purposes of establishing patterns of service, an interchange was established at Oak Island. In the competitive environment, post-transaction, much of what shows as interchange business between NS and CSX probably will divert to single-line hauls or to new routes negotiated as a result of the transaction (such as CP and NS cooperative service between New England and Southeastern points).

Point three is incorrect in that there is provision for the ability to move traffic to points such as Bayonne, Bayway, South Amboy, Manville and Port Newark embedded in the NS Operating Plan, if actual traffic experience should justify the operation of these blocks. With respect to automotive traffic, Mr. Sheppard's observation is incorrect in that automotive traffic will be pre-blocked to eliminate additional handling at Oak Island. Oak Island, in this context, is shown as an arrival and departure point.

Similar comments apply to Mr. Sheppard's point four: Given actual traffic availability, outbound pre-blocking to avoid processing at Oak Island can and will be done.

Point six is incorrect. NS plans do not contemplate bringing auto parts traffic to Oak Island for classification. Automotive traffic entering via the Lehigh Line will be pre-blocked for movement on a close-connection basis to Linden and Metuchen. Provision is made in the NS plan as well for a high service reliability auto parts and auto parts empty service operating directly via the Northeast Corridor between Conway Yard, Morrisville, Linden and Metuchen.

Point seven would be moot if actual traffic availability post-transaction dictates the operation of the numerous "fine" blocks listed.

Point nine: The CSX and NS Operating Plans were prepared independently. CSX and NS can and will harmonize their schedules in joint operations areas when appropriate data is available to accomplish this task, given their status as competitors. CSX/NS-119 is a significant step in that direction.

Point ten: Just as current Conrail local schedules which serve industries on the Southern Tier line from North Bergen must reverse direction, so too would it be necessary for blocks destined Ridgefield Heights arriving at Croxton from the Southern Tier to reverse direction for movement to Ridgefield Heights. This type of movement is made today without difficulty and it will be made in the future without difficulty.

Point fourteen cannot be deduced from the data provided. Again, each Operating Plan was prepared independently. Operations within the joint area will be harmonized as soon as that becomes appropriate. There will be no immediate increase in the traffic in the

area; traffic projections are as indicated in Applicants' Vols. 3A and 3B.

Point fifteen refers to light engine movements which are common in any yard or terminal area. These movements would be the responsibility of local operating management. not an issue of concern for a Control Application.

Point sixteen: See my observations regarding point fifteen.

With respect to Section 4.1 of Mr. Sheppard's Verified Statement, regarding Through-Train Service, Mr. Sheppard's remarks in this section seem to be based on the false premise that CSX/NS-119 intended to replicate each and every current Conrail schedule operating in the NJSAA, and an unstated premise that those operations should be presented in a format far beyond the requirements of statute or any reasonable interpretation of the Board's Decision No. 44. Further, many of the remarks go far beyond the scope of the filing required by the Board in that Decision. For example, Mr. Sheppard alludes to issues visible to him regarding traffic from Parma, OH to Penn Mary, MD; Parma, OH to Wilmington, DE; Saginaw, MI to Bayview, MD; Saginaw, MI to Penn Mary, MD; and Savannah, GA to Selkirk, NY. These points are outside the boundaries of the NJSAA. As previously stated, traffic patterns may change as a result of the transaction. Further, at Page 15 of his statement, Mr. Sheppard alludes to issues involving intraterminal block movements. The kind of intraterminal movement analysis that would be relevant here is part of the implementation planning process, but goes well beyond the scope and purpose of CSX/NS-119.

With respect to Mr. Sheppard's comments involving prospective traffic movements on the Chemical Coast, both in Section 4.1 and Section 4.2, NS is aware of the projected

increase in traffic. It is by no means apparent that the projected increases in traffic approach the capacity of the line, and it should be further observed that alternative routes to the Chemical Coast are available. Applicants' estimates of total post-transaction trains per day, for example, between control point PN and Bayway is 16.2 trains per day, and between Bayway and control point PD is 7.7 trains per day. (See Application Vol. 3A, Attachment 13-7). This does not in any way appear to approach the capacity of the line. That fact notwithstanding, NS is cognizant of the potential for traffic buildup on the line, and is supportive of efforts of various parties to provide monies to implement full clearance capability on the line. NS is equally aware of the importance of the Port Reading Secondary as efficient access to the Chemical Coast. NS is further aware of the alternative access from the Northeast Corridor via the Amboy Secondary and Monmouth Jct. In Vol. 3B, NS includes a representative Triple Crown schedule, shown as alternate routing between Perth-Amboy and South Amboy, which would represent available alternate routing for TCS. (The TCS schedules are also shown on their principal route, which will be via Oak Island and NK.) It is, and has been, NS' express intent to explore the feasibility of the use of the Amboy Secondary.

With respect Section 6.0 of Mr. Sheppard's Verified Statement, extensive information regarding passenger operations has been supplied by CSX and NS. Such information has been supplied in the Application, in CSX/NS-119, again in various depositions and now in rebuttal material regarding passenger operations to parties at interest. In addition, NS and CSX discussions with passenger operators are ongoing. As the Southern Tier and the Croxton facility are both outside the territory described by the NJSAA, no Southern Tier

freight schedules were included in that submission. Such schedules are specifically designed with New Jersey Transit input to eliminate the possibilities of passenger train interference, minimal though they may be. Given the light projected freight traffic and the double and triple track NJT Mainline and Bergen County Lines between Croxton and Suffern. Mr. Sheppard's conclusions are not supportable.

D. Millennium Petrochemicals

I have reviewed the concerns expressed by Millennium Petrochemicals, Inc. (Millennium) in MPI-2.

Millennium and other parties who argue that the transaction will necessarily result in an increase in the number of interchanges for movements between western carriers and eastern destinations currently served by Conrail are mistaken. Such arguments incorrectly assume that transportation patterns will be unchanged as a result of the transaction. In fact, NS assumes that traffic patterns will shift to take advantage of the efficiencies inherent in an expanded NS and an expanded CSX.

Traffic that is interchanged from a western railroad destined for points on an eastern railroad need not necessarily use both CSX and NS. Interchange locations likely will shift to use of single-line service for the eastern route. After the transaction, traffic can be interchanged to expanded NS by the western railroad and handled in a single-line movement to the destination by NS.

An example of handlings available to Millennium would include the route via the UP from Gulf Coast points through the new NS gateway at Sidney, IL to Pittsburgh (Conway Yard) for classification, thence via Allentown for direct set out at Manville. From Manville, local service would be provided by NS.

Millennium is also incorrect in assuming that traffic to its Finderne, NJ, Regional Distribution Center must be interchanged between NS and CSX at Manville Yard or within the NJSAA near the Finderne facility. While it is true that NS and CSX plan a limited interchange at Manville, the present NS plan contemplates the ability to set out and pick up

traffic at Manville Yard with through freight assignments operating between Oak Island, NJ, and Allentown, PA, to connect with NS local freight assignments at Manville. This will give Millennium an "NS direct" option as well.

Millennium will experience a benefit from the transaction in the form of new competitive long haul moves. Millennium ships ethanol from its Tuscola, IL facility to Newark, NJ. Tuscola will be served by both NS and CSX, giving Millennium competitive service between Tuscola and the Finderne facility. CSX and NS also will have midwestern and eastern interchanges as a result of the transaction, and interchange of traffic for the Finderne, NJ facility could take place at these points as well.

Millennium has brought to light a point in the Operating Plans concerning the Manville Yard which needs clarification. After the transaction, operation of the Manville Yard will pass from Conrail to CSX, but NS will have access to the Yard. NS will have the right to originate local service and to provide switching service from Manville Yard. NS will not be prevented from serving the Finderne facility out of Manville Yard if NS prefers to do so. The plan as filed contemplates an NS local freight assignment operating from Manville Yard to provide service to Finderne and the NJT Raritan Valley Line. NS' customers in the Manville area on the Lehigh Line, to be assigned to NS, will similarly be served from Manville Yard.

With respect to Millennium's concern regarding storage tracks, both Croxton and a portion of Elizabethport Yard will be accessed directly by NS. South Plainfield movements could be handled through interchange with the CSAO, if no better storage track can be located.

Millenium's comments contain two additional misconceptions: First, the current bi-weekly switching arrangement is not related to NJT restrictions, but rather represents the level of switching service to which Conrail has been willing to commit, given the low volumes of business involved. Second, other NS customers outside NJSAA limits will be served by NS from Manville Yard. All NS customers on the Lehigh Line, for example, generally located between Manville to, but not including, Easton, PA, will be served by NS from Manville.

VI. Other Commenters

I will turn now to concerns expressed by various commenters which are of a general operational nature. A list of these commenters can be found on Page 3, item 6 of this statement.

1. Amtrak (National Railroad Passenger Corporation)

There are no identifiable adverse impacts on Amtrak operations as a result of this transaction. We have carefully analyzed Amtrak operations on lines to be controlled by NS. Our conclusions are documented in CSX/NS-20, Volume 3B, Section 8.1.

Figure C.3-5 of Volume 3B specifically charts projected freight movements on the NEC. Most are conducted during the hours of 10 p.m. to 6 a.m. , when Amtrak operations are lightest. All movements are dispatched by Amtrak in territory consisting of not less than two, and as many as six main tracks, controlled positively by Centralized Traffic Control or by Interlocking with intermediate crossovers for maximum flexibility. CSX/NS-119 supplements Volume 3B, and again at Figure 23, page 124, updates proposed freight

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operations on the NEC within the NJSAA.

NS' proposed incremental freight movements on the NEC are light, averaging approximately four trains daily. CSX/NS-20, Vol. 3B at 459-60 (Figure D.6-1). In any case, NS has conducted several discussions with Amtrak regarding scheduling of incremental freight movements on the NEC, and both parties' representatives have expressed willingness to work cooperatively on scheduling matters. Accordingly, this is to again verify that there are no identifiable adverse impacts on Amtrak as a result of this transaction.

2. Metro North Commuter Railroad Company (MNCR)

I now turn to comments made by Metro North in MNCR-2. Under an agreement between New Jersey Transit and MNCR, MNCR participates in a commuter operation on Conrail's Southern Tier Line, which line will be allocated to NS, between milepost 31.3 near Suffern and milepost 89.9 near Port Jervis.

The line segment is owned and maintained by Conrail but is dispatched by New Jersey Transit from its Hoboken, NJ facility. NS will assume ownership and maintenance responsibility in accordance with applicable agreements, but has no plans to alter the present dispatching arrangement.

In MNCR-2, Metro North expresses concern about increased freight interference. It is noteworthy in this regard that dispatching will be performed by New Jersey Transit, and day to day dispatching priorities will be executed by New Jersey Transit dispatchers in accordance with applicable agreements among the parties. This line segment has more than ample capacity to accommodate both freight and passenger services. Between Suffern and Port Jervis there are three controlled sidings; one 15,594 feet in length, one 6,060 feet in

length, and one 24,182 feet in length, in addition to yard trackage at Port Jervis. CSX/NS-20, Vol. 3B at pages 459-60 (Figure D.6-1) indicates an average daily increase of three freight trains per day between Suffern and Campbell Hall, NY, and an average increase of 4.1 trains per day between Campbell Hall and Port Jervis. In the 1995 base study an average of 13.4 passenger trains per day used the Suffern-Port Jervis segment. The projected increase in freight traffic is small and the current freight usage by Conrail is nominal. Further, in the preparation of its freight schedules, NS has carefully scheduled usage of this line at other than peak commute periods as referenced in CSX/NS-119, pages 55-56 (Figure 5). MNCR's assertions regarding potential interference simply are not supported by the facts.

3. New Jersey Department of Transportation/NJT

There is no identifiable adverse impact on the operations of NJT as a result of proposed operations. NS carefully reviewed all current and prospective operations involving NJT. The following table indicates dispatch control on all line segments to be jointly used by expanded NS and NJT.

Dispatching Control of Joint NS-NJT Line Segments

Line	Segment	Dispatch Control
NJT	Mainline	NJT
NJT	Bergen County Line	NJT
NJT	Pascack Valley Line	NJT
NJT	Boonton Line	NJT
NJT	Gladstone Line	NJT
NJT	Raritan Valley Line	NJT
NJT	Morristown Line	NJT
NJT	North Jersey Coast Line	NJT
NJT	Atlantic City Line	NJT
CR	Southern Tier (Suffern-Pt. Jervis)	NJT
CR	Lehigh Line (Aldene-NK, 5.5 mi.)	CSAO
ATK	Northeast Corridor (Newark-Trenton)	ATK

Lehigh Line

Post-transaction, only the 5.5 mile Lehigh line segment from Aldene to NK will be controlled by Applicants (CSAO). Otherwise, NJT will control dispatch decisions in accordance with its contractual obligations to freight carriers and its own priorities.

Dispatch priorities on the Lehigh Line will be established to minimize any passenger train delays. This segment is double track, with intermediate universal crossovers, and is

signaled for movement in both directions. This link will carry time-sensitive intermodal business (including both U.S. Mail and UPS traffic) and just-in-time automobile parts traffic for GM and Ford assembly plants at Linden and Metuchen, NJ. For this reason, while offering first priority treatment to NJT trains, CSAO will continue to control this vital freight line segment. CSX and NS projected freight schedules for this segment are contained in CSX/NS-119 at Page 127 (Figure 24). Because of planned traffic diversions to the River Line and Amtrak's Northeast Corridor, train movements on this line segment are projected to decrease by 10.5 per day. CSX/NS-20, Vol. 3A at 450 (Attachment 13-7).

Both Conrail and NJT have made recent improvements to further facilitate joint freight and passenger operations in this territory. Conrail has improved its route exit signaling at NK to permit a maximum 30 mph operation for freight movements to the P&H Route. NJT is double tracking its connection at Hunter to the Northeast Corridor to reduce interference between Amtrak and NJT's own operations. With the addition of the improvement at Hunter, only NJT's connection at Aldene to its Raritan Valley passenger line (passenger to passenger) will remain single track.

Southern Tier

Between Croxton and Port Jervis on the Southern Tier, NS anticipates that NJT will continue to dispatch the line. NS projects an average daily increase of 3.5 trains per day on a light freight traffic base. CSX/NS-20, Vol. 3B at 460 (Figure D.6-1). NS has been highly sensitive to passenger scheduling issues and has held repeated discussions with NJT to ensure that its proposed freight operations are passenger-compatible.

In CSX/NS-119, NS provided freight schedules over NJT-used lines (in Figures 5,

24, and 25), specifically tailored to minimize potential interference by operating freight schedules during night and midday hours when NJT operations are minimal.

NS has, in addition, reviewed delay histories for the Aldene to NK line segment and found no evidence supporting claims of freight interference as a significant problem.

I believe the extensive evaluation made by NS supports the proposition that there will be no identifiable adverse impact on NJT operations as the result of the transaction.

4. The American Public Transit Association (APTA)

APTA asserts in a comment letter that most commuter railroads make rental payments to freight railroads for use of lines over which commuter operations are conducted. The reverse is true, for the most part, on those lines to be operated by NS. Most of the lines jointly used by Conrail and a commuter authority are owned, or at least dispatched, by the commuter authority.

There are very few heavily used Conrail freight lines which are also used by commuter agencies. The following table illustrates these relationships.

Joint Use Lines

Agency	Line	Ownership or Control	Freight Use	Comments
NJT	Main Line	NJT	Light	Note 1
	Bergen County	NJT	Light	"
	Pascack Valley	NJT	Light	Local freight service only
	Boonton	NJT	Light	" " "
	Gladstone	NJT	Light	" " "
	Raritan Valley	NJT	Light	" " "
	Morristown	NJT	Light	" " "
	North Jersey Coast	NJT	Light	Note 2
	Atlantic City Line	NJT	Light	Local freight service by short line operator
	Northeast Corridor	ATK	Light to Moderate	NJT operates Commuter service Newark to Trenton, Note 3
	Lehigh Aldene-NK (5.5 mi.)	Conrail	Moderate	Note 4
NJT/Metro North	Suffern-Pt. Jervis	Conrail	Light	NJT dispatches
SEPTA	Chestnut Hill E	SEPTA	Light	Local freight service only
	Chestnut Hill W	"	Light	" " " "
	Manayunk	"	None	No freight service currently provided
	Norristown	"	Moderate	Conrail operates over approx. 1 mile, Note 5 Wissahickon to Norristown
	Media	"	Light	Local freight service only
	Warminster	"	Light	" " " "
	Lansdale/Doylestown	"	Light	" " " "
	Airport	"	Light	" " " "
	Northeast Corridor	ATK	Light to Moderate	SEPTA on ATK, Trenton to Wilmington and Newark, DE, Note 6
	Fox Chase	Conrail	Light	SEPTA on Conrail for 3.4 miles. Local freight service only.

Agency	Line	Ownership or Control	Freight Use	Comments
SEPTA - Continued	West Trenton	Conrail	Moderate	SEPTA on Conrail approximately 11.4 miles. SEPTA dispatches. Note 7
	Philadelphia-Harrisburg	ATK	Light	SEPTA on ATK Philadelphia to Paoli. etc. Local freight service only.

Train density information:

- Note 1: See CSX/NS-20, Vol. 3B at 460 (Figure D.6-1).
- Note 2: See CSX/NS-119 at 129 (Figure 25).
- Note 3: See CSX/NS-20, Vol. 3B at 451-452 (Figure C.3-5).
- Note 4: See CSX/NS-20, Vol. 3A at 450 (Attachment 13-7).
- Note 5: See CSX/NS-20, Vol. 3B at 459 (Figure D.6-1).
- Note 6: See CSX/NS-20, Vol. 3B at 451-452 (Figure C.3-5).
- Note 7: See CSX/NS-20, Vol. 3A at 448 (Attachment 13-6).

5. The South Jersey Transportation Planning Organization (SJTPO)

As discussed in responses to Amtrak, APTA, Metro North and NJT/NJDOT, NS has demonstrated that there will be no identifiable adverse impacts to passenger operations in New Jersey. Current commuter operations in Southern New Jersey are minimal and are presently limited to NJT's Atlantic City Line. A short-line operator provides freight service on this line segment which is unaffected by the transaction. There will be no adverse impacts on passenger operations on this line segment.

6. Chemical Manufacturers Association/Society of the Plastics Industry

I turn now to assertions made by CMA/SPI in CMA-10 regarding alleged congestion in the Harrisburg, PA area.

CMA/SPI assert that hubbing of intermodal traffic over Harrisburg on close connection would increase congestion. This assertion is not supported by any facts. Concentrating intermodal schedules for connection would, if anything, leave large blocks of main track capacity for movement of any type of traffic at most times of day.

CMA/SPI also apparently misunderstand the nature of the proposed operation. NS will invest \$40 million to develop a new intermodal block exchange facility at Rutherford, PA, east of existing Harrisburg or Enola Yards (where any local manifest traffic would be handled). Through manifest traffic will continue to bypass Harrisburg, Enola and Rutherford Yards. Main tracks bypass on both sides the Rutherford parcel where the new facility will be located. To further enhance operational flexibility, Centralized Traffic Control (CTC) will be installed between Reading and Harrisburg, PA, at a cost of \$17 million.

Congestion does not exist today, nor will it after the implementation of proposed operations. Line segment activity in this area is indicated in CSX/NS-20, Vol. 3B, Figure

D.6-1, page 459. Projected train movement increases are modest relative to the capacity available, particularly in view of the planned installation of CTC double track.

7. Reading, Blue Mountain and Northern (RBMN)

Reading Blue Mountain and Northern (RBMN), in RBMN-5, asserts that the movement of fly ash currently handled by New England Central to Conrail and then to a RBMN destination will be lost after the transaction. It is our understanding that, post-transaction, this movement can be made via a New England Central/Canadian Pacific "Green Mountain Gateway" routing using CP's effective commercial access to the RBMN, which CP (the major line haul carrier) believes is the equivalent of a direct connection to the RBMN. The assertion that the traffic would be lost to RBMN by virtue of the transaction is not supportable.

With respect to assertions made by RBMN (at Page 10 of its comments) regarding operations in the Harrisburg, Reading and Allentown areas: Allegations that the line between Harrisburg and Allentown and the yards at Harrisburg, Reading and Allentown are all substantially congested and will become even more so with proposed operations, are not supported by the facts. Changes in train movements projected by NS in the area are found in Vol. 3B figure D.6-1 and include the following:

Projected Change in Average Trains per Day

Bethlehem- Allentown	-3.9 (decrease)
Allentown - Burn, PA	-3.6 (decrease)
Bethlehem - Burn, PA	-0.5 (decrease)
Burn, PA - Reading Belt Junction	-5.5 (decrease)
Reading Belt Junction - WM	-4.9 (decrease)
WM Junction - Rutherford	7.4
Rutherford - Harrisburg	13.6

Estimates of changes in volume at yards in the area are set forth in Vol. 3B. Figure D.4-1. Volumes at Allentown are projected to decrease 5.1%. Volumes at Reading are expected to decrease by 1.2%. An increase in local cars handled per day at Harrisburg is projected from a base of 117 to a post-transaction scenario of 246, a change of 129 cars per day, the equivalent of two trains. Through manifest traffic will continue to bypass Harrisburg, Enola and Rutherford.

At Harrisburg Trailvan (Rutherford) an increase from 194 to 478 cars handled per day is forecast. To support this increase in activity, NS has proposed in CSX/NS-20, Vol. 3B a new \$40 million intermodal block exchange facility at Rutherford, to the East of Harrisburg. Further, NS has stated its intent to invest \$17 million in installing Centralized Traffic Control between Reading and Harrisburg to ensure operational flexibility in the area. (Sections 7.1.4 and 7.1.1 of Vol. 3B) The allegations of either current or projected congestion simply are not supportable.

With respect to RBMN's proposal to allow CP to access existing trackage rights from Reading to Philadelphia over and through the tracks of the Reading Division: NS assumes that RBMN refers to RBMN's Reading and Lehigh Divisions, although the reference is unclear. This proposal would involve the construction of new connections and contractual negotiations between CP, RBMN and NS. CP, the beneficiary of these proposed rights, is investigating the use of its own Sunbury Line to avoid using RBMN's Lehigh Division.

8. Occidental Chemical

I have reviewed the concerns expressed by Occidental Chemical as well.

None of the points cited by Occidental in its comment letter become 2 to 1 points. Two of the points actually go from one carrier option to two: Burlington (Stevens, NJ)

becomes part of the South Jersey/Philadelphia Shared Assets Area (SJSAA) with access to both CSX and NS. Jersey City, NJ becomes part of the NJSAA, also with access to both CSX and NS. None of the points cited are 3 to 2.

On balance, the transaction should favor Occidental. Six of the points show no change but in fact gain access to larger single line networks. Two points (Burlington and Jersey City) garner additional access. No points become 2 to 1 or 3 to 2.

The following table demonstrates the relationships involved.

Occidental Chemical

Plant	Present Switching Carrier	Present Line-haul Carrier	New Arrangement
Ashtabula, OH	CR	CR Only	Becomes CSXT Only
Augusta, GA	NS	NS Only	No change
Burlington, NJ (Stevens)	CR	CR Only	CSXT and NS (SJSAA)
Castle Hayne, NC	CSX	CSX Only	No change
Chicago, IL	BRC	CR, CSX, NS, et al.	No change
Cincinnati, OH	CSX, NS	CR, CSX, NS, CN	No change
Delaware City, DE (Reybold)	CR	CR Only	Becomes NS only
Jersey City, NJ	CR	CR Only	CSXT and NS (NJSAA)
Kenton, OH	CR	CR Only	CSXT Only
Mobile, AL	TASD	CSX, NS, et al.	No change
Mussel Shoals, AL (Evans City)	NS	NS Only	No change
Niagara Falls, NY (BCG)	CR	CR, CP	CSXT replaces Conrail. CP stays

Niagara Falls, NY (Durez)	CR	CR Only	CSXT replaces Conrail
Pottstown, PA	CR	CR Only	NS Only

9. Shell Oil Company and Shell Chemical Company

I have reviewed the concerns expressed by Shell in SOC-3. With reference to the connections NS will construct at Sidney and Tolono, IL, each connection will provide for basically unlimited through movements. The NS, IC and UP lines in question are all high capacity routes. Initially, NS plans the interchange of two trains daily at Tolono, and four at Sidney.

It is anticipated that the connections will provide NS with more than adequate capacity to handle anticipated needs. Each will be built to high standards and will be signaled for run-through movement in a highly efficient manner. NS intends to meet with Shell personnel and provide them with additional information relating to these planned connections.

Shell's concern over a lack of competitive service at Conrail's Sharonville Yard in Cincinnati is unfounded. When NS assumes operational control of this facility, CSX will retain the right to serve Proctor and Gamble facilities. Conrail already has reduced activity at its Sharonville Yard as a result of actions unrelated to the Application. CSX will support P&G operations from its Ivorydale Yard in Cincinnati, as it does now.

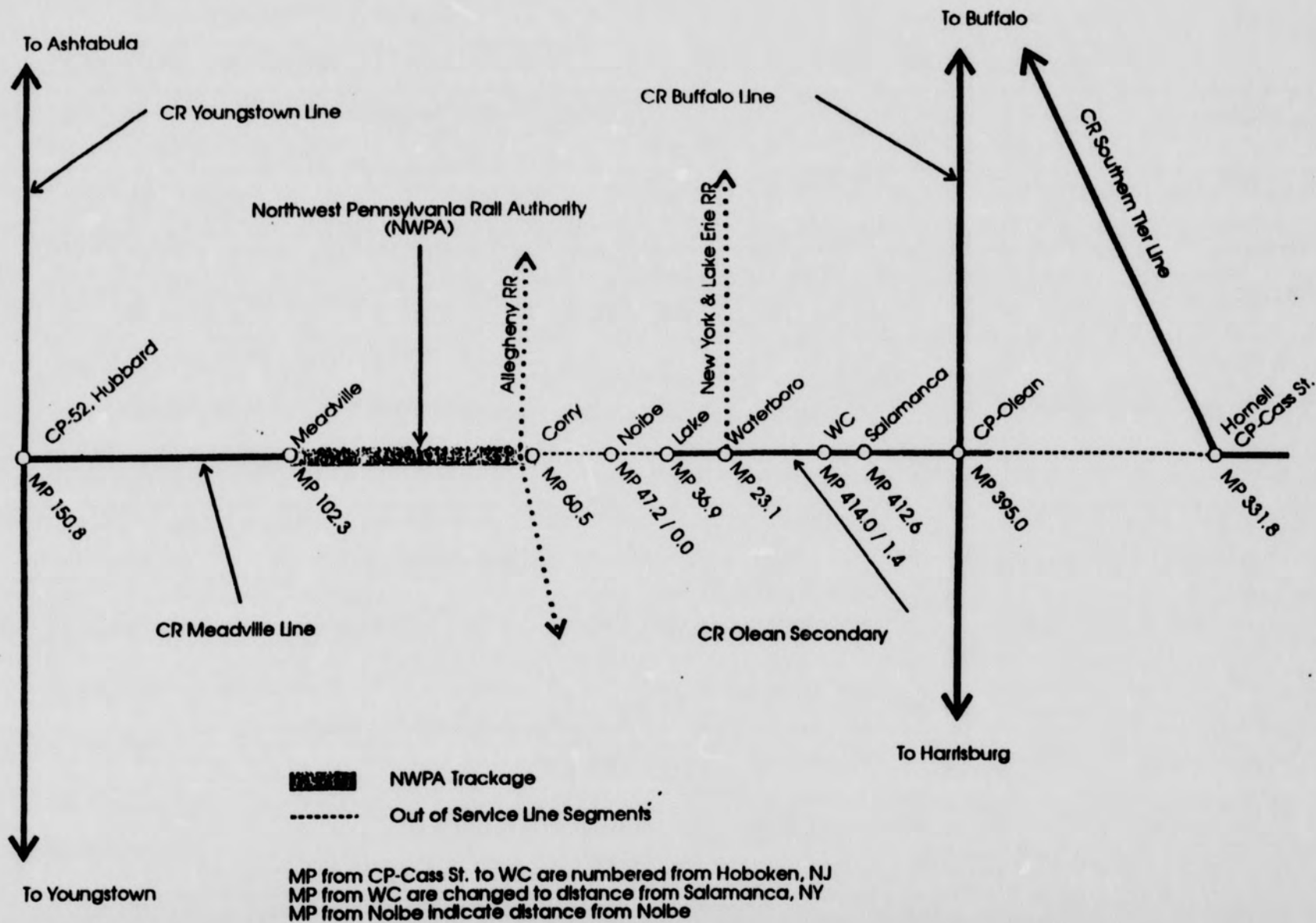
10. Northwest Pennsylvania Rail Authority

I have reviewed the comments of the Northwest Pennsylvania Rail Authority in (NWPRA). NWPRA claims that NS is prevented from operating over a 3/10th mile long segment from Meadville to Corry, PA ("NWPRA Segment") that was leased by Conrail to NWPRA. NWPRA is under the mistaken belief that NS needs trackage rights over the NWPRA segment to serve NS customers. NWPRA seeks "reciprocal trackage rights" in exchange for NS trackage rights over the NWPRA segment. NWPRA does not argue that the reciprocal trackage rights are justified to resolve any transaction-related harm.

NS, does not, however, anticipate sending any through traffic over the NWPRA segment. NS' route between Erie and Hornell is as indicated on the attached diagram - via the present NS mainline through Erie to Buffalo and from there to a connection with the Conrail Southern Tier mainline, which will be assigned to NS.

With the exception of the segment from Meadville to Corry, the route from Hubbard to Hornell via the former Erie Lackawanna is allocated to NS under the Transaction Agreement. However, NS has no immediate plans to restore through operations on the segments that presently are out of service between Corry and Lake, and between Olean and Hornell, and so NS does not need the NWPRA segment for through movements. NS will provide local service on these segments to any customers who request such service.

NS does plan to continue the present service on the Meadville Line from Hubbard to Meadville.



11. General Mills

I have reviewed comments provided by General Mills regarding access to its facility near Ohio Street Yard in Buffalo, NY. The Application provides that NS will have access via a reciprocal switch to the General Mills facility at the Ohio Street Yard in Buffalo, NY.

12. Institute of Scrap Recycling Industries, Inc. (ISRI)

With reference to the concern of Reserve Iron and Metal regarding possible loss of two-carrier access to its Cleveland, OH, facility now served by Conrail and CSX: NS will continue to have the ability to serve this facility after it is allocated use of the Conrail trackage in question, and CSX will retain its access.

13. Ohio Steel Industry Advisory Council (OSIAC)

I have reviewed the concerns expressed by OSIAC. CSX will have trackage rights over expanded NS from Ashtabula to Youngstown. CSX will then operate via its own line to Warren. This constitutes a viable route for CSX between Ashtabula and Warren.

CSX is not entitled to trackage rights on Conrail's Niles Secondary from CP38 (Latimer) to Warren, the operation of which segment will be allocated to NS.

In addition, CSX would have a direct route from its Lorain, OH, ore dock to Warren. This route was used by CSX until the mid 1980's.

14. Eighty-Four Mining Company

I now address some of the assertions of Eighty-Four Mining set forth in EFM-7. Eighty-Four Mining asserts that it will be disadvantaged in serving the Mt. Tom Plant of Holyoke Water and Power and the Merrimack Plant of Public Service of New Hampshire, allegedly because of the poor NS connection to the B&M at Binghamton, NY. This pertains

to NS' access to New England points.

NS has concluded agreements with Canadian Pacific Rail System (CP) and with Guilford Transportation (GTI) to provide for efficient handling of traffic between Binghamton and New England points. CP has agreed to grant NS haulage between Harrisburg, Binghamton and a GTI connection near Albany, NY, enabling the same type of two carrier service that a CSX/GTI routing would supply.

There will be two physical connections at Binghamton, NY between NS and CP. One is located at control point BD and the other at Prospect Avenue. Unit coal trains destined for the Mt. Tom Plant of Holyoke Water and Power and the Merrimack Plant of Public Service of New Hampshire will be interchanged to the CP at Prospect Ave. This location permits a progressive movement of the trains between the NS and CP. Utilizing run-through power, the interchange can be accomplished in a matter of minutes by simply changing crews. Locomotives and train consists would operate on a run through basis.

The former Erie-Lackawanna, Delaware and Hudson, and Boston and Maine Railroads historically operated a competitive and coordinated intermodal and merchandise service over the Binghamton and Mechanicsville, NY gateways. Utilizing run-through pre-blocked trains with through power and simply changing crews at the interchange points, NS, CP and GTI will work cooperatively to establish a competitive service route between points West of Binghamton and New England.

15. NYSEG

I will now address the concerns expressed by New York State Electric and Gas in NYSEG-14. NYSEG's assertions fail to recognize that where single line Conrail service exists today from the Monongahela area to Kintigh (in the Buffalo, NY, area) CSX will be

capable of providing that same single line service in the future. Similarly, NYSEG's comments do not recognize that NS will be able to provide single line service from the Monongahela (MGA) area to NYSEG's plant at Milliken. Further, NYSEG does not acknowledge that the Eastern Division of the MGA is already a joint use area (Conrail/CSX). Most of NYSEG's comments seem to relate to a desire to have both NS and CSX serve both the Monongahela area and each NYSEG plant as well.

With respect to some of NYSEG's specific assertions:

First: The allegation of increased yard congestion. Conrail's and CSX's lines are on opposite sides of the Monongahela River. Each line operates independently between West Brownsville and the Pittsburgh area. Conrail has upgraded Shires Oaks Yard in response to customer preference for ability to stage empties for loading in an area proximate to the mines, and to provide an efficient operational basepoint for the area. CSX has determined that it will upgrade and expand its own Newell Yard on the opposite side of the Monongahela River from Shire Oaks. Newell Yard will then become CSX's operational base similar to NS' base at Shire Oaks. Each carrier will have good yard facilities in the Monongahela area and neither will interfere with the other's use of its own facility, and total yard capacity in the area will be expanded post-transaction vs. pre-transaction.

Second: NYSEG asserts increased use of trackage rights constitutes a problem. To increase competition in the area, the former Monongahela Railway area will be opened to competition between CSX and NS. This represents the restoration of a joint facility operation conducted before the creation of Conrail where Conrail, CSX, and P&LE all participated in operation of the MGA. As noted above, the Eastern Division of MGA is still today a joint Conrail/CSX operation. Without some form of joint use, there is no apparent way that competition could be introduced on the MGA above West Brownsville on its

Western Division. It is important to understand that between West Brownsville and the Pittsburgh area, CSX and NS will operate on separate rights of way.

With respect to CSX operations by trackage rights on the Youngstown Line to be allocated to NS, this again represents the reactivation of trackage rights already held in favor of CSX by virtue of its control of the former Pittsburgh and Lake Erie. The operating plan simply reactivates CSX's rights between Youngstown and Ashtabula, in order to permit CSX efficient access to its to-be-controlled Conrail (former New York Central) mainline at Ashtabula.

Third: NYSEG's assertions regarding crossing blocking. NYSEG incorrectly asserts that the NS mainline and perhaps the Youngstown/Ashtabula Line probably would be blocked from one to two hours while NS moves a Milliken-bound coal train from the Youngstown Line to the NS Buffalo Line. Use of the main line is an NS operating matter. The movement to which NYSEG refers can be executed with less than two separate ten minute intervals of mainline occupancy. There are also alternatives available to NS to perform this movement in a manner different than described by NYSEG.

Before describing operational alternatives, however, it should be understood that the alleged problem at Ashtabula may be moot. First, the connection between the Youngstown Line to be conveyed to NS and NS' Buffalo-Chicago mainline does open to the West rather than to the East. For years the Pittsburgh and Lake Erie made a movement at this precise location, similar to the one contemplated by NYSEG, by operating from the Youngstown Line through the connection in the Southwest quadrant into NS' Ashtabula Siding. From that point, locomotives were placed on the opposite end of the train. At times, the Pittsburgh and Lake Erie also operated locomotives on each end of the train to eliminate the movement described by NYSEG. This operation worked successfully for years.

Second. NS has not planned a connection in the Southeast quadrant because traffic data supplied in the application process did not indicate that NS would receive large volumes of this business. In the competitive world, however, NS fully intends to compete for traffic between Monongahela sources and both Milliken and Kintigh. If volumes develop satisfactorily, a new connection can be constructed in the Southeast quadrant at Ashtabula to provide for a progressive movement.

However, unless and until such a connection becomes necessary, NS has avoided planning for its use because such a connection would involve the taking of residential and light industrial properties. There is no need to undertake such an action until there is a clear necessity for the connection. Unless and until there is such a connection, NS can make the referenced movement at Ashtabula, by heading west into Ashtabula Siding and then running around its trains. In the event such an operation does cause disruption in Ashtabula, the movement can be made with only a momentary stop by placing locomotives on each end of the train as was the custom for the Pittsburgh and Lake Erie operation.

Fourth: NYSEG asserts increased need for coordination among two competing carriers. NYSEG's fourth item misstates the facts. NS compiled its basic filing with the best available knowledge it had at the time. NS made a specific effort to obtain from CSX its estimated train movements on the Youngstown Line and included those estimates in the Errata filing for purposes of accurately assessing prospective train volumes on the Youngstown Line. NYSEG also misunderstands the fact that only heavy unit coal trains on the line need either helper locomotives or distributed power for the short distance from Youngstown to Latimer. Grades here are light and undulating and all but the heaviest trains do not need helper units. Further, although the Youngstown Line is single track, it has more than ample capacity with Centralized Traffic Control, five controlled sidings each in excess

of 10,000 feet in length, and approximately 22 miles of either multiple main or double track operation in a total of 97 route miles. NS has estimated the capacity of the line at well in excess of 50 train movements per day.

NYSEG also does not recognize the possibility of cooperative interchange arrangements between CSX and NS. To serve the Kintigh plant near Buffalo, for example, NS would be able to offer unit run-through train service to Buffalo with a step-off and step-on crew change arrangement, with CSX to provide ultimate access to the plant.

With respect to the difficulties that NYSEG asserts with diverting trains as between Miliken and Kintigh, the present arrangement would require advance notice to Conrail to divert a train. Similarly, advance notice would be required to NS or CSX if a diversion were desired and provided for under contractual arrangements.

With respect to projected transit times, NS regards the times provided as representative for purposes of establishing prospective patterns of service. Actual transit times would be the subject of commercial negotiations between shipper, consignee and NS, as would be the case under present Conrail operations.

16. Indiana and Ohio Railway

I have reviewed the concerns expressed by the Indiana and Ohio Railway in IORY-4.

NS will serve 2-to-1 (largely grain) shippers at Sidney, OH via trackage or haulage rights over the CSX line between Lima and Sidney. These rights will allow NS to provide a competitive alternative to CSX for Sidney shippers. NS will provide service to Sidney shippers on a regular basis consistent with customer needs and good operating practice. Shippers at Sidney will have access to the expanded NS network through Lima, which is located on an NS route with efficient access to the entire expanded NS system.

17. Inland Steel Company

In ISI-5, Inland Steel Company (ISC) raises concerns regarding movements from its Indiana Harbor Works (IHW) plant in East Chicago, IN, and its joint venture facility near New Carlisle, IN, to its facility in Kenton, OH, and for a facility in Indianapolis, IN. ISC is concerned that these moves, which currently are served by Conrail single-line movement, will suffer after the transaction because they will become joint line movements. ISC's concerns are unfounded.

ISC's IHW facility is served by two carriers, the IHB and the EJ&E. Both carriers are switching carriers and will continue to have direct access to NS and CSX. ISC's New Carlisle facility is on Conrail's Chicago-Elkhart Line, which will be assigned to NS.

With respect to the moves to the Kenton facility, Conrail currently moves this traffic in its IHCO schedule via Elkhart and Toledo. NS has determined that it and CSX could operate a similar train on a run-through basis, effectively providing the same level of service as currently being provided by Conrail. Therefore, even though the move will become joint line after the transaction is implemented, there is no reason to believe the move will be less efficient. It should take the same amount of time to move from ISC's IHW plant to Kenton, OH after the transaction.

With respect to the service to between IHW and Indianapolis, ISC's complaints are meritless. The transaction could not have any impact on this movement because ISC currently has no rail traffic moving along this route. Further, as IHW is served by switching carriers (IHB and EJ&E) with direct access to CSX (which will also serve Indianapolis), shipments from IHW to Indianapolis can be single-line movements. ISC's concern over this movement relates only to potential traffic, and not to any current rail movements upon which the transaction could have an adverse effect.

18. West Virginia Association for Economic Development (WVAED)

I have reviewed the concerns expressed by the WVAED in WVED-2.

The Elken Metals facility at Alloy, WV, on the West Virginia Secondary, is accessible to CSX and that situation will not be altered by the control transaction.

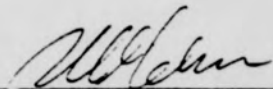
Various points along the West Virginia Secondary have access to water carriage via the Kanawha River which connects to the Ohio River system.

As noted in the Application at Section 7.1.2, pg. 209, NS will also upgrade the Deepwater line between Deepwater Bridge and Elmore, WV, at a cost of approximately \$10.3 million. This upgrade will allow West Virginia coal producers presently located on Conrail routes, an average 140 mile shorter route to points in the Northeast (NC Vol. 3B, pg. 80)

Expanded NS routes to points such as Baltimore and Atlanta will be shortened by hundreds of miles as well when measured from a Charleston, WV origin.

Verification

D. M. Mohan, makes oath and says that he is a consultant employed by the Kingsley Group, assisting Norfolk Southern Corporation, Norfolk, Virginia, that he is authorized to file and verify the foregoing rebuttal verified statement in STB Finance Docket No. 33388 on behalf of the applicants, that he has carefully examined all the statements in the foregoing verified statement, that he has knowledge of the facts and matters stated therein, and that all representations set forth therein are true and correct to the best of his knowledge, information and belief.



D. M. Mohan

State of California

County of San Francisco

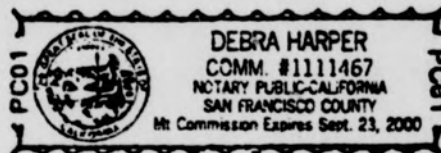
On December 4, 1997 before me, Debra Harper, Notary Public

Personally appeared D. M. Mohan

Personally known to me



Witness my hand and official seal.



REBUTTAL VERIFIED STATEMENT
OF
JOHN T. MOON, II
MANAGER - STRATEGIC PLANNING
NORFOLK SOUTHERN RAILWAY COMPANY

My name is John T. Moon, II. I am Manager - Strategic Planning for Norfolk Southern Railway Company ("NS"). I have held this position since January, 1993. I began my railroad career in 1972 as a part-time Service Attendant (while an undergraduate student) for the former Southern Railway Company. After receiving an MBA in Transportation from the University of Tennessee in 1977, I joined Southern's Transportation Department as a supervisory officer. Thereafter, I held several positions as Assistant Trainmaster and Trainmaster, including serving from 1979-1983 as Trainmaster at Huntingburg, Indiana, where I was responsible for the territory that includes Carol, Indiana and PSI's Gibson plant. I joined the Transportation Planning Department in 1985. I have been involved in several operations-related projects in the Chicago-area, including the dissolution of the former Chicago & Western Indiana Railroad Company; the leasing of the NS Landers-Manhattan line to METRA and the concurrent rerouting of NS Chicago-Decatur trains to trackage owned by Chicago Rail Link, LLC and Illinois Central Railroad; and the 1993 inter-railroad Chicago-area intermodal facility study. In addition, on behalf of NS, I negotiated NS's current trackage rights over Conrail's Columbus to Cincinnati line.

The purpose of this statement is to provide my analysis and rebuttal of the conditions sought by several parties, including the Illinois International Port District, Martin Marietta

Materials, Inc., the U.S. Department of Justice, the Four Cities Consortium and the Indiana and Ohio Railway Company. Each party is addressed separately below.

Illinois International Port District ("Port").

To address the competitive disadvantage to the Port caused by single-line access ... to the east side of Lake Calumet, the Port requests rail access to Chicago SouthShore and South Bend Railway ("CSS"), Chicago Rail Link ("CRL") or CSXT. Such access is not operationally feasible without severe interference with NS' operations.

The Port has two facilities in the Lake Calumet region of Chicago. Norfolk and Western Railway Company, a subsidiary of Norfolk Southern Railway Company (NS), owns the tracks which reach both the east and west sides of Lake Calumet.

The west facility is reached by NS' Pullman District, a branchline acquired from the estate of the former Chicago, Rock Island and Pacific Railroad Company. CRL and CSS each have limited trackage rights over all, or part of, NS' Pullman District to perform certain switching duties at the Port's west facility at Lake Calumet.

The east facility is reached via the "Bulk Lead" which originates in NS' Calumet Yard. No other carrier has rights to use the "Bulk Lead." Since the east side of Lake Calumet was opened, only NS has provided rail service to the facility. Although the Port has made several requests in the past for NS to grant one or more carriers trackage rights to directly access the east side customers of the Port, NS has been unable and/or unwilling to grant these requests. The required movements would have to operate through the heart of Calumet Yard, NS' most active facility in the Chicago-area. Moreover, NS provides efficient and timely service to the shippers located on the east side of the Lake.

The Operating Plan for the proposed NS/CSXT/CR Transaction anticipates that the "classification" function presently performed at Calumet Yard will be transferred to Elkhart Yard.¹ If NS decides that Calumet's "classification" functions can be relocated to Elkhart without causing an unacceptable level of disruption, NS plans to convert Calumet to an intermodal terminal. This does not mean that Calumet Yard will be less congested. Even with the removal of the "classification" function, the yard tracks will be occupied most of the time with intermodal equipment being loaded or unloaded.

In addition to the "classification" functions, yards such as Calumet also perform "industry" or "support" activities. At Calumet, the crews based at the yard serve customers located in the area, switch Intermodal ramps, or deliver/pull cars being interchanged to/from other carriers. Although the "classification" function of Calumet Yard is planned to be transferred to Elkhart Yard, the crews performing "industry" and/or "support" functions in this area are only to be relocated to 97th Street Yard, adjacent to Calumet Yard on the Pullman Branch. Service to/from the east side of the Lake will be the same as it is today. The on-duty point for the crews serving Lake Calumet will be about two miles further from the east side of the Lake and the same two miles closer to the west side of the Lake. (This two miles does not involve any trackage that NS does not already own). The cars moving to/from the east side of

¹ "Classification" is the switching/grouping of cars into "blocks" in which each car in a "block" is destined for a customer or for "reclassification" at some distant location. Some of the "classifications" currently made at Calumet Yard include Chattanooga, Knoxville, Cincinnati, Bellevue, Detroit, Fort Wayne, Decatur, and St. Louis.

Lake Calumet, as well as those to/from the west side of the Lake, will arrive/depart in the same "block" and receive the same efficient service, just as they do today.

Under the Applicants' Operating Plans, CSXT will utilize the trackage of Belt Railway of Chicago between South Chicago and Belt Junction for through movements only. To access the east side of Lake Calumet as proposed by the Port, CSXT would be required to originate a crew at its Barr Yard facility (located 7 miles west of its connection to NS at Burnham Yard, milepost 505). After performing a "run-around" move at Burnham Yard, the CSXT crew would have to access the NS westbound main track by crossing the NS eastbound main track.² CSXT would then operate over the NS main line tracks for five miles between Mileposts 505 and 510. The line east of, and through, Calumet Yard will continue to be NS's route between Chicago and Cincinnati, Atlanta, Jacksonville, New Orleans, and the Carolinas. Several customers which require a high level of switching activity, including the Ford Assembly Plant and a new Ford "Mixing Center", are located along this line. There is also a single-track segment over the Grand Calumet River. The volume of traffic on both CSXT and NS routes would probably cause the CSXT crew to expend most of its scheduled tour-of-duty serving the east side of Lake Calumet and making its round-trip from Barr Yard.

CSS would access NS's line via a connection (also near Burnham Yard), which is located on the opposite side of NS's line from CSXT's track. Except for crossing a NS main track

² This is necessary as NS's two main tracks in this area are signaled for "movement with the current-of-traffic" only. Movements "against the current-of-traffic" are time consuming and can be disruptive to other train traffic in the area.

during the return move from the east facility at Lake Calumet instead of during the approaching move, the CSS operation would be identical to, and as inefficient and disruptive as, that of CSXT.

CRL's service to the east side of Lake Calumet would come from the west end of Calumet Yard. CRL's base-of-operations is adjacent to South Chicago. After performing a "run-around" move at Pullman Junction, CRL would have to operate over NS to 110th Street, a distance of more than two miles through Calumet Yard. The only true main track in this area is the former CWI "High Main", and this main track is often occupied by trains setting-out/picking-up at Calumet Yard a process that is expected to continue regardless of Calumet's future function. Allowing a Class III carrier, such as CRL, to operate through a functioning yard is disruptive and inefficient. Such moves would also result in operating inefficiencies for CRL.

Any carrier utilizing NS lines to access the east side of Lake Calumet (whether from/to Burnham Yard to the east of Calumet Yard or from/to Pullman Junction west of [and through] Calumet Yard) will cause disruptions to NS's operations at Calumet Yard or at the Ford Mixing Center.

In summary, CR does not serve the east side of Lake Calumet; the NS/CSXT/CR Transaction will not have any effect on the Port, and it will not see any change or reductions in service to the east side of the Lake as a result of the Transaction. NS service to the east side of Lake Calumet is adequate and efficient, and the presence of additional carriers would cause disruptive operating problems for NS.

Martin Marietta Materials, Inc. ("MMM").

Martin Marietta Materials, Inc. (MMM-2) filed comments regarding the proposed Transaction complaining that two particular movements from its Woodville, Ohio plant, one to Hugo, Ohio and one to Twinsburg, Ohio, will change from single line service to joint line service post-transaction. MMM contends that changing from single to joint line service will increase the cost of aggregate and lime shipments from Woodville, which will lead MMM to stop shipments to Hugo and Twinsburg completely.

MMM fails to mention two aspects of these shipments that bear on their allegations of economic loss. First, MMM does not address the fact that, after the Transaction, CSX will operate on lines that are in close proximity to Hugo and Twinsburg. Second, they do not adequately recognize the rather distinct differences between rail shipments of lime versus rail shipments of aggregates.

Shipments of aggregates are invariably handled via rail from the quarry to a fixed rail location, where they are transloaded to trucks for shipment to the final destination. The final destinations for most aggregates shipments are road and building construction sites. Therefore, the final destination of aggregate movements necessarily is constantly changing, and truck transportation over part of the route is usually unavoidable. For certain large construction projects, some stone receivers will establish a temporary rail unloading facility to reduce the length of the truck portion of the haul.³ One reason that aggregate shipments are such low

³ The rail movement of aggregates usually generates comparatively low per-car revenues for the carrier compared to other traffic.

revenue moves is that there is constant competition from truck carriers, and rail rates are thus severely depressed.

In the case of MMM, it will lose the ability to ship directly from the Woodville quarry to Hugo and Twinsburg via single line service, which it now has over Conrail tracks. After the transaction, Woodville will be on track operated by CSX, and Hugo and Twinsburg will be on track operated by NS. It is important to consider, however, that CSX will continue to be able to provide single line service from Woodville to Cleveland, which is approximately 25 miles from the Twinsburg area, well within the standard traveling range for the truck portion of the rail-truck aggregate movements. MMM will have the ability to move aggregates to Cleveland in a single line haul, where the stone can be transloaded to trucks for hauling to the final destination, as is done now at Twinsburg. For certain final destinations, the truck haul from Cleveland may be longer than it would be from Twinsburg, but not significantly longer. In other situations, where the final destination is close to Cleveland, MMM could very well find a shorter truck haul after the transaction than it presently employs.

Similarly, CSX will be able to handle Woodville aggregates via single line service to Akron, which is approximately 20 miles from Hugo, also well within the standard range for shipment by truck to the final destination.

MMM's comments to the Board simply lack the detail needed to determine whether MMM will truly suffer the kind of significant harm that would result in the cessation of aggregate movements from Woodville to the Hugo and Twinsburg areas.

The circumstances surrounding lime movements are considerably different than

aggregates. For example, economics make lime movements more amenable to joint line service. The relatively lower susceptibility of rail lime movements to truck competition generally allows for a relatively higher level of rates on that commodity and thus better able to sustain a move over a joint line route.

U.S. Department of Justice

The U.S. Department of Justice argues that PSI's Gibson plant in Carol, Indiana, will be a 2-to-1 point, losing service by one of two competing rail carriers. The Department's position is incorrect.

NS currently is the only rail carrier with access to the Gibson plant. Conrail formerly had contractual rights to operate only between one origin -- the Cyprus Amax Keensburg Mine - - and one destination -- PSI's Gibson plant. Conrail could not take Keensburg coal to any other destination, nor could it bring coal to Gibson from any other origin. Conrail's access after 1981 was simply for a 4-mile contract haulage arrangement; the operation was totally divorced from the rest of the Conrail system and Conrail provided no interline services with NS. (Conrail did not even use its own locomotives, but rather shipper-supplied engines).

And in any event, Conrail and NS terminated those rights, at Conrail's request, in October of 1996 -- months before the Transaction was proposed. The letter agreement terminating those rights is included in Volume 3 of the Applicants' Rebuttal. Additionally, as a result of that termination, Conrail no longer makes the payments to NS that would have been required under the agreement were those rights still effective.

The Department's conclusion that Conrail currently has access to the Gibson plant appears to be based on its identification of several references to the Conrail trackage rights to Carol, Indiana in the Transaction Agreement, the NS Operating Plan, and elsewhere in the Application, as cited in the Department's comments. DOJ-1, Woodward VS at 15 n.35. The conclusion the Department draws from those references, however, is not correct. Map A, which is part of Exhibit 1 to the primary application (showing the lines of NS, CSX, Conrail and other railroads prior to the transaction) shows those Conrail trackage rights, even though they had been contractually terminated, because that termination had not been filed with the STB at the time the map was developed. For a similar reason, the trackage rights were referenced in the primary application, and assigned to NS, out of caution, to ensure that the Transaction Agreement would preserve and reflect what NS and Conrail already had done contractually before the current Transaction was contemplated.

Finally, it should be noted that, in any event, even when Conrail operated between the Cyprus-Amax Keensburg mine and PSI's Gibson plant, the situation there was never conducive to two-railroad competition via trackage rights as normally understood. In 1981, the Keensburg-to-PSI Junction and PSI Junction-to Carol lines, which then were part of Conrail's system, were separated from that system; those lines eventually were sold to the Southern Railway (now part of NS), but Conrail retained trackage rights to perform the Keensburg-to-Carol (Gibson) move only. After Conrail sold those lines to Southern, Conrail could not, as a practical matter, operate its own equipment or locomotives over those lines, as they were not accessible to the rest of the Conrail system. Instead, as I discussed above, Conrail crews operated a train of

shipper-owned locomotives, cars and fuel in shuttle service between the mine in Keensburg and the power plant in Carol.

Thus, as a factual matter, since at least 1981, when the Keensburg-to-PSI Junction and PSI Junction-to Carol lines were separated from Conrail's system, true two-carrier competition has not existed with respect to the Gibson plant, even when Conrail had the limited contractual authority to operate to the plant from Keensburg only.

Four Cities Consortium

The cities of East Chicago, IN, Hammond, IN, Gary, IN and Whiting, IN (collectively, the "Four Cities Consortium" or the "Four Cities") have requested that the Board require CSX to reroute trains from the Hobart - Tolleston - Clarke Jct. line (a line that will be allocated to CSX and over which CSX's Operating Plan anticipates an operation of five trains per day) to an alternative routing involving trackage rights over two carriers, NS and EJE. The Four Cities' rerouting proposal would also require the construction of two connections between NS and other carriers. As relates to NS, the Four Cities' plan would compel NS to grant CSX trackage rights over NS' Ft. Wayne - Chicago main line between Hobart and Van Loon, and new connections would have to be constructed at Van Loon between NS and EJE and at Pine Jct. between expanded NS (a present Conrail line being allocated to NS) and CSX. The proposed operations over NS are simply not feasible and would undermine NS' Chicago - southeastern service.

The Hobart - Van Loon trackage rights would burden an important NS main line that represents NS' only route between Chicago and Cincinnati, Atlanta, Jacksonville, New Orleans,

the Virginias and the Carolinas. CSX, by contrast, has one more route than NS (via Danville, IL, and Evansville, IN) available for routing trains moving between Chicago and the South or Southeast. This additional burden would be placed on the NS line at the same time as NS would be losing the use of a second main line route in this corridor, namely, the former Conrail Fort Wayne - Hobart line (which NS only recently acquired and which will be assigned to CSX as part of the Conrail transaction). Following the transaction, NS will be left without a viable alternative routing for time-sensitive and other high priority trains between Chicago and the Southeast. The unanticipated addition of CSX trains to NS' line between Hobart - Van Loon would aggravate congestion problems on the line and would threaten NS' ability to maintain schedules for time-sensitive traffic.

With respect to the two new connections that would have to be constructed under the Four Cities' plan, the Pine Jct. connection would be especially problematic for NS. Due to the track arrangement east of Pine Jct., this "connection" would actually involve "a crossing" (via two intermediate crossovers) of a line that will be allocated to NS--the extremely busy Conrail Chicago - Toledo mainline. A crossing at that location would cause severe disruption, at substantial cost, to NS' anticipated operations.

Indiana & Ohio Railway Company (IORY)

I have reviewed the Responsive Application of Indiana and Ohio Railway Company (IORY) filed in Finance Docket No. 33388 (IORY-4). IORY is requesting the Board to grant it trackage rights over CSX from Cincinnati, OH to Washington Court House, OH because,

according to IORY, the Conrail line from Cincinnati to Springfield, OH will experience increased congestion if the proposed Transaction is approved. IORY claims that these trackage rights would "merely serve as [an] alternate route to Conrail's highly congested Cincinnati-Springfield line over which IORY operates today pursuant to trackage rights." IORY-4 at 4. IORY also claims that these trackage rights will be used to move "time sensitive" traffic. Burkart VS at 4.

IORY's request is a thinly veiled attempt to use this proceeding to improve its competitive position by creating a shortline network that does not exist at the present time and by gaining access to significant industrial complexes, particularly relating to the steel and automotive industries, not served by Rail-Tex today.

If the proposed Transaction is approved, the Columbus-Springfield-Cincinnati main line will be allocated to NS. IORY presently operates over this line between Springfield and Cincinnati. If the proposed Transaction is approved, NS will simply "step into the shoes of Conrail" and there will be no effect on the competitive position of IORY.

By way of background, in 1996, Rail-Tex acquired IORY's parent, Indiana & Ohio Rail Corp. (IORC). At that time IORC had four separate, non-connected Class III operating subsidiaries:

- a) Cincinnati Terminal Railway Company (CTER) between Mill and McCullough and Oasis, OH (connecting with Conrail at Sharonville (Mill) and with IORY and NS at McCullough;
- b) Indiana and Ohio Railroad, Inc. (INOH) between Valley Junction, OH and

Brookville, IN (connecting with CIND at Valley Junction);

c) Indiana & Ohio Railway Company (IORY): (i) between Monroe and Hagman, OH; between Lebanon and Hagman, OH; and between Hagman and Mason, OH (connecting with Conrail and CSX in Conrail's yard at Monroe); and (ii) between Brecon and McCullough and GK Tower (connecting with NS and CTER at McCullough and with CSX at CK Tower); and

d) Indiana & Ohio Central Railroad, Inc. (IOCR): (i) between Logan and Valley Crossing, OH (connecting with CSX at Valley Crossing and with NS and Conrail at Columbus via CSX; (ii) between Midland city and Greenfield, OH (connecting with CSX at Midland City); (iii) between Fayne (Washington Court House) and Springfield, OH (connecting with CSX at Fayne and with Conrail and with CN/GTW at Springfield); and (iv) between Bellefontaine and Springfield, OH (connecting with Conrail and with CN/GTW at Springfield; and (v) between Mechanicsburg and Springfield, OH (connecting with Conrail and with CN/GTW at Springfield).

In 1997, IORY acquired a portion of the former DTI and certain GTW trackage rights over Conrail, CSX, and IOCR, from GTW. IORY, and its predecessor GTW, utilize the Springfield-Cincinnati line (a.k.a. Conrail's Cincinnati Line) to access Cincinnati from lines north of Springfield now owned by IORY.

Rail-Tex also operated the Indiana Southern Railroad, which filed a separate Responsive Application in this proceeding (ISRR-4).

The "time sensitive" traffic referred to by IORY is predominately NS/GTW traffic handled in accordance with an IORY/GTW haulage arrangement. Contrary to IORY's assertion that NS will have an incentive to disadvantage IORY's traffic, (IORY-4 at 10 and Burkart VS at 4-5), [[[]]] As NS participates in this traffic south of Cincinnati, NS actually has a greater incentive to provide it with timely handling that does IORY.

Contrary to the theme of utilizing trackage rights over CSX's Washington Court House - East Norwood Line, IORY also seeks local access trackage rights over the future NS Cincinnati (Sharonville) - Columbus (exact location not stated) line with connection rights (with IORY's existing line) at Springfield. This request would place additional (not less) IORY trains on the present Conrail Cincinnati Line.

IORY and its predecessors GTW and DTI have successfully employed these trackage rights since Conrail was formed in 1976. NS is also a trackage rights tenant on the present Conrail Cincinnati Line. The Springfield - Cincinnati portion of Conrail's Cincinnati Line will accommodate IORY's movements in the future in the same manner as today. The additional trains projected by NS, (IORY-4 at 5), equate to one train every 3.5 hours. The Cincinnati Line is equipped with sufficient sidings and/or second main track to handle this increase.

Today's NS trains, as well as those of Conrail and IORY, experience southbound congestion into Cincinnati and into CSX's Queensgate Yard. IORY-4 at 5 and Burkart VS at 4-5. This congestion will not change as a result of NS acquiring Conrail's line or by creation

of an "alternative route" due to East Norwood - Ivorydale - Winton Place - Queensgate Yard geography. Cincinnati is a city of hills. All north-south railroads operate through an "hour glass" between East Norwood/NA Tower/Winton Place to the north and RH Tower/Hopple Street to the south, a distance of approximately 3.5 miles. Conrail has no ownership south of NS Tower. CSX's East Norwood line and Conrail's Cincinnati line junction at NA Tower, the north end of the "hour glass", and southbound trains from either are subject to the same potential for delays. Entrance to the area of congestion, which affects the landlord as well as the tenant carriers, is owned by CSX. However, CSX's Operating Plan anticipates that trains in this area will experience less delay as part of the proposed Transaction due to the future availability of routing alternatives that do not include Cincinnati.)

Overall, IORY should not be affected by the Primary Transaction as the [[[
]]] IORY will
 experience no apparent change to local customers/traffic or to that of INOH, IOCR, CTER; IORY should experience no difference in its Springfield - Cincinnati operations as tenant on line owned by NS instead of Conrail.

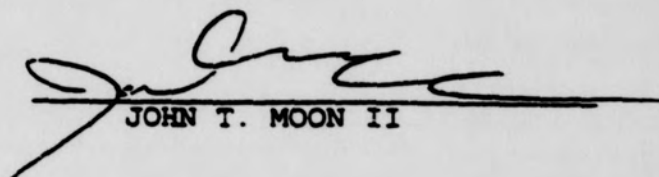
Additionally, IORY seeks local access trackage rights between Middletown and Monroe, OH over Conrail's branch line. This line junctions the Springfield-Cincinnati main line at Middletown. IORY alleges that increased traffic over the Conrail main line will further exacerbate the delivery delays to Reed Yard. IORY-6, Burkart VS at 6. IORY contends that the requested condition is necessary to reduce current transit times from Cincinnati to Reed Yard

by 4 to 5 days. IORY-4 at 6. This request should be denied. After the transaction, NS will simply step into the shoes of Conrail. There will be no increase in traffic on the Middletown to Monroe line, and IORY alleges none. Curiously, IORY alleges traffic increases on the Cincinnati to Springfield line to support its request for trackage rights on the Middletown to Monroe line. Simply put, IORY will not suffer any competitive harm. IORY's requested condition is not only an attempt to change a pre-existing condition that obviously displeases IORY, but also an attempt to gain access to AK Steel, an industry IORY does not serve today.

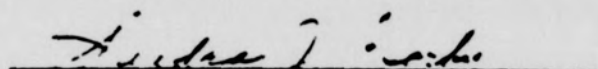
VERIFICATION

COMMONWEALTH OF VIRGINIA)
) SS:
CITY OF NORFOLK)

John T. Moon II, being duly sworn, deposes and says that he is Manager-Strategic Planning for Norfolk Southern Corporation, that he has read the foregoing verified statement, knows the facts asserted therein and that the same are true as stated.


JOHN T. MOON II

Subscribed and sworn to before me,
a Notary Public in and for the
State and City aforesaid, this
14 day of December, 1997.


NOTARY PUBLIC

My commission expires:

MARCH 31, 1998

[SEAL]

REBUTTAL VERIFIED STATEMENT
OF
THOMAS D. NEWHART

My name is Thomas D. Newhart. I am General Manager - Unit Train Service Group at Consolidated Rail Corporation. My office address is 2001 Market Street, Philadelphia, PA 19101. I have been employed by Conrail and its predecessor, Penn Central, for 23 years and have held various positions in the Operating Department over that time including Assistant Trainmaster, Trainmaster, Assistant Terminal Superintendent, Terminal Superintendent, Division Superintendent, Transportation Superintendent, General Superintendent, Director and, currently, General Manager.

In my current position I am responsible for all Unit Train operational and service issues for Conrail. I was asked to provide information on Conrail projects since 1995 that improved line capacity in Conrail lines supporting the former Monongahela Railway Company (MGA) service territory for coal.

The following is a list of the major projects that Conrail has embarked upon since 1995 that have affected capacity on the MGA lines:

(1) Installation of Traffic Controlled System (TCS) signaling and interlockings between Port Perry (CP Perry) and Waynesburg (CP Mon). This project commenced in 1995 and was completed in 1997. It cost approximately \$8.3 million. The former MGA property had a manual block signal system which was very inefficient for high density

traffic. Investing in TCS for this piece of track (and upgrading some Conrail track leading from the MGA as well) alone increased capacity by 25%.

(2) Upgrade bridges on East Branch of former MGA. This project, which was done entirely in 1997 at a cost of \$500,000, increased the weight limitation on bridges on the East Branch of the MGA lines to permit that line to handle cars weighing up to 286,000 lbs. gross weight on rail. This brought the East Branch up to industry standard for efficient coal moves.

(3) Construction of Shire Oaks Inspection/Staging/Repair Facility. The construction of Shire Oaks, a yard facility about 30 miles south of Pittsburgh, although not a part of MCA is also important. This project began in 1995 and will be completed in 1998 and will cost a total of \$37.5 million. The project included the construction of additional tracks for staging trains, a car shop, car scales, AEI reader equipment, and additional TCS signals. When complete, Shire Oaks will be "state of the art" staging, inspecting, sizing, and repair yard for coal hauling equipment. Although it is not complete, Shire Oaks has already been put to use since the added yard tracks, which were constructed first, were used immediately to stage empty trains for serving MGA mine customers. This has allowed Conrail to more efficiently dispatch the single track railroad south of Shire Oaks by being able to fleet trains at optimum time slots.

(4) Double Track Pittsburgh South Side. In 1996, Conrail double-tracked a 7-mile piece of railroad from CP Esplen to CP Beck. This track -- formerly single-tracked -- was used as the main track for coal heading north and west out of MGA territory. The project was completed entirely in 1996 at a cost of approximately \$15 million.

(5) Refund Projects. In 1996 and this year, Conrail agreed to assist two MGA customers to invest in efficiency-enhancing improvements -- one extended its siding to accommodate 130-car trains; the other improved its reclaim system. These projects cost a total of \$1 million. Of course, in addition to the particular projects that I describe above, in order to maintain the property in a condition to handle the volumes off of the MGA, Conrail performs annual routine maintenance and capital projects.

Some of the projects described above were, as stated, underway in 1995. Construction and rehabilitation work, of course, temporarily exacerbated the capacity problems on the MGA lines that the projects themselves were designed to correct since some of the work required a temporary suspension of operations to permit work crews to operate on the lines. Those problems have all been eliminated and now the MGA lines are high capacity and quite efficient.

VERIFICATION

I, Thomas D. Newhart, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement. Executed on December 9, 1997.

Thomas D. Newhart

**REBUTTAL VERIFIED STATEMENT
OF
JOHN W. ORRISON**

PUBLIC

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REBUTTAL VERIFIED STATEMENT

OF

JOHN W. ORRISON

INTRODUCTION

My name is John W. Orrison and I am Vice-President, Service Design for CSX Transportation, Inc., a position that I assumed in September 1997. Prior to that, and at the time that I developed the CSX Operating Plan that was submitted with the Primary Application in this proceeding, I was General Manager - Field Operations Development for CSX Transportation, Inc. I previously submitted three verified statements in this proceeding. The first two were submitted in support of the CSX Operating Plan (CSX/NS-20, Orrison VS at 1) and certain plans for the Chicago area. CSX/NS-9, Orrison VS at 454. My qualifications were set forth in the first statement. The third statement that I submitted was a joint statement with D. Michael Mohan in support of the North Jersey Shared Assets Area Operating Plan, which was submitted to the STB on October 29, 1997. CSX/NS-119, Orrison/Mohan VS at 2-13.

The purpose of this statement is to address comments and concerns raised by various parties that relate to the CSX Operating Plan and the North Jersey Shared Assets Area Operating Plan and to describe the impact that various proposals would have on CSX operations. Section I addresses the purpose of the CSX Operating Plan submitted to the Board and how it fits in with the on-going planning and preparations undertaken by CSX in anticipation of Day 1 -- i.e., the date on which CSX will begin operating the specific Conrail assets allocated to it. Section II explains why I believe that post-transaction CSX will deliver the service promised in the Operating Plan and will avoid the problems encountered by

UP/SP subsequent to their merger. Section III analyzes and critiques the specific inconsistent operating plans submitted by various parties in this proceeding, with a particular emphasis on the harmful impacts those plans would have on CSX proposed operations and consequently on CSX customers. Section IV addresses in a more general way, the effect the various types of requested conditions, individually or as a group, would have on CSX's Operating Plan. Section V addresses challenges to the CSX Operating Plan that are based on misunderstandings or distortions of information, including (a) concerns about CSX and NS ability to successfully provide efficient service in the Shared Assets Areas, including the MGA coal district, (b) concerns about CSX's plans to handle the maintenance on the increased plant and equipment with the proposed labor pool, and (c) concerns about the accommodation and coordination of freight and passenger service over the expanded CSX system. Section VI addresses comments on the NJSAA Operating Plan.

I. THE PURPOSE AND DEVELOPMENT OF THE CSX OPERATING PLAN

In the wake of recent UP difficulties, several parties have requested a more detailed Operating Plan than that submitted to the Board in the Primary Application. Shippers are concerned that CSX will not be able to meet their specific requirements and have requested details that would enable them to determine how their particular movements will be made. Others seek oversight conditions that would "guarantee" that the Operating Plan will be followed. Both types of comments reflect a misunderstanding of the way in

which an operating plan is developed and used, as well as a misunderstanding of the purposes of the Operating Plan submitted to the STB.

A. The Purpose of the Operating Plan Is To Develop the Most Efficient Way to Move a Defined Traffic Base over a Defined Network

An Operating Plan is basically a blue print for the efficient movement of projected volumes of commodities between specific origin/destination points over a defined network. At the highest level, the plan describes the major traffic flows and the major routes over which such traffic will be carried. Underpinning these flows and routes is a detailed analysis of the facilities, equipment and personnel that will be required to move traffic efficiently over those routes.

The Operating Plan coordinates data, projections and plans from all departments within the railroad, including marketing, service design, equipment, mechanical, finance, capital projects, personnel, safety and operating practices, train operations (intermodal, automotive, merchandise and bulk operations), field unit organizations, technology, communications, signalling, maintenance of way, and the like. Planners identify the total volume of traffic by traffic types (e.g., intermodal, automotive, general merchandise, and unit train) and by specific origin/destination pairs and determine the most efficient routes for that traffic. Field operations, engineering, maintenance, mechanical and equipment personnel evaluate the plan to assure that the routes chosen are feasible and that the facilities and equipment are capable of handling the projected traffic. Engineering and

operations personnel assess the capacity and condition of existing track and yard facilities and initiate plans for proposed upgrades, new construction, and other capital improvements. Car management and locomotive management personnel determine the optimal equipment (freight cars and locomotives) and develop efficient car and locomotive utilization plans. Mechanical department personnel review the equipment and repair shop requirements, and maintenance-of-way supervisors assess the requirements for maintaining the plant in optimal condition and develop a comprehensive maintenance-of-way schedule for the expanded system.

The Operating Plan is the culmination of all these inputs. It describes the operating goals of the company and the means of achieving them. Once the Plan is developed, details of individual customer requirements and daily operations are handled at the local level and are to be adapted as needed to meet changing market and customer demands.

CSX has produced a well thought-out and feasible Operating Plan that sets forth proposed traffic flows and primary routes across the expanded network, the primary yard activities, blocking strategies and proposed train schedules. Meanwhile, CSX continues to develop details of Day 1 plan operations so that implementation of the Plan will progress smoothly.

B. The Purpose of the CSX Operating Plan Submitted to the STB is to Describe Major Impacts of the Transaction over a Three-Year Period

The CSX Operating Plan submitted with the Primary Application was developed in accordance with STB regulations. The purpose of that submission is to describe major changes that would occur as a result of the transaction in traffic patterns (including changes over the line segments involved), in yard activities, in personnel and in operations, in order to allow the STB to assess the competitive impacts and public benefits of the Transaction. The Plan satisfies those requirements by demonstrating how CSX will operate the allocated Conrail assets and by describing the improved service and public benefits that will result from improved routes, reduced transit times and more efficient use of manpower and equipment.

Because CSX and NS both operate in the Shared Assets Areas (SAA's) through arrangements that are atypical of most post-acquisition arrangements, there have been questions about the details of proposed operations in the SAA's. In response to Decision No. 44 calling for additional details for the North Jersey Shared Assets Area (NJSAA), CSX and NS submitted a supplemental Operating Plan for the NJSAA. That plan describes the joint CSX and NS effort to date to coordinate the implementation of the CSX, NS and CSAO rail operations in the NJSAA. It provides train schedules that will be available on Day 1 to accommodate existing traffic. The plan includes a description of existing yard assignments serving local traffic that will be continued after the transaction.

The plan establishes the NORAC rules as the operating rules for the NJSAA and Mt. Laurel as the dispatching location. It also reflects the state of the ongoing negotiations with Amtrak and NJT concerning passenger/freight operations in the area at the time the supplemental plan was submitted. As noted in that submission, those negotiations are ongoing and the operational details still are evolving and will continue to do so, but the overall Operating Plan will remain the same.

C. The Imposition of Conditions that Substantially Change the Underlying Assumptions of CSX's Proposed Operations Will Negatively Impact the Feasibility and Undermine the Efficiencies Inherent in the Operating Plan and Thus Negatively Impact Customer Service

An operating plan is flexible enough to accommodate minor modifications in daily operations. However, significant changes to the fundamental underlying assumptions of the Operating Plan -- i.e., the traffic volumes that CSX expects to serve, the lines over which CSX expects to operate, the facilities and line capacity that CSX expects to have available -- would adversely affect and even jeopardize the Operating Plan. As described more fully below, many commentors and responsive applicants are seeking divestiture of properties, trackage rights or other rights to use CSX operated facilities that would, if taken together, completely distort the traffic base and network for which CSX planned its operations. Significant shifts in CSX's customer base that would result from granting such conditions would affect the traffic volumes, traffic patterns and even crew and equipment requirements. Extensive trackage rights over CSX mainlines would consume line capacity

and impede significantly CSX's control of the lines and thus its ability to deliver the improved service and transit times that underlie the benefits and efficiencies of the Operating Plan. Imposition of the requested conditions, in whole or part, would affect adversely the carefully planned efficiencies and service improvements of the Plan and thus severely erode the benefits of the transaction.

I would like next to address a position taken by a number of parties suggesting that the responsibility for performing certain of Conrail's existing rail transportation contracts not be allocated as contemplated by the CSX-NS Transaction Agreement, but that those contracts rather be "opened up," that is, rendered nonbinding, at least on the shipper, on or after the Control Date. In practice, this means that the volume of traffic that would be moving on each of the two systems, and the flows of that traffic, would not be known until close to the "Closing Date," the date when Conrail ceases to operate as a unitary system and its routes are divided and begin being operated by CSX and NS (except for the Shared Assets Areas). That date is popularly called, at least at CSX, the "implementation date" or "Day 1."

I want to urge the Board in the strongest terms possible not to take that approach. As I discuss in Section I.A., the Operating Plan is based on the most efficient way to move a defined traffic base over a defined network. It is essential that the operations planners for CSX and NS have a thorough grasp of the volume and the flows of traffic which they will each be called upon to transport once implementation of the division of Conrail's

assets begins. Throwing into question the responsibility for handling significant volumes of traffic on or about Day 1 will put our operations planning at serious risk.

As our Operating Plan demonstrates, CSX's various old and new routes will have the capacity to handle a certain volume of traffic on Day 1. This capacity is known and finite. The CSX Operating Plan has been designed to accommodate the projected traffic flows over routes which, following construction projects which we anticipate will be done by Day 1, will have sufficient capacity to handle the projected traffic. The CSX Operating Plan anticipates having a sufficient number of locomotives, cars and crews available to handle the traffic that we are projecting. Our projections are made on the basis of studies of Conrail's existing traffic movements and on the assumptions that were made in negotiations between CSX and NS of the allocation of the routes of Conrail and the respective values of the increases to our existing systems that the Conrail transaction could bring, which were involved in negotiating the allocation of the purchase price.

Any sudden, precipitous change in traffic flows would be detrimental -- possibly devastating -- to the successful implementation of the CSX Operating Plan. Over most line segments, an additional train or two a day could be accommodated and on a few line segments, particularly those CSX lines which are seeing reductions in train volume, the capacity for adjustment could be more substantial. However, traffic does not just move over line segments -- it moves over routes between origins and destinations. Any precipitous

change in traffic over any congested line segment creates a potential chokepoint. Forcing substantially more traffic than anticipated through that chokepoint could create difficulties.

Any large scale shift of traffic between CSX and NS resulting from the sudden reopening of Conrail's contracts could also put CSX (or NS for that matter) in a resource crunch under which one or the other might not have sufficient locomotives or other resources to accommodate the sudden change. Freight cars, because they tend to be commodity-specific, pose a particular challenge. If enough traffic were to swing from NS to CSX (or vice versa), one carrier would find itself without sufficient cars to meet the customers' needs while the other could be faced with underutilized resources. Note that the crunch would not just be felt by the shipper whose traffic had shifted, but by all shippers of that commodity on CSX and even all shippers in that car type.

The same holds true for crews. The Operating Plan has been designed to ensure that we have sufficient crews -- fully utilized, but not excessively burdened. CSX's Appendix A recognizes the possibility of potential unexpected shift in traffic and provides the needed flexibility if it becomes necessary to transfer train and engine crews from one location another to meet that need.

I am not suggesting that change cannot be accommodated or even that change is undesirable. Exactly the opposite is true. The key is ensuring that change in traffic flows occurs gradually rather than as a sudden cataclysmic shift. We deal with traffic gains and

losses constantly. We have never, however, had to accommodate the kind of change which could occur if all of Conrail's rail transportation contracts were opened to renegotiation with little or no time to adjust to the outcome. In the start-up phase of implementation, the challenge would be that much greater.

CSX, and I presume NS, will both effectively adjust over time as traffic flows change. We frequently add or take off trains today as necessary to accommodate our existing traffic. The thing the Board must guard against is taking any step which could cause such a radical change that either CSX or NS would be unable to plan for and accommodate the shift. We assume that the Conrail contracts, like contracts at CSX, were made at different times and cover varying periods of time, and accordingly will terminate at various times. Well before each individual termination, there will undoubtedly be a bidding process on those contracts that are able to be handled by either CSX or NS in an efficient manner, and the results of those processes should be known in advance of the time of the change, if a change of carrier is the result of the bidding.

A gradual change process, as traffic patterns change and as rebidding of contracts as they expire seriatim reflects a change of carrier, is a process which the railroads can accommodate. An upset of a tremendous number of contracts of a major railroad is something quite different. The only time the Board or the ICC has done anything remotely like it is the UP/SP case, and that was very different from the action urged by these shippers and organizations here. The purpose of opening up contracts in UP/SP was to give BNSF an

opportunity to obtain significant traffic volumes to support train operators under the trackage rights granted. Without those volumes, there was a real question whether BNSF could economically operate the services that were necessary to provide the competitive "fix." What is asked for here by these parties dwarfs the Board's action in the UP/SP case, where only 50% of those contracts of SP that were associated with the trackage rights given BNSF, were opened up. Since those openings by definition involved potential operations by BNSF on the same routes on which the combined UP/SP would have operated, a number of the difficulties I have discussed were not present. The contracts of SP on routes where no trackage rights were to be awarded (because no alternative rail option was being eliminated by the merger) were not opened up at all. But such a shift of performance from one route to another, involving a sudden shift in traffic patterns and flows, is what those contending for the disallowance of the Transaction Agreement's provision as to Conrail contracts would bring about and it would be brought about throughout the entirety of Conrail's routes, wherever competitive operations were possible. It would not be done for the purpose of making remedial trackage rights "work".

Both CSX and NS are actively and painstakingly planning for implementation. We need to know what traffic base we will be called upon to accommodate. Any action which allows shippers to shift traffic prior to the agreed-upon termination of their existing transportation contracts would not only jeopardize our ability to accomplish a smooth transition and subsequent smooth operations, but would also jeopardize the carefully planned traffic plans and operational efficiencies that underlie the public benefits of the transaction.

II. CSX WILL BE ABLE TO AVOID THE PROBLEMS ENCOUNTERED BY UP IN THE UP/SP MERGER AND THUS WILL BE ABLE TO DELIVER THE BENEFITS PROMISED BECAUSE CSX HAS INCORPORATED LESSONS LEARNED FROM THE UP/SP MERGER INTO ITS PLANNING PROCESSES

If the fundamental assumptions of the CSX Operating Plan are not altered by conditions imposed upon the transaction, CSX will be able to deliver the service benefits set forth in the Operating Plan without falling into the problems encountered by western carriers. As described in my first verified statement (CSX/NS-20, Vol. 3A, Orrison VS at 34-38) the CSX Operating Plan was the result of the concerted effort of more than 100 CSX individuals who served on teams dedicated to assessing all aspects of the proposed rail operations. In addition, CSX had the benefit of the experience and expertise of current and former Conrail employees who dedicated many hours to the project, providing valuable information and assisting in the Plan's development. As a result of those efforts, the CSX Operating Plan is well thought out and feasible, has taken into consideration all aspects of the operation, and is properly designed to provide the benefits outlined in the Plan.

I am aware that certain parties in this proceeding have expressed skepticism of CSX's ability to deliver the promised benefits. Their concerns stem from fears that the CSX/NS acquisition of Conrail will generate the same problems as the UP/SP merger transaction and will result in the gridlock and deterioration of service experienced in the west. Some of the reasons why those fears are unwarranted have been addressed in the NJSAA Operating Plan (CSX/NS-119 at 11-13, 137-140), the Safety Integration Plan

STB

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submitted December 3, 1997, various presentations made by CSX executive officers, and in the Rebuttal Verified Statement of James D. McClellan submitted with this filing.

There are three primary reasons that CSX will be able to implement its Operating Plan successfully. First, CSX and NS do not have the same obstacles to overcome as UP. Unlike the UP/SP merger, CSX and NS are not taking charge of a deteriorated physical plant or assuming the operations of a financially weak entity. This transaction involves three strong, viable, operationally and financially sound carriers. All three carriers have adequate facilities to handle existing traffic. Unlike SP, Conrail has long been committed to making the capital improvements required to expand service and meet the challenges of the market place. Its car fleet is well maintained. Its locomotive fleet is modern, well maintained and adequate to meet the demands placed on it. Unlike the UP, CSX and NS are not attempting to gain benefits through rationalization of facilities. To the contrary, both CSX and NS are seeking growth opportunities. Rather than abandoning lines and facilities, both carriers are investing heavily to expand the capacity of their lines by upgrading existing service routes, and increasing rather than decreasing yard capacity and facilities. Therefore, there is no question that after the transaction is approved CSX (and I believe NS) will have adequate facilities to serve all traffic.

Second, CSX has made a tremendous effort to monitor the problems in the West and to incorporate the lessons learned into its Conrail integration-planning process. CSX has involved as many employees as possible from both CSX and Conrail in planning for

implementation on the theory that operations will go much more smoothly if the "doers" are also the "planners." CSX's Day One Integration Team has made a realistic assessment of what can be done by Day 1 and has planned accordingly. All equipment, communications systems, and computer systems that must be in place on Day 1 will be fully tested and operable prior to Day 1. CSX will have a sufficient number of operating and training personnel available to ensure a smooth transition.

Third, CSX intends to retain a substantial number of Conrail personnel, including almost all the field positions as well as management personnel to ensure a smooth transition. We respect the skill, expertise and professionalism of Conrail's management at every level and intend to use their abilities to the utmost. CSX intends to establish a command center of both CSX and Conrail operating managers who will be able to react immediately to any problems that arise and to implement changes needed to resolve those problems and ensure that traffic moves consistently and efficiently.

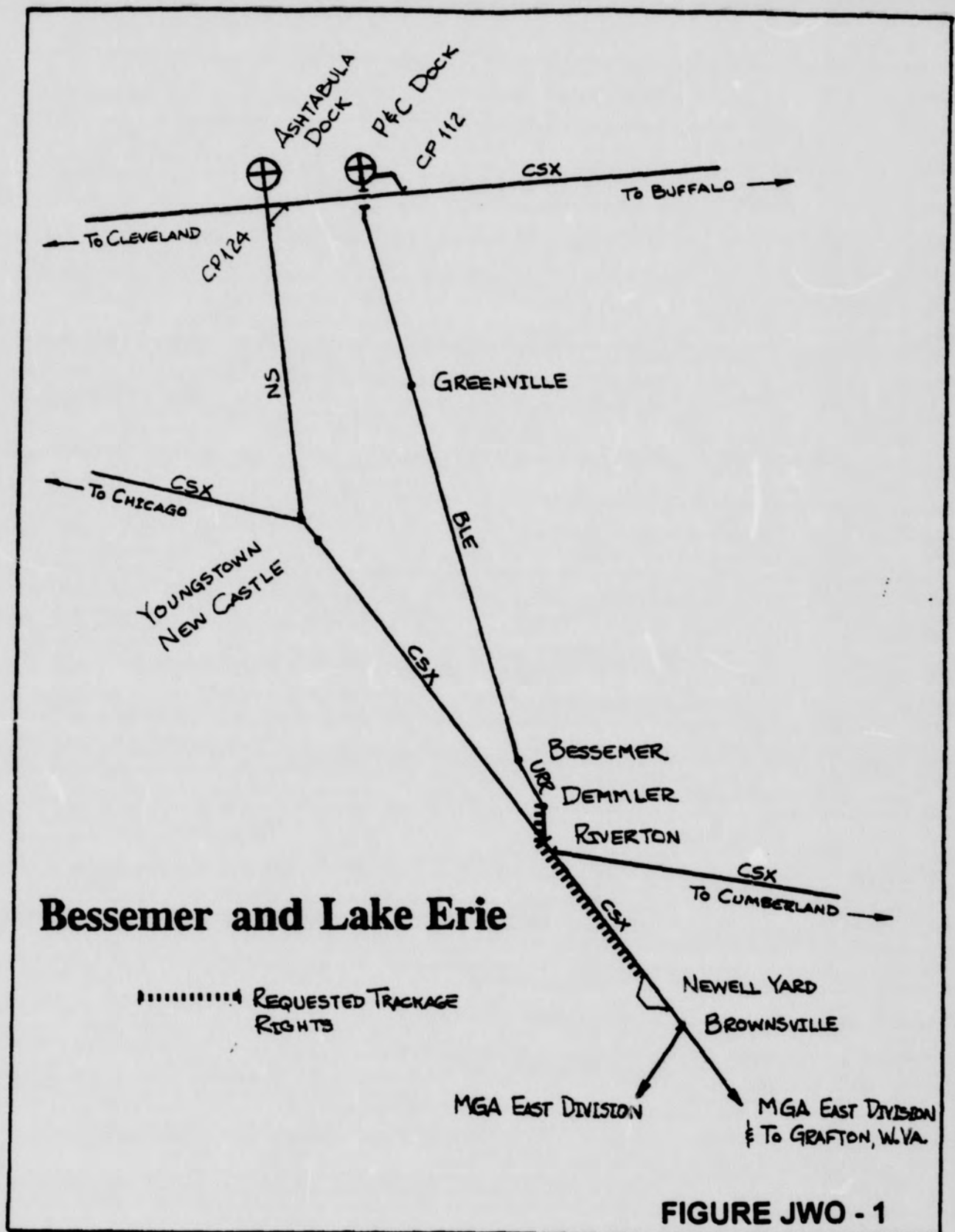
The UP experience has provided CSX with insight into the magnitude of the tasks involved in integrating large-scale rail operations and has impressed upon CSX a sense of caution. We respect the UP as one of the prominent Class I railroads in North America. We recognize that we must take into account all details and tasks required to progress Day 1 operations so as to avoid the types of integration problems recently experienced by UP.

III. THE RESPONSIVE/INCONSISTENT OPERATING PLANS SUBMITTED TO THE STB ARE NOT FEASIBLE AND/OR WOULD NEGATIVELY IMPACT CSX OPERATIONS AND UNDERMINE THE OPERATIONAL BENEFITS OF THE TRANSACTION TO THE DETRIMENT OF CUSTOMERS

Several parties to this proceeding have filed responsive applications and inconsistent operating plans in support of their requests for trackage rights or other conditions. I have analyzed each of the following proposals as they affect operations and have determined that they are either infeasible or that they would negatively impact the proposed CSX operation in a way that would undermine the benefits of the CSX Operating Plan. Below is a review of the operational impact of each such plan.

A. Bessemer and Lake Erie Railroad Company (BLE)

BLE requests haulage and limited overhead trackage rights that would enable BLE (through its affiliate The Union Railroad Company ("URR")) to move MGA-origin coal from NS or CSX to P&C Dock at Conneaut, OH. BLE-7 at 4. Specifically, BLE is asking for either trackage rights over Conrail's Mon Line between the connection with BLE (URR) at Duquesne, PA and Conrail's Shire Oaks Yard in Shire Oaks, PA, approximately 14 miles of Conrail line to be allocated to NS; or, alternatively, over CSX's line between the connection with BLE (URR) at Bessemer, PA and CSX's Newell Interchange Yard near Brownsville, PA, a distance of approximately 40 miles. Id. at 8. See Figure JWO-1.



BLE is a Class II rail carrier that owns and operates approximately 150 route miles of rail line between North Bessemer, PA and Conneaut, OH on Lake Erie. It primarily handles bulk commodities such as coal and iron ore and much of its traffic is transloaded to or from lake vessels at P&C Dock, a rail/water dock facility on Lake Erie at Conneaut. Id. at 5.

BLE currently interchanges with CSX to move B&O-origin coal to the P&C Dock and proposes to offer service to the P&C Dock for MGA-origin coal as well. BLE anticipates handling 2 million tons of MGA coal and operating four trains per week over the requested trackage rights. Id. at 43-44. BLE also is asking the Board to impose a condition requiring NS and CSX to establish "competitive interline routings" for movement of MGA coal via BLE to the P&C Dock. Id. at 11. BLE justifies its request on grounds that (1) once CSX has single-line access to the Ashtabula coal facilities, it would no longer have an incentive to continue joint-line moves to P&C, even though the Ashtabula Coal Facility is "overburdened;" (2) the P&C Dock is superior to the Ashtabula facility and therefore CSX and NS should be required to provide joint-line service to the dock to offer a competitive option to utilities preferring service from P&C; and (3) that CSX will not be a strong competitor in the MGA because NS will control the Ashtabula-Youngstown Line and the Ashtabula Docks. Id. at 11-17.

BLE asserts that its presence would improve overall transit time for MGA-origin coal traffic and promote improved car utilization. Id., Ex. 15, Operating Plan at 044-

45. The proposed movement from BLE to URR to CSX at Bessemer is not an efficient connection. These trains would move over the URR from Bessemer to Demmler; from Demmler they would move across the Port Perry Lead to Dexter Yard, through crossovers and a controlled siding to reach the CSX mainline at Riverton. See Figure JWO-2. The movement through Demmler Yard would impact switching operations and the road trains originating and working at Demmler, resulting in congestion and delay to CSX, BLE and URR.

There is no location to stage these trains short of Newell Yard. CSX's Operating Plan calls for the ability to control movements to Newell Yard by using New Castle, PA and Cumberland, MD as car inspection points and staging points to provide buffers and carefully manage the movement into Newell Yard. Trains coming from BLE would be beyond these managed flow points when entering CSX's track and would create congestion, inefficiencies, and could result in delaying train arrivals at the MGA mines. The Demmler-URR route is available today to CSX and BLE to provide service to Conneaut. The two railroads instead have opted to use the route via New Castle, PA involving a third carrier (B&P).

Indeed, the addition of BLE onto CSX (or NS) lines used for movement of coal to and from MGA mines would be problematic. See Figure JWO-3. Two carriers (CSX and NS) will require close coordination of activities to ensure a smooth and fluid operation in this territory. A third carrier would make the coordination that much more

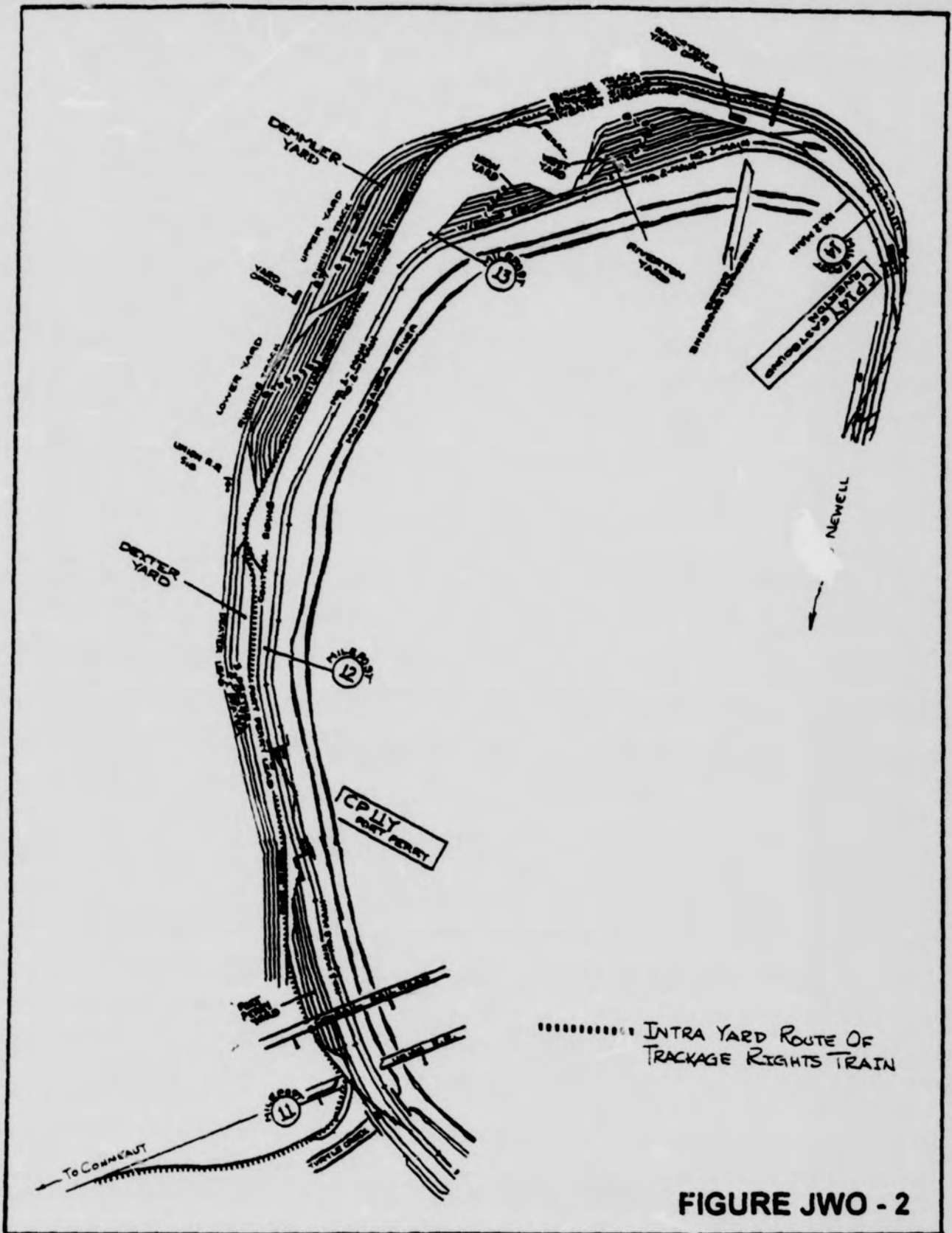


FIGURE JWO - 2

difficult. Unlike CSX and NS, the third carrier in this case only would add to the complexity -- BLE does not bring any additional physical facilities to offset the added complexity of communication, operations and coordination. BLE would not have its own staging capabilities within "striking" range of the mines and would depend solely on trackage rights access.

BLE's request is primarily an attempt to promote use of the P&C Dock under the guise of offering shippers a competitive choice over the Ashtabula Dock, which BLE asserts is overburdened.

Although the Conneaut facility is larger than Ashtabula, it is a less efficient operation for movement of coal to the rotary dumper. The movement of coal trains to the rotary dumper on "top of the hill" requires multiple switching movements to transfer the train to the dumper.

In addition, BLE's route to Conneaut is less efficient than the Conrail route to Ashtabula. The grades and curvature on the BLE route require more motive power than the Youngstown-Ashtabula line. Therefore, Ashtabula is the preferred facility for handling coal from the MGA area to the lakes.

During 1997, Conrail has taken a number of trains to NS' Sandusky Dock and a few to CSX's Toledo Dock. I am told that Conrail attempted to work with BLE to move this coal to Conneaut via one of two interchanges -- Bessemer or Shenango, PA -- but the

economics for the rail movement and dock charges made the move to Sandusky more economical. However, if lake coal movements continue to grow such that use of the P&C Dock would make economic sense, the parties could, and would, negotiate such arrangements without the STB's intervention.

B. Canadian National Railway Company (CN)

CN requests trackage rights over 1.5 miles of Conrail's Detroit Line (the northbound mainline) between "approximately Milepost 16.5 and Milepost 18.0" at Trenton, MI for the purpose of serving Detroit Edison's Trenton Channel Power Plant, which is a point within the Detroit Shared Assets Area. CN-13 at 5. CN operates a line in close proximity to the Trenton Channel Dumper, which it proposes to use to provide direct service to the dumper by building a short connection to Conrail and operating over 1.5 miles of Conrail track. *Id.* at 9. CN's Operating Plan briefly describes its proposed operation, and claims that its route would provide Detroit Edison (DE) with more "competitive service" to NS' post-transaction route than would CSX. CN-13, Heller VS at 3.

CN ignores the fact that the Transaction already creates new competition for the Trenton plant, which currently is served solely by Conrail. After the transaction, both CSX and NS will be able to serve the Trenton Plant. Conrail currently brings coal trains to the Trenton Channel Plant through Toledo and north over its Detroit Line. NS will be obtaining use of that portion of the Detroit Line extending from Toledo to the southern

terminus of the Detroit Shared Assets Area just south of Trenton and thus the post-transaction NS route to the Trenton Channel Plant would replicate the existing Conrail route from Toledo.

CSX also will have a route to the plant. CSX will move the traffic north from Toledo on its existing line to Carlton, MI, where it will connect with Conrail's Lincoln Secondary Branch which will become part of the Detroit Shared Assets Area. From Carlton, CSX will bring the traffic over the Lincoln Secondary to Ecorse Jct. and then turn south on the Conrail Detroit Line to the Trenton Plant.

CN claims that CSX's route is non-competitive with the NS route because:

(1) CSX's single-line is more circuitous (resulting in higher car costs), (2) it approaches the dumper from the wrong direction, and (3) it would encounter congestion coming off the Lincoln Secondary onto the Detroit Line. CN-13, Heller VS at 3-4. CN proposes as a competitive alternative, a joint-line CSX-CN route along CN's Shore Line subdivision, which runs parallel to the Conrail line to be operated by NS. Id. at 7.

A 16 mile¹ difference in routings does not increase costs enough to render a movement non-competitive, unless the difference would result in the need for a crew change,

¹ CN alleges that its route would be 18 miles shorter than the CSX single line route, but its estimate is based on a error in the mileposts cited in its filing. Milepost 16.5 would be beyond the Trenton Dumper. A more reasonable positioning for the sought trackage rights would be between Milepost 18 and 19.5, which would make the CSX/CN route 16 miles shorter than CSX's single-line route.

which is not the case. The 70-mile movement from Toledo via Carlton allows ample time to complete the movement and return the power to Rougemere Yard within the hours of service limits for a single crew. Moreover, any additional car costs associated with the slightly longer movement are minimized. As for encountering congestion on the Detroit Line, after the transaction the Toledo-Detroit corridor will have less trains than it has today. Currently, 80% of the Conrail traffic uses the Toledo-Detroit Corridor. After the transaction, Conrail traffic will be split between CSX and NS and will flow to and from Toledo, Carlton, Ft. Wayne, and Elkhart.

Approaching the dumper from the north is only slightly more cumbersome than the current procedure and well within standard operating practices. Today, 105-car coal trains pull up on track 2 on the northbound track of the Conrail mainline and pull 30 cars or more into one of the three available yard tracks in the Edison Plant. The locomotive then goes back and pulls the remainder of the train off the mainline through the escape track and places it into the two remaining yard tracks. The locomotive goes out the other end onto the southbound main and travels against the current of traffic back up to River Rouge, which is nine miles away. The empty move leaves via the southbound main track to Toledo. The train is doubled out of the yard through the escape track, blocking the mainline only temporarily while preparing for departure.

Placing the train from the north, as the CSX move would require, could be done in either of two ways. First, the train could shove in off of the southbound mainline

through the escape track and into the yard. Second, it could come down the northbound track against the current of traffic and shove the train off into the yard. (This would require installing a yard track switch at the south end of track 3). The reverse operation would involve shoving the train south onto track 2 main track, before proceeding north. None of these procedures is unduly complex, unsafe or beyond standard operating practices. Thus, neither the additional mileage nor the operation at the dumper renders the CSX route non-competitive. See Figures JWO-4 and JWO-5.

**C. Elgin, Joliet and Eastern Railway Company, Transtar, Inc. (EJE)
and I&M Rail Link, Inc. LLC (IMRL)**

EJE and IMRL (together referred to as EJE) request as a condition to the Primary Transaction that they be authorized to acquire Conrail's 51% stock ownership in the Indiana Harbor Belt Railroad Company (IHB). IHB is one of three switch carriers in the Chicago area. EJE and IMRL propose to purchase and divide Conrail's 51% ownership giving each carrier a 25.5% interest in IHB.

EJE is a Class II common carrier by rail, operating over approximately 160² miles of rail lines in Illinois and Indiana. EJE's mainline forms a semi-circle around the City of Chicago, roughly 30-35 miles from the center of the city. The mainline starts in Waukegan, IL and then stretches southward to Barrington, Elgin, Joliet, then east to Chicago Heights, IL and Griffith and Gary, IN. The main yard facility is Kirk Yard in Gary,

² See The Official Railway Guide, July/August 1997 at C-113.

Canadian National

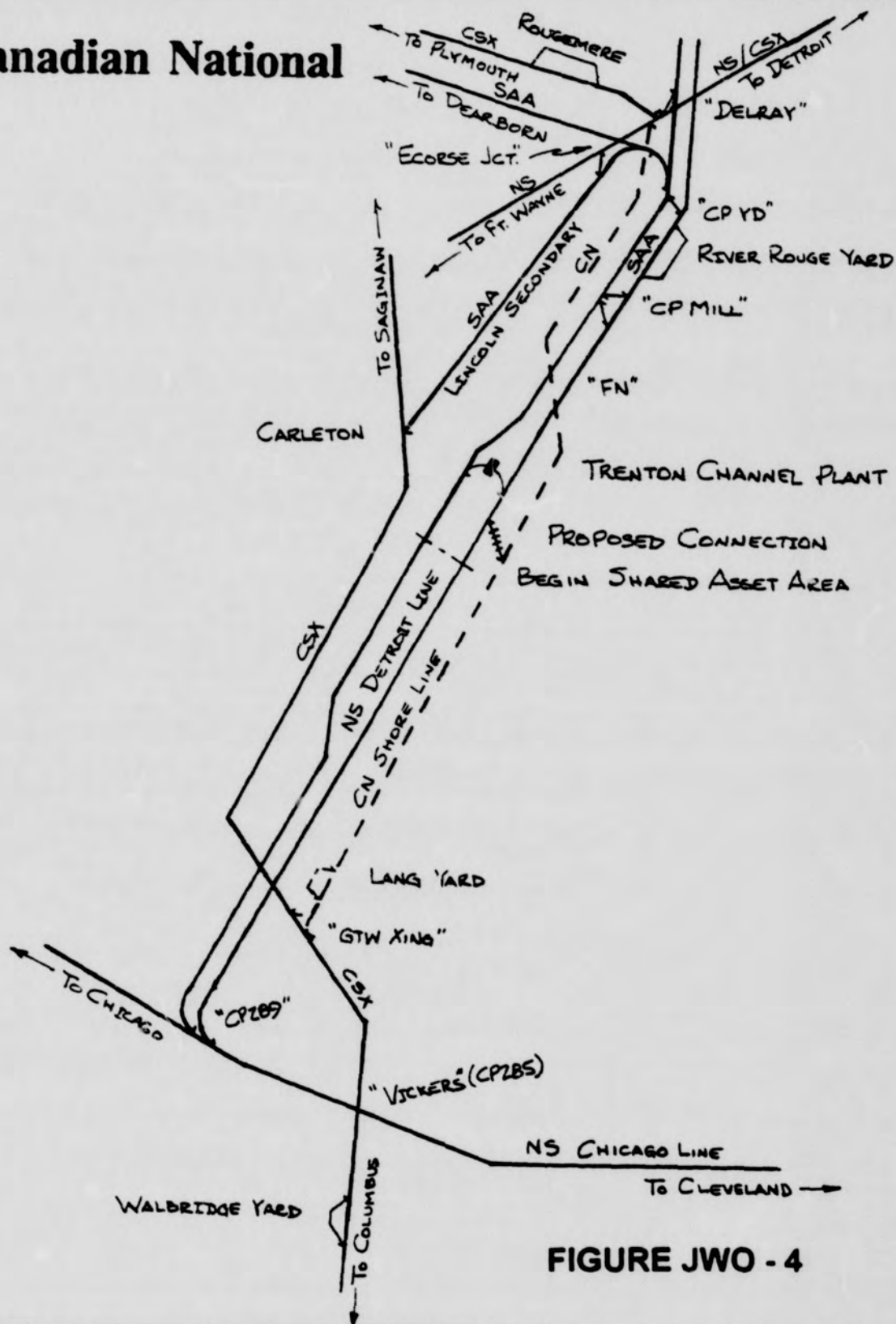
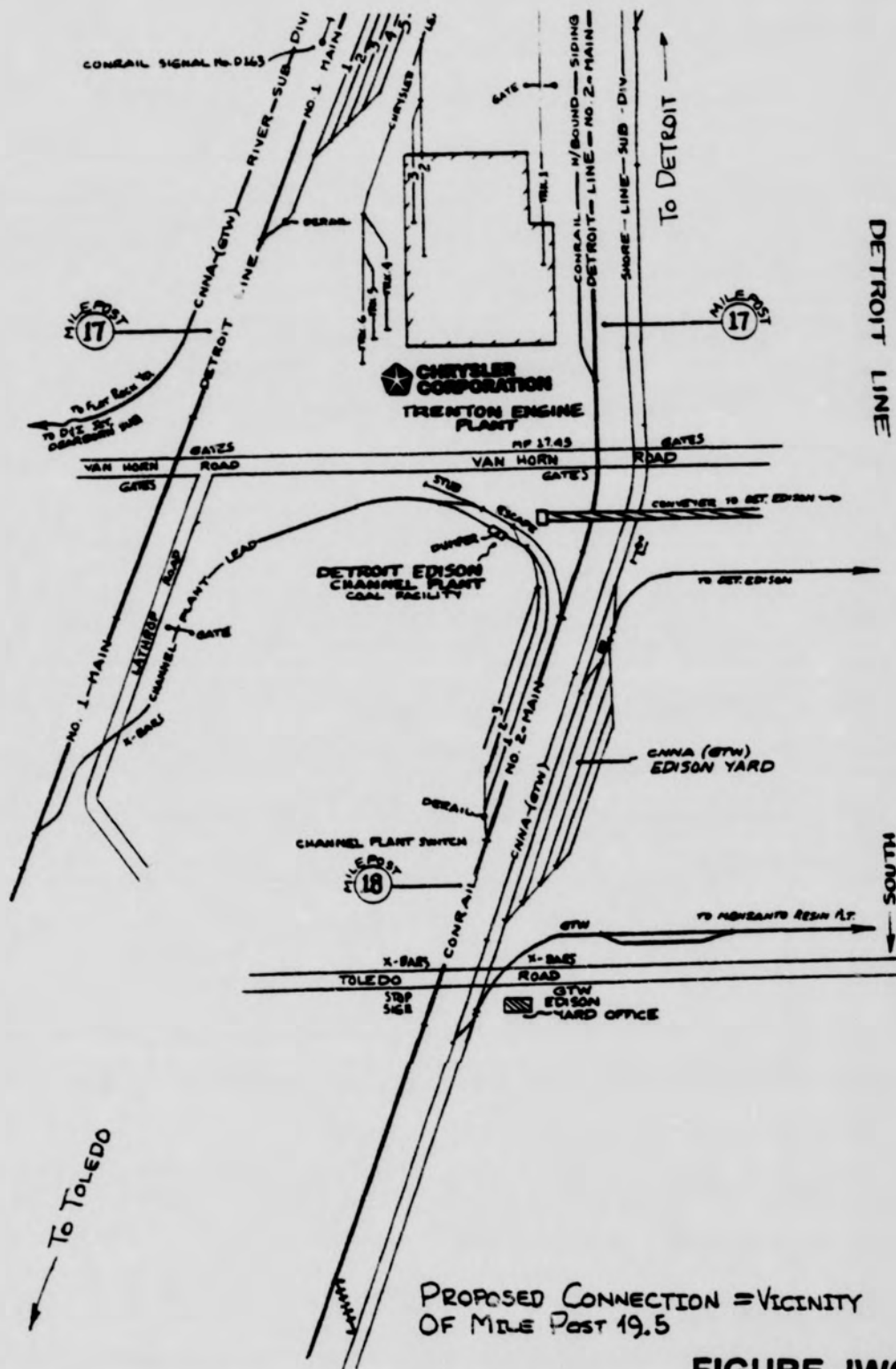


FIGURE JWO - 4



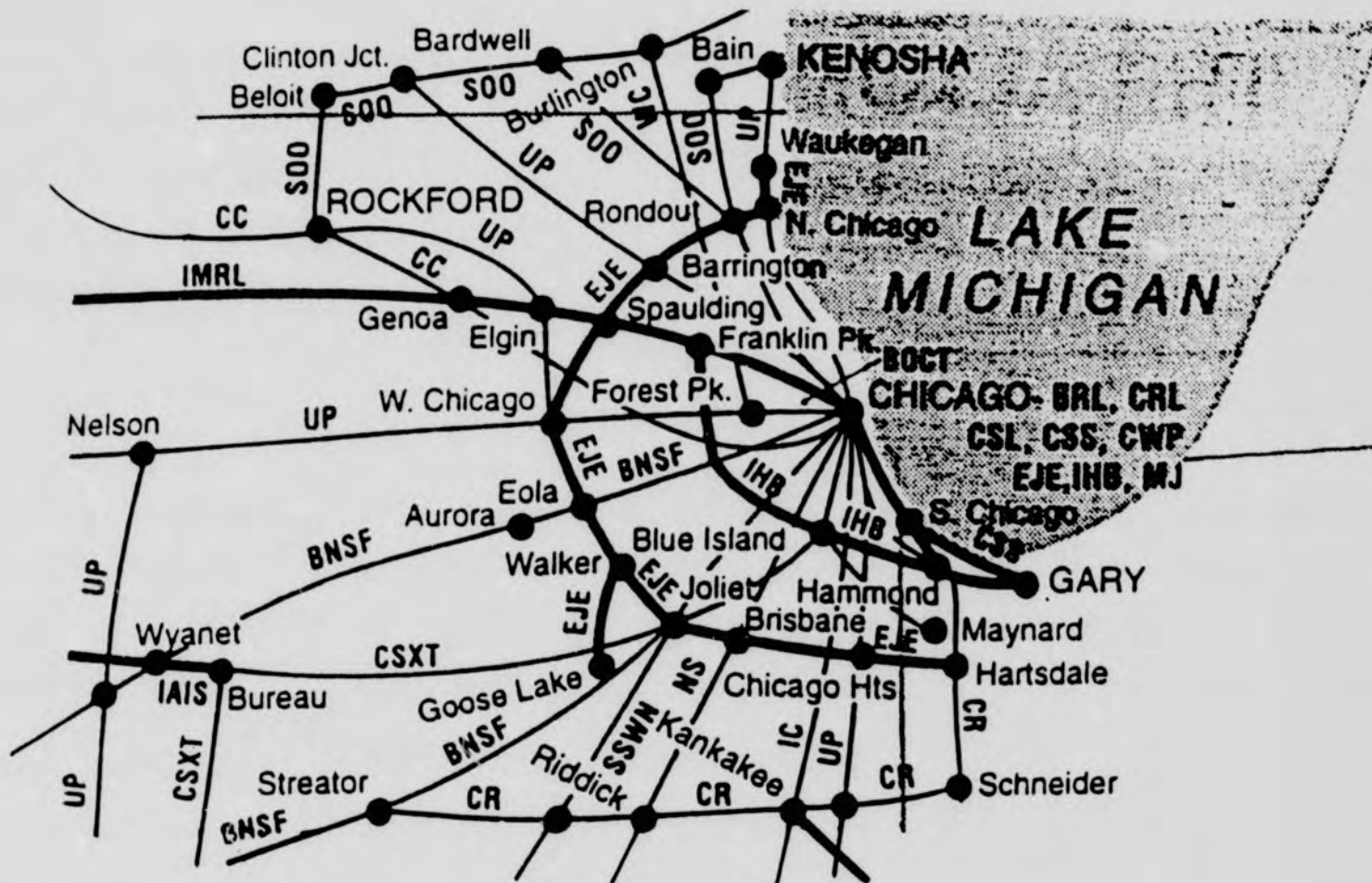
Indiana. EJE also has a large yard in Joliet and several smaller yards throughout the system. EJE-10, Danzl VS at 38. See Figure JWO-6. EJE claims that because its mainline is located far from the congestion of downtown yards, it is able to serve as an effective bypass around the city. Id. It further claims, without support, that utilizing its line significantly improves transit times by eliminating routings through CN and UP's marshalling yards.

IMRL is a Class II rail carrier operating approximately 1,386 miles of railroad and railroad trackage rights from Minneapolis/St. Paul, MN to Kansas City, KS and Chicago, IL. IMRL began operations in 1997.

EJE and IMRL apparently seek to control IHB but offer essentially no plan on how they would operate it. EJE's Operating Plan at Exhibit 15 consists of one page that states simply that EJE and IMRL intend to continue existing operations on the IHB, providing switching services for on-line shippers and connecting carriers. EJE-10, Operating Plan at 35. Mr. Danzl's statement supporting the Operating Plan sheds no light on EJE's knowledge of existing IHB operations, nor does it explain how such operations would be in any way superior to IHB operations under the ownership proposed in the transaction. Indeed, there is no operating information at all in EJE's application.

This dearth of information on how operations under their control would differ from existing operations makes it difficult to assess the impact of such operations on CSX's

FIGURE JWO - 6



Elgin, Joliet and Eastern Railway

Operating Plan. However, if their proposed operations incorporate rerouting traffic or constraining CSX's use of the IHB's Blue Island Yard, that would create significant difficulties for CSX. CSX has discussed its plans with IHB and IHB has agreed to use Blue Island Yard as an eastbound and southbound classification facility for a significant amount of CSX interchange traffic that cannot move overhead in through trains from or to western carriers and that is an important feature of CSX's Operating Plan. See CSX/NS-20, Vol. 3A at 186-87.

Any attempt by EJE to force CSX traffic to move over the EJE bypass route around the city would severely disrupt traffic patterns and blocking strategies, and jeopardize efficient interchanges. For example, for CSX to use EJE to interchange with BNSF at Willow Springs, the EJE route would be 24.4 miles longer than the IHB route and would require EJE to construct a connection at Curtis and Joliet. Interchange with BNSF at Cicero would be 53.3 miles longer and require a connection at Curtis and Eola.

Moreover, using the EJE route for this interchange with BNSF would sabotage the CSX blocking strategies. The EJE route would not allow trains to move efficiently through the Chicago area to set off and pick up blocks in an orderly progression without backtracking. Similarly, for CSX to interchange with UP at Proviso, the EJE route would be 37 miles longer and a connection at Geneva and Curtis would be required to operate to either UP's Proviso or North Platte yard. The UP recently attempted to construct a connection at Geneva but failed because of residential opposition. For CSX to interchange with BRC at

Clearing Yard, the EJE route is 51.8 miles longer and would require a connection at J Tower and Eola. As CSX intends to operate interdivisional crews from Willard, OH to Chicago including points at Barr Yard, 59th St., Blue Island Yard, BRC's Clearing Yard, Bedford Park, BNSF's Cicero Yard and UP's Proviso Yard, any additional mileage would require that these trains be recrewed enroute, severely impacting CSX's cost in labor and locomotive and car utilization and would undermine the benefits associated with the Transaction.

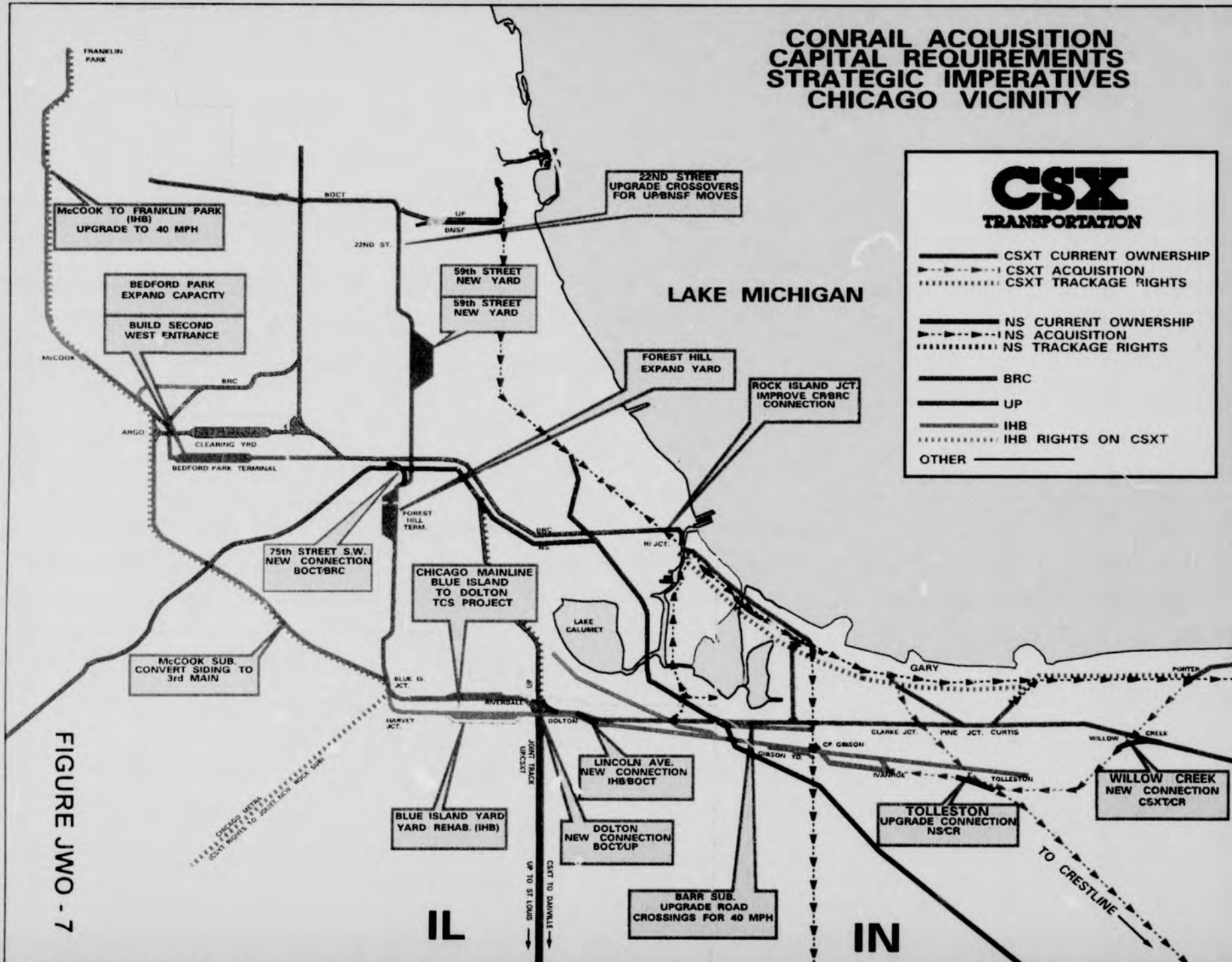
Conspicuously absent from EJE's submission, however, is any discussion of these or any other capital improvements that EJE and IMRL would make to improve service and capacity in the Chicago area. EJE and IMRL have submitted no evidence of any plans for improvements, or even of their financial ability to consider any such improvements. Without a commitment to improving IHB facilities, EJE and IMRL's ownership and control of IHB, would impede rather than improve traffic flows in Chicago. In contrast, CSX is investing heavily in capital improvements for Chicago. The proposed projects include a project to rehabilitate IHB's Blue Island Yard and a project to signal the mainline between Blue Island and Dolton. See Figure JWO-7. (Chicago Map of Projects). These improvements, together with other CSX proposed investments, will improve the flow of traffic in and through Chicago by providing alternate routes to the majority of the facilities and destinations in and through Chicago. The CSX investments will benefit all users in the Chicago area. The EJE and IMRL's failure to consider and commit to the improvements necessary to support growth opportunities would undermine the proposed efficiencies in Chicago operations that are critical to the CSX and NS Operating Plans.

CONRAIL ACQUISITION CAPITAL REQUIREMENTS STRATEGIC IMPERATIVES CHICAGO VICINITY

CSX
TRANSPORTATION

- CSXT CURRENT OWNERSHIP
- - - - - CSXT ACQUISITION
- ~~~~~ CSXT TRACKAGE RIGHTS
- NS CURRENT OWNERSHIP
- - - - - NS ACQUISITION
- ~~~~~ NS TRACKAGE RIGHTS
- BRC
- UP
- IHB
- ~~~~~ IHB RIGHTS ON CSXT
- OTHER ————

LAKE MICHIGAN



D. Four Cities Consortium (FCC)

The Cities of East Chicago, Hammond, Gary and Whiting, IN (the Four Cities Consortium or FCC) request a condition that would require CSX and NS to amend their respective Operating Plans insofar as they involve the movement of freight traffic across northwest Indiana to incorporate the Four Cities' Alternative Routing Plan. FCC-9 at 4.

The Four Cities are located in northwestern Indiana near Chicago, IL, and as they acknowledge in their responsive application, are situated in a strategic geographic location for east-west through traffic moving between Chicago and eastern points such as Detroit, Cleveland, Pittsburgh, Buffalo and the East Coast. Id. at 10. The area is heavily industrialized, and serves as a railroad corridor for Conrail, CSX and NS and several regional and local rail carriers. Id. Over the years area employers benefitted greatly from the rail service provided to the area and railroads continue to be a principal means used by local industries to transport raw and finished materials. Id.

Significantly, the Four Cities do not deny that there will be public benefits flowing from the transaction, but express concern about the localized impact of the increased number of trains moving over line segments that traverse their communities. Their concerns primarily focus on issues of safety, vehicular and pedestrian traffic delays at grade crossings, and other environmental effects that are properly addressed in the environmental analysis being conducted by the Board's Section of Environmental Analysis.

However, one aspect of their responsive application directly affects CSX's Operating Plan and must be addressed here. The Four Cities propose a plan for rerouting traffic in the northwestern Indiana area that would change the flow of rail traffic through the Four Cities area to and from Chicago. This plan if forced upon CSX by the Board would severely undermine CSX's ability to conduct operations to, from and in Chicago. The stated justification for imposing the proposed plan is to reduce vehicular delays that allegedly will result from the transaction.

The FCC's proposal was reviewed and analyzed by consultants from the Vanness Brackenridge Group and their analysis and conclusions are set forth fully in the joint verified statement of James C. Rooney and T. Stephen O'Connor. They concluded that the FCC grossly overstated any harm from the CSX Operating Plan and, in any event, did nothing more than shift the burden of alleged harms away from the Four Cities' own backyards to those of other communities in the Chicago area. They further concluded that the FCC's Alternative Routing Plan was not commercially or operationally feasible. I discuss the negative impact of the FCC's Alternative Routing Plan on CSX's Operating Plan in Section IV.A.2 of this Statement.

FCC suggests that its plan would be more economical because it would save CSX the cost of reactivating the Hobart to Clarke Junction segment, but FCC ignores the real costs that would be associated with its proposal. In fact, FCC's investment program is

materially inadequate to support its proposal, as discussed more fully in both the Statement of Messrs. Rooney and O'Connor and in Section IV.A.2 of this Statement.

E. Illinois Central Railroad (IC)

IC seeks to acquire a 1.8 mile portion of CSX's mainline between Leewood and Aulon in Memphis, TN (the "Leewood-Aulon line"). IC-5 at 7. "Upon its acquisition . . . , IC would grant back trackage rights to CSXT over the line on terms and conditions substantially similar to those governing IC's existing trackage rights on the line." Id. at 7. Thus, IC maintains that if its conditions are approved, "[t]here would be no change in the existing allocation or structure of local service on the Leewood-Aulon line." IC-6, McPherson VS at 19.

The CSX Leewood-Aulon line is a CTC signaled double-track mainline extending from approximately CSX milepost F-371.4 at Leewood to CSX milepost F-373.4 at Aulon. Id. at 7. IC operates over the Leewood-Aulon line pursuant to trackage rights granted in a January 22, 1907 agreement between IC, The Yazoo and Mississippi Valley Railroad Company (Yazoo), Louisville and Nashville Railroad Company (L&N), and Nashville, Chattanooga and St. Louis Railway Company (NC&STL). The Yazoo was an IC predecessor; L&N and NC&STL were both predecessors of CSX. The 1907 agreement has been amended several times, mostly with respect to the provision of switching service to industries on the Leewood-Aulon line and other lines covered by the agreement, but its basic

terms continue to govern IC's trackage rights. Under the 1907 agreement, CSX dispatches all movements on the Leewood-Aulon segment, as it does on the rest of its Memphis-Cincinnati mainline. UP, which connects with CSX at Memphis, also has rights to use the Leewood-Aulon line.

Since late 1996, the line has been dispatched by CSX through CSX's Traffic Control System in Jacksonville. It connects at Leewood with IC-owned trackage extending north to Woodstock, and at Aulon with IC-owned trackage extending south of the southwest Junction and the entrance to the IC's Johnston Yard. IC-5 at 24

IC maintains that it should be granted ownership of the track because (1) it is the "primary user" of the track, and (2) under CSX control the track has become a "chokepoint" in IC's operation. IC's argument ignores the track's history and its importance to CSX. The Leewood-Aulon track always has been an integral part of CSX's east-west mainline through Memphis, from the Mississippi River to Nashville and Cincinnati. CSX's predecessors constructed the mainline from the Mississippi River to Cincinnati to serve in the 1850's as a major east-west mainline route.

IC's north-south route was constructed after the CSX line in question as IC's own submission demonstrates. See IC-5, Exh. 1-D. IC's main route paralleled the Mississippi River past its North Yard and onto Kentucky Street. The trackage rights which CSX's predecessors granted in 1907 gave IC a second alternative route that used the track between Leewood and Aulon. See Figure JWO-8. However, it was

Illinois Central Railroad

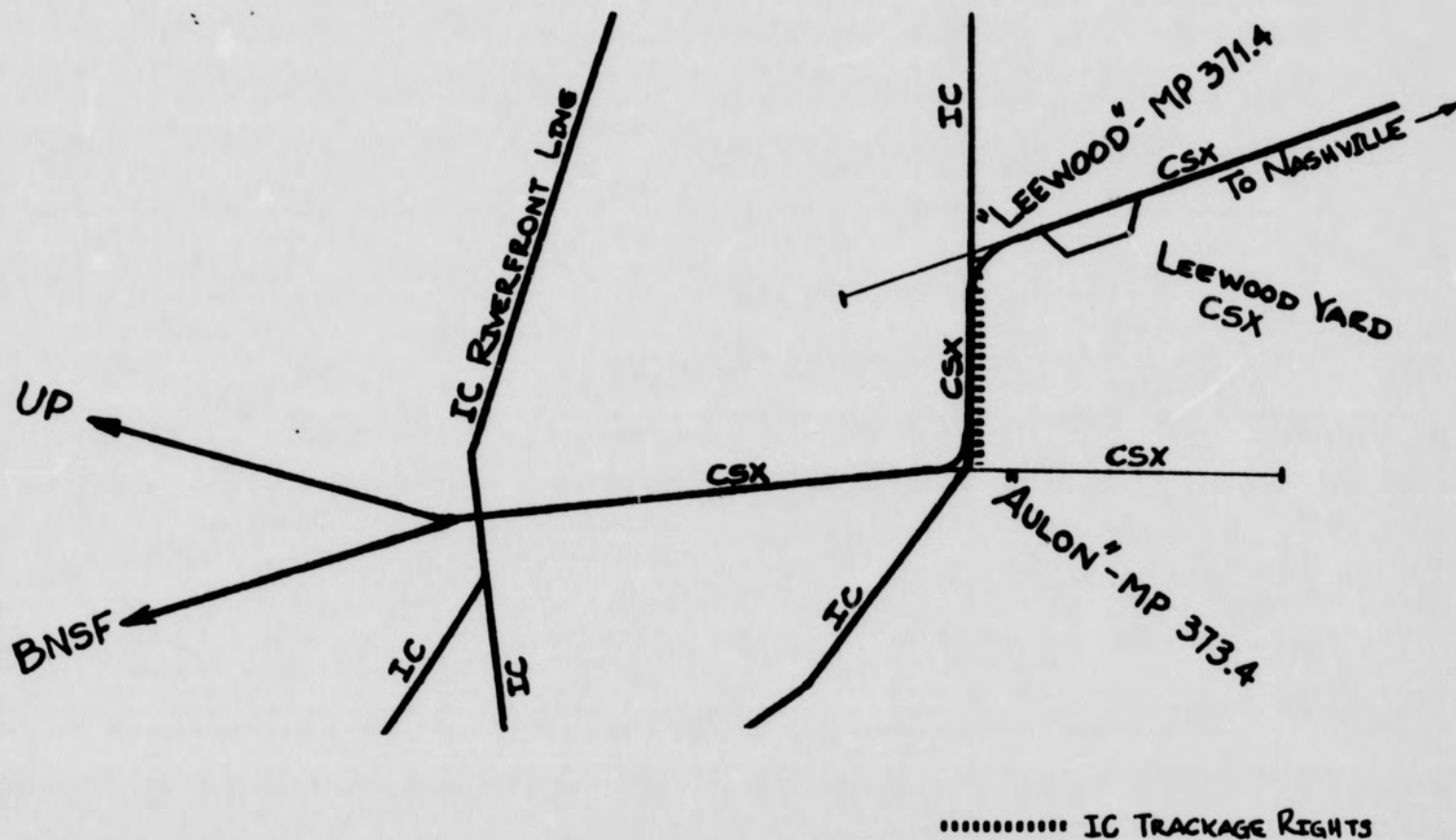


FIGURE JWO - 8

not until the late 1980's that the alternate route became its primary north-south line. It was then that IC decided to abandon its line along the river, sell the real estate, and use the trackage rights route. In contrast, the Leewood-Aulon line has been an integral part of CSX's route for transcontinental traffic since its inception.

While IC currently operates a greater number of trains than CSX over this line, those numbers do not accurately reflect the importance of the line to CSX and IC's characterization of this line as for "local traffic" is misleading. The Leewood-Aulon line segment is part of CSX's mainline to and from the Memphis Gateway. All CSX traffic through this important Mississippi River Gateway must pass over the Leewood-Aulon line. All traffic moving over the Memphis Gateway must go over the Leewood-Aulon line. CSX Memphis traffic is classified in Nashville and from there other CSX mainlines extend to Chicago, Cincinnati, Birmingham, Atlanta and many other points. Specifically, CSX daily around-the-clock train movements on the line currently are:

1. Five scheduled in-bound through freights, plus one local (five days a week) use this track to make their set-off and pick-up before continuing on to their destinations, either BN, IC, or UP/SSW;
2. five out-bound through freights depart Memphis daily;
3. two UP/SSW through freights use this track to arrive and depart CSX Leewood Yard; and

4. CSX dispatches an average of five extra through freights per week and receives an average of three extra through freights per week over the line.

IC argues that "CSXT predicts only a modest, 2.3 train/day growth in traffic (to 12.4 trains/day) on its Nashville-Memphis line, and no significant changes in its Memphis terminal as a result of the Conrail transaction." IC-5 at 10. Twelve point four trains/day translates into over 4,400 transcontinental trains per year, carrying approximately 300,000 cars, which represents a substantial amount of cross-country traffic. Due to new single-line service, CSX intends to grow the traffic moving through the Memphis Gateway, particularly in the intermodal network.

IC further contends that since CSX abolished its local operator positions and transferred dispatching for the Leewood-Aulon line to CSX's Dufford dispatching center in Jacksonville, FL, customer service has diminished severely. Admittedly, there were some dispatching problems initially. However, upon notification of the problems from IC, CSX evaluated them and promptly responded. To facilitate train movements on the Leewood-Aulon line, IC was given access to CSX's Train Management System. The access allows IC to input crew, locomotive and load/empty statistics for their trains. Once this information is entered, the Computer Assisted Dispatching System (CADS) has been set up to generate bulletins to IC's crews automatically. This reduces the need for their crews to contact the CSX dispatcher. Additionally, CSX has installed a dedicated phone line to handle questions from IC.

With respect to facilitating IC train movements over this CSX line segment, CSX's General Manager for this field territory issued a memorandum to the CSX dispatchers and provided them with an orientation of IC-specific train operations over this segment. Additionally, the CSX General Manager attempted to schedule a meeting with representatives of the IC, but IC cancelled the meeting and have not met with our representatives.

Recent CSX dispatching records show that for the period of October 4-November 10, 1997, most IC trains traverse the segment in 6 minutes (.1 hours) and both CSX and IC trains traverse the segment in 30 minutes (.5 hours). See Exh. JWO-1. CSX records the duration of a train on the line according to the times it enters at Leewood and exits at Aulon, or vice versa. That can amount to a relatively long period for a train that enters the line to reach one or more local industries; however, most of such a train's time is spent on industry leads and switch tracks, not on the main line itself, and locals thus do not impede expeditious through train movement. CSX is interested in the efficient scheduled movement of trains through Memphis. This line is critical to CSX operations and the STB should deny IC's demand for divestiture of this crucial segment of CSX's Memphis Gateway Service Route.

F. Indiana & Ohio Railway Company (IORY)

IORY requests more than 300 miles of trackage rights over the following segments:

1. Overhead trackage rights between E. Norwood, OH and Washington Court House, OH over the line operated by CSX.
2. Local trackage rights between Monroe, OH and Middletown, OH over the rail line currently owned by Conrail to be operated by NS.
3. Local trackage rights between Sidney, OH and Quincy, OH over the rail line currently owned by Conrail to be operated by CSX.
4. Local trackage rights between Sharonville, OH and Columbus, OH over the rail line currently owned by Conrail to be operated by NS.
5. Local trackage rights between Quincy, OH and Marion, OH over the rail line currently owned by Conrail to be operated by CSX.
6. Local trackage rights between Lima, OH and Ft. Wayne, IN over the rail line currently owned by Conrail to be operated by CSX.
7. Local trackage rights over former Erie track in Lima, OH to be operated by CSX.
8. Local trackage rights between Ridgeway, OH and Marysville, OH over rail lines currently owned by Conrail to be operated by CSX.

See IORY-4 at 3.

IORY is a Class III rail carrier that operates with three affiliates as a single system. Its three affiliates are the Indiana Ohio Railroad, Inc., the Indiana Ohio Central Railroad, Inc., and the Cincinnati Terminal Railway Company. It operates a fleet of approximately 40 locomotives and 200 rail cars with a work force of 130 employees over several disconnected rail lines in Ohio and Indiana totaling approximately 475 miles of track. See Figure JWO-9.

IORY began its operation in 1979 with its 26.2 mile Brookville Line.³ In June 1996, when I&O Rail System was acquired by RailTex, it included approximately 230 miles of railroad. IORY doubled its size when it acquired 146.1 miles of track and 107.6 miles of overhead trackage rights from Canadian National (CN) (previously identified as the DT&I). IORY began operation of the DTI acquisition in February 1997. Since then, IORY has had considerable difficulty integrating these lines into its rail system, as a result of its own equipment and crew shortages. During the transition phase, CSX received requests from automotive customers to assist the struggling IORY, by handling volume, particularly empty multi-levels over the CSX line to Toledo, OH and Flint, MI. CSX accommodated these requests and absorbed the costs in order to protect these automotive customers from service disruption due to IORY's inability to deliver empty multi-levels to the assembly plants.

³ See Indiana & Ohio Railway Company -- Acquisition Exemption -- Lines of the Grand Trunk Western Railroad, Inc., served Sept. 19, 1997; Indiana & Ohio Railway Company -- Acquisition Exemption -- Lines of the Grand Trunk Western Railroad, served Feb. 3, 1997.

Indiana & Ohio Rail Corp.

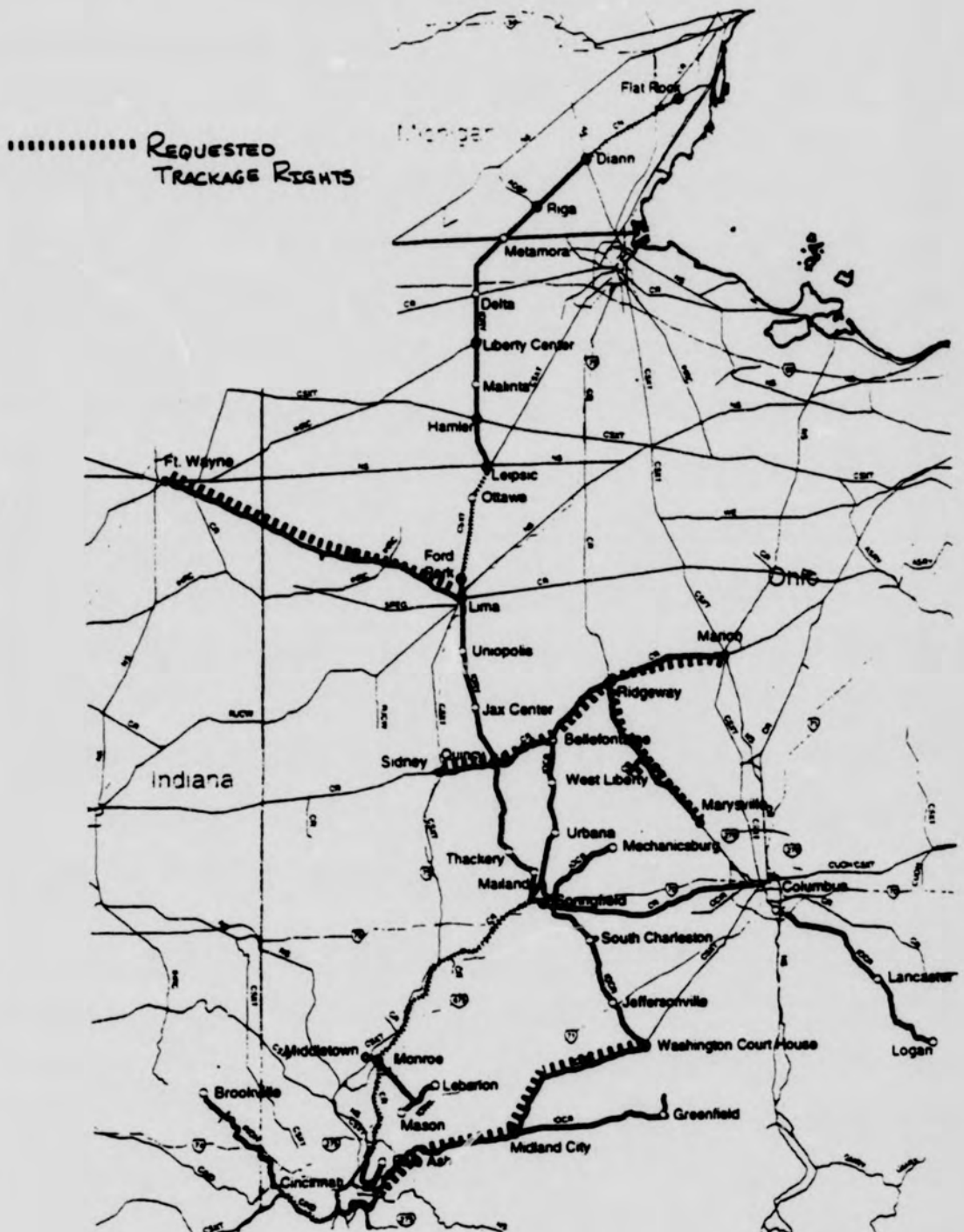


FIGURE JWO - 9

Through its requests, IORY essentially seeks to again double the size of its network and gain access to new customers. In total, IORY seeks trackage rights over eight rail segments totaling 339 miles. IORY has submitted no evidence to show that it has the expertise, work force, financial resources, or technical expertise required to become the largest regional rail carrier in the Indiana and Ohio region. Nor has IORY submitted an operating plan that would demonstrate it has the capability to handle such increased volume of traffic. IORY's two-page operating plan is devoid of details and essentially adopts a play it by ear approach.

Nevertheless, IORY claims that trackage rights are necessary "to circumvent intolerable congestion and delays on the Cincinnati Springfield Line." IORY-4 at 6. In support of its argument, IORY conducted a survey in September 1997, to document the delays it experienced on Conrail's Cincinnati line from Springfield to NA Tower, which connects to CSX's mainline to the Cincinnati terminal. See IORY-4, Burkhardt VS at 4. That survey, however, is misleading. There were unusual delays in September resulting from a combination of factors. First, during that period, IORY was experiencing a shortage of power and crews, and was in the process of upgrading their newly acquired line between Springfield and Lima. Thus, IORY caused major delays resulting in trains to being off schedule and out of the normal operating window of expected arrival at Cincinnati. Second, CSX was in the process of installing a multimillion dollar upgrade to the computer system at Queensgate Yard in the Cincinnati terminal, when during a major storm on August 17, 1997 lightning struck the primary existing system disabling the Queensgate Hump process control

system. As a result, it was necessary to advance the implementation of the new system without the needed time to work through the validation process and integrate the new system in a phased in approach. This resulted in all traffic experiencing uncharacteristic delays for approximately two months, while the new processor was installed and validated.

More representative is a more recent period, November 1997. Actual operation verifies that operations at Queensgate have now returned to normal and the delays resulting from Queensgate's inability to accept IORY trains is no longer a factor. In November, only minimal delays were experienced by IORY, as a result of Queensgate's inability to accept IORY's traffic on arrival. It is in CSX's interest not to delay IORY trains because trains must operate to schedules in order to make connections with other trains. If trains are not operated on schedules, and on time, connections are missed and delays to customers' traffic are incurred. This also causes congestion in yards because cars can not move until another train arrives that can carry the late arriving cars.

Moreover, the trackage rights that IORY seeks from Washington Court House to Cincinnati would not resolve the alleged problem. IORY wants to eliminate delays, but its new proposed route is longer, more circuitous and the track speed between Springfield and Washington Court House is limited to 25 miles per hour due to track conditions. The CSX portion between Washington Court House and Midland City is 40 miles per hour with a number of 10, 15 and 25 m.p.h. restrictions. There are no sidings between Washington Court House and Cincinnati that could accommodate length of multilevel trains operated on the IORY.

It is estimated that approximately four hours would be added to IORY train schedules operating between Cincinnati and Flat Rock, MI. This additional schedule time would have a serious impact to the automotive customers. It is estimated that it would cost five million dollars to upgrade the CSX segment between Washington Court House and Midland City, OH and an undetermined amount to upgrade the IORY's line between Springfield and Washington Court House. Both upgrades would be required to eliminate the aforementioned schedule delay.

In addition to the 65-mile Cincinnati-Washington Court House line, IORY requests 144 miles of additional trackage rights over CSX lines, including 63 miles between Sidney, OH and Marion, OH, and requests for local trackage rights between Sidney and Quincy and Quincy and Marion. The Sidney/Marion line is very important for CSX operations. This line is part of the Heartland and St. Louis Gateway Service Routes, which are primary routes for automotive and intermodal traffic. To insert a small carrier already experiencing serious integration problems onto this line to perform local service will result in congestion and deterioration to service of customers traffic over this premier route.

There is no validity to IORY claims that NS trackage rights to serve the Sidney area are "bogus." Both CSX and NS have submitted their operating plans demonstrating their intent to serve Sidney.

There is no evidence that shippers on the lines, which CSX will operate, have any concern relative to the service that is planned by CSX post transaction.

G. Indiana Southern Railroad (ISRR)

ISRR requests (1) overhead trackage rights in Indianapolis between mile post 6.0 on ISRR's Petersburg Subdivision and Indianapolis Power and Light's (IPL), Perry K facility in Indianapolis; (2) overhead trackage rights between mile post 6.0 on ISRR's Petersburg subdivision and IPL's Stout facility located on the Indiana Railroad Company (INDR line); (3) trackage rights over a segment of Conrail line to be acquired by CSX and a segment of the INRD's rail line; and (4) local trackage rights over Conrail's lines in Indianapolis, including the Indianapolis Belt Line to be acquired by CSX. ISRR-4 at 2-3.

In addition, ISRR requests local trackage rights⁴ in the Indianapolis area (1) between Indianapolis and Shelbyville, IN; (2) between Indianapolis and Crawfordsville, IN; and (3) between Indianapolis and Muncie, IN, over the rail lines currently owned by Conrail and to be operated by CSX. If ISRR is granted all the trackage rights it seek, it will increase the size of its system by over 70%. ISRR-4 at 14 ($126 \div 176 = 71.5\%$).

ISRR is a relatively new carrier, which, since its creation in 1992, has primarily transported coal. In fact, 95% of its existing business is coal most of which does not enter or exit the Indianapolis area. ISRR-4, Neumann VS at 3. ISRR wants to expand into new markets to compensate for coal revenues that it claims it will lose to CSX after the

⁴ The term "local trackage rights" as used by ISRR includes (1) the right to operate trains over the lines described, (2) the right to interchange with all carriers, including short lines at all junctions on the line described; and (3) the right to serve all shippers, sidings and team tracks on the lines described. ISRR-4 at 3.

transaction, but ISRR offers little evidence as to whether it has the capability and experience to handle other business.⁵ ISRR's Operating Plan is silent as to customers, commodities, the number of short lines it would interchange with, the interchange points, or how it would accomplish the interchanges.⁶ It also is silent as to what yards it would operate out of and whether its facilities are capable of handling anticipated volumes.

From an operational viewpoint, granting ISRR local trackage rights between Indianapolis and Shelbyville would add an interchange and delay traffic by at least one day. As with the addition of any trackage rights carrier, there would be additional complexities in scheduling, training in operating rules and physical characteristics, and administrative functions, such as billing. There are also issues of safety with the integrating of multiple carriers over a line. Granting local trackage rights to ISRR between Indianapolis and Crawfordsville would unnecessarily complicate service to the small town of Crawfordsville. Currently, CSX and Conrail serve Crawfordsville; post-transaction, CSX and NS will have

⁵ I understand that ISSR has claimed that if it loses its coal business, it would abandon a line, causing loss of essential services. In the event that ISSR were to abandon operations, all shippers but one could be served by truck. The Indy Railway Service Corporation, which provides repair and service to rail equipment, is located at approximately MP 12, 6 miles from the current Conrail tracks to be served by CSX after the transition. If the ISSR discontinued operations and if significant demand for rail services by that customer continue, the short distance to the customer makes it likely that another rail operator would provide the service.

⁶ ISRR also seeks trackage rights to reach to three other short lines operating in Indianapolis: The Central Railroad Company of Indiana, the Central Railroad Company of Indianapolis, and the Louisville and Indiana Railroad Company to exploit opportunities for local rail movements of commodities that currently move by truck. Mr. Neumann tentatively states that there may be possible movements of corn from other short lines to a proposed new facility on the ISRR (ISRR-4, Neumann VS at 5), but such movements are purely speculative at this time.

access to that area. This line is also an Amtrak route. Moreover, the line is not signalled. Adding another carrier to the line and to the town would increase the number of trains at crossings and result in the carriers unavoidably causing delays and interference to one another.

The line between Indianapolis and Muncie will become CSX's mainline between Cleveland and St. Louis. As such, it will be part of two key CSX service routes-- the St. Louis and Heartland service routes carrying automotive and general merchandise traffic. Any short line operations on this line would increase interference for both through freight and local operations. See Figure JWO-10.

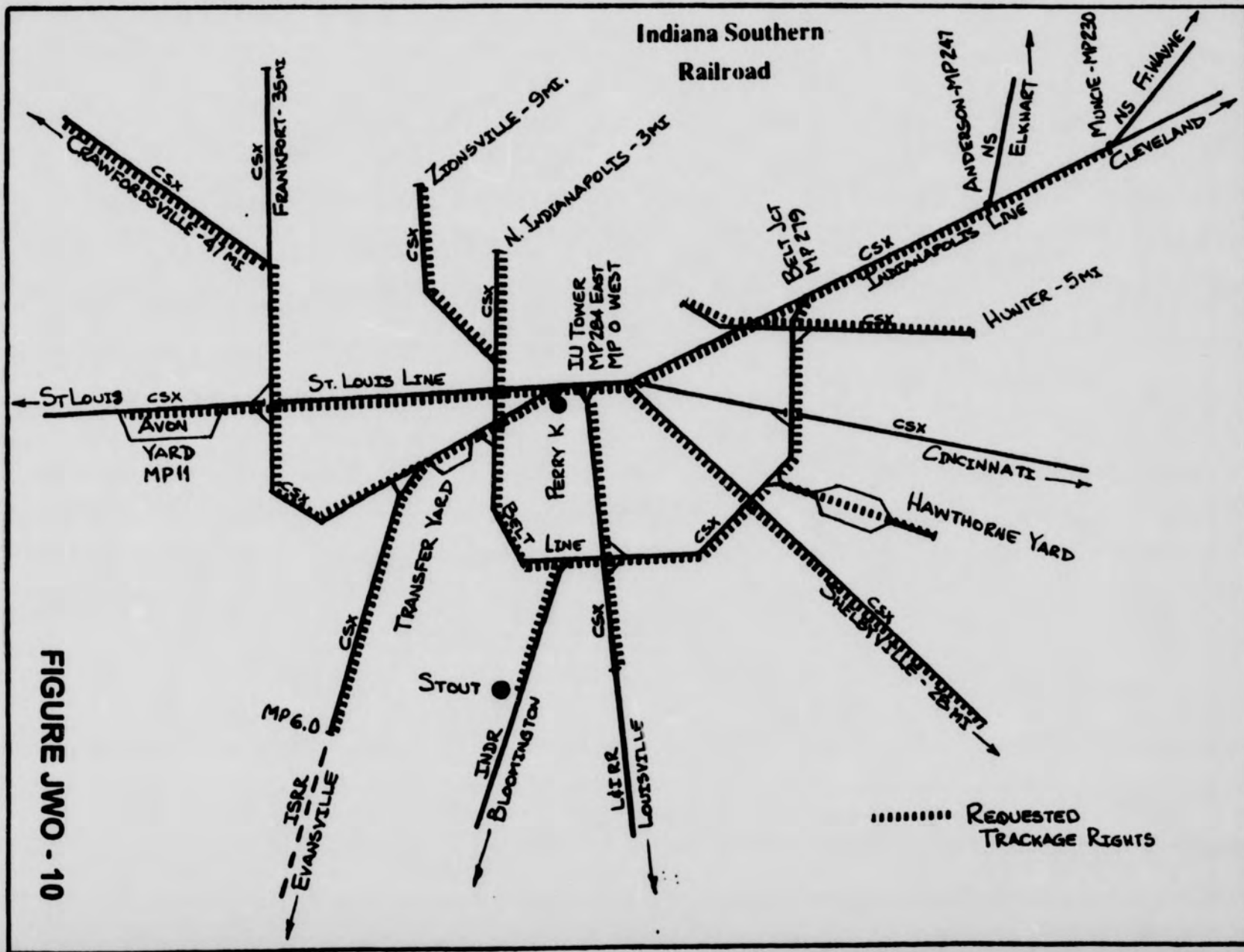


FIGURE JWO - 10

H. Livonia Avon & Lakeville Railroad Corporation (LAL)

LAL requests "ownership of or trackage rights on approximately one route mile of trackage constituting Conrail's Genesee Junction Yard in Chili, New York (subject to terms and conditions to be negotiated by the parties or, failing a negotiated agreement, set by the board)." LAL-4 at 4-5.

LAL, a Class III railroad, acquired some line segments from Conrail in 1996. LAL owns and operates approximately 30 miles of line between Genesee Junction Yard in Chili, NY, immediately South of Rochester, NY, and Lakeville, NY. LAL also separately operates approximately 35 miles of track owned by the Steuben County Industrial Development Authority between Hammondsport, Bath, and Wayland, NY.

Genesee Junction Yard has 3 tracks and is approximately 1 mile long. It is land-locked, bounded by wetlands, and is situated beneath the runway approach to the Monroe County Airport. Today, Conrail uses this yard solely for interchanging with LAL and with another shortline, the Rochester and Southern Railroad (R&S). LAL and R&S both operate to and from Genesee Junction Yard, but the terms of their agreements with Conrail limit their operations to Conrail interchange. See Figure JWO-11. LAL objects to the terms of its line purchase agreement and asks the Board to grant it unrestricted use of Genesee Junction Yard to interchange with R&S.

Livonia Avon & Lakeville

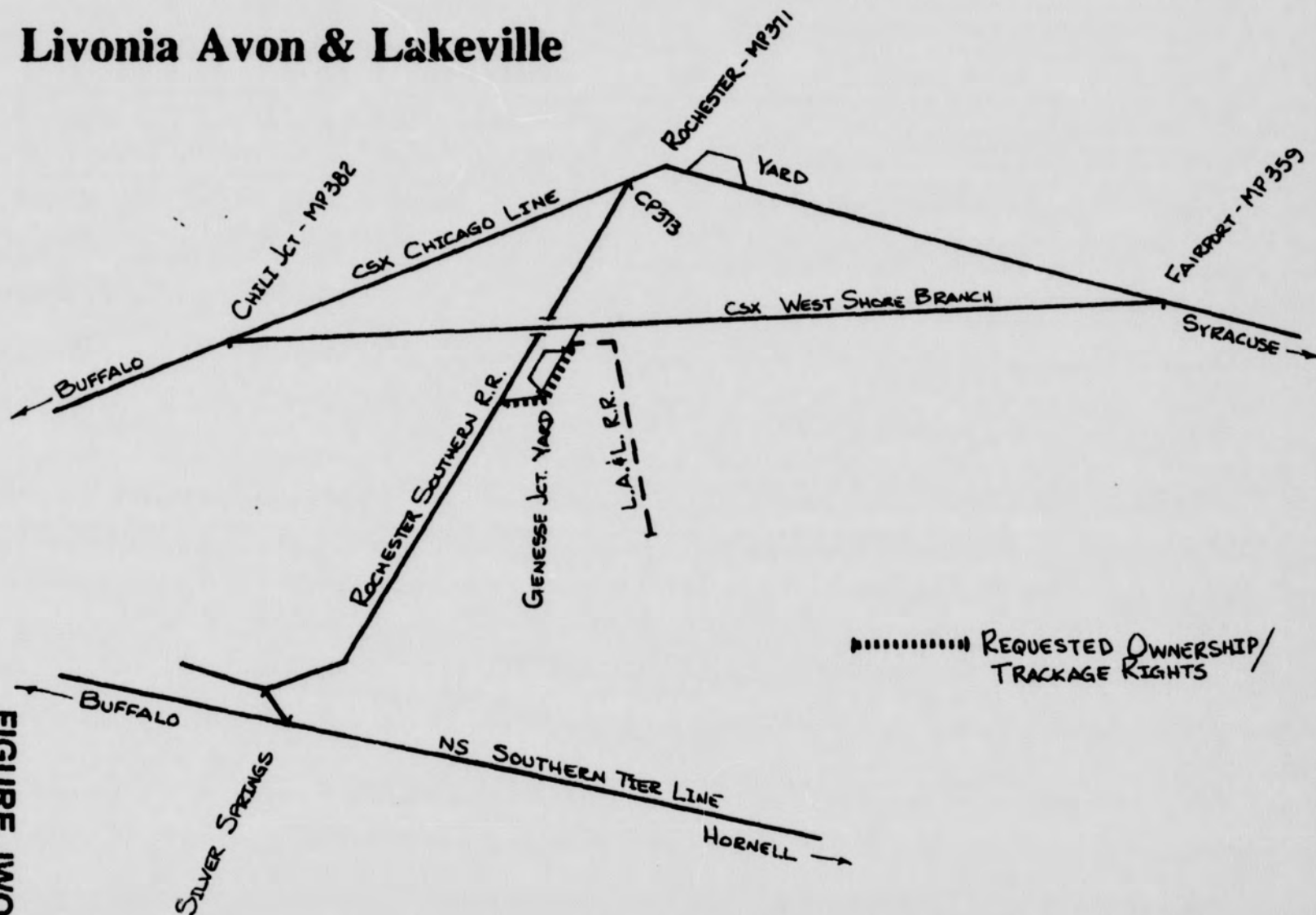


FIGURE JWO - 11

LAL essentially argues that because CSX "will be much larger and more remote" than Conrail, LAL would have even more difficulty working with CSX than it did with Conrail. Id. at 11. LAL's argument, however, is based on pure speculation. Indeed, CSX has already had discussions with LAL and is willing to discuss arrangements with LAL for intermediate switching to, or interchange with R&S. However, divestiture of the yard or any other order granting LAL unbridled operating rights there should be denied as it might interfere with CSX operations. CSX has long-term plans to develop traffic in the New York State area and hopefully will need to expand operations in the Genesee Junction Yard. CSX plans to maintain the yard at Class I standards, so any harm that LAL may suffer from the yard's current condition will be eliminated. CSX intends to operate Genesee Junction Yard much as Conrail operates it today.

I. New England Central Railroad (NECR)

NECR requests limited trackage rights over Conrail lines to be operated by CSX between Palmer and West Springfield, MA; West Springfield and Albany, NY; and Albany and the NJSA over the rail line located on the west side of the Hudson River. See Figure JWO-12. These "limited" trackage rights would include the right to interchange with all carriers (including short lines) at all junctions on those lines described. NECR-4 at 3.

New England Central Railroad

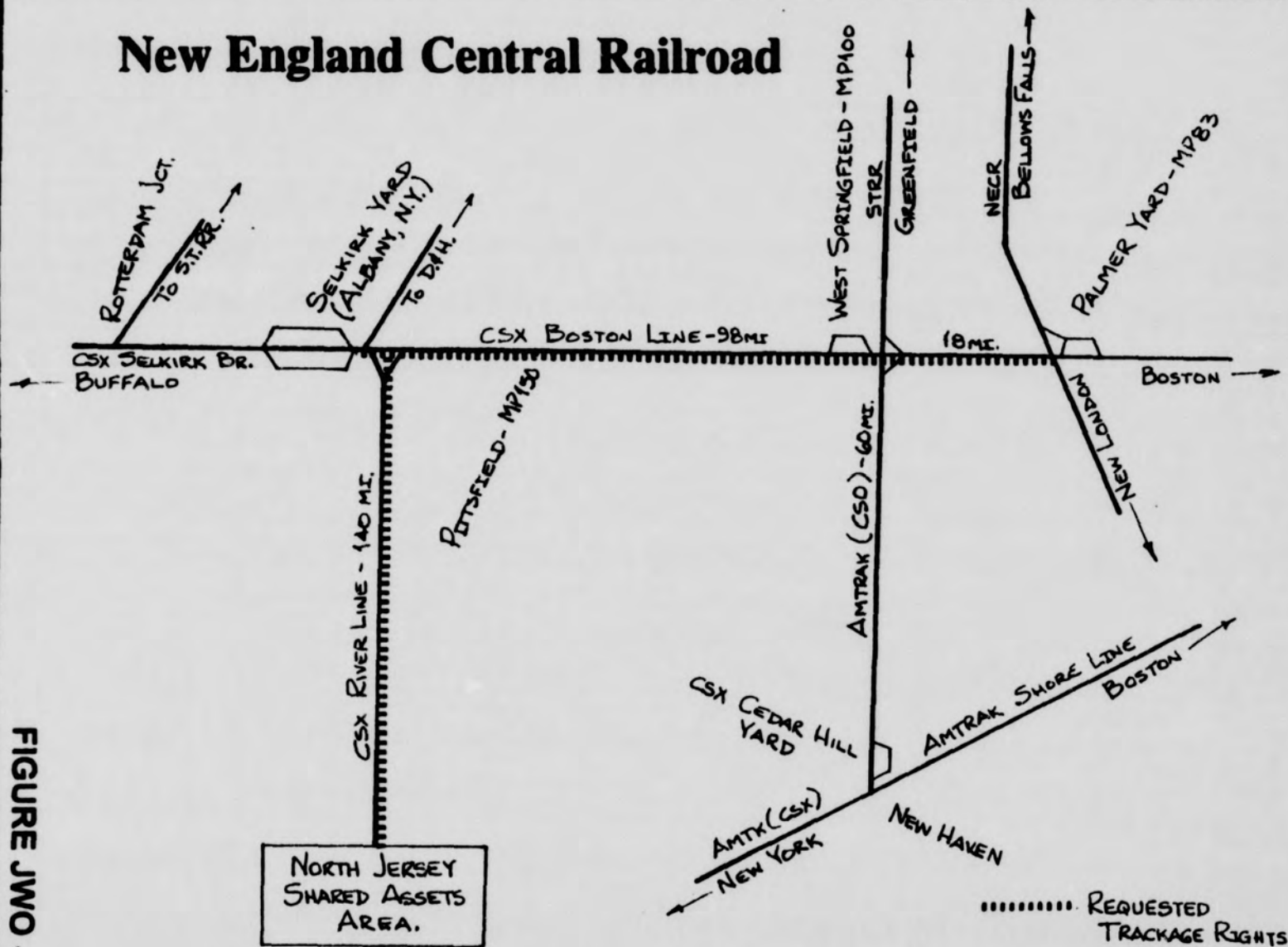


FIGURE JWO - 12

NECR is a Class III rail carrier that began operation in February 1995. It provides rail service over approximately 343 miles of track between East Alburg, VT and New London, CT. Id. at 13. It operates 12 trains per day through undeveloped and rural areas of Vermont, New Hampshire, Massachusetts and Connecticut. Id., Carlstrom VS at 3.

The trackage rights that NECR seeks total approximately 256 miles,⁷ which would increase the size of its network by nearly 75%. NECR-4 at 14 and n.5. It plans to operate 2 trains per day, one in each direction, over the three line segments. NECR-4, Ex. 15, Operating Plan at 1.

NECR wants to develop new markets and new traffic patterns between Palmer and West Springfield, West Springfield and Albany, and Albany and the NJSAA in order to offset what it claims will be a loss of forest products traffic to CSX and NS. It does not specify where in the North Jersey Shared Assets Area NECR would operate or what yards it would use. NECR's witness, Dale Carlstrom, claims that the grant of trackage rights would allow NECR to attract up to 100 additional carloads per day of overhead traffic originating in Canada, and about 5,000 carloads per year for traffic moving to and from its affiliate, Connecticut Southern (CSO). NECR-4, Carlstrom VS at 7. There is no further statement as to the total volume of traffic or type of commodities that NECR claims it would transport.

⁷ According to NECR, the length of the rail segment between Palmer and West Springfield is 18 miles; the segment between west Springfield and Albany is approximately 98 miles, and the segment between Albany and the NJSAA is approximately 140 miles. NECR-4 at 14 n.5.

The three line segments over which NECR seeks trackage rights will be CSX mainlines and integral parts of the new CSX Northeastern Gateway Service Route. This service route will serve as a major artery connecting the Northeast and the Chicago, Memphis and St. Louis gateways. It is a high-speed line designed to carry time-sensitive traffic. Two of the three line segments are heavily traveled by both passenger and freight trains. Additional operations by a relatively new carrier whose current operations are mostly conducted "through undeveloped land in the states of Vermont and New Hampshire, [and] through central Massachusetts and central Connecticut, which are also mainly rural" (*id.* at 3), would require training of NECR crews in operating rules, and physical characteristics and complicate communications. Moreover, since specially equipped locomotives with Cab signals are required on the Boston Line, coordination over these lines would be difficult at best.

The proposed trackage rights alone would be a significant interference to CSX operations. In addition, the trackage rights will enable NECR to connect with CSO, at West Springfield, with Housatonic Railroad Company (HRRC) at Pittsfield and with NS, D&H and Guilford at Albany. HRRC also has submitted comments supporting NECR's requests and further asking the Board to order haulage arrangement under the terms of which CSX would haul HRRC traffic over the Boston-Albany mainline from Pittsfield to Albany for the purpose of interchange with CP and ST Rail, and others, and from Pittsfield to Palmer for the purpose of interchange at Palmer and intermediate points. The additional traffic and interchanges from these shortline operations would create substantial interference with

through traffic and cause congestion and delays to time-sensitive traffic on this critical portion of CSX's mainline.

J. R.J. Corman Railroad Company/Western Ohio Line (RJCW)

RJCW submitted a responsive application in support of its request for "ownership of or trackage rights on Conrail's line of railroad between approximately milepost 54.4 and approximately milepost 52.1 in Lima, Ohio (subject to terms and conditions to be negotiated by the parties or failing a negotiated agreement, set by the Board)." RJC-6 at 1.

RJCW is a Class III railroad operating approximately 51.5 route miles of rail line between Lima, Ohio and the Indiana/Ohio border. RJCW also operates a shortline between Lima and Glenmore, Ohio, pursuant to a *modified certificate of public convenience and necessity*. The Lima-Glenmore line is owned by the Van Wert County Port Authority and the Port Authority of Allen County. *Id.* at 3.

RJCW currently interchanges with Conrail at Lima on Conrail's property just East of the Lima-Glenmore line. Traffic originating from and terminating at certain industries in Lima served by CSX and NS are switched to and from Conrail by RJCW for Conrail to CSX and NS through a British Petroleum yard located in Lima. To make this intermediate switch to and from Conrail, RJCW traverses Conrail's line from approximately milepost 54.4 to approximately milepost 52.1 in Lima. RJCW has no other means of

interchanging directly with NS or CSX. The proposed transaction would transfer ownership of the 2-mile segment from Conrail to CSX. RJCW is purportedly concerned that after the transaction, CSX will not offer an intermediate switch charge comparable to that offered by Conrail today for RJCW's customers to reach NS; or that CSX's sole control over the interchange will enable CSX to raise its line-haul rate, diminish the level and frequency of interchange with RJCW or both. RJCW-6, Grubb VS at 3.

RJCW's concerns are unfounded. RJCW currently has interchange rights based on an agreement with Conrail that will be assumed by CSX after the transaction. As has been stated many times, CSX will honor all commitments under written agreements with Conrail and does not plan to change existing interchanges. There would be no harm to RJCW.

K. Wheeling and Lake Erie Railway Company (WLE)

WLE requests various trackage and haulage rights over CSX (or NYC allocated) and NS (or PRR allocated) lines in order to reach new markets. WLE-4, Wait VS at 68. WLE claims that without expanding into new markets, it may face bankruptcy, and therefore it seeks remarkable trackage rights to the markets between Chicago and Pittsburgh.⁸

⁸ WLE is seeking "(1) haulage and trackage rights to Chicago via The Belt Railway of Chicago (BRC) and rights for interchange with all carriers; (2) haulage and trackage rights from Bellevue to Toledo, OH; (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 customers PPG and Bayer; (5) access to stone traffic at Bucyrus, Alliance, Redlands, Spore, Wooster, Macedonia, Twinsburg and Ravenna, OH; (6) haulage and trackage rights with commercial access to Wheeling

Most of the requested trackage would be over NS and thus would have limited impact on CSX operations. I will comment only on the portions of WLE's application that affects the CSX Operating Plan, namely (1) rights to Chicago; (2) rights to Toledo and Toledo Docks, (3) a haulage agreement, with underlying trackage rights, between the present WLE interchange in Benwood, WV and Brooklyn Junction, WV; (4) trackage rights over CSX's New Castle Subdivision; and (5) reverse of responsibilities on a joint facility. See Figure JWO-13.

(1) Rights to Chicago. WLE seeks access to Chicago "without limitation of a future increase in train frequency." WLE-4, Wait VS at 81. It says it would initiate service to Chicago by operating one train of intermodal and freight cars in each direction per day, six days a week. It proposes two routings, the first of which would be entirely over NS lines. Its alternative route, and the one that would affect CSX, would be over a combination of NS and CSX lines. WLE trains would depart Wooster and connect with the NS Fort Wayne Line at Orrville, OH, westward via NS 64.7 miles to Crestline,

to stone traffic at Bucyrus, Alliance, Redlands, Spore, Wooster, Macedonia, Twinsburg and Ravenna, OH; (6) haulage and trackage rights with commercial access to Wheeling Pittsburgh Steel at Allenport, PA; (7) haulage and trackage rights on CSX's New Castle Subdivision with commercial access to Ohio Edison Power Plant at Niles, OH and to Erie, PA for interchange to the Buffalo and Pittsburgh, (B&P) (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 and Metal (2-to-1 shipper); (10) trackage rights and commercial access to Weirton Steel; (11) reverse Joint Facility Maintenance Operation; and (12) guarantee of fairness and non-discriminatory treatment on any haulage and trackage rights granted." WLE-4, Parsons VS at 33.

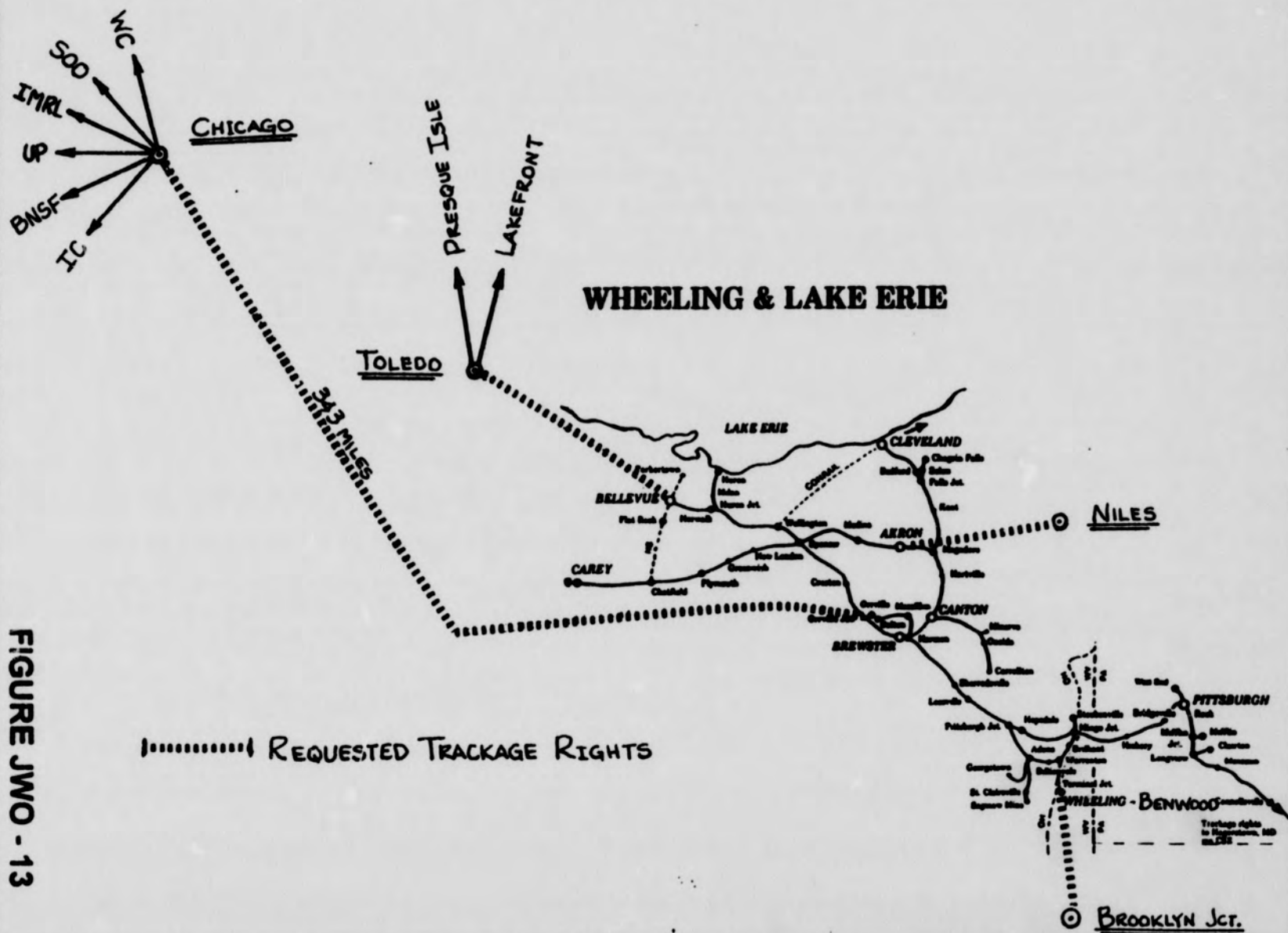


FIGURE JWO - 13

OH. From Crestline, WLE trains would follow the CSX's Alternative Chicago Gateway Service Route to Chicago to a suitable interchange with BRC. The total distance from Orrville to Chicago is 343 miles. Approximately 19% of these miles are on NS and 81% on CSX lines. Id. at 82.

WLE clearly is overreaching in its attempt to expand its operations into major commercial areas through this proceeding rather than through commercial enterprise and its own investment. WLE wants to reap the benefits of the financial investment and entrepreneurial efforts CSX has put into developing reliable high-performance service between Chicago and the Northeast. The development of the Alternative Service Route, over which WLE seeks rights, is part of CSX's strategic plan to assure that it has the capacity to control its own destiny in those important commercial areas and deliver service with reliable transit times. Allowing another carrier to operate over its lines interferes with CSX's commercial expectations and impedes CSX's ability to meet its commitment to improved transit times and efficient service.

Although WLE proposes to begin modestly, the requested rights would enable WLE to increase traffic in the future without limits. CSX plans to use the Fort Wayne Line as an alternate route into Chicago to be used by bulk commodity trains such as unit coal, coke and iron ore trains. The line is to remain a single track line operating under Direct Train Control (DTC) rules with no better than a 49 MPH maximum authorized speed. The NS also will have trackage rights to operate trains over the line, and it is anticipated that the trains will be bulk commodity trains. Within Chicago, CSX's access from the Fort Wayne

Line to the BRC is via the IHB or BOCT. Via the IHB, WLE trains would have to go through Blue Island Yard to the 71st Street connection. Via the BOCT, WLE would have to operate over the IHB to the Lincoln Avenue Connection through Barr Yard to either 71st Street or 75th Street. Either of these routes is congested and requires difficult movements through busy yard areas. WLE's presence on this line would greatly complicate scheduling and operations and cause concern for the safe and efficient operations of these lines.

Moreover, in light of WLE's admitted financial difficulties it is not clear that WLE would have the resources to provide efficient services over this route. There is the additional risk of incompatibility or inadequacy of WLE's communications equipment and rolling stock, increased costs to train WLE crews in CSX operating rules, risk of equipment failure with inadequate backup, and delays due to insufficient crews, any of which would adversely effect the efficiency of operations on this line.

(2) Rights to Toledo. WLE also wants access to Toledo. Fluid train movements through Toledo will be very critical for CSX after the allocation of the Conrail properties. If CSX is to compete with NS for automobile and auto parts traffic out of the Detroit Shared Assets Area, trains must be able to move quickly through Toledo. The challenge for CSX is that our mainline moves through Toledo in a north-south direction while both the current NS and future NS (current Conrail) operated mainlines are east-west and both crossings are at grade. This results in extremely busy crossings at Vickers with the present Conrail and at Ironville with the NS. At both of these locations, CSX trains can incur delays of sometimes several hours. The NS plans to downsize its Homestead Yard and

fewer trains will be using Ironville crossing. This means, however, those trains will be added to the flow at Vickers. If the WLE is allowed into Toledo, that will only result in more trains blocking the path of CSX trains.

Both the Toledo Metropolitan Area Council of Governments and Toledo--Lucas County Port Authority suggested that the Vickers interlocking be grade separated. CSX is looking at less costly ways to speed the movement of trains across this busy crossing and throughout the Toledo Terminal, including redesigning the track at Walbridge interlocking to increase the speed from 10 MPH to 30 MPH and a general review of speed restrictions within the terminal. CSX would welcome government assistance to help fund these efforts.

WLE also asks for access to Lakefront Docks and is supported in this effort by the Toledo Metropolitan Area Council of Governments and Toledo-Lucas County Port Authority. Lakefront Dock is an iron ore loading facility jointly owned by CSX and Conrail. Conrail has not used the facility in the last ten years. All of the ore going through the dock is for AK Steel at either Ashland, KY or Middletown, OH. Self-unloading ships come into the dock and offload their cargoes into ground storage. The dock was designed to handle two grades of ore. Presently those grades of ore are Evtac from Duluth and Flux from North Shore. If any other type of ore were to be shipped through the facility, additional facilities would have to be designed and built to accommodate the new class of ore.

The Presque Isle facility is a coal dock that unloads coal from hopper cars in a rotary dumper to be loaded into lake steamers. Conrail has not used the facility for five to six years until this past summer.

For WLE to access either of these facilities would require them to come off of the NS line at Ironville and go north on the CSX to Millard Avenue. While this is a distance of less than .2 miles, there is no connection in the northeast quadrant of the crossing. This would mean the WLE trains would have to be pulled back onto the CSX northbound main to clear the Ironville crossing and then shove into either Presque Isle or Lakefront or they would have to shove onto the CSX main and pull into the docks. Neither of these train movements is operationally desirable because of the length of time the train would be blocking the CSX main track. This line is expected to have 47 through trains a day between Ironville and Millard Avenue.

There may be other routes the WLE could use by taking a combination of existing NS and Conrail tracks, but these would most likely result in going onto CSX at Stanley Tower and having to traverse CSX from Stanley to Millard Avenue. This route will be even more congested with as many as 58 CSX trains going through the Walbridge interlocking.

(3) Rights in West Virginia. WLE also wants the Board to impose a haulage arrangement with underlying trackage rights between the present WLE interchanges with CSXT in Benwood, WV and Brooklyn Junction, WV. This is intended to

create a shorter distance two line movement between BP Oil at Toledo (served by CSXT) and Venture Coke Co. at Cressup, WV (served by CSXT). With such a haulage arrangement, WLE could participate in what would otherwise be a single line CSXT movement of petroleum coke to Venture Coke.

For a two-three year period, CSX and WLE had a haulage agreement under which this service was provided. Under the terms of the agreement, CSX furnished the locomotives and paid for fuel as well as paying a charge to WLE. Over the period of the agreement, the service provided by WLE deteriorated. When the agreement expired, WLE insisted on a far higher charge as a condition to renewing. Given the service problems and the higher charge, CSXT elected to make a single-line service offer to the customer and the freight moved under a CSXT contract.

The Board should not attempt to impose a haulage arrangement (an imposed condition cannot be characterized as an "agreement"). Haulage should be a voluntary arrangement, with the terms, conditions and charges negotiated between carriers to their mutual benefit.

Finally, CSXT has been advised by BP Oil at Toledo that it is changing its production from "sweet crude" oil (which produces calcinable coke; used by Venture Coke to make calcined coke for use in aluminum production) to "sour crude" oil (which Venture Coke cannot use due to high sulphur content). Accordingly, Venture Coke will be obtaining its supply from another source and the haulage sought by WLE will have no purpose.

(4) Rights over New Castle Subdivision. WLE also seeks rights on the Conrail Cleveland Line and trackage rights on CSX New Castle Subdivision. WLE handles three coal trains of 40 cars each per week from Harrison Mining to Ohio Edison at Niles, Ohio. The roundtrip is 274.8 miles, 84 of which are over the CSX line. WLE supplies the locomotive power and equipment for the move, committing three locomotives and 80 hoppers to the service. WLE proposes to operate the equipment for the entire roundtrip which would necessitate trackage rights on the CSX New Castle Subdivision from Akron at the Summit Street Interchange to Ohio Edison in Niles, a distance of 42 miles. WLE-4, Wait VS at 79. WLE claims that this would eliminate vandalism problems that occur at the Summit Street Interchange where the train lingers on a steep grade while waiting for another crew. WLC claims there are only two tracks at the area of interchange and a coal train usually blocks both tracks.

The interchange at Summit Street comes onto CSX near MP 129 in Akron, OH. Just beyond the connection, the WLE mainline passes beneath the CSX mainlines. The grade to which WLE refers is a steep incline to compensate for the difference in elevation between the tracks of the two railroads. While their statement is true that numerous hand brakes must be tied to keep trains stopped on the grade, local CSX personnel have no knowledge of any vandalism experienced to either cars or trains being held on the interchange.

At the point of interchange, a loaded coal train will come onto Number 1 Main in TCS territory that is signaled in both directions. The closest crossover is located at

BD Tower at MP 127.5. This crossover, however, faces the wrong direction. Because the next crossover that faces the correct direction is a hand-throw at XN Tower at MP 124.7, the dispatcher often will have the coal train back through the power crossover at BD. BD Tower is also the end of TCS, so the dispatcher must issue DTC authority for the movement against current of traffic if the crossover movement has not been made at BD.

The CSX crews that man the coal trains between Akron and Niles come from the Akron extra board. These crews are called based on projections from the WLE chief train dispatcher that are given to either the CSX Akron yardmaster or trainmaster. If the WLE dispatcher is certain of his projected time to the interchange, the CSX crew is normally called to meet the WLE train on arrival at Summit Street. If, however, WLE is experiencing trouble projecting the time the train will be at Akron, the CSX crew will not be called until the train is already on the interchange tracks.

Normal operation of the CSX crew is not to take the loaded train to the Ohio Edison plant and then to taxi back to Akron, as stated by the WLE. Rather, the CSX crew commonly leaves two of the WLE engines at the power plant and operates the third unit back to the interchange. This gets one of the WLE engines back for their use.

CSX has given WLE a "window of opportunity" that is the best time for the train to arrive at Summit Street. Because of conflicting movement of intermodal, automotive and priority merchandise trains, WLE has been advised to have the train at Akron in the morning to allow it to follow CSX intermodal train Q136. If the coal train arrives in the late

morning or afternoon, it must face the westbound fleet and will have little chance of getting off of the interchange tracks.

The interchange is used by WLE and another railroad to get traffic to CSX. Contrary to WLE's statement, a 40-car coal train with three units will fit on one of the interchange tracks. The movement of any other interchange traffic must be coordinated among the three railroads.

(5) Joint Facilities. In addition to the trackage rights, WLE also has asked the Board to readjust existing responsibilities for maintenance of certain joint facilities, including railroad grade crossings in Wellington, Canton, Steubenville and Cleveland, OH. WLE-4, Wait VS at 22. The Wellington Crossing is on the Conrail Indianapolis Line which CSX will utilize. WLE wants to be relieved of the burden of maintaining this crossing and to have maintenance costs allocated on a proportional use basis.

This request is not one that need be addressed by the STB. Under the joint facilities agreement, assuming maintenance of the crossing at Wellington is based on the proportion of use. The CSX line will become our main route from the Northeast to Indianapolis and the St. Louis Gateway. Train counts on the CSX side will go from 14.5 a day to 54.2. Conrail already maintains the signals. Given the heavier traffic on the CSX side, we consider it fair to assume the track maintenance. The facility currently is maintained by WLE on a proportional use basis. CSX would readily agree to a change so

that CSX would do the work and bill WLE its share rather than WLE doing the work and billing CSX.

L. Wisconsin Central Limited (WCL)

WCL is a Class II railroad that owns or operates approximately 2,017 miles of railroad and trackage rights in Wisconsin, Michigan's upper peninsula, Minnesota, and Illinois. WCL is a wholly-owned subsidiary of Wisconsin Central Transportation Corporation, a non-carrier holding company that also owns and controls Fox Valley & Western Ltd., a Class II rail carrier with rail lines entirely within the State of Wisconsin, and Sault St. Marie Bridge Company, a Class III rail carrier operating in northern Wisconsin, Michigan's upper peninsula and Ontario, Canada. WCL-9.

WCL proposes a forced divestiture of a rail line, side tracks, yard trackage, and associated right-of-way and appurtenances from BOCT, a wholly-owned subsidiary of CSX. Specifically, WCL proposes to purchase that portion of the Altenheim Subdivision that begins at a connection between WCL and BOCT at BOCT milepost 37.4 at Madison Avenue Forest Park, IL, and extends to a point of connection with the Union Pacific Railroad Company and Conrail's "Panhandle Line" in the vicinity of 22nd Street, Chicago, IL. WCL-9 at 13; see also Figure JWO-14.

WCL already has and uses trackage rights over the line it wants divested to it. These trackage rights were given to it by BOCT voluntarily in 1987. WCL claims that it is

the predominant user of the Altenheim Subdivision. WCL uses its trackage rights on the Altenheim Subdivision to move trains between WCL's line at [Madison and Forest Park] and to interchange with other carriers within the Chicago terminal district. If WCL's request is granted, WCL indicates that it would allow BOCT to retain trackage rights on the line, contending that this will enable BOCT to continue its existing local service. Overhead service by BOCT is apparently not contemplated and there is no mention of preserving trackage rights of other carriers including CSXT. WCL does not anticipate any current increases in the number of trains that it operates over the Altenheim Subdivision pursuant to its existing trackage rights, (WCL-9, Ex. 15, Operating Plan), but speaks generally about developing traffic in the future.

STB

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Wisconsin Central

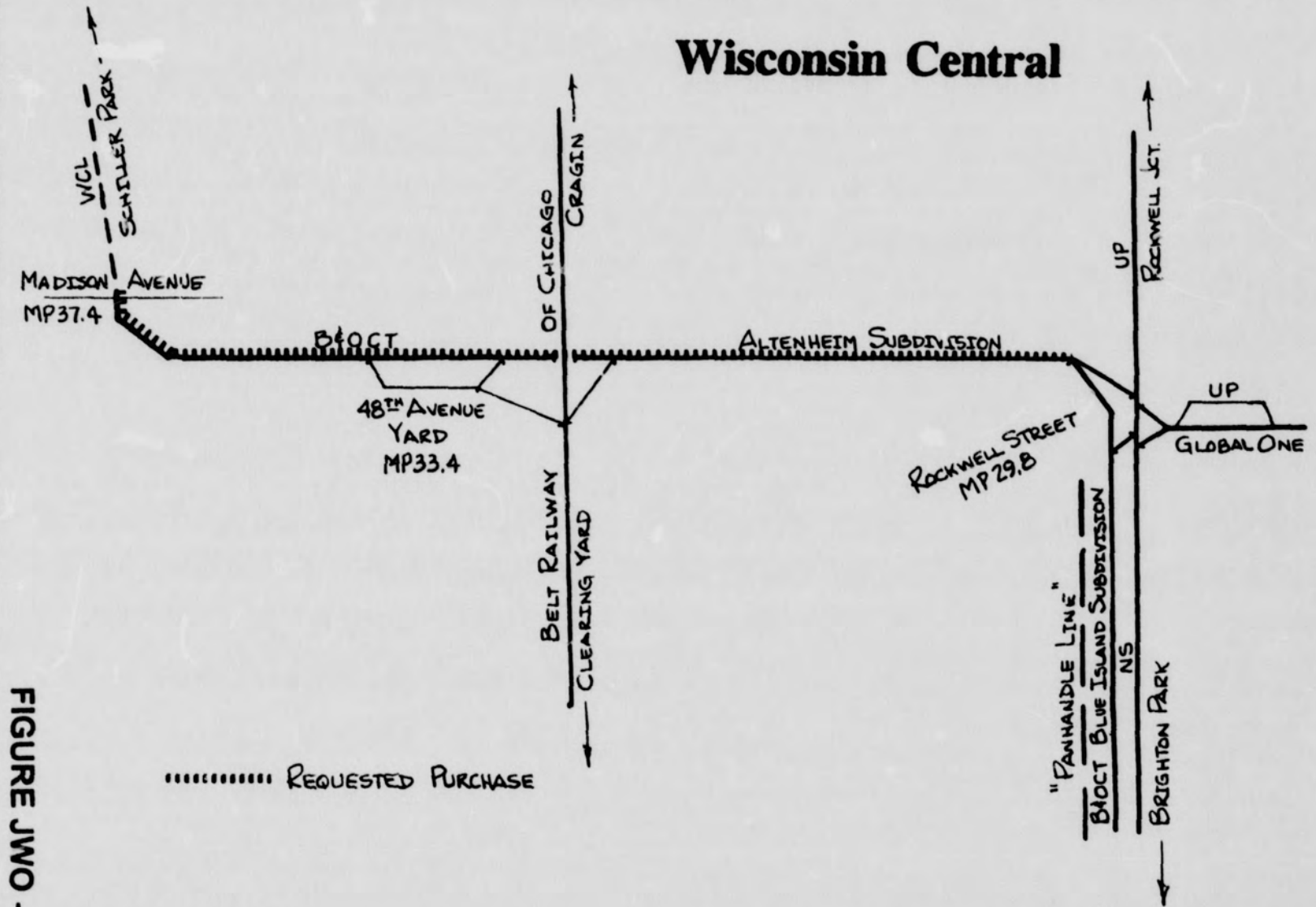


FIGURE JWO - 14

WCL says that it would like to make expenditures to upgrade the Altenheim Subdivision. Currently, the Subdivision is maintained to FRA Class II standards, although it currently has a number of 10 mile-per-hour slow orders. WCL says that it expects to spend between \$4-5 million to install welded rail on the line and improve tie conditions; thereby, increasing the rail to FRA Class III standards.

From a service and operations point of view, divestiture of the Altenheim Subdivision would disrupt CSX planned operations for two reasons: First, the track is BOCT mainline and is critical to its operations and particularly to serving the customers on the line. BOCT currently operates a 5-day-a-week switch assignment to serve those industries. Of the 35 industries served by BOCT, 11 are located on the Altenheim Subdivision. WCL's plans to use the subdivision for new WCL traffic would severely disrupt BOCT operations. Trackage rights to serve its customers would not give BOCT the flexibility it requires to perform its switching functions, because its local movements would be subordinated to WCL's overhead traffic.

Second, WCL's proposed operations would undermine the long-term potential for this subdivision. The Altenheim Subdivision historically has been the home of heavy industrial development, including Sears and General Electric. While some of this industry has shut down over the years, CSX anticipates a resurgence of activity in this area. There is considerable long-term industrial development potential on the Altenheim Subdivision. This potential, together with the vital importance of the Chicago area to CSX's short-term and long-term commercial plans, would be thwarted by WCL's request.

WCL's justification for divestiture is that it is unhappy with dispatching on the line. It attempts to portray all the congestion and delay problems that it encounters as caused by BOCT's dispatchers. In fact, WCL is often to blame for its own operating difficulties. The BOCT local service on the Altenheim Subdivision is scheduled and operates Monday through Friday between the hours of 0800 and 1800 as is known to all users. WCL could easily schedule its traffic to avoid potential interference from local switching service.

Finally, CSX operations in Chicago depend on fluid movement of traffic to and from yards within the Chicago terminal area. WCL proposes to use the 48th Avenue Yard on the Altenheim Subdivision as a location for holding through trains for interchange during periods of congestion. WCL-9 at 8. This is inconsistent with their statement that they would relieve congestion and improve efficiency. Id. Furthermore, the primary purpose of that yard is to support local customers and holding through trains there would disrupt BOCT's local service.

IV. SPECIFIC CATEGORIES OF REQUESTS FOR CONDITIONS WOULD NEGATIVELY IMPACT CSX PROPOSED OPERATIONS AND UNDERMINE CUSTOMER SERVICE

The comments and requests for conditions that have been filed in response to the Primary Application are voluminous. Rail carriers, shippers and government agencies all are asking the Board for sundry conditions ranging from trackage rights to oversight provisions. Requests for new commercial arrangements, rate conditions, reduced switching

charges and oversight provisions are examples of conditions that would seriously affect CSX, but would not directly impact on the operations. Other witnesses will address those issues.

Some requests, however, such as requests for trackage rights or to purchase lines or yards, directly affect operations. I will not attempt to address the impact of each and every request, but for brevity and organizational efficiency, I will summarize the effects of categories of conditions that would most directly and adversely affect CSX service and jeopardize the attainment of the goals and benefits outlined in the Operating Plan.

A. Requests to Reroute Traffic

I have been advised of or have read various comments of parties concerned with the increased number of trains in their neighborhoods, and especially concerns about safety and the environmental impact of increased train operations. CSX is, of course, very concerned about safety and environmental impacts and I know that the company is working through the environmental process in this proceeding to address these matters. Although CSX is willing to meet and work with officials of the communities in which we operate and will make every effort to be a good citizen of those communities, there are limits to what can be done. It is commercially and operationally impossible, and impractical, to reroute major traffic flows away from major rail and industrial hubs.

Over the course of this country's history, communities relying on rail transportation have sprung up along major rail lines. For many of them, the railroad was a

vital link to commerce with other parts of the country and became an important part of the community. Over the years, as the automobile brought about greater personal mobility, communities have moved further away from urban industrial and commercial areas. Those individuals remaining in close geographical proximity to the railroads, but no longer personally benefitting from that proximity, have become concerned about the noise and safety hazards associated with rail transportation. Nonetheless, the railroad infrastructure is firmly planted and cannot be easily displaced.

The City of Cleveland and the Cities of East Chicago, Hammond, Gary and Whiting, IN (collectively the Four Cities Consortium) have requested that this transaction be conditioned upon CSX rerouting traffic away from their communities. In both cases, CSX appreciates the cities' concerns and has taken steps to mitigate the impact of CSX rail operations on their communities. However, in neither case is it feasible to reroute the traffic. I will explain why.

1. City of Cleveland

In its Comments in Opposition and Requests for Conditions (CLEV-9), the City of Cleveland⁹ asks the Board to reroute through traffic away from the City; reallocate the right-of-way and tracks within the Cleveland area to mitigate impacts on neighborhoods;

⁹ Congressmen Louis Stokes and Dennis Kucinich also submitted statements to the Surface Transportation Board in support of the City of Cleveland's request.

and to construct grade separations for crossings currently at grade on lines that will experience an increase of traffic.

In developing the CSX Operating Plan, we made an effort to mitigate the impact of increased rail traffic by routing traffic moving through Cleveland over the Short Line Subdivision. See Figure JWO-15.

The Short Line Subdivision was constructed by a predecessor to Conrail, Lake Shore & Michigan Southern Railway Company, to provide for the efficient movement of freight trains to, from and through Cleveland. This line is hailed as an engineering achievement at the turn of the century. The Short Line Subdivision travels about 22 miles from Berea to Quaker via the Cuyahoga River Bridge on a railroad viaduct that spans 67 grade separated road crossings and 7 grade separated railroad crossings. The engineering and operating objective for this line was the primary movement of rail freight trains. In fact, the two main tracks constructed on this viaduct were designated as freight tracks [3 and 4]. In addition, CSX is investing \$18.1 million to restore double track to most of the line. This expenditure includes restoring about 10.6 miles of double track and upgrading the line speed to 50 mph (except for 2 sections at CP Short and across the Cuyahoga River Bridge). The added capacity will move traffic more quickly, avoiding congestion, delays and prolonged presence of trains in Cleveland neighborhoods. Additionally, CSX expects to invest



CSX
TRANSPORTATION
CLEVELAND, OHIO
SHOWING
The Proposed
ALLOCATION OF CONRAIL
LINES & RIGHTS
NO SCALE

FIGURE JWO - 15

\$10.1 million to expand Collinwood Yard and \$29 million for the construction of a second main track between Greenwich and Cleveland. All in all, CSX's investments total close to \$60 million in and around the Cleveland area.

I understand that both CSX and NS have met repeatedly with City officials to discuss ways to mitigate the impacts of traffic on Cleveland, and those concerns are addressed elsewhere in this submittal. My statement explains why the City's suggestion that CSX reroute its through trains away from Cleveland is infeasible.

The City suggests that "[b]oth carriers have substantial networks that will allow traffic originating or terminating in the mid-Atlantic region that passes through Cleveland without stopping to be rerouted away from Cleveland." CLEV-9 at 3-4. The Mayor of Cleveland, Michael R. White, claims that it is incumbent upon the "two railroads to study their proposed operations, present proposals to the City and its surrounding communities for re-arrangement of operations through the City, and determine which, if any, will have less serious effects and will be operationally and commercially feasible for the railroads." CLEV-10, White VS at 5-6.

There is obviously no easy fix for the Cleveland area. Cleveland is an industrial city and railroads are a part of its history. It is located at the cross point (the "X") of the Conrail system. Because of Cleveland's strategic location on Lake Erie -- proximity to coal and raw materials, midway between Chicago and the East, and between St. Louis and the East -- freight railroads developed efficient networks to carry freight traffic to and from

these points. This city has always attracted rail traffic and has benefited economically from the increased industry and jobs that have sprung up around the railroads. Because of the increase in rail traffic on some routes, however, the City now wants to reroute rail traffic away from the City.

While the City alleges that there are alternative routes for CSX traffic, it has offered no proposals as to how the railroad could reroute the traffic. The Director of Community Planning, Hunter Morrison, admits that the City is "not in a position to make specific proposals for routing alternatives to those currently proposed by CSXT and Norfolk Southern. The burden for identifying and testing specific routing alternatives should fall on the railroads." CLEV-11, Morrison VS at 15.

Even the City's expert witness, Philip G. Pasterak, Vice President of Parsons Brinkerhoff, who states that he has worked in rail planning, engineering and operations for more than 16 years, could offer nothing more than to suggest that 12 proposed CSX trains scheduled to operate between Chicago and Kearny, Little Ferry, and Elizabeth, NJ (with no scheduled stop in Cleveland) could be rerouted via other non-specified routes. CLEV-15, Pasterak VS at 2.

Rerouting of traffic flows away from Cleveland is not commercially or operationally feasible. If the traffic were routed over other CSX mainlines, it would move great distances out of route, requiring additional interchanges and delaying delivery by days. In many instances, the added transit time would jeopardize production for industrial

customers, particularly those who rely on just-in-time delivery of parts and supplies. Such customers would resort to truck transportation for more reliable and direct door-to-door service, which would be commercially detrimental to the railroads and undermine one of the primary benefits of the transaction.

This is particularly true of the CSX traffic that Mr. Pasterak suggests could be rerouted. Trains moving between Western Gateways and the strategic port and consumer districts in New England, New York, New Jersey and the Mid-Atlantic area carry intermodal and automotive traffic that is precisely the time-sensitive traffic for which the Northeastern Gateway, Eastern Gateway and St. Louis Gateway Service Routes were designed. These high quality, high speed routes, which pass through Cleveland because it is the most direct route, enable CSX to offer reliable transit times that can compete with truck traffic and take truck traffic off the highway. Truck to rail diversions and reliable rail service are two of the important service improvements and public benefits outlined in CSX's Operating Plan. CSX has invested heavily in the development of these service routes in order to deliver on those promises. Rerouting the 12 trains suggested by Mr. Pasterak off of these routes would thwart CSX's ability to provide reliable intermodal service, which would subvert all of CSX's plans for growth in this area and make worthless its substantial investments in intermodal facilities. Specifically, if CSX were required to reroute these trains over CSX's route via Philadelphia and Baltimore, the transit time would be over 6 hours long. Moreover, severe conflicts would occur with the commuter operations of NJDOT, SEPTA and MDOT. The double stack trains would be restricted by clearance obstructions at

multiple locations and operation of the trains would require more locomotives and greater tractive effort because of the ruling grades. Overall, from an operational perspective this route would not meet customer requirements and would not be feasible for planned railroad operations.

Routing traffic off of mainlines and over inferior lines or difficult terrain would also cause delays that would undermine the reliability of rail transportation and jeopardize interchanges with other carriers in Western Gateways or at other destination points.

Efficient operations over a major rail network such as CSX depend upon a carefully planned balance of equipment and manpower across the system. Rerouting trains impacts the distribution of equipment, the availability of adequate repair and fueling facilities, and the distribution of manpower in accordance with seniority districts and hours of service laws. Major rerouting of traffic would distort that balance.

Congressman Dennis J. Kucinich (Subnumber 74) presents several proposals to the STB, including a request that it "[c]onsider a plan to create an independent, neutral, dispassionate regional entity that would control freight and passenger rail in the Cleveland area." Id. at 2. Whatever the regional entity may be, it would have no operational experience with the dispatching and operational movement of freight trains. Conrail, NS and CSX have knowledge, experience and detailed understanding of the requirements for dispatching trains in the Cleveland area. Congressman Kucinich states that "[t]he Berea

junction is currently operated by Conrail. Under the merger proposal, CSX will control the Berea terminal." Id. To the contrary, the parties' agreement governing the interlocking at Berea provides that the terminal will be "'separate' (i.e., divided so that each operator is not subject to the control of the other when making moves on the Operator's Own lines through a point)." CSX/NS-25, Vol. 83 at 117. The crossover tracks in the interlocking will be designated as connection tracks and will be jointly controlled by NS and CSX dispatchers. It is my understanding that the purpose of NS' proposed connection track at Vermillion is to facilitate movement of specific NS trains destined eastward on the NS mainline extending toward Buffalo and not, as Congressman Kucinich suggests, to reroute trains so as to avoid CSX dispatchers at Berea. In fact, NS dispatchers would control all of NS' trains at Berea. See Figure JWO-16.

Congressman Kucinich champions an idea for "(a)n independent dispatching entity to control the flow of all freight and passenger traffic in and through Northeast Ohio. This proposal will alleviate the concerns of NS that led to its proposal to triple freight train traffic on the West Shoreline . . . " Id. at 4. From a service and operation perspective, CSX and NS operation planners designed their proposed train networks to efficiently progress rail traffic to and from customer origins and destinations. The reported concerns by

BEREA INTERLOCKING

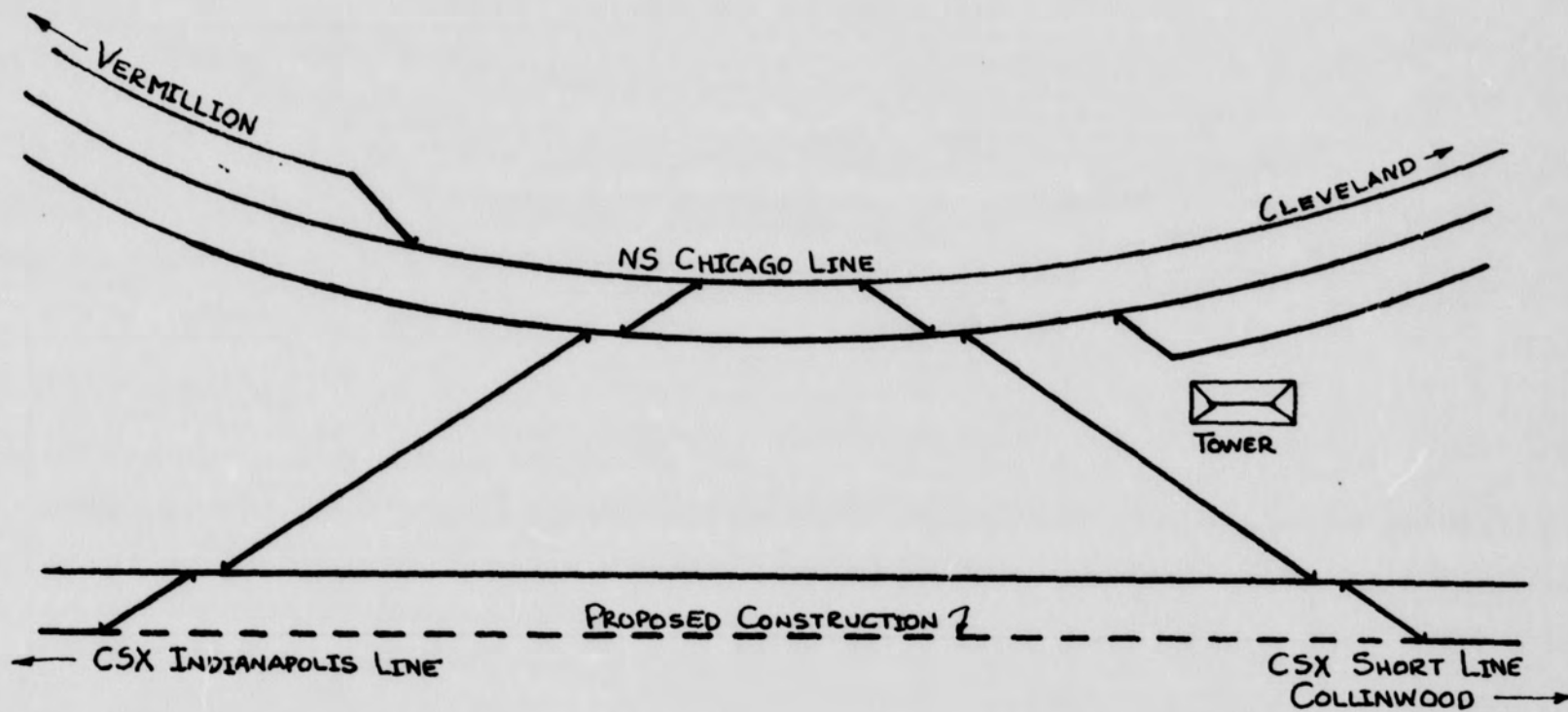


FIGURE JWO - 16

NS about Berea and the efficient movement of NS trains were never discussed with me or representatives of my operating plan team.

Congressman Kucinich states that "(i)n the Conrail merger application, as proposed, the shippers in Cleveland between Downtown and Berea currently served by Conrail and CSX will likely be served by CSX only." Id. at 14. It is my understanding that customers on this line will be served by NS, and that CSX will have overhead trackage rights for CSX through trains.

Congressman Kucinich further asserts that certain "Conrail lines should be jointly owned and accessed by NS and CSX if the STB approves the merger." Id. at 16. For the most part these tracks are "open" for joint access by both carriers (with overhead trackage rights) and therefore CSX and NS have already adequately addressed that concern.

Congressman Kucinich further requests that NS and CSX "be directed by the STB to fully cooperate in the addition of new connections." Id. at 18. He presents no plan of connections, nor does he state any necessity for the unspecified connections except "to facilitate the transfer of freight cars." Id. In the development of the CSX and NS Operating Plans, we have modelled the flows of cars and in so doing have addressed the need for connections -- no additional connections are needed.

Another problem with rerouting traffic is the negative impact on the use of facilities. Cleveland is well suited for collecting blocks of cars that will travel in nonstop

gateway interchange trains to and from other carriers. Rerouting traffic away from strategic Cleveland facilities would downgrade CSX's planned network and undermine the efficiencies and benefits that would otherwise result from CSX's proposed operations. Collinwood Yard in Cleveland will be an important hub for CSX's automotive and intermodal networks. The yard is well situated for providing service to industrial customers, including automobile parts distributors, auto parts plants, and other customers in the Cleveland area that rely on timely deliveries. The local Cleveland industries require reliable rail transportation and will benefit from the frequent train service we have planned. If CSX had to develop an alternative network plan that caused through trains to be diverted away from Cleveland, significant impact would occur to train operations supporting industry and local customers from Cleveland all the way east to Selkirk. Additionally, rerouting double stack intermodal trains via an alternative sans-Cleveland route is infeasible due to equipment clearance restrictions over numerous sections of CSX's other network lines.

The existing railroad infrastructure through Cleveland has the capacity to handle the large volumes of current and future east-west transcontinental traffic. CSX is building a modern block-swap yard at Willard to accommodate the anticipated volumes that will be collected in merchandise blocks to and from the Cleveland area.

In sum, there is no other existing railroad infrastructure in the Cleveland area that could support such traffic and to construct a new route to bypass the city would, for all practical purposes, be impossible.

2. Four Cities Consortium

The FCC has presented its Alternative Routing Plan in two parts, both of which focus on the post-transaction operating plans of CSX. The first part relates to the additional trains that CSX plans to move over its trackage (including the Conrail Porter Branch that it will acquire after the transaction) between Willow Creek, IN, where CSX tracks from the East enter the Chicago area, and various yard facilities on routes via Pine Junction, IL moving either (a) in a northwesterly direction toward Rock Island Junction through the cities of Hammond and Whiting or (b) in a westerly direction to Calumet Park.

FCC's alternative plan requires CSX to reduce traffic on the Willow Creek/Pine Junction/Calumet Park line segments by using these lines primarily for westbound traffic, and using the IHB line from Calumet Park to a connection with the Conrail Porter Branch near Tolleston, IN, and thence via the Porter Branch back to Willow Creek for eastbound traffic.

The second part of FCC's alternative plan requires CSX to forego reactivating an approximately 12-mile out-of-service (but not abandoned) portion of the former PRR line between Hobart and Clarke Junction that CSX intends to use as part of its Alternative Chicago Gateway/Fort Wayne Service Route. Because this route goes through the City of Gary, the FCC proposes that CSX instead route trains from Hobart west to Van Loon over the NS' former Nickel Plate line and then north over the EJE.

I will here summarize briefly how the FCC's proposal would undermine CSX's objectives in Chicago, jeopardize its Operating Plan, and undermine the public benefits of the transaction.

A key feature of the CSX Operating Plan is efficient routing of traffic to and from Chicago. CSX is investing \$220 million to upgrade lines and develop three mainline routes between Chicago and the East: The Northeastern Gateway Service Route between Chicago and the States of New York, New Jersey and Massachusetts; the Eastern Gateway Service Route between Chicago and Philadelphia; and the Alternative Chicago Gateway/Fort Wayne Service Route between Chicago and Cleveland, using the former NS Chicago-Fort Wayne line that CSX will utilize. All three of these lines are crucial to CSX Operations. By using the Alternative Chicago/Fort Wayne Service Route for bulk traffic movements between Chicago and Cleveland, CSX will be able to increase the speed and capacity of its existing line between Chicago and Cleveland, which forms a critical part of the Northeastern and Eastern Gateway Service Routes. As I stated in my first verified statement, CSX will have two alternative east-west routes between Chicago and Cleveland, both of which will be fully used; the first to handle high priority intermodal and expedited merchandise trains, and the second to handle bulk freight trains and to accommodate overflows from the other route. CSX/NS-20, Vol. 3A, Orrison VS at 17. The use of these lines will expedite service to and from Chicago.

Second, the CSX Operating Plan is designed to expedite and improve the fluidity of traffic through Chicago. To promote faster flows of traffic, CSX is investing in

substantial improvements to ease train movements within Chicago, including upgrading tracks to accommodate higher speeds and eliminate "slow orders" and building connections at the periphery of Chicago and between the lines of the local switching companies within Chicago to facilitate access to their yards and provide multiple routes to and from the yards so trains can traverse quickly as they enter and exit Chicago. Id. at 18-19.

Third, the CSX plan for train operations between the East and the Chicago area is designed to avoid wherever possible the need for opposing trains to "meet" and give way to one another or to wait while another train does work in a particular location. Additionally, CSX will take measures and enter into arrangements so that whenever possible through trains between CSX and western carriers will be assembled elsewhere and will take the most efficient routing through the Chicago terminal area without intermediate handling. This will greatly improve transit times and reliability, which is a primary benefit of this Transaction. By overheading, capacity is created within the intermediate switching carriers so they and their yards can more efficiently handle the remaining traffic; all customers and users will benefit.

CSX's schedules and routings have been devised to promote a predominantly counterclockwise flow of traffic. Inbound traffic flows from Willow Creek to Pine Junction, where the BOCT line to the west turns off and the line to Rock Island Junction further north commences. Trains exiting Chicago will generally continue in the counterclockwise direction using the BOCT and IHB tracks to reach Gibson and Ivanhoe interlockings and then onto the Porter Branch via Tolleston to Willow Creek.

FCC's Alternative Routing Plan would alter these traffic patterns and undermine the objectives of the CSX Operating Plan. First, rerouting traffic to avoid reactivating the Hobart-Clarke Jct. portion of the Fort Wayne line would undermine the objective of creating an alternative service route into Chicago. As Messrs. Rooney and O'Connor demonstrate, this portion of the FCC's proposal is based on the incorrect assumption or misperception that the only reason CSX is reactivating this line segment is to make coal and coke deliveries to US Steel. FCC-9, Burris VS at 8, n.11 and 16. That is patently incorrect.¹⁰ As stated throughout the Operating Plan, the Fort Wayne route is an

¹⁰ Mr. Burris purports to derive this mistaken notion from a CSX response to a much narrower question, that has nothing to do with the purpose for which CSX needs this line segment. Specifically, the Four Cities posed, and CSX responded to, the two questions, as follows:

Question 5. After the transaction is consummated, will CSXT have any ownership interest in, or operating rights over, either (a) the EJE line (or right-of-way) between Dunes, IN and a connection with EJE's Ivanhoe-Gary Line just west of Pine Junction, or (b) the NS (former Wabash) line (or right-of-way) between Dunes and a connection with EJE in the vicinity of Pine Junction.

Response:

a. No ownership, possible rights from EJE crossing PRR line north of Clark road (Dunes) to US Steel.

b. No.

6. If the answer is "yes" with respect to either part (a) or part (b) of question 5, please describe CSX's expectations with respect to improvements to and/or future operations on such line(s) after the transaction is consummated.

integral part of the CSX routes into and through Chicago. As this portion of FCC's routing proposal is based on a faulty premise, it substantially understates the impact of its proposal on CSX operations.

An essential requirement -- and key objective of the traffic flows -- is efficient connections with other carriers. The FCC's alternative routing of trains -- from the Van Loon line to the EJE line -- would needlessly complicate CSX's connections to other carriers and substantially impair CSX's ability to perform efficient interchange with western carriers. Because of its physical location on bridges above the intersection of CSX, Conrail (NS) and the BOCT at Pine Junction, the proposed EJE routing leaves trains on the Fort Wayne Line literally "up in the air." Rooney/O'Connor VS at 10. This greatly complicates access to the CSX mainline at Pine Junction and to other connecting carriers, including direct access to either BOCT or Rock Island Junction. This virtually negates the operational flexibility

Response:

Install a crossover between former PRR Tolleston lines and the EJE at the Dunes allowing coal and coke deliveries to US Steel using CSX crews.

These questions, in CSX's view and on their face, relate to possible CSX ownership interest in EJE or NS lines that CSX would or might acquire, and CSX responded accordingly. The questions, and hence the responses, are totally unrelated to the overall purpose for which CSX is using and upgrading the Fort Wayne Line -- that purpose is clearly spelled out in the Operating Plan. Therefore, the very premise of FCC's Alternative Routing Plan -- to enable CSX to serve US Steel without reactivating this line is false -- and the proposed "solution" does not even come close to addressing the harm to CSX that would occur from this rerouting.

objective for acquiring the Fort Wayne Line and thwarts plans for more efficient train movements and improved interchanges with western carriers. Id.

Moreover, under the FCC proposal, CSX would be put in the undesirable position of having a crucial segment of its operations available only by trackage rights over NS and EJE lines. Relying on only trackage rights to handle traffic flows to and from a gateway that is a critical center of CSX's system-wide and transcontinental operations would severely constrain CSX's ability to control its destiny. CSX's ability to develop and maintain competitive schedules, to freely undertake the capital improvements it deems necessary to maintain and/or increase capacity and operating efficiencies, or even to pursue new marketing opportunities would be constrained by the terms of trackage rights agreements. For CSX to achieve the operating efficiencies contemplated in the Operating Plan and to provide the high quality service its customers demand, CSX must have the ability to own and control the facilities that are essential to its operation, and particularly in an area as critical to system wide operations as Chicago.

It makes no sense operationally or commercially to move traffic over NS and EJE lines, possibly under different operating rules and different dispatching territories, when there is an available option over CSX's own lines. It makes even less sense, when, as here, the trackage rights route is more circuitous and hinders rather than promotes efficient connections to other carriers. The FCC proposal would completely disrupt operations and obviate any chance of enhancing efficiencies and providing improved service to customers. See Rooney/O'Connor RVS at 9-10.

The other part of the FCC's proposal -- to reroute eastbound traffic off the Willow Creek/Pine Junction/Calumet Park line segments and onto the IHB line from Calumet Park to Conrail's Porter Branch to Willow Creek via a connection at Tolleston, IN -- likewise is impractical and would unnecessarily impair operations. Mr. Burris claims a benefit of the FCC proposal the fact that the proposal would result in "a pair of mainline tracks each moving in a single and opposite direction." FCC-9, Burris VS at 6-7. But that "benefit" is not attributable to the FCC proposal -- indeed that is the traditional mode of operating in Chicago and one that the CSX proposed Operating Plan already preserves and expands.

In fact, the FCC's proposal, while maintaining that objective for the limited segments at issue, ultimately alters traffic in a way that conflicts with the directional patterns for the entire Chicago area. In order to reduce traffic on the segment from Pine to Calumet Park, the FCC proposes that CSX acquire and rehabilitate a section of the IHB from Virginia to Chase Street in Gary -- a distance of about 2.1 miles. This segment, which is elevated above street level in central Gary, would be connected to the Porter Branch in the vicinity of Virginia Street in the east and the IHB track would be used to Ivanhoe, where the IHB line appears on the map to -- but does not in fact --join the Porter Branch.

Assuming the existence of the elevated line in Gary, the FCC further recommends that 17 CSX (and CP) trains be rerouted eastbound over the elevated line and off the BOCT line -- reducing the planned BOCT trains from 33.3 to 16.7 premised on the assumption that eastbound and westbound movements would be about equal over the BOCT

line. FCC-9, Burris VS at 14 n.13. However, the schedules show that there are not 17 eastbound trains that are not already routed via Ivanhoe. Moreover, even if there were 17 trains available for rerouting they cannot be rerouted as Mr. Burris suggests because of conflicts with the operating concept, namely, most would be more efficiently rerouted via BRC rather than the longer IHB route and it would make no sense to reroute Barr Yard trains west and then east through the neighboring IHB yard. It also should be noted, that one reason that there is capacity on the Porter Branch for the trains that the FCC proposes be moved over that line, is that NS removed 10 trains from that line in order to achieve a more efficient routing and to reduce delay.

FCC suggests that its plan would be more economical because it would save CSX the cost of reactivating the Hobart to Clarke Junction segment, but FCC ignores the real costs that would be associated with its proposal. In fact, FCC's investment program is materially inadequate to support its proposal. It makes no mention of the cost to reconnect the IHB line to the Porter Branch, or in the alternative to refurbish part of the IHB or the cost, or feasibility, of establishing connections from the EJE elevated line to connecting carriers at Pine Junction. And even if the elevated line from Gary were a plausible alternative for the future, the plan cannot be implemented without substantial investment. The physical condition of the bridges is poor. The wooden trestles would have to be filled and the track structure completely replaced, including the entire line to Chase Street. The IHB line to Ivanhoe would have to be refurbished as it could not in its present condition support 40 mph operations. Rooney/O'Connor RVS at 25-26.

The CSX Operating Plan already incorporates use of lines and yards in a way that will improve traffic flow and ameliorate the situations hypothesized by FCC. For example, the Pine Junction to Calumet Park segment today is the main east-west connector for CSX trains to its yards and to the IHB and BRC yards that CSX uses in the southwestern Chicago suburbs. Since CSX's plan is to continue to use extensively the services of these railroads and yards, the role of that line will continue as it is today. However, the way in which CSX's Operating Plan uses the Porter to Ivanhoe line segment changes the predominant flow from westbound to eastbound traffic. Thus, the flows of traffic will be more efficient, meets and passes will be avoided, and as a result there will be fewer delays.

Thus, FCC's Alternative Routing Plan offers no "benefit" other than the elimination of the alleged increases in delays at grade crossing on two of the many line segments in the Chicago area -- namely, Pine Junction to Calumet Park and Hobart to Pine Junction. But as Messrs. Roney and O'Connor demonstrate, Mr. Burris has greatly overstated the potential delays because he has failed to take into account two important facts. First, only two additional trains will traverse the BOCT section during the 6 AM to 6 PM peak vehicular traffic window, which means a very limited increase in delays. Second, the train delay study that Mr. Burris relied upon ignores the fact that the train speeds under the CSX proposed operations would be 40 mph, not 25 mph (or 10 mph as assumed in the case of the Hobart to Clarke Jct. segment). Thus the length of delays in the study are inaccurate and the "harm" is substantially overstated. Rooney/O'Connor RVS at 16-17.

Even setting aside, for the sake of argument, the errors in the FCC train delay study, which are addressed in the Rooney/O'Connor statement, the FCC Alternative Routing Plan does not resolve the grade crossing issue, even significantly ameliorate it. The total number of grade crossings across all line segments (as opposed to just those addressed by the FCC) remains virtually the same under the FCC's alternative routing. The FCC proposal simply shifts the burden to other communities.

The FCC's Alternative Routing Plan would substantially hinder efficient operations in Chicago and undermine the benefits of improved traffic flows in Chicago that are inherent in the CSX Operating Plan. The limited and localized benefits of the FCC's Alternative Routing Plans are insufficient to offset that loss of public benefits. It should therefore not be adopted or prescribed.

B. Requests for Trackage Rights

1. Forced Trackage Rights Create Operational Complications

Dozens of commentors have requested trackage rights over lines that CSX or NS own or will operate, totaling more than 1,000 miles. If the Board were to grant all of these requests, the railroads' operations would be crippled and CSX's ability to provide the efficient rail service contemplated by the operating plan would be severely undermined. I will summarize in general the operational complications of forced trackage rights and address some of the individual requests for such rights that would impact operations.

Trackage rights allow one carrier to use another carrier's tracks and/or other facilities in exchange for agreed upon compensation and under negotiated terms and conditions. Trackage rights are not problematic per se. In fact, there are many instances in which rail carriers enter into trackage rights voluntarily for their mutual benefit, as for example NS and CSX have done in various locations. But the sharing of tracks and facilities requires close cooperation and coordination to avoid congestion and delays to each other's traffic. Even under mutually beneficial arrangements, the presence of another carrier on the line impacts the landlord carrier's operations.

In a situation, such as here, where parties request the Board to impose trackage rights that are not mutually beneficial and which were not anticipated during the development of the commercial and operating plans of the railroad, the addition of Class II and Class III carriers onto CSX and NS mainlines can severely jeopardize operations.

Trackage rights limit a carrier's ability to control its own facilities and ultimately its own destiny. Obviously, delays and failures by the tenant carrier on the line itself will interfere with the owner's use of its line. Less obviously, joint use of tracks and facilities requires close cooperation and coordination in train movements in order to meet the service requirements of each carrier. If a tenant carrier does not keep on schedule on its own tracks, it will impact the schedules on the shared track as well, again resulting in delays to the owner.

It also is more difficult to control entry and exit at junction points when Class I and shortline carriers share tracks. Bunching and congestion are more prevalent with multiple users. Scheduling of maintenance of way operations, capital improvement projects or other operations that curtail use of the line become more complicated. Furthermore, shortline and local operations conducted on mainline track interfere with through traffic and other local traffic, adding interchanges and delays to freight.

Differences in operating rules, communications systems and equipment also can be problematic. The tenant carrier's crews must be trained and qualified in the operating rules and knowledge of the lines over which they will operate. The owning carrier often is required to provide a pilot (or training) crew to accompany the tenant's train until the tenant's crew is fully qualified. This imposes additional administrative and manpower demands, but these needs cannot be compromised. The potential for human error when crews of one railroad operate over another is always present and safety cannot be compromised.

Incompatible radio and telemetry equipment complicates communications, resulting in misunderstanding and delays. Replacement of broken equipment or out-of-service locomotives can cause considerable delay if the equipment is incompatible with the landlord carrier's equipment and trains enroute must be sidelined to await replacements.

Logistics problems also arise when crews reach their hours of service limits outside of their own seniority districts and a new crew must be provided from a distant point.

Trackage rights also increase administrative activities, such as coordinating billing procedures and recordkeeping for locomotive power, car mile and other joint costs.

Finally, introducing third carriers would change the volume of traffic that CSX would carry and thus would affect the pattern of traffic flows, the collection of efficient blocks to eliminate intermediate switching, the design of train makeup and the competitive train schedules that were developed in the Operating Plan to provide benefits to the shipping public.

2. Negative Impact of Individual Trackage Rights Requests on CSX Operations

The most troublesome requests are those of Class II and III railroads that want to expand into new markets by gaining use of CSX mainlines that are critical to CSX operations and which already are heavily used. For example, as I discussed in Section III, NECR, which is a relatively new, small carrier that currently operates only 12 trains per day in rural and undeveloped areas, requests trackage rights over 256 miles of the eastern portion of CSX's mainline between Chicago and the Northeast, including access to the NJSA.

Similarly, WLE wants to operate in Chicago, Toledo, and West Virginia, without limitation on future increases, using CSX mainlines, including CSX's critical Alternative Chicago Gateway/Fort Wayne Service Route.

ISRR, a shortline that currently moves coal in Indiana, wants to provide local service and switching service to other shortlines over three mainline segments between Indianapolis and surrounding communities. One of those line segments, Indianapolis to Muncie, is CSX's mainline between Cleveland and St. Louis on the St. Louis Gateway Service Route.

These mainlines represent valuable assets that CSX is obtaining at great cost in this transaction in order to provide the competitive service between major gateways and the Northeast that customers demand. Fast reliable service is mandatory on these lines. The presence of shortline operations would add to the complexity of operations over these lines, which already require careful management and, for some of the line segments, coordination with other freight and passenger and commuter operations that also have rights over these lines. The presence of multiple carriers with trackage rights over vast portions of CSX's newly-obtained routes would disrupt schedules, increase the risk of delays and congestion, and subvert CSX's ability to control its destiny. Each new tenant would bring increased risk of delays, and other uncertainties that jeopardize schedules and impede efficient operations.

Centerior's requested condition would bring even greater risk to CSX operations, as it seeks trackage rights for NS, CSX's competitor, over a crucial portion of CSX's mainline. Centerior wants trackage rights for NS over CSX's acquired line between Centerior's Lake Shore Generating Station in Cleveland, OH and CP 124 at Ashtabula, OH. This is yet another request for rights over a portion of the Northeastern Gateway Service Route that CSX obtains in the transaction. This line is part of the key competitive route that

CSX is paying for in this transaction -- the former Water Level route between Cleveland and New York/New Jersey. This route is part of a double track high speed mainline with high traffic density. The trains that traverse this line primarily carry merchandise, automotive, and intermodal traffic that is highly competitive and time sensitive. Adding NS coal trains that would be moving over trackage rights would pose a significant coordination and operational problem.

Coal trains will not be able to maintain the same speed as the bulk of the movements on this line. It will require a significant coordination effort for CSX to manage its own coal movements across this key line segment to avoid delays. To add NS' coal traffic across this key corridor given that CSX does not control NS' movements leading to this line, would result in delay not only to the NS trains but to the other, time-sensitive traffic that CSX will handle on this line. Any such delays would be advantageous to NS as it will be CSX's primary competitor for transportation service between Chicago and the Northeast.

The City of Indianapolis asks that the Board modify the Trackage Rights Agreement between CSX and NS to include 13 specific provisions designed to promote NS' position in Indianapolis. See, CI-5, Comments of City of Indianapolis at 14-16. Some of the conditions would "require" CSX to perform in a manner that is already common practice between CSX and NS at various points on the railroad and therefore does not require STB intervention. Others are based upon unsupported and unrealistic assumptions of traffic

volumes that NS might develop, if these terms were imposed. A few of the proposed conditions would actually be detrimental to efficient customer service.

First, no STB order is necessary to assure that CSX will "maintain the subject trackage at its current Track Class and Speed." CI-5, Responsive Application at 14. CSX has an extensive maintenance of way program that compares to or exceeds that of other major carriers in the rail industry. Moreover, it would not be in CSX's interest to devalue its investment in these lines by allowing them to deteriorate. Nor is there any reason to impose upon CSX a requirement to "dispatch trains equally and without prejudice." Id. at 15. In the railroad industry, trains and interchanges are scheduled. It is just as important to one carrier as it is to the other to run the trains on time. Most facilities operate by dispatching industry jobs, trains, and interchange cars on particular shifts daily. Yards must operate in this fashion to keep the resources turning -- tracks, locomotives, and crews -- or they get bogged down. CSX and NS successfully deal with each other at various points on their networks, including the Cincinnati and New Orleans areas, without any contractual conditions of the type proposed by the City of Indianapolis. Likewise, the two railroads have been doing business together for many years, without any need for a third party to arbitrate for them. These proposed terms are therefore unnecessary.

Likewise, the NS and CSX have switching agreements in place now that work without "requirements" or "setting forth a specific time requirement for CSX's pick up and delivery of NS' cars to and from the customer sidings." Id. at 16. Where CSX and NS do business today, interchanges and trains from each other are expected and handled on the

same shift and at the same time daily. There is no reason to expect that operations in Indianapolis would be any different.

Concerned that NS will not have a volume of traffic sufficient to maintain adequate rail service in Indianapolis, the City further proposes terms that would (a) give NS access to all customers served by CSX, (b) release all of CSX's customers from provisions of contracts that would preclude them from rebidding to NS, and (c) require CSX to provide haulage for NS from Indianapolis to Chicago. Id. at 13. The trackage rights granted NS give it more than just access to Indianapolis; they give NS two routes to and from the City with excellent connectivity with NS routes to the West and Chicago (via Muncie) and to the East and Cleveland (via Lafayette).

The City also wants the STB to impose terms to enable all present and future shortlines to connect with CSX and NS and with each other. There is no evidence that the volume of available traffic would support such activity, particularly given the City's request that NS be given the right to provide its own direct service to Indianapolis customers and shortlines or to contract with a third party to provide these switching services. The result would be more than one carrier trying to pull and place cars at the same industries, which would be extremely disruptive to customers. Even in the SAA's, CSX and NS have reconciled yard operations to avoid duplication and the chaos that would be created by having multiple yard engines attempting to serve customers.

Several industries in the area like to be worked at night, so that when they come to work in the morning their tracks are set up. This permits them to get the most production from the car unloaders. Generally, industry lines are single track and a switching crew spends 8 to 12 hours servicing customers on the line. The switching crew is not concerned about, or even aware of, which carrier's cars it is delivering, so there is little chance for prejudice in servicing the customers.

Finally, under the terms of the Transaction Agreement, CSX will operate Conrail's Hawthorne Yard in Indianapolis and will provide NS with sufficient trackage for arrival, departure and makeup of trains. The City, however, finds this arrangement insufficient and would instead impose a term that would give NS the right to lease, buy or build trackage at Hawthorne Yard for its own use. CI-5, Responsive Application at 15. Not only is such a term unsupported by any evidence that additional capacity is needed, but more importantly, that provision would disrupt CSX's operations. CSX plans to consolidate traffic from its small State Street Yard in Indianapolis into a single operation at Hawthorne Yard in order to improve operating efficiencies. This means that Hawthorne Yard will be a critical facility for CSX operations in Indianapolis and any requirement limiting CSX's use of Hawthorne could be detrimental to those operations.

The State of New York (NYS) asks the Board to impose trackage rights over portions of the Conrail line east of the Hudson River (allocated to NYC) that will enable an unidentified third party operator to provide service between New York City/Long Island and Albany. NYS-10/NYS-11. The **Erie-Niagara Rail Steering Committee (ENRS)** requests

that there be a Niagara Frontier Shared Assets Area that would include all of Erie and Niagara Counties and the northern portion of Chautauqua County in New York State. ENRS wants conditions that would (1) allow all current and future customers that will be served by Conrail lines involved in this proceeding within the limits of the Niagara Frontier SAA to have direct and equal access to rail service from both CSX and NS, or (2) require reciprocal switching arrangements that would extend to carriers other than CSX and NS, such as Canadian National (CN), Canadian Pacific (CP) and the various shortlines that already operate in these areas, or alternatively, (3) have NS and CSX grant each other terminal trackage rights over all Conrail lines in the Niagara Frontier area.

The grant of trackage rights to an unidentified entity over the Conrail lines south of Albany and east of the Hudson River (between Schenectady/Albany/Selkirk and Poughkeepsie) and Conrail trackage rights over lines owned by Metro North between Mott Haven Junction and Fresh Pond, NY (NYS-10, Argument at 17), would impose operations of an unknown entity onto an already high density line -- a line that for some segments currently carries about 332 passenger trains in addition to Conrail local freight trains or at already busy yards, switching leads and track within the Harlem Yard and Oak Point areas. Contrary to NYS's contentions, shippers in the State of New York have increased competition as a result of this transaction. CSX has entered into joint-line marketing agreements with CP, CN and P&W with respect to service to New York City and Long Island. Further imposition of trackage rights to a third, unidentified carrier in order to "create" competition in this area is unneeded. On the other hand, the presence of other

freight operations on lines CSX will operate from Conrail east of the Hudson would only impede CSX operations, and create additional passenger/freight coordination issues on this line.

For all the operational reasons stated in Section IV.B.1 above, grant of the extensive trackage rights sought by these two parties would significantly devalue CSX's investment in New York and seriously impair its ability to perform the high quality service intended over the Northeastern Gateway Service Route. ENRS' request would create confusion, dispatching nightmares and congestion on the Conrail lines that make up this important service route. Access by multiple carriers over the same lines would increase the risks of delay to all traffic; imposing multiple shortline operations over these lines would delay intermodal and other time-sensitive transcontinental freight traffic. Moreover, there is no competitive, commercial or operational reason for granting the requested trackage rights and reciprocal switching rights in this area. Unlike the NJSAA area which is today served only by Conrail, Buffalo and other areas in ENRS' proposed SAA have access to numerous rail carriers, who have their own lines and facilities already in place, including Class I carriers such as CN and CP as well as several shortlines, as indicated on the map included in NYS-10, Exhibit JAU-1.

International Paper Company (IP) currently transports products in both directions between its Erie Mill in Erie, PA and Lock Haven, PA. The service is provided by Conrail over a combination of Conrail and Allegheny and Eastern Railroad (ALY) lines. IP-4 at 1. This service traverses three line segments: (1) a 75 mile Conrail line between

Lock Haven, PA and Emporium, PA; (2) a 150 mile ALY line between Emporium and the OD Yard in Erie over which Conrail has trackage rights; and (3) a 3 mile Conrail line from the OD Yard to IP's Erie Mill. Id. After the transaction, NS will operate between Lock Haven and Emporium and inherit the trackage rights over the ALY line. CSX will own the line from the OD Yard to IP's Erie Mill.

IP argues that the service it currently receives from Conrail between Lock Haven and Erie cannot be maintained after the transaction unless the Board orders either (1) trackage rights to NS over CSX's line between OD yard and Erie; or (2) trackage rights to ALY over the NS line between Lock Haven and Emporium and over CSX's line between OD Yard and Erie Mill.

IP is concerned that after the transaction its service will deteriorate because the movements will become joint-line. However, for this particular movement, joint-line service can be just as efficient as single-line service.

Currently, Conrail moves the train from Lock Haven to OD Yard, where a Conrail yard crew switches the movement into IP's Erie Mill. After the transaction, NS will provide service from Lock Haven to OD Yard, just as Conrail does today, and at OD Yard, a CSX Yard crew will switch the movement into the mill just as a Conrail crew does today. The service will be essentially the same as it is today. Therefore, there is no justification for IP's concern that this movement will be jeopardized as a result of the transaction.

C. Requests to Purchase a Line or Facility

In this section I will briefly address the adverse impact of divestiture and reply to requests of individuals seeking to purchase portions of the system that CSX will operate.

If the Board were to require NYC to sell part of the allocated facilities to another carrier, the loss could disrupt the balance of operations across the network, or severely cripple operations in a particular locality. Divestiture of a line or facility frustrates expansion plans, jeopardizes capital projects, and obstructs operations.

IC's demand that it be entitled to purchase a 2-mile segment of CSX's mainline from Leewood Yard to Aulon in Memphis, TN would impact not only Memphis operations, but CSX's network operations as well. That line segment constitutes a section of CSX's Memphis Gateway Service Route. It is located just east of the Mississippi River and is critical to CSX's through freight service to and from western carriers.

CSX runs 10 through freight trains per day over that line. In addition, CSX uses the line to reach BN and UP yards for interchange with those carriers. The change of ownership of that line would profoundly interfere with CSX operations over the Memphis Service Route.

IC attempts to minimize the impact of its request by characterizing the line as little used by CSX and the traffic as "transfer" traffic, which completely distorts the nature

of the Memphis line. IC-5 at 19. The Leewood-Aulon segment is part of CSX's east-west mainline from the Mississippi River to Nashville and Cleveland. Divestiture of this line would disrupt major flows of chemicals and other general merchandise traffic from western carriers that traverses this route.

Although this line is used by IC as its north-south mainline that is the result of a conscious decision by IC. IC is the junior carrier. Until the late 1980's IC primarily used its own route along the Mississippi River rather than through Leewood-Aulon.

Another request that would seriously impair operations is WCL's attempt to force a purchase of the BOCT's Altenheim Subdivision in Chicago. WCL claims that its operation and control of the Altenheim Subdivision would improve the efficiency of Chicago Terminal District operations, but in fact WCL proposes to hold its trains on the line and in the 48th Avenue Yard that is currently used by BOCT to efficiently serve local customers. This would severely impact BOCT's ability to provide competitive and efficient service to these customers.

On a lesser but still significant scale is LAL's attempt to purchase Genesee Junction Yard near Chili, NY. As discussed earlier, although Conrail is currently using that yard only for interchange with the LAL and R&S area, there is potential for development in this area, which might require the use of the yard.

D. Requests for Change in Control of Interlockers/Dispatching

Several parties have expressed concerns about "neutral" dispatching, and "neutral" switching, "equal and fair" dispatching and the like, particularly with respect to the Chicago area and the shared assets areas. I believe these concerns are unfounded.

There is a common misperception that dispatchers are biased and favor their own railroad's trains over that of another. When a train is held up at an interlocking for any amount of time and the reason for the delay is not immediately apparent, some railroads jump to the conclusion that their trains are being singled out for biased treatment and that the dispatcher is intentionally delaying them in order to move its own trains more quickly.

This is generally not the case. As I testified in my deposition, there are many reasons for delays including signal malfunctions, derailments, maintenance work, broken rail and congestion. See Orrison Dep., Sept. 12, 1997 at 431-33. Sometimes a dispatcher is attempting to move a train that is behind schedule quickly in order to avoid congestion or conflict with another scheduled train. Often the dispatcher's own trains are as much affected as are other railroads' trains, although that may not be apparent to those who do not have all of the information.

A dispatcher's objective is to move all the trains scheduled on his or her territory. A dispatcher makes decisions on the basis of a large amount of information that is not available to others. In the course of the day, he or she will make hundreds of quick

decisions. It is easy to second guess a dispatcher and assume that the decision was biased. But in my experience, I have found that when you contact the other railroad and try to determine the cause of the delay, there is generally a good reason. Many claims of bias are based on miscommunications or lack of information as to what is transpiring.

I will now address some of the parties' comments concerning switching and dispatching.

Chicago Area

EJE claims that CSX's partial indirect ownership of IHB after the approval of the acquisition would mean that IHB would no longer be "a neutral, independent switching carrier." EJE-10 at 9. EJE witness, Millard Turner, General Manager of the EJE, claims that even though Conrail owned 51% of IHB, IHB remained neutral because there would be no benefit to Conrail if traffic were switched by another carrier. EJE-10, Turner VS at 056. He suggests that because CSX would have economic interests in all three major Chicago switching carriers, IHB, BRC, and BOCT, CSX would be able to control switching operations in Chicago.

That is incorrect. CSX's interest in IHB will be held in common with NS -- Conrail will continue to own the 51% block of stock and CSX and NS will direct Conrail's voting of it in accordance with an agreement set forth in the primary application. See CSX/NS-25, Vol. 8C at 692. In addition, the remaining 49% interest in the IHB will

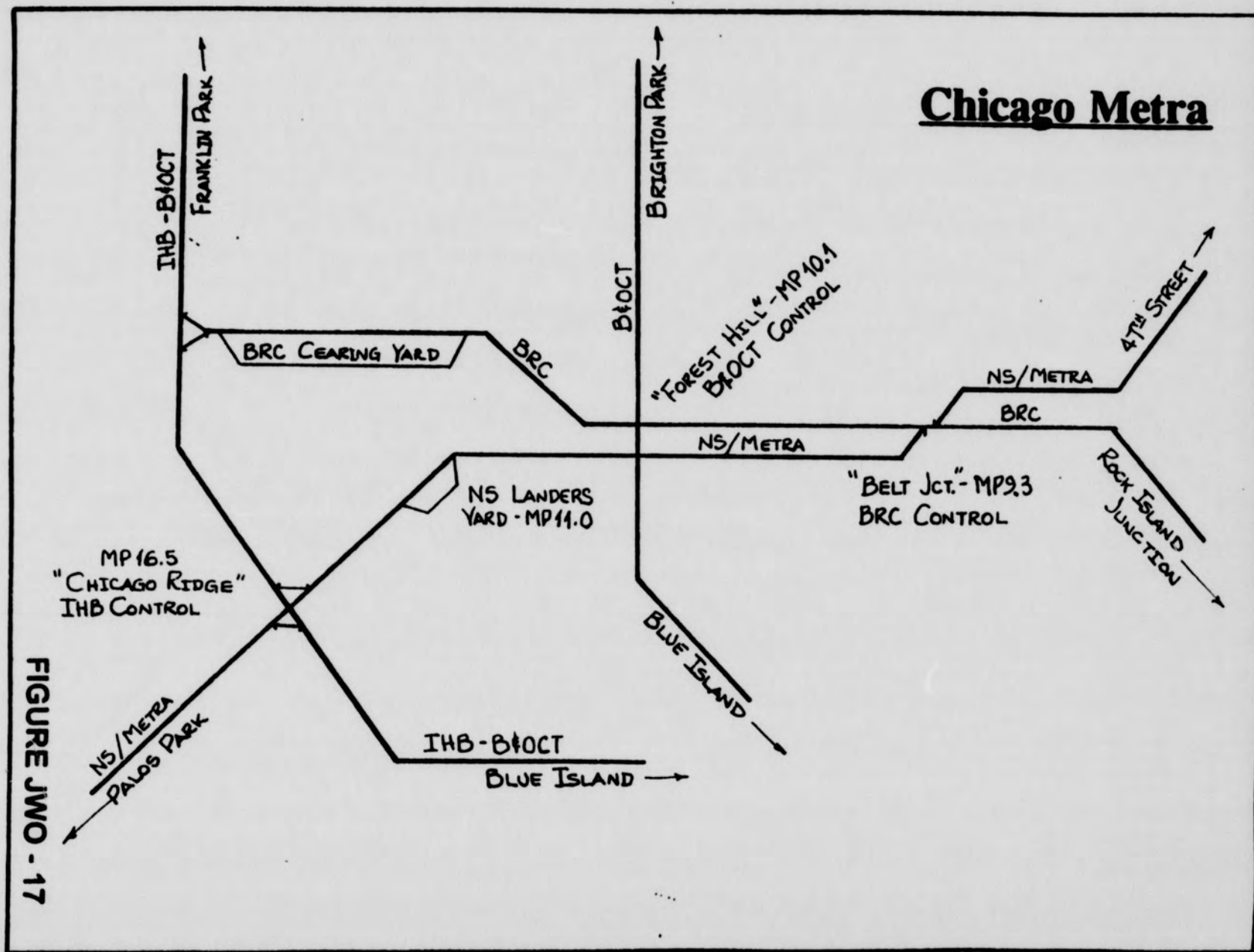
continue to be held by the remaining owner, Soo Line Railroad, which is a subsidiary of Canadian Pacific (CP). I understand, however, that in his deposition, Mr. Turner admitted that he knew nothing about the agreement between CSX and NS and had never read it. NS and CP are strong carriers and competitors of CSX. Together they could prevent CSX from exercising any undue control over IHB in the way suggested by EJE. I understand that when Mr. Turner was asked at his deposition why NS and CP/Soo would ever put up with CSX's dominating the IHB, he said that he had no idea why they would. As to the BRC, while at the present time CSX has more stock in that company than does NS, its total stock interest is only 3 shares out of 12. After the Transaction, NS will also have three shares, thus counterbalancing any perceived advantage CSX might have had. CSX will not have any more shares than the other owning carriers.

More importantly, it would not be in the interest of any party in Chicago, including CSX, to control switching operations in a way that would discriminate against other carriers. Neutral switching is essential to smooth operations. Trains must be progressed in an orderly and expedient manner in accordance with their schedules. Undue preference to any one particular carrier would eventually create gridlock and congestion, which would impede all operations in the Chicago area.

As I stated in one of my earlier verified statements a key goal of our Operating Plan is to assist in facilitating movement of traffic through Chicago. See CSX/NS-19, Vol. 2A at 453-59. CSX consulted with IHB and with other carriers including the western carriers, to ensure that its plans were consistent with their goals for Chicago. Biased

switching and dispatching would impede, rather than, promote fluid traffic flows in and through the terminal and thus would undermine the ability to achieve those goals.

Chicago Metra claims that "CSX and NS plans for the Chicago terminal area will result in significant changes that threaten at least three interlockings, including the chokepoint at Forest Hill, with even greater freight traffic volume and potential interference for Metra's commuter operations." METR-6 at 3. The three interlockings are the Forest Hill interlocker at 75th Street controlled by BOCT; the Chicago Ridge interlocker controlled by IHB and the Belt Junction interlocker controlled by BRC. Metra requests that Applicants transfer (or with respect to Belt Junction exercise control to see that BRC transfers) control of these interlockings to Metra. See Figure JWO-17.



Metra's concerns are misplaced. CSX's substantial planned improvements in the Chicago vicinity are designed to improve, not impede, operations, including commuter operations, in Chicago.

CSX plans include numerous improvements including the construction of a new 59th Street Yard; expansion of Bedford Park and Forest Hill Yards; rehabilitation of Blue Island Yard; upgraded crossovers at 22nd Street; several new or upgraded connections; upgrading and converting sidings to make a third mainline on the McCook Subdivision; upgrade road crossings and signals on the Barr Subdivision and signaling improvements on the Chicago mainline from Blue Island to Dolton. These improvements will significantly improve traffic flows through Chicago. See Exh. JWO-7. One of the significant problems with the Forest Hill interlocking, which Metra calls a "chokepoint," was that it was manually operated from a control tower at the site. During extreme weather conditions, including heavy storms, alignment of the interlocking became very difficult, thus creating train delays at the facility for all traffic. CSX has recently modernized the interlocking to rectify this problem. The interlocker has been relocated from a tower at the interlocker to an office shared by the BOCT and BRC dispatchers in the BRC dispatching center in Clearing, facilitating coordination with the BRC.

The Chicago Ridge interlocking was modernized in 1994, with IHB taking over control of the interlocking on August 1, 1994. By the terms of its agreement, IHB must afford N&W, BOCT and IHB equal access through the interlocking and connection track

without prejudice or preference to the trains of any party, except that preference shall be provided to Metra trains.

Improvements to Belt Junction to facilitate movements from the proposed new UP northeast connection are also under consideration. All of these improvements should alleviate Metra's concerns and remove any reason for change of control of the interlockings.

Moreover, significant effort has been made to eliminate delays to Metra trains at Forest Hill and Belt Junction. According to Metra, sixteen Metra trains per day in each direction go through the Forest Hill interlocking. In October 1997, there were only 4 delays to Metra trains, only one of which was caused by freight interference. Similarly, out of 414 Metra trains that passed through the Belt Junction interlocking in October, only 7 incurred delays, which represents a 98.3% train performance level. See Letter from V. L. Stoner (Metra) to Don Reardon (CSX), Nov. 10, 1997; Letter from Ronald L. Batory (BRC) to Vaughn L. Stoner (Metra), Nov. 13, 1997. Exh. JWO-2.

Another proposal under consideration to alleviate dispatching problems in Chicago is to co-locate the BRC, IHB and BOCT dispatchers at a common area so that they can communicate face-to-face with one another and be equally apprised of approaching trains on each other's lines. This also should help to dispel concerns of biased dispatching.

From an operations standpoint, change of control of the interlockings would further complicate operations in Chicago. The Forest Hill (75th Street) interlocking is

central to CSX operations. CSX currently moves four intermodal trains per day in each direction and about 30 yard and transfer trains through the Forest Hill interlocking. For post-transaction traffic, CSX has designated primary, secondary and alternate routings for each scheduled train that will traverse the Chicago terminal area. The Forest Hill interlocking will be on the primary routing for 29 trains, and the secondary or alternate routing for an additional 19 trains.

Change of control from one carrier to another means a change of rules. This creates confusion, the need for piloting and qualifying crews, and further risk of delays during transition.

Illinois Department of Transportation (IDOT)'s concerns regarding construction of a new connection in the southwest quadrant of 75th Street interlockers are unfounded. IDOT-2, Kirk VS at 1. CSX's Chicago Train Route Plan does not route any trains through this connection as a primary route. It is necessary, however, to provide an alternate route to the CSX intermodal facility at Bedford Park and BRC's Clearing Yard. One of the major benefits of the CSX Operating Plan is the availability of alternative routes through Chicago. We plan to use this connection as a secondary route (in the event the primary is not available) for up to ten intermodal trains and as an alternate route for five intermodal and one merchandise. In addition, this connection will provide for a direct connection between Bedford Park and Forest Hill which will be used as necessary.

I do not agree with IDOT's assessment that the connection adds a "risk" -- not even very small. The existing connection in the northwest quadrant is very time consuming and requires multiple moves through the interlockers to move west. Thus, on a normal day, with the new connection in place, the number of freight train moves across the interlocker used by Metra will actually decrease, not increase as IDOT believes.

IDOT requests as a condition that Conrail's 51 percent ownership share of the IHB must be transferred instead to a neutral carrier or to a "balanced" group of concerned carriers, thus preserving the IHB as a neutral connection.¹¹

IDOT offers no thoughts on how operations under its preferred ownership scenario would differ from existing operations. This makes it impossible to assess the impact on CSX's Operating Plan.

This and similar concerns regarding "neutral switching" in Chicago are discussed in Section IV.D. Implementation questions are addressed in Section II,

Memphis Area

IC's complaints of biased dispatching by CSX on the Leewood-Aulon segment are discussed in Section III.E.

¹¹ Indiana Port Commission expresses similar concerns. IPC-2 T 9-11.

V. ADDITIONAL CONCERNS RAISED ABOUT PROPOSED OPERATIONS ARE UNFOUNDED

A. CSX Will Be Able to Provide Competitive and Efficient Service in the MGA

Several commentors -- including among others, Centerior, NYSEG, BLE, and Commonwealth of Pennsylvania -- have questioned whether CSX will have adequate facilities to manage coal movements in the MGA. Centerior and other commentors note that Newell Yard is considerably smaller than Shire Oaks and therefore assume that it will not be able to handle the anticipated CSX coal movements.

While CSX recognizes that Newell Yard is presently inferior to the Shire Oaks facility, it has plans to increase the capacity of the yard in order to accommodate the new coal traffic that CSX will move after the transaction. When construction is complete, Newell Yard will have 3 tracks each capable of holding a 150-car coal train, 2 tracks each capable of holding a 105-car coal train, a couple of short tracks to permit setting out cars as may be required, and the mainline. This will allow CSX to hold up to 5 trains at the facility.

Even after the construction is completed, Newell will not be as large a facility as Shire Oaks, but it will be sufficient to handle CSX coal movements. CSX does not intend to use Newell Yard for all of the functions that Conrail currently performs at Shire Oaks. CSX will use its existing facilities at Cumberland, MD and expanded facilities at New Castle, PA in concert with Newell to provide the inspections, train sizing, and locomotive

servicing functions. This will allow Newell and the personnel there to focus solely on the coordination of empty flows to MGA.

Newell Yard will be the final staging point to position empties for loading at MGA mines. This facility will also be the controlling point for managing movements from the CSX network back onto the MGA. Newell Yard will work in concert with New Castle and Cumberland to provide efficient and timely flows of empties to the MGA and to maintain a fluid operation across CSX's lines entering this area. When empty trains return from dumping at their last destination, car inspections, locomotive servicing (if necessary) and resizing of the set (if required) will be completed at New Castle or Cumberland. These points will also serve as "managed" control points by the Newell operation. When the empty train is ready and the mine loading is identified, the train will be dispatched from the "managed" control points to Newell. Newell will serve as the final buffer to allow for variation in the anticipated loading time, allow for variation in track availability to enter the MGA, and to provide the ability to resequence trains and some ability to resize trains if the customers loading needs change in the last 8 hours prior to departing Newell.

It should be pointed out that CSX will bring additional capacity to the MGA through the addition of the Newell, Cumberland and New Castle physical facilities, which will offset the complexity of adding a second carrier to the operation. CSX also brings two additional egresses to the MGA: CSX's route heading north (Newell through McKeesport, PA to the CSX Chicago - Philadelphia mainline) and South (Rivesville through Grafton, WV to Cumberland and the CSX Chicago-Philadelphia mainline or through Grafton to CSX's

Ohio River Subdivision reaching south to Huntington, WV and beyond). These facilities and egresses will enable CSX and NS to focus on coordinating service to the mines and maximizing the capacity of the MGA itself without significant concern about the capacity of the egresses to the territory. This also improves the available routes to mitigate the impact of "line blockage" events such as weather related track disruptions.

B. Proposed Shared Assets Areas Provide Competitive and Efficient Service

I have heard of or read comments expressing concerns about the feasibility of the SAA concept, and while that concept was initially developed by CSX and NS negotiators rather than service planners and operators, I will comment on why the concept is operationally feasible.

In determining the allocation of Conrail assets, CSX and NS established three areas -- Detroit, South Jersey/Philadelphia and North Jersey -- as Shared Assets Areas.

CSX and NS operating personnel have worked together to determine how to serve the customers in those areas most efficiently and to develop a coordinated operating plan for those areas. It was determined that to assure uninterrupted service to local shippers, to assure CSX and NS equal and unbiased use of SAA facilities, to improve logistics, and to facilitate scheduling, dispatching and communications, CSX and NS would retain Conrail (or the Conrail entity remaining after the acquisition) to provide switching and dispatching services within each SAA. Accordingly, the operating plan specifies that the CSAO will

continue to dispatch lines, provide local service, conduct yard activities, supervise maintenance and operations in each SAA in the same manner as Conrail performs those services today.

While several commentors have expressed concern that this will cause greater congestion -- i.e., "three" carriers operating over facilities previously operated by one carrier -- that is incorrect. By taking advantage of Conrail's experience and expertise in these areas, the learning curve for CSX and NS will be reduced significantly. CSAO will provide continuity of service so that the transition can be made with minimal disruption to customers. Moreover, because the CSAO will provide services that CSX and NS would have to provide if Conrail were not there, there is no increase in traffic or activity as a result of retaining Conrail. Indeed, the presence of the CSAO, which will have dispatching authority over all CSX and NS movements in the SAA and supervisory authority over yard operations and SAA employees, will be an efficient and effective means of coordinating CSX and NS efforts and operations in the SAA's.

With CSAO as the neutral coordinator, CSX and NS operations in the SAA's will not differ significantly from operations of multiple carriers in other major commercial, and particularly port, areas. Mr. Mohan discusses this in Section II of his Rebuttal Verified Statement.

CSX and NS teams are working on developing the details of operations for each of the SAA's, just as each carrier has teams working out the operational details of every

other yard and terminal area on its network. As with other areas, the SAA's will have superintendents who will be responsible for coordinating train movements, switching operations and yard assignments within their respective territories. The SAA superintendents, like any others, will have authority to adapt the general operating plan to changing customer and market demands and to resolve operating issues that are local to their territories.

The coordinated operating plan for the NJSAA jointly submitted by CSX and NS demonstrates how the CSAO will operate and how the train operations of the two carriers can be coordinated. Thus there is nothing about the concept of SAA's that would make operations in the SAA's any more complicated than in other large commercial areas served by multiple carriers. Indeed, operations here will be even smoother and better integrated than in such other areas because CSX and NS have worked together voluntarily to develop and coordinate operations and have agreed to operate under the same rules and dispatching authority. This commitment to coordination and the extensive pre-planning and implementation processes undertaken by CSX and NS will enable the two carriers to establish well-coordinated operations. The joint investment of both parties in the physical assets of the SAA's will incent them to maintain the facilities in a manner that will promote growth and increase efficiency.

1. Requests for New SAA's, Inclusion in Existing SAA's or Dual Access Are Unnecessary and/or Would Create Operational Problems.

While some parties express concern about the SAA concept, others want to expand the concept either to create new SAA's, or to have particular industries included in the currently proposed SAA's. The requests for new shared assets areas are discussed in the Narrative at Section VIII. In this section I will explain the operational complexities that would result if certain parties' requests were granted.

The State of New York (NYS), New York City (NYC) and the New York City Economic Development Corporation (NYCEDC) complain that while the part of the Greater New York market west of the Hudson will be served by both CSX and NS through the NJSAA, the area east of the Hudson will continue with access to only one Class I carrier -- CSX. These parties ask the Board to impose trackage rights over portions of the Conrail line east of the Hudson that will enable a third party operator of their choosing to provide competitive alternative service to and from shippers and receivers in New York City and Long Island. These trackage rights would permit the carrier to operate over Conrail lines east of the Hudson from Albany to New York City, as far as the South Bronx, site of the Oak Point Yard.

The proponents of these rights fail to address, let alone acknowledge, the serious physical and operational problems of their proposal. First, the lines over which these parties propose to operate are heavily traveled passenger lines. Metro North operates as

many as 332 passenger trains a day over some of these segments. Second, Harlem Yard and Oak Point Yard could not readily accommodate additional carriers. Third, the prospects of achieving acceptable densities to support the operations of two or more freight carriers are poor.¹²

Because these lines are heavily congested, portions of the line are single track, and terminal capacity at Oak Point and Harlem Yard is limited, physical access to additional carriers is problematic. This does not mean that shippers east of the Hudson will have no competitive options. In addition to the service provided by several carriers currently serving the Albany area, including Conrail, CP/D&H from Montreal and the Boston & Maine (B&M) at Mechanicville, CSX is providing competitive alternatives through joint marketing agreements to CP/D&H, CN and Providence & Worcester (P&W) to markets east of the Hudson. These carriers will be given commercial access, but not physical operating rights. The operational advantage of such arrangements is that it will permit the continued efficient dispatching of the lines rather than complicating operations by introducing a third, fourth and even fifth carrier to the mix of carriers. The presence of multiple carriers operating over the

¹² Although the proponents acknowledge that freight traffic density is relatively low over lines east of the Hudson, I am told that they justify their request for trackage rights on the basis of their consultant's study which predicts that the third party carrier could attract enough traffic to provide one additional train per day in each direction five days a week (260 days a year). However, in response to CSX's First Set of Interrogatories (CSX-72) seeking an estimate as to the number of loaded cars the parties anticipate would move over this route, NYS and NYCEDC could only identify the volume of traffic as "approximately 50 loads, with a 100 percent empty return" (NYC-13 at 5; NYS-15 at 7). This optimistic projection, even if it were correct, would hardly support a daily train operation. They fail to take into consideration that a carrier cannot provide efficient service to and from Albany without adequate levels of traffic to support its operations.

same lines complicates the coordination of dispatching and the scheduling of freight and passenger service, requires training of crews in operating rules, and increases the risks of delays associated with interchanging locomotives and crews. Thus, the proposed CSX commercial arrangements will give shippers east of the Hudson the advantages of both commercial competition and more efficient operations over these lines.

Congressman Nadler, Tri-State and others also seek rights to introduce new freight service along a route over Amtrak's Northeast Corridor (NEC) rail line, extending north and east from Newark, NJ using existing passenger railroad tunnels in midtown Manhattan. Tri-State also wants to develop an intermodal yard near Harlem Yard in South Bronx.

The line in question passes through the Hudson River Tunnel leading into Manhattan from the west and through Penn Station. The median height clearance for the tunnel is 14'8" (permitting only 3 feet wide at that height). Carey RVS at 4. As the proponents are well aware, such clearance restricts freight train operations to specialized equipment, such as low slung box cars. Standard boxcars used in conventional carload movements today require at least 15'4" clearance (average height of 15 feet with 4" clearance). Standard intermodal equipment requires railroad clearances ranging from 19'6" to 20'6" for high cube double stack containers. Indeed, most intermodal trains, including the piggy back waste train service that Tri-State requested of CSX, could not clear the tunnel and thus could not operate over this route. Rather, the trains would have to move the way they move today.

Proponents' submission(s) are devoid of any assessment of the time or expenses that would be involved to clear the tunnels for intermodal service. The prospect of closing the tunnels to perform the work necessary to provide clearance is staggering as the tunnels are extensively used by passenger trains.

Even if the tunnels could be cleared for freight trains, enormous operational difficulties would still exist. First, given the high density passenger traffic over this route, scheduling additional freight traffic would not only be difficult but also would increase substantially the risk of delay, disruption to passenger service, and even risk of injury in the event of a freight train derailment or breakdown. Operating these trains at night would not resolve the problem. Evening is the only time available for Amtrak to perform its ongoing and complex maintenance operations on the rights of way through Penn Station. Second, even if a freight train did reach Penn Station, there is no provision for switching the train for service further east. Finally, I understand that under a long-standing New York City ordinance, only electric locomotives are permitted in underground tunnels in New York City. Carey RVS at 4. However, to my knowledge neither CSX, NS nor Conrail currently has electric locomotives in their fleets, and it is unlikely that any third party operator selected by proponents would have such equipment. Moreover, portions of this segment use a third rail to convey electricity to the trains. As the third rail is in addition to the normal rail/track configurations, operations in third rail territory require specially designed equipment.

In sum, in the absence of any evidence that proponents will be able to attract sufficient traffic to support their proposed operations, and any evidence that it would be

economically feasible to make the capital investments necessary to support such operations, there is no commercial justification that could offset the operational complexities created by granting trackage rights to an additional carrier or carriers over these lines.

Millenium Petrochemicals, Inc. (MPI) is an international chemical company that maintains five regional distribution centers, one of which is located in Finderne, NJ. Conrail currently provides both the line haul service and switching of rail cars destined to the distribution center, using Manville Yard to marshall cars for switching to the Finderne facility. MPI-2 at 2, 7. After the transaction, Finderne will be allocated to NS, Manville Yard to CSX and the track that MPI leases on the Lehigh Line for transloading operation to the NJSAA.

MPI expresses concern at the exclusion of the Finderne facility from the NJSAA and the ability of NS and CSX to coordinate operations to provide efficient service to Finderne. MPI's concerns are addressed in the CSX Operating Plan (CSX/NS-20, Vol. 3A at 232) and in the NJSAA Operating Plan (CSX/NS-119 at 91). While Manville Yard will be allocated to CSX, it will be accessible to both CSX/NS, and CSAO. NS will have the ability to pick up Lehigh Line local industry traffic at Manville for destinations on the NJT Raritan Valley Line west of Bound Brook. To the extent that NS needs Manville Yard to support MPI's operation, CSX will make sufficient track space available to NS and CSAO and switching services will be provided in the same manner as Conrail provides them today. Any CSX line haul movements to Finderne will be joint-line with NS, with the interchange to be determined by agreement between NS and CSX.

Resources Warehousing & Consolidation Services (RWCS) has intermodal facilities located on the southern terminus of a north/south rail line owned and operated by the New York Susquehanna & Western Railroad (NYS&W). While RWCS can be served directly now, and in the future, only by NYS&W, the CSX and NS Operating Plans will provide RWCS with the dual access it seeks. NYS&W will be able to connect to NS via the Passaic Junction off the Southern Tier on the Conrail lines allocated for use by NS, and to CSX via a connection to be built from Bergen to Little Ferry.

C. CSX Will Have Sufficient Manpower to Efficiently and Competently Provide Quality Transportation Service

Several parties, including but not limited to labor representatives, have asserted that CSX and NS will not have sufficient labor forces to adequately carry out their proposed operations. This is incorrect. In developing their respective Operating Plans, CSX and NS were careful to assess the labor situation and to determine the most efficient way to conduct all aspects of operations. In some areas, such as maintenance-of-way, CSX will be reducing work forces while in others, such as trainmen, it will increase manpower. The Labor Impact Exhibit filed on July 7, 1997 indicates that for the combined CSX and NS, there will be 1,109 jobs created and a net job loss of only 1,981 (based on the 1996/1997 headcounts which are the most accurate and realistic). CSX/NS-26 at 13.

After careful analysis of the Conrail and CSX maintenance-of-way programs, CSX determined that it would be able to achieve productivity improvements on the Conrail

territory similar to those it has been able to achieve over its own network over the past three years. By using an agreement that allows maintenance of way workers flexibility to work across the network, CSX is able to more efficiently schedule crews and equipment and as a result has increased production by 40-50% in the last three years. For example, CSX has been able to reduce major track crews from three to one while still laying significantly more rail; it has reduced major tie gangs from six to three and still has been able to replace 100,000 more ties per year. CSX schedules its maintenance work year-round (whereas Conrail lays off crews in the winter months) (CSX/NS-18, Vol. 3A at 306) and generally operates on a 4-day 10 hour per day schedule. As a result, CSX's productivity rate is considerably higher than Conrail's. For example, where Conrail crews currently install an average of 1,000-1,200 ties/day per team, CSX crews average 3,000 ties/day.

Conrail's current costs per mile are significantly higher than CSX's. This is because Conrail has organized its maintenance crews by regions, rather than on a system wide basis, which means that each region must have its own crews and its own equipment. By bringing Conrail territory and crews under CSX's system agreement, CSX will be able to incorporate and maintain the Conrail properties with the addition of only one track gang and one tie gang.

CSX has also been able to improve productivity through its preventive equipment maintenance program. CSX has cut breakdowns by 50% over the past three years by keeping equipment in good order. A key ingredient of its equipment maintenance

program is the use of a shop with an assembly line for rebuilding maintenance equipment (such as spikers). This has significantly reduced the need to purchase new equipment.

Allied Rail Unions (ARU) mischaracterizes data in order to create the impression that CSX will encounter manpower shortages after the transaction. For example, ARU asserts that "CSX does not intend to create new positions at Raceland even though it is adding 17,831 cars to its system." ARU-23, Vol. I at 30, n.10. ARU cites a meaningless statistic that has no factual bearing on the Raceland workforce. The predominant maintenance activity supporting fleet ownership is daily or running maintenance to cars in the serviceable fleet. These repairs are performed at running repair facilities across the system.

CSX previously has stated that it intends to utilize existing facilities and existing manpower to perform these types of repairs on the current fleet. No workforce changes are anticipated at those obtained system repair locations since the volume of repairs should remain the same.

The Raceland car shop is dedicated not to running repair maintenance but to performing heavy car repairs and "rebody's." Applying Conrail's current percentage of heavy bad order cars to its total fleet (approximately 8.5%), only 1,500 cars from the 17,831 used would be potential candidates for heavy repairs.

CSX, with fewer than 5.5% of its car fleet unserviceable, would have fewer candidates for heavy repair, thus the workforce at Raceland can remain stable even with the Conrail Transaction.

CSX also will have a sufficient workforce for heavy repairs to locomotives. CSX will obtain use of 800 locomotives, 450 to 475 of which will be road units and the rest switching yard units. Only the road units will require major overhauls and then only every seven years. Running repairs and quarterly inspections of locomotives will continue to be performed at existing facilities with existing workforces. CSX currently has 850 units assigned to each of its 3 shops at Waycross, Cumberland and Corbin. Running repairs and quarterly inspections for the 800 locomotives from Conrail will be handled at the Conrail facility at Selkirk, which is equivalent in size to the CSX shops and can easily handle the 800 Conrail locomotives. There will be no reduction of force at Selkirk. The approximately 130 additional major overhauls per year required on the locomotives obtained from Conrail will be handled at CSX's heavy repair shop at Huntington.

ARU states that CSX is "hiring only an additional 99 employees to handle an increase of 17,831 cars and 761 locomotives to its combined fleet." ARU-23, Vol.I at 24, n.8. That is patently incorrect. The manpower at Raceland will remain stable, but CSX is hiring 179 additional persons at Huntington. See CSX/NS-26.

CSX also will have sufficient trainmen on hand to handle the new traffic. The Labor Impact Exhibit shows that for CSX and NS combined there will be a net increase of