

STB

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SURFACE TRANSPORTATION BOARD

Memorandum



DATE: March 26, 2002

205061

TO : Ellen Keys, Assistant Secretary
Section of Publications/Records
Office of the Secretary

FROM : Mel Clemens, Director
Office of Compliance and Enforcement

SUBJECT : STB FINANCE DOCKET NO. 33388 - OPERATIONAL MONITORING DATA

Attached are the original and two copies of the latest monthly reports provided to this office by CSX and Norfolk Southern as required in the above proceeding, which are to be committed to the docket for public reference. As requested, I am providing the three paper copies to Ron Douglas, two for the docket and one for Da 2 Da Legal. If there are any questions, please don't hesitate to contact me or Ed Nelson.

Attachments

cc: Chairman Morgan
Vice Chairman Burkes
Richard Armstrong
Ron Douglas
Charles Renninger

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Office of the Secretary
MAR 27 2002
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Public Record

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Paul R. Hitchcock
Assistant General Counsel

February 28, 2002

Melvin F. Clemens, Jr.
Director Office of Compliance and Enforcement
Surface Transportation Board
Washington, DC 20423-0001

Dear Mr. Clemens:

Attached to this letter are the Operational Monitoring Reports required in STB Finance Docket No. 33388.

The reports are presented in the following order:

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Additional Noteworthy Engineering Projects Table.....	Pages 5-8
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Training.....	Page 14

Note: Italicized information indicates a change or update from the last report.

Please contact me if there are any issues that need clarification or explanation. As information, coincident with filing this report with the STB, CSXT has made this report available on our web site (www.csx.com).

Very truly yours,

Paul R. Hitchcock

cys: Peter J. Shudtz, Sr. Vice President
Regulatory Policy and Washington Counsel

CSX TRANSPORTATION, INC.
STB OPERATIONAL MONITORING REPORT
As of February 28, 2002

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Note: Italicized information indicates a change or update from the last report.

STB OPERATIONAL MONITORING REPORT

As of February 28, 2002

LABOR

Labor Implementing Agreements

All of the Labor Implementing Agreements have been reached. Accordingly, the requirement provided for in Paragraph 1 on page 162, of STB Decision No. 89 issued in Finance Docket No. 33388 has concluded.

Labor Management Task Force

CSXT has sent an invitation to each of its unions with which an implementing agreement has been reached and which will continue to represent employees on CSXT to participate in a labor task force similar to the one established with the United Transportation Union. CSXT has held labor task force meetings with a number of its unions. CSXT will hold additional meetings, as the need arises. CSXT also will continue its effort to have frequent communications with its unions to guarantee that problems which may still arise with respect to the implementation of the transaction receive prompt attention.

STB OPERATIONAL MONITORING REPORT

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CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location	Project	Status	Expected Completion Date
1) Greenwich, Ohio to Pine Junction, Indiana	Construct 2 nd main track with TCS on B&O including connections.	Complete	4Q 98
2) Quaker to Greenwich, Ohio	Construction by Conrail of 2 nd main track with TCS.	Complete	4Q 98
3) Willard, Ohio	Yard Expansion	Complete	1Q 99
4a) Crestline, Ohio	a) Construct or rehabilitate connection tracks with Indianapolis Line.	a) Complete	2Q 99
4b) Sidney, Ohio	b) Connection Track	b) Complete	4Q 98
4c) Marion, Ohio	c) Rehabilitate Connection Track	c) Complete	1Q 99
5) Carleton, Michigan	Connect track with Conrail	Complete	4Q 98
6a) Alice, Indiana	a) Siding Extension	a) Complete	a) 3Q 98
6b) Harwood, Indiana	b) Siding Extension	b) Complete	b) 4Q 98
7a) Chicago, Illinois	a) Intermodal Expansions	a) Complete	a) 3Q 98
7b) Cleveland, Ohio	b) Intermodal Expansions	b) Complete	b) 1Q 99
7c) Philadelphia, Pennsylvania	c) Intermodal Expansions	c) Complete	c) 4Q 00
7d) Little Ferry, New Jersey	d) Intermodal Expansions	d) Complete	d) 3Q 98
8) Philadelphia, Pennsylvania	Rebuild Eastwick connection track with Conrail.	Complete	4Q 98
9) Hobart, Indiana to Tolleston, Indiana	Restoration of connection and main track between Hobart & Tolleston.	Complete	2Q 99

STB OPERATIONAL MONITORING REPORT

As of February 28, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location	Project	Status	Expected Completion Date
10) Chicago, Illinois	Chicago area-upgrade connection tracks and other improvements.	Complete	2Q 99
11) Newell & New Castle, Pennsylvania	Upgrade capacity on the Mon. Subdivision	Complete	4Q 98
12) Albany, New York to Bergen, New Jersey	Extend 3 sidings by Conrail on River Line	Complete	4Q 98
13) Little Ferry, New Jersey	Connection track Conrail/NYSW	Complete	2Q 99
14) Dolton, Illinois	Connection track @ Lincoln Avenue CSX/IHB	Complete	2Q 99

STB OPERATIONAL MONITORING REPORT

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Infrastructure Maintenance and Expansion Report

Throughout 2001, CSX has continued committing resources toward the completion of key track capacity improvements over the entire system. The following Table lists those projects and summarizes their current status:

STB OPERATIONAL MONITORING REPORT

As of February 28, 2002

ADDITIONAL NOTEWORTHY ENGINEERING PROJECTS TABLE

(In some cases these projects may be unrelated to the Conrail integration.)

Location	Project	Under Construction	Estimated Completion
1) Alexandria, VA	AF Interlocking reconstruction (VRE project)	Completed	10/29/01
2) Aliquippa, PA	Construct 2 industry support tracks	Completed	06/30/00
3) Baltimore, MD (Bay View YD)	Add crossover BA Tower	Completed	12/15/01
4) Blue Island (Chatham), IL	Construct Universal Crossover	N	09/30/02
5) Casky, KY	Construct new main track to create Ind. Lead	Y	03/30/02
6) Chicago, IL	Barr SD - TCS - Phase II	Completed	06/01/01
7) Chicago, IL	Construct 59 th Street North Lead	Completed	06/30/00
8) Chicago, IL	Construct storage tracks & 3 rd Main at Barr Yard	Delayed	
9) Chicago, IL	TCS Blue Island SD to 75 th Street	Completed	03/31/01
10) Cincinnati, OH	Track Changes Hopple St. & Colerain Ave. Interlockings	N	12/31/02
11) Cleveland, OH	Construct mainline fueling facility at Collinwood Yard	Completed	08/30/00
12) Columbus, OH	Scioto Interlocking w/NS (ODOT project)	Completed	12/31/01
13) Coosa Pines, AL	Construct new 11,200' passing siding	Completed	08/29/00
14) Dearborn, MI	Construct new track connection with Shared Assets Co.	Completed	05/15/01
15) East Cleveland, OH	Noise barriers, landscaping	Completed	06/30/00
16) East Fostoria, OH	Extend yard/connection lead	N	Deferred
17) Erie, PA	NS relocation project	Completed	12/31/01

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ADDITIONAL NOTEWORTHY ENGINEERING PROJECTS TABLE

(In some cases these projects may be unrelated to the Conrail integration.)

Location	Project	Under Construction	Estimated Completion
18) Erie, PA	Replace CSXT bridge decks over B&LE (CSXT work relating to NS relocation project)	Completed	8/1/01
19) Evansville, IN	Install new concrete universal crossovers	Completed	10/19/01
20) Fall River, MA	MBTA replacement of 4 undergrade bridges	Y	10/31/01
21) Feltonville, PA	Extend siding to 20,200'	Completed	8/9/01
22) Franklin, AL	Construct new 11,200' passing siding	Completed	09/15/00
23) Frederick, MD	MARC projec	Completed	11/20/01
24) Ft. Lauderdale, FL	Construct 45 miles of 2 nd main for TriRail	N	Pending
25) Gallaway, TN	Build siding with 10,000' in clear	Completed	10/1/00
26) Garrett, IN	Construct Randolph St. underpass	Completed	08/30/00
27) Gibraltar, MI	Construct crossover between CSXT and CN	Completed	09/30/00
28) Greenwood, SC	Construct double-track to Salak	Completed	11/06/00
29) Halls, GA	Construct 2 mile siding	Completed	09/15/01
30) Hopkinsville, KY	Install turnouts/signals for new Ft. Campbell lead wye	Completed	10/15/01
31) Keystone, SC	(Sandpatch to Rockwood, PA)-Upgrade #10 crossovers to power #15's and TCS	Completed	10/29/01
32) Lacon to Holmes Gap, AL	Add 8 miles of 2 nd main MP 328-MMP336	Completed	6/15/01

STB OPERATIONAL MONITORING REPORT

As of February 28, 2002

ADDITIONAL NOTEWORTHY ENGINEERING PROJECTS TABLE (In some cases these projects may be unrelated to the Conrail integration.)

Location	Project	Under Construction	Estimated Completion
33) Lawrenceville, GA	Construct new siding and 5 track Palmer Yard	N	12/01/02
34) Lima, OH	Conrail connection track improvements	Completed	05/30/00
35) Little Ferry, New Jersey	Construct Bridge over Overpeck Creek	Y	12/31/02
36) Louisville, KY	Link Highway Track to Highland Park #2	Completed	06/15/00
37) Miami, FL	Phase IV Double Trk Project SX 1024.7-1031.6	Y	08/31/02
38) Martinsburg, Hobbs, Miller/Cherry Run, W Cumbo, WV	Eliminate manned interlockings, Phase I	Completed	12/31/01
39) McDaniel, TN	Siding extension to 10,000' clear	Completed	09/1/00
40) New Boston, MI	Parking lot expansion	Completed	06/30/00
41) <i>New Boston, MI</i>	<i>Power Existing Sibley Rd & Eureka Rd Crossovers</i>	<i>N</i>	<i>12/31/02</i>
42) Owassa, AL	Construct new 2 mile siding	N	<i>05/31/02</i>
43) Philadelphia, PA	Greenwich Yard Phase I rehabilitation	Completed	06/30/00
44) Philadelphia, PA	Greenwich Yard Phase II expansion	Completed	12/21/00
45) <i>Pittsburgh to W.Pittsburgh PA</i>	<i>Upgrade the P&LE Branch</i>	<i>Y</i>	<i>09/30/02</i>
46) Princeton, IN	Support Yard	N	09/02/02
47) Ridgefield Park, NJ	Construct second main track & signals M.P. 2-7	Y	12/01/02
48) Ridgefield to N. Bergen NJ	Construct second main track on the River Line	Y	12/31/02
49) Rupert-Mauk, GA	Construct 8 miles of second main track & signals	Completed	11/30/01

STB OPERATIONAL MONITORING REPORT

As of February 28, 2002

ADDITIONAL NOTEWORTHY ENGINEERING PROJECTS TABLE

(In some cases these projects may be unrelated to the Conrail integration.)

Location	Project	Under Construction	Estimated Completion
50) Teaneck, NJ	Construct siding CP7-CP10	Completed	03/31/00
51) Tunnel Hill, GA	Construct Siding, W & A Sub	Completed	11/15/01
52) Union City, GA	Construct connection track	Completed	04/15/00
53) Union City-Tilford, GA	Clearance improvement project	Completed	03/15/00
54) W. Baltimore, MD	Convert #10 HTEL to Power #15	Completed	09/30/00
55) Wadley, AL	Extend passing siding to 10,000' clear	Completed	09/15/00
56) Youngstown, OH	Construct Ashtabula Connection for 140 car capacity	Completed	07/15/00

STB OPERATIONAL MONITORING REPORT

As of February 28, 2002

INFORMATION TECHNOLOGY

Information Technology

The implementation strategy, training plans, and status of the Information Technology (IT) initiatives affecting the following Operating Areas are summarized:

- ❖ Customer Service
 - Electronic Customer Connectivity
- ❖ Operations Personnel
 - Crew Management
- ❖ Transportation
 - Car Management & Movement
 - Locomotive Management
 - Train Dispatching

Operating Area	Implementation Strategy	Status	Training
Customer Service Electronic Customer Connectivity	<p>All inbound (e.g. bill-of-lading) and outbound (e.g. car tracing) electronic communications with existing Conrail customers are to be migrated to CSX and NS. All customers will be informed of their system migration options and have the opportunity to test the replacement electronic connections prior to a transfer of the customer communications links on Day 1.</p> <p>CSX and NS will work with all affected customers and EDI vendors to develop migration plans</p>	<p>Systems testing in process and on schedule</p> <p>A joint letter was distributed to current Conrail customers</p> <p>Existing and new Conrail Electronic Commerce customers have been contacted by CSX in separate mailings</p> <p>Electronic Commerce Certification of Conrail customers acquired by CSX is in progress.</p> <p>Planned customer conversions to CSX Electronic Commerce tools are complete.</p> <p>All EC is complete</p>	<p>All customers will be provided adequate systems documentation and a detailed description of any changes to their current Conrail-provided electronic services</p> <p>All customers targeted for conversion to CSX electronic commerce tools have received information regarding the changes.</p> <p>All customer training and customer conversions are complete.</p>

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INFORMATION TECHNOLOGY

Operating Area	Implementation Strategy	Status	Training
Operations Personnel Crew Management	<p>Separation of callings desks (CSX, NS, SAC) in Dearborn, MI has been pre-negotiated and is in place. There will be a phased roll-out of eight calling desks to TECS – the CSX Crew Calling System. The first desk will be rolled out 50 days after Day 1.</p> <p>T&E Crews will continue to submit paper time sheets to Dearborn, MI until the TECS desk roll-out is completed. Paperless payroll implementation will take place 2 weeks after each TECS desk implementation. The entire roll-out will take approximately seven months.</p>	<p>Systems development in process and on schedule.</p> <p>The TECS desk roll-out is still on schedule.</p> <p>All desks have been cut Over to TECS.</p> <p>Paperless payroll training was completed Dec. 10, 1999</p> <p>Crew Callers have been moved from Dearborn to Jacksonville – Crew Management is complete.</p>	<p>CSX Payroll officers will train T&E employees on the CSX Payroll system immediately following the implementation of TECS. Local Chairman will participate in the training. Training documents have been prepared and presented to Conrail personnel.</p> <p>Training sessions have been completed.</p>
Transportation Car Management and Movement	<p>Field personnel will continue using Conrail application systems supporting yard inventory, train consisting and work orders after Day 1.</p> <p>Disposition and management of empty cars will occur in Jacksonville using CSX systems after Day 1 to ensure coordinated system wide transportation operations.</p> <p>Customers on the acquired territory will continue to order empty cars and obtain information on order status as they do today.</p> <p>CSX systems will be rolled-out to the acquired Conrail territory in 4 phases after Day 1.</p>	<p>Systems development in process and on schedule.</p> <p>Toledo Stanley Yard was cut-over to CSX systems July 27th.</p> <p>Chunk 1 Field Rollout including Indianapolis was successfully cut-over on Oct 11.</p> <p>Chunk 2 including Cleveland, Collinwood and Columbus, Ohio was successfully cut-over on January 10.</p> <p>Chunk 3 including Buffalo & Syracuse was successfully cut over on March 13, 2000.</p> <p>Chunk 4 including Selkirk & W. Springfield was successfully cutover on May 8, 2000</p> <p>All Car Management is complete</p>	<p>Training sessions have been completed</p>

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INFORMATION TECHNOLOGY

Operating Area	Implementation Strategy	Status	Training
Transportation Locomotive Management	<p>CSX Locomotive Management System (LMS) will be used to manage locomotives in CSX acquired territory beginning on Day 1. This will occur from the Operations Center in Philadelphia, PA for approximately 180 days after Day 1. The management team in Philadelphia will consist of two locomotive managers and one senior locomotive manager. Dual entry of locomotive assignments will be made to the Conrail Locomotive Distribution System (LDS). Shutdown of Conrail LDS will accompany field roll-out and will be dependent upon other Conrail Systems (TRIMS & TMS) no longer relying on assignments being passed from Conrail LDS.</p> <p>Within 180 days after Day 1, locomotive management for the acquired Conrail territory will be relocated to the Kenneth Dufford Center in Jacksonville. Two CSX Locomotive Managers will manage the acquired territory at that time.</p>	<p>Implementation was completed June 1st.</p> <p>Dual entry into Conrail LDS was discontinued June 15th.</p> <p>The locomotive management of the acquired territory was transitioned to the Kenneth Dufford Center in Jacksonville, FL on July 12, 1999.</p> <p>Locomotive Management is Complete.</p>	<p>Locomotive managers for the acquired Conrail territory have been trained on the CSX Locomotive Management System (LMS). Locomotive Management has conducted training that included cross training of CSX and Conrail cultures.</p>

STB OPERATIONAL MONITORING REPORT

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INFORMATION TECHNOLOGY

Operating Area	Implementation Strategy	Status	Training
Transportation Train Dispatching	<p>Train dispatchers will continue to use current Conrail systems. Phase 1 geographic realignments will separate dispatchers into CSX, NS & SAC entities within current division offices. Phase 1 will complete 90-120 days after Day 1.</p> <p>Phase 2 division realignment will move dispatchers to acquiring road's division. CSX Cleveland East dispatcher in Dearborn, MI will move to CSX headquarters in Indianapolis, IN. CSX Chesapeake & Riverline dispatchers in Mt. Laurel, NJ will move to CSX headquarters in Albany, NY. Phase 2 will complete 90-120 days after an implementing agreement has been reached.</p> <p>Phase 2 moves are contingent upon Phase 1 realignment completion for territory being transferred. Also contingent upon an implementing agreement being in place with the ATDD.</p>	<p>Systems development has been completed and implementation is proceeding on schedule.</p> <p>Phase 1 realignments :</p> <p>Albany, Indianapolis & Philadelphia complete.</p> <p>Dearborn Division started.</p> <p>Dearborn completed Mid-August 1999.</p> <p>Phase 2 realignments:</p> <p>Two dispatcher desks moved from Indianapolis to Dearborn on 7/27/99.</p> <p>Phase 2 projected to be completed with CSAO dispatcher move from Dearborn to Mt. Laurel on 8/10/99.</p> <p>All phases of the Train Dispatcher Realignment Project have been completed. Implementing agreements are now in place.</p> <p>Train Dispatching is complete.</p>	<p>Dispatchers will be trained on their new territory using the current processes in place at Conrail.</p>

STB OPERATIONAL MONITORING REPORT

As of February 28, 2001

Customer Service Progress Report

During May we completed the rollout of all CSXT systems for the fourth regional area. Cutover took place on May 8, 2000 and went smoothly. Major locations included in the cutover were Selkirk, South Kearney, and Framingham areas.

Personnel

We duplicated our training and mentoring procedures for this last cutover. Classroom training in Pittsburgh was completed prior to the cutover with the remaining personnel trained on all CSXT systems.

Customer Familiarization

The customer familiarization processes used previously were also duplicated. Tariffs have been published and distributed for supplemental billing purposes, and procedures put in place to convert the records for the first 7 days of May from the Conrail to the CSX demurrage system, so that customers will see only one bill for the month. All customers have been notified regarding the up coming changes.

Brochures were customized and distributed to customers by our Electronic Commerce Customer Integration Center to explain our EC offerings and initiatives, with special telephone numbers and other vital data provided. Other customer communications included blast faxes, mailings, and regular interaction with our Electronic Commerce personnel.

STB OPERATIONAL MONITORING REPORT

As of February 28, 2002

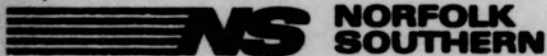
STB Status Submission Report on Training

All remaining training for the acquired territories was completed during the month of May.

Clerical employees received one-on-one training at their work locations on specific job tasks for their jobs. Train & Engine Service employees received instructions in the preparation of work order documents to ensure the correct documentation of placing and pulling of cars from industries. Field transportation officers and yardmasters also received specific training in the use of yard and train management systems. Extensive training was provided for 45 yardmasters and 17 transportation officers.

Coaches were positioned at strategic locations to assist employees during the cutover at all major terminals and crew on-duty locations.

The last cutover completed the training initiatives for this project.



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March 7, 2002

Melvin F. Clemens, Jr.
Director, Office of Compliance and Enforcement
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

Dear Mr. Clemens,

Enclosed is Norfolk Southern's Monitoring Report dated February 28, 2002. NS continues to make progress on the projects targeted for completion in 2002 that are listed in the Construction and Other Capital Projects section of the Report.

Please let me know if you need any further information.

Sincerely,

A handwritten signature in dark ink that reads "George Aspatore". The signature is written in a cursive style with a large, stylized "G" and "A".

George A. Aspatore

Enclosure

RECEIVED
SURFACE TRANSPORTATION
BOARD
2002 MAR 15 A 11:34
OFFICE OF COMPLIANCE
AND ENFORCEMENT
DIRECTOR'S OFFICE

Norfolk Southern Corporation

STB Operational Monitoring Report

As of February 28, 2002

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Note: Bold print indicates changes from previous report.

* To be disclosed under a different cover or in a later report.

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

LABOR

Labor Implementing Agreements

All of the Labor Implementing Agreements have been reached, concluding our reporting requirement, as provided in Paragraphs 1 and 14, on pages 162 and 165, respectively, of STB Decision No. 89 issued in Finance Docket No. 33388.

Labor-Management Task Forces

All implementing agreements became effective on June 1, 1999. A continuing dialogue has taken place between labor and NS management on a daily or as-needed basis concerning implementation and safety issues. Labor organization cooperation has been a key element in assuring the safe implementation of the Conrail transaction. This interaction will continue as the parties work through issues of mutual concern.

Note: Bold print indicates changes from previous report.

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Alexandria	IN	Construct track connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Allentown - Reading	PA	Traffic Control System	Signal	Design	Note 2
	PA	Estimated Completion Date: Undetermined		Const	
Angola	NY	Upgrade existing siding, construct new siding Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design	Complete
			Signal	Const	Complete
				Design Const	Complete Complete
Ashtabula	OH	Construct connection track Estimated Completion Date: Complete	Track	Design	Complete
				Const	Complete
			Signal	Const	Complete
Attica	IN	Extend siding 4, 580 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Boundbrook	NJ	Extend siding 15,000 track feet Estimated Completion Date: Undetermined	Track	Design	Note 2
				Grading	
			Signal	Const Design Const	
Bristol	VA	Extend siding 14,255 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design	Complete
			Signal	Const	Complete
				Design Const	Complete Complete
Bucyrus	OH	Construct track connection Estimated Completion Date: Complete	Land		Complete
			Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Buffalo - Cleveland	NY	Traffic control system and remove pole line.	Signal	Design	Complete
	OH	Estimated Completion Date: Complete		Const	Complete
Buffalo	NY	Rehabilitate tracks in sub-leased BPRR yard Estimated Completion Date: Complete	Track	Const	Complete
Buffalo	NY	Construct connection to BPRR yard Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Buffalo	NY	Reconstruct portion of Bison Yard Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Butler	IN	Construct track connection Estimated Completion Date: Undetermined	Track	Design	Note 2
				Grading Const	
			Signal	Design Const	
Chicago	IL	Expand and improve 47th St Yard Intermodal Terminal Estimated Completion Date: Complete	Track	Design	Complete
				Grade/Pave	Complete
Cloggsville	OH	Track Rehabilitation Estimated Completion Date: Complete	Track	Design	Complete
				Const	Complete
Cloggsville	OH	Construct second main Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Columbus	OH	Construct track connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Crockett	VA	Construct 9,100 foot new siding Estimated Completion Date: Complete	Land		Complete
			Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Croxtton	NJ	Expand and improve intermodal terminal Estimated Completion Date: Complete	Track	Design	Complete
				Grade/Pave	Complete
E-Rail	NJ	Expand and improve intermodal terminal Estimated Completion Date: Complete	Track	Design	Complete
				Grade/Pave	Complete
Erie	PA	Erie Track Realign Project Estimated Completion Date: 2Q02	Track	Design	Complete
				Grading	Complete
				Const	In progress
			Signal	Removal Design Const	Complete In progress

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Flemington	NJ	Construct 12,500 foot siding Estimated Completion Date: Undetermined	Track	Design	Note 2
			Signal	Grading Const Design Const	
Hadley Jct (Ft Wayne)	IN	Double tracking Estimated Completion Date: Undetermined	Track	Design	Note 2
			Signal	Grading Const Design Const	
Hagerstown Sec (Greencastle)	PA	Construct siding Estimated Completion Date: Complete	Track	Design	Complete
			Signal	Grading Const Design Const	Complete Complete Complete Complete
Hagerstown Sec	PA	Traffic Control Estimated Completion Date: Complete	Signal	Design Const	Complete Complete
Harrisburg	PA	Construct double track Estimated Completion Date: Complete	Land		Complete
			Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete
Harrisburg (Rutherford)	PA	Construct intermodal terminal Estimated Completion Date: Complete	Track	Design Grade/Pave	Complete Complete
Harrisburg - Reading	PA	Traffic Control System and remove pole line Estimated Completion Date: 1Q02	Signal	Design Const	Complete In progress
KD Tower - Cumberland Falls	KY	Extending double track 40,120 feet Estimated Completion Date: Complete	Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete
Knoxville - Chattanooga	TN	Double Stack Clearances Estimated Completion Date: Complete	Track	Design	Complete
	TN		Bridge	Const Design	Complete Complete
Marshfield	IN	Upgrade and extend siding 7,908 feet Estimated Completion Date: Complete	Land		Complete
			Track	Design Grading Const	Complete Complete Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Oak Harbor	OH	Construct track connection Estimated Completion Date: Complete	Land		Complete
			Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete

Surface Transportation Board Operational Monitoring Report
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CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Pattensburg	NJ	Clearance-9 Bridges Estimated Completion Date: Complete	Bridge	Design Const	Complete Complete
Pattensburg	NJ	Siding Extensions Estimated Completion Date: Complete	Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete
Pattensburg	NJ	Tunnel Clearance Estimated Completion Date: Complete	Bridge	Design Const	Complete Complete
Philadelphia	PA	Construct crossover - Zoo Estimated Completion Date: Undetermined	Track	Design Grading Const	Note 2
			Signal	Design Const	
Piney Flats	TN	Extend siding 6,610 feet Estimated Completion Date: Complete	Land Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete
Port Reading	NJ	Chemical Coast Clearance Projects Estimated Completion Date: Complete	Track	Design Const	Complete Complete
			Bridge	Design Const	Complete Complete
Rader	TN	Extend siding 5,189 feet Estimated Completion Date: Complete	Land Track	Design Grading Const	Complete Complete Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Reading - Philadelphia	PA PA	Traffic Control System and remove pole line Estimated Completion Date: Undetermined	Signal	Design Const	Note 2
Riverton Jct - Roanoke	VA VA	Clearance projects Estimated Completion Date: Complete	Bridge	Design Const	Complete Complete
Sandusky (Bellevue)	OH	Construct Triple Crown Terminal Estimated Completion Date: Complete	Track	Design Grade/Pave Const	Complete Complete Complete
Sandusky- Columbus	OH	Double Track: S 13.60 - S 26.00 Estimated Completion Date: Complete	Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Sandusky-Columbus	OH	Double Track: S 78.10 - S 88.40 Estimated Completion Date: Complete	Land Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Sandusky-Columbus	OH	Double Track: S 88.30 - S 95.60 Estimated Completion Date: Complete	Land Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Sidney	IL	Construct track connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Sido	MO	Double tracking 36,458 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design	Complete
				Const	Complete
Sloan	IL	Extend siding 5,027 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Southern Tier	NY	Southern Tier Rehabilitation Estimated Completion Date: Undetermined	Track	Const	Note 2
			Bridge	Design	
				Const	
St. Louis (Mitchell)	MO	Expand Mitchell Triple Crown Terminal Estimated Completion Date: Complete	Track	Design	Complete
			Signal	Grade/Pave	Complete
				Design	Complete
Toledo	OH	Intermodal Terminal Estimated Completion Date: Undetermined	Track	Design	Note 2
				Grade/Pave	
Tolono	IL	Track Connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Vermillion	OH	Track Connection Estimated Completion Date: Complete	Land Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Wabash	IN	Construct connection track	Track	Const	Complete
		Estimated Completion Date: Complete	Signal	Design	Complete
				Const	Complete

Note 1: Bold print indicates changes from previous report. If status of project phase is blank, work on that part of the project has not yet begun.

Note 2: Project on hold pending evaluation of revised traffic requirements.

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

CUSTOMER SERVICE

Systems and Personnel Training

Operating Area	Project	Status
TRANSPORTATION		
Car Management and Movement	Systems – Multiple projects	Complete
Includes Thoroughbred Yard Enterprise System (TYES) and Central Yard Operations (CYO) System	Personnel Training	
	Prepare training materials for TYES and CYO	Complete
	Trainer orientation	Complete
	TYES training at Conrail locations	Complete
Train Dispatching	Systems	Complete
	Personnel Training	
	Prepare computer-based training materials for Norfolk Southern Train Information System (TIS) and Train System Accident Reporting System (TSAR).	Complete
	Train Conrail employees at Dearborn, Pittsburgh, and Mt. Laurel	Complete
Locomotive Management	Systems	Complete
	Personnel Training	
	Prepare training materials; conduct pilot sessions	Complete
	Trainer orientation	Complete
	Train employees at 8 Conrail locations	Complete

Surface Transportation Board Operational Monitoring Report
As of February 28, 2002

CUSTOMER SERVICE

Operating Area	Project	Status
OPERATIONS PERSONNEL		
Crew Management	Systems	Complete
	Personnel Training	
	Prepare training materials	Complete
	Train Conrail employees	Complete
Train and Engine (T&E) Payroll	Personnel Training	
	Prepare training materials; conduct pilot sessions	Complete
	Train T&E crews	Complete
Non-Train and Engine Payroll	Personnel Training	
	Prepare training materials; conduct pilot sessions	Complete
	Trainer orientation	Complete
	Train Conrail employees	Complete
CUSTOMER SERVICE		
Electronic Customer Connectivity	Systems	Complete
	Personnel Training	
	Testing new systems	Complete
	Customer Coordination	
	Information to be distributed to customers	Complete
National Customer Service Center	Personnel Training	
	Prepare training materials	Complete
	Train employees in Pittsburgh and Atlanta	Complete

Note: Bold print indicates changes from previous report.

Surface Transportation Board Operational Monitoring Report

As of February 28, 2002

CUSTOMER SERVICE

Transition Process

Transition team members for NS in Philadelphia working in Customer Service were released at the end of February, 2000. Call volumes have declined as general service levels improve and are currently below call volume levels prior to the split date. The phone trace system, which is an automated feature of our toll-free line that allows a customer to trace the location of its cars by keying in car numbers on the telephone key pad, continues to work as expected. Norfolk Southern has also added car tracing functions to its web page.

Customer Service has reorganized to better leverage the functions of the Central Yard Operations (CYO) groups and the National Customer Service Center (NCSC) staff. Our overall goal is to utilize the larger CYO staff for routine inquiries and allow NCSC to focus on problem resolution and correction.

Other Customer Service changes include moving Agency Operations Center (AOC) billing functions to Accounting; moving Data Quality and Demurrage functions under CYO; and combining Equipment Marketing and Car Distribution and Utilization in a new group called Car Management.

Personnel

The implementation of the Thoroughbred Yard Enterprise System in the former Conrail areas has been completed, including the training of field personnel. All supervisory positions have been filled for Data Quality, the Agency Operations Center and Customer Service.

Customer Awareness

NS continues to host customer meetings to evaluate and provide feedback on the Company's planning processes and strategies. NS continues to make numerous meetings and presentations in order to keep our customers informed.

The Customer Resource Guide, distributed to our customers, provides customers with all resources and information necessary for doing business with the new NS.

The Help Desk Directory, also distributed to our customers, lists key phone numbers that connect users to areas that may assist them in answering questions about NS. It is available in three formats: a pocket guide for employees, a list for customers, and an expanded version available for downloading from the Internet.

Note: Bold print indicates changes from previous reports.

STB

FD-33388

3-25-02

D

205053

SURFACE TRANSPORTATION BOARD

Memorandum



205053

DATE: March 25, 2002

TO : Ellen Keys, Assistant Secretary
Section of Publications/Records
Office of the Secretary

FROM : Mel Clemens, Director
Office of Compliance and Enforcement

SUBJECT : STB FINANCE DOCKET NO. 33388 - OPERATIONAL MONITORING DATA

Attached are the original and two copies of the latest monthly reports provided to this office by CSX and Norfolk Southern as required in the above proceeding, which are to be committed to the docket for public reference. As requested, I am providing the three paper copies to Ron Douglas, two for the docket and one for Da 2 Da Legal. If there are any questions, please don't hesitate to contact me or Ed Nelson.

Attachments

cc: Chairman Morgan
Vice Chairman Burkes
Richard Armstrong
Ron Douglas
Charles Renninger

ENTERED
Office of the Secretary

MAR 27 2002

Part of
Public Record

500 Water Street (J150)
Jacksonville, FL 32202
(904) 359-1192
FAX: (904) 366-2902
E-mail: Paul_Hitchcock@CSX.com

Paul R. Hitchcock
Assistant General Counsel

January 31, 2002

Melvin F. Clemens, Jr.
Director Office of Compliance and Enforcement
Surface Transportation Board
Washington, DC 20423-0001

Dear Mr. Clemens:

Attached to this letter are the Operational Monitoring Reports required in STB Finance Docket No. 33388.

The reports are presented in the following order:

Labor Implementing Agreements	Page 1
Labor Task Force	Page 1
Construction and Other Capital Projects Table	Pages 2-3
Infrastructure Maintenance and Expansion	Page 4
Additional Noteworthy Engineering Projects Table	Pages 5-7
Information Technology	Pages 8-11
Customer Service	Page 12
Training	Page 13

Note: Italicized information indicates a change or update from the last report.

Please contact me if there are any issues that need clarification or explanation. As information, coincident with filing this report with the STB, CSXT has made this report available on our web site (www.csx.com).

Very truly yours,

Paul R. Hitchcock

cys: Peter J. Shudtz, Sr. Vice President
Regulatory Policy and Washington Counsel

CSX TRANSPORTATION, INC.
STB OPERATIONAL MONITORING REPORT
As of January 31, 2002

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The reports are presented in the following order:

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Note: Italicized information indicates a change or update from the last report.

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

LABOR

Labor Implementing Agreements

All of the Labor Implementing Agreements have been reached. Accordingly, the requirement provided for in Paragraph 1 on page 162, of STB Decision No. 89 issued in Finance Docket No. 33388 has concluded.

Labor Management Task Force

CSXT has sent an invitation to each of its unions with which an implementing agreement has been reached and which will continue to represent employees on CSXT to participate in a labor task force similar to the one established with the United Transportation Union. CSXT has held labor task force meetings with a number of its unions. CSXT will hold additional meetings, as the need arises. CSXT also will continue its effort to have frequent communications with its unions to guarantee that problems which may still arise with respect to the implementation of the transaction receive prompt attention.

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location	Project	Status	Expected Completion Date
1) Greenwich, Ohio to Pine Junction, Indiana	Construct 2 nd main track with TCS on B&O including connections.	Complete	4Q 98
2) Quaker to Greenwich, Ohio	Construction by Conrail of 2 nd main track with TCS.	Complete	4Q 98
3) Willard, Ohio	Yard Expansion	Complete	1Q 99
4a) Crestline, Ohio	a) Construct or rehabilitate connection tracks with Indianapolis Line.	a) Complete	2Q 99
4b) Sidney, Ohio	b) Connection Track	b) Complete	4Q 98
4c) Marion, Ohio	c) Rehabilitate Connection Track	c) Complete	1Q 99
5) Carleton, Michigan	Connect track with Conrail	Complete	4Q 98
6a) Alice, Indiana	a) Siding Extension	a) Complete	a) 3Q 98
6b) Harwood, Indiana	b) Siding Extension	b) Complete	b) 4Q 98
7a) Chicago, Illinois	a) Intermodal Expansions	a) Complete	a) 3Q 98
7b) Cleveland, Ohio	b) Intermodal Expansions	b) Complete	b) 1Q 99
7c) Philadelphia, Pennsylvania	c) Intermodal Expansions	c) Complete	c) 4Q 00
7d) Little Ferry, New Jersey	d) Intermodal Expansions	d) Complete	d) 3Q 98
8) Philadelphia, Pennsylvania	Rebuild Eastwick connection track with Conrail.	Complete	4Q 98
9) Hobart, Indiana to Tolleston, Indiana	Restoration of connection and main track between Hobart & Tolleston.	Complete	2Q 99

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location	Project	Status	Expected Completion Date
10) Chicago, Illinois	Chicago area-upgrade connection tracks and other improvements.	Complete	2Q 99
11) Newell & New Castle, Pennsylvania	Upgrade capacity on the Mon. Subdivision	Complete	4Q 98
12) Albany, New York to Bergen, New Jersey	Extend 3 sidings by Conrail on River Line	Complete	4Q 98
13) Little Ferry, New Jersey	Connection track Conrail/NYSW	Complete	2Q 99
14) Dolton, Illinois	Connection track @ Lincoln Avenue CSX/IHB	Complete	2Q 99

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

Infrastructure Maintenance and Expansion Report

Throughout 2001, CSX has continued committing resources toward the completion of key track capacity improvements over the entire system. The following Table lists those projects and summarizes their current status:

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

ADDITIONAL NOTEWORTHY ENGINEERING PROJECTS TABLE

(In some cases these projects may be unrelated to the Conrail integration.)

Location	Project	Under Construction	Estimated Completion
1) Alexandria, VA	AF Interlocking reconstruction (VRE project)	Completed	10/29/01
2) Aliquippa, PA	Construct 2 industry support tracks	Completed	06/30/00
3) Baltimore, MD (Bay View YD)	Add crossover BA Tower	Completed	12/15/01
4) <i>Blue Island (Chatham), IL</i>	<i>Construct Universal Crossover</i>	<i>N</i>	<i>09/30/02</i>
5) Casky, KY	Construct new main track to create Ind. Lead	Y	<i>03/30/02</i>
6) Chicago, IL	Barr SD - TCS - Phase II	Completed	06/01/01
7) Chicago, IL	Construct 59 th Street North Lead	Completed	06/30/00
8) Chicago, IL	Construct storage tracks & 3 rd Main at Barr Yard	Delayed	
9) Chicago, IL	TCS Blue Island SD to 75 th Street	Completed	03/31/01
10) Cleveland, OH	Construct mainline fueling facility at Collinwood Yard	Completed	08/30/00
11) Columbus, OH	Scioto Interlocking w/NS (ODOT project)	Completed	12/31/01
12) Coosa Pines, AL	Construct new 11,200' passing siding	Completed	08/29/00
13) Dearborn, MI	Construct new track connection with Shared Assets Co.	Completed	05/15/01
14) East Cleveland, OH	Noise berms, landscaping	Completed	06/30/00
15) East Fostoria, OH	Extend yard/connection lead	N	Deferred
16) Erie, PA	NS relocation project	Completed	12/31/01
17) Erie, PA	Replace CSXT bridge decks over B&LE (CSXT work relating to NS relocation project)	Completed	8/1/01
18) Evansville, IN	Install new concrete universal crossovers	Completed	10/19/01
19) Fall River, MA	MBTA replacement of 4 undergrade bridges	Y	10/31/01

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

ADDITIONAL NOTEWORTHY ENGINEERING PROJECTS TABLE

(In some cases these projects may be unrelated to the Conrail integration.)

Location	Project	Under Construction	Estimated Completion
20) Feltonville, PA	Extend siding to 20,200'	Completed	8/9/01
21) Franklin, AL	Construct new 11,200' passing siding	Completed	09/15/00
22) Frederick, MD	MARC project	Completed	11/20/01
23) Ft. Lauderdale, FL	Construct 45 miles of 2 nd main for TriRail	N	Pending
24) Gallaway, TN	Build siding with 10,000' in clear	Completed	10/1/00
25) Garrett, IN	Construct Randolph St. underpass	Completed	08/30/00
26) Gibraltar, MI	Construct crossover between CSXT and CN	Completed	09/30/00
27) Greenwood, SC	Construct double-track to Salak	Completed	11/06/00
28) Halls, GA	Construct 2 mile siding	Completed	09/15/01
29) Hopkinsville, KY	Install turnouts/signals for new Ft. Campbell lead wye	Completed	10/15/01
30) Keystone, SC	(Sandpatch to Rockwood, PA)-Upgrade #10 crossovers to power #15's and TCS	Completed	10/29/01
31) Lacon to Holmes Gap, AL	Add 8 miles of 2 nd main MP 328-MMP336	Completed	6/15/01
32) Lawrenceville, GA	Construct new siding and 5 track Palmer Yard	N	12/01/02
33) Lima, OH	Conrail connection track improvements	Completed	05/30/00
34) <i>Little Ferry, New Jersey</i>	<i>Construct Bridge over Overpeck Creek</i>	<i>Y</i>	<i>12/31/02</i>
35) Louisville, KY	Link Highway Track to Highland Park #2	Completed	06/15/00
36) <i>Miami, FL</i>	<i>Phase IV Double Trk Project SX 1024.7-1031.6</i>	<i>Y</i>	<i>08/31/02</i>

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

ADDITIONAL NOTEWORTHY ENGINEERING PROJECTS TABLE

(In some cases these projects may be unrelated to the Conrail integration.)

Location	Project	Under Construction	Estimated Completion
37) Martinsburg, Hobbs, Miller/Cherry Run, W Cumbo, WV	Eliminate manned interlockings, Phase I	Completed	12/31/01
38) McDaniel, TN	Siding extension to 10,000' clear	Completed	09/1/00
39) New Boston, MI	Parking lot expansion	Completed	06/30/00
40) Owassa, AL	Construct new 2 mile siding	N	05/31/02
41) Philadelphia, PA	Greenwich Yard Phase I rehabilitation	Completed	06/30/00
42) Philadelphia, PA	Greenwich Yard Phase II expansion	Completed	12/21/00
43) <i>Princeton, IN</i>	<i>Support Yard</i>	N	09/02/02
44) Ridgefield Park, NJ	Construct second main track & signals M.P. 2-7	Y	12/01/02
45) <i>Ridgefield to N. Bergen NJ</i>	<i>Construct second main track on the River Line</i>	Y	12/31/02
46) Rupert-Mauk, GA	Construct 8 miles of second main track & signals	Completed	11/30/01
47) Teaneck, NJ	Construct siding CP7-CP10	Completed	03/31/00
48) Tunnel Hill, GA	Construct Siding, W & A Sub	Completed	11/15/01
49) Union City, GA	Construct connection track	Completed	04/15/00
50) Union City, Wilford, GA	Clearance improvement project	Completed	03/15/00
51) W. Baltimore, MD	Convert #10 HTEL to Power #15	Completed	09/30/00
52) Wadley, AL	Extend passing siding to 10,000' clear	Completed	09/15/00
53) Youngstown, OH	Construct Ashtabula Connection for 140 car capacity	Completed	07/15/00

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

INFORMATION TECHNOLOGY

Information Technology

The implementation strategy, training plans, and status of the Information Technology (IT) initiatives affecting the following Operating Areas are summarized:

- ❖ Customer Service
 - Electronic Customer Connectivity
- ❖ Operations Personnel
 - Crew Management
- ❖ Transportation
 - Car Management & Movement
 - Locomotive Management
 - Train Dispatching

Operating Area	Implementation Strategy	Status	Training
Customer Service Electronic Customer Connectivity	<p>All inbound (e.g. bill-of-lading) and outbound (e.g. car tracing) electronic communications with existing Conrail customers are to be migrated to CSX and NS. All customers will be informed of their system migration options and have the opportunity to test the replacement electronic connections prior to a transfer of the customer communications links on Day 1.</p> <p>CSX and NS will work with all affected customers and EDI vendors to develop migration plans</p>	<p>Systems testing in process and on schedule</p> <p>A joint letter was distributed to current Conrail customers</p> <p>Existing and new Conrail Electronic Commerce customers have been contacted by CSX in separate mailings</p> <p>Electronic Commerce Certification of Conrail customers acquired by CSX is in progress.</p> <p>Planned customer conversions to CSX Electronic Commerce tools are complete.</p> <p>All EC is complete</p>	<p>All customers will be provided adequate systems documentation and a detailed description of any changes to their current Conrail-provided electronic services</p> <p>All customers targeted for conversion to CSX electronic commerce tools have received information regarding the changes.</p> <p>All customer training and customer conversions are complete.</p>

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

INFORMATION TECHNOLOGY

Operating Area	Implementation Strategy	Status	Training
Operations Personnel Crew Management	<p>Separation of callings desks (CSX, NS, SAC) in Dearborn, MI has been pre-negotiated and is in place. There will be a phased roll-out of eight calling desks to TECS – the CSX Crew Calling System. The first desk will be rolled out 50 days after Day 1.</p> <p>T&E Crews will continue to submit paper time sheets to Dearborn, MI until the TECS desk roll-out is completed. Paperless payroll implementation will take place 2 weeks after each TECS desk implementation. The entire roll-out will take approximately seven months.</p>	<p>Systems development in process and on schedule.</p> <p>The TECS desk roll-out is still on schedule.</p> <p>All desks have been cut over to TECS.</p> <p>Paperless payroll training was completed Dec. 10, 1999</p> <p>Crew Callers have been moved from Dearborn to Jacksonville – Crew Management is complete.</p>	<p>CSX Payroll officers will train T&E employees on the CSX Payroll system immediately following the implementation of TECS. Local Chairman will participate in the training. Training documents have been prepared and presented to Conrail personnel.</p> <p>Training sessions have been completed.</p>
Transportation Car Management and Movement	<p>Field personnel will continue using Conrail application systems supporting yard inventory, train consisting and work orders after Day 1.</p> <p>Disposition and management of empty cars will occur in Jacksonville using CSX systems after Day 1 to ensure coordinated system wide transportation operations.</p> <p>Customers on the acquired territory will continue to order empty cars and obtain information on order status as they do today.</p> <p>CSX systems will be rolled-out to the acquired Conrail territory in 4 phases after Day 1.</p>	<p>Systems development in process and on schedule.</p> <p>Toledo Stanley Yard was cut-over to CSX systems July 27th.</p> <p>Chunk 1 Field Rollout including Indianapolis was successfully cut-over on Oct 11.</p> <p>Chunk 2 including Cleveland, Collinwood and Columbus, Ohio was successfully cut-over on January 10.</p> <p>Chunk 3 including Buffalo & Syracuse was successfully cut over on March 13, 2000.</p> <p>Chunk 4 including Selkirk & W. Springfield was successfully cutover on May 8, 2000</p> <p>All Car Management is complete</p>	<p>Training sessions have been completed</p>

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

INFORMATION TECHNOLOGY

Operating Area	Implementation Strategy	Status	Training
Transportation Locomotive Management	<p>CSX Locomotive Management System (LMS) will be used to manage locomotives in CSX acquired territory beginning on Day 1. This will occur from the Operations Center in Philadelphia, PA for approximately 180 days after Day 1. The management team in Philadelphia will consist of two locomotive managers and one senior locomotive manager. Dual entry of locomotive assignments will be made to the Conrail Locomotive Distribution System (LDS). Shutdown of Conrail LDS will accompany field roll-out and will be dependent upon other Conrail Systems (TRIMS & TMS) no longer relying on assignments being passed from Conrail LDS.</p> <p>Within 180 days after Day 1, locomotive management for the acquired Conrail territory will be relocated to the Kenneth Dufford Center in Jacksonville. Two CSX Locomotive Managers will manage the acquired territory at that time.</p>	<p>Implementation was completed June 1st.</p> <p>Dual entry into Conrail LDS was discontinued June 15th.</p> <p>The locomotive management of the acquired territory was transitioned to the Kenneth Dufford Center in Jacksonville, FL on July 12, 1999.</p> <p>Locomotive Management is Complete.</p>	<p>Locomotive managers for the acquired Conrail territory have been trained on the CSX Locomotive Management System (LMS). Locomotive Management has conducted training that included cross training of CSX and Conrail cultures.</p>

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

INFORMATION TECHNOLOGY

Operating Area	Implementation Strategy	Status	Training
Transportation Train Dispatching	<p>Train dispatchers will continue to use current Conrail systems. Phase 1 geographic realignments will separate dispatchers into CSX, NS & SAC entities within current division offices. Phase 1 will complete 90-120 days after Day 1.</p> <p>Phase 2 division realignment will move dispatchers to acquiring road's division. CSX Cleveland East dispatcher in Dearborn, MI will move to CSX headquarters in Indianapolis, IN. CSX Chesapeake & Riverline dispatchers in Mt. Laurel, NJ will move to CSX headquarters in Albany, NY. Phase 2 will complete 90-120 days after an implementing agreement has been reached.</p> <p>Phase 2 moves are contingent upon Phase 1 realignment completion for territory being transferred. Also contingent upon an implementing agreement being in place with the ATDD.</p>	<p>Systems development has been completed and implementation is proceeding on schedule.</p> <p>Phase 1 realignments :</p> <p>Albany, Indianapolis & Philadelphia complete.</p> <p>Dearborn Division started.</p> <p>Dearborn completed Mid-August 1999.</p> <p>Phase 2 realignments:</p> <p>Two dispatcher desks moved from Indianapolis to Dearborn on 7/27/99.</p> <p>Phase 2 projected to be completed with CSAO dispatcher move from Dearborn to Mt. Laurel on 8/10/99.</p> <p>All phases of the Train Dispatcher Realignment Project have been completed. Implementing agreements are now in place.</p> <p>Train Dispatching is complete.</p>	<p>Dispatchers will be trained on their new territory using the current processes in place at Conrail.</p>

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

Customer Service Progress Report

During May we completed the rollout of all CSXT systems for the fourth regional area. Cutover took place on May 8, 2000 and went smoothly. Major locations included in the cutover were Selkirk, South Kearney, and Framingham areas.

Personnel

We duplicated our training and mentoring procedures for this last cutover. Classroom training in Pittsburgh was completed prior to the cutover with the remaining personnel trained on all CSXT systems.

Customer Familiarization

The customer familiarization processes used previously were also duplicated. Tariffs have been published and distributed for supplemental billing purposes, and procedures put in place to convert the records for the first 7 days of May from the Conrail to the CSX demurrage system, so that customers will see only one bill for the month. All customers have been notified regarding the up coming changes.

Brochures were customized and distributed to customers by our Electronic Commerce Customer Integration Center to explain our EC offerings and initiatives, with special telephone numbers and other vital data provided. Other customer communications included blast faxes, mailings, and regular interaction with our Electronic Commerce personnel.

STB OPERATIONAL MONITORING REPORT

As of January 31, 2002

STB Status Submission Report on Training

All remaining training for the acquired territories was completed during the month of May.

Clerical employees received one-on-one training at their work locations on specific job tasks for their jobs. Train & Engine Service employees received instructions in the preparation of work order documents to ensure the correct documentation of placing and pulling of cars from industries. Field transportation officers and yardmasters also received specific training in the use of yard and train management systems. Extensive training was provided for 45 yardmasters and 17 transportation officers.

Coaches were positioned at strategic locations to assist employees during the cutover at all major terminals and crew on-duty locations.

The last cutover completed the training initiatives for this project.

George A. Aspatore
General Solicitor

(757) 629-2657
fax (757) 533-4842
E-mail: george.aspatore@nscorp.com

February 7, 2002

Melvin F. Clemens, Jr.
Director, Office of Compliance and Enforcement
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

Dear Mr. Clemens,

Enclosed is Norfolk Southern's Monitoring Report dated January 31, 2002. NS continues to make progress on the projects targeted for completion in 2002 that are listed in the Construction and Other Capital Projects section of the Report.

Please let me know if you need any further information.

Sincerely,

George A. Aspatore

Enclosure

Norfolk Southern Corporation

STB Operational Monitoring Report

As of January 31, 2002

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Note: Bold print indicates changes from previous report.

* To be disclosed under a different cover or in a later report.

Surface Transportation Board Operational Monitoring Report

As of January 31, 2002

LABOR

Labor Implementing Agreements

All of the Labor Implementing Agreements have been reached, concluding our reporting requirement, as provided in Paragraphs 1 and 14, on pages 162 and 165, respectively, of STB Decision No. 89 issued in Finance Docket No. 33388.

Labor-Management Task Forces

All implementing agreements became effective on June 1, 1999. A continuing dialogue has taken place between labor and NS management on a daily or as-needed basis concerning implementation and safety issues. Labor organization cooperation has been a key element in assuring the safe implementation of the Conrail transaction. This interaction will continue as the parties work through issues of mutual concern.

Note: Bold print indicates changes from previous report.

Surface Transportation Board Operational Monitoring Report
As of January 31, 2002

CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Alexandria	IN	Construct track connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Allentown - Reading	PA	Traffic Control System	Signal	Design	Note 2
	PA	Estimated Completion Date: Undetermined		Const	
Angola	NY	Upgrade existing siding, construct new siding Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Ashtabula	OH	Construct connection track Estimated Completion Date: Complete	Track	Design	Complete
				Const	Complete
			Signal	Const	Complete
Attica	IN	Extend siding 4,580 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Boundbrook	NJ	Extend siding 15,000 track feet Estimated Completion Date: Undetermined	Track	Design	Note 2
				Grading	
				Const	
			Signal	Design Const	
Bristol	VA	Extend siding 14,255 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Bucyrus	OH	Construct track connection Estimated Completion Date: Complete	Land		Complete
			Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Buffalo - Cleveland	NY	Traffic control system and remove pole line.	Signal	Design	Complete
	OH	Estimated Completion Date: Complete		Const	Complete
Buffalo	NY	Rehabilitate tracks in sub-leased BPRR yard Estimated Completion Date: Complete	Track	Const	Complete
Buffalo	NY	Construct connection to BPRR yard Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete

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CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Buffalo	NY	Reconstruct portion of Bison Yard Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Butler	IN	Construct track connection Estimated Completion Date: Undetermined	Track	Design	Note 2
				Grading Const	
			Signal	Design Const	
Chicago	IL	Expand and improve 47th St Yard Intermodal Terminal Estimated Completion Date: Complete	Track	Design	Complete
				Grade/Pave	Complete
Cloggsville	OH	Track Rehabilitation Estimated Completion Date: Complete	Track	Design	Complete
				Const	Complete
Cloggsville	OH	Construct second main Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Columbus	OH	Construct track connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Crockett	VA	Construct 9,100 foot new siding Estimated Completion Date: Complete	Land		Complete
			Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Croxtton	NJ	Expand and improve intermodal terminal Estimated Completion Date: Complete	Track	Design	Complete
				Grade/Pave	Complete
E-Rail	NJ	Expand and improve intermodal terminal Estimated Completion Date: Complete	Track	Design	Complete
				Grade/Pave	Complete
Erie	PA	Erie Track Realign Project Estimated Completion Date: 2Q02	Track	Design	Complete
				Grading	Complete
				Const	In progress
			Signal	Removal Design Const	 Complete In progress

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CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Flemington	NJ	Construct 12,500 foot siding Estimated Completion Date: Undetermined	Track	Design	Note 2
			Signal	Grading Const Design Const	
Hadley Jct (Ft Wayne)	IN	Double tracking Estimated Completion Date: Undetermined	Track	Design	Note 2
			Signal	Grading Const Design Const	
Hagerstown Sec (Greencastle)	PA	Construct siding Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Hagerstown Sec	PA	Traffic Control Estimated Completion Date: Complete	Signal	Design Const	Complete Complete
Harrisburg	PA	Construct double track Estimated Completion Date: Complete	Land		Complete
			Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Harrisburg (Rutherford)	PA	Construct intermodal terminal Estimated Completion Date: Complete	Track	Design Grade/Pave	Complete Complete
Harrisburg - Reading	PA	Traffic Control System and remove pole line Estimated Completion Date: 1Q02	Signal	Design Const	Complete In progress
KD Tower - Cumberland Falls	KY	Extending double track 40,120 feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete
Knoxville - Chattanooga	TN	Double Stack Clearances Estimated Completion Date: Complete	Track	Design	Complete
	TN			Const	Complete
			Bridge	Design	Complete
Marshfield	IN	Upgrade and extend siding 7,908 feet Estimated Completion Date: Complete	Land		Complete
			Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Oak Harbor	OH	Construct track connection Estimated Completion Date: Complete	Land		Complete
			Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design Const	Complete Complete

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CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Pattensburg	NJ	Clearance-9 Bridges Estimated Completion Date: Complete	Bridge	Design Const	Complete Complete
Pattensburg	NJ	Siding Extensions Estimated Completion Date: Complete	Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete
Pattensburg	NJ	Tunnel Clearance Estimated Completion Date: Complete	Bridge	Design Const	Complete Complete
Philadelphia	PA	Construct crossover - Zoo Estimated Completion Date: Undetermined	Track	Design Grading Const	Note 2
			Signal	Design Const	
Piney Flats	TN	Extend siding 6,610 feet Estimated Completion Date: Complete	Land Track		Complete Complete
				Grading Const	Complete Complete
			Signal	Design Const	Complete Complete
Port Reading	NJ	Chemical Coast Clearance Projects Estimated Completion Date: Complete	Track	Design Const	Complete Complete
			Bridge	Design Const	Complete Complete
Rader	TN	Extend siding 5,189 feet Estimated Completion Date: Complete	Land Track		Complete Complete
				Design Grading Const	Complete Complete Complete
			Bridge	Design Const	Complete Complete
			Signal	Design Const	Complete Complete
Reading - Philadelphia	PA PA	Traffic Control System and remove pole line Estimated Completion Date: Undetermined	Signal	Design Const	Note 2
Riverton Jct - Roanoke	VA VA	Clearance projects Estimated Completion Date: Complete	Bridge	Design Const	Complete Complete
Sandusky (Bellevue)	OH	Construct Triple Crown Terminal Estimated Completion Date: Complete	Track	Design Grade/Pave	Complete Complete
			Building	Const	Complete
Sandusky- Columbus	OH	Double Track: S 13.60 - S 26.00 Estimated Completion Date: Complete	Track	Design Grading Const	Complete Complete Complete
			Signal	Design Const	Complete Complete

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CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Sandusky-Columbus	OH	Double Track: S 78.10 - S 88.40 Estimated Completion Date: Complete	Land Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Sandusky-Columbus	OH	Double Track: S 88.30 - S 95.60 Estimated Completion Date: Complete	Land Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Sidney	IL	Construct track connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Sido	MO	Double tracking 36,458 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Bridge	Design	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Sloan	IL	Extend siding 5,027 track feet Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Southern Tier	NY	Southern Tier Rehabilitation Estimated Completion Date: Undetermined	Track	Const	Note 2
			Bridge	Design	
				Const	
St. Louis (Mitchell)	MO	Expand Mitchell Triple Crown Terminal Estimated Completion Date: Complete	Track	Design	Complete
			Signal	Grade/Pave	Complete
				Design Const	Complete
Toledo	OH	Intermodal Terminal Estimated Completion Date: Undetermined	Track	Design	Note 2
				Grade/Pave	
Tolono	IL	Track Connection Estimated Completion Date: Complete	Track	Design	Complete
				Grading	Complete
				Const	Complete
			Signal	Design	Complete
				Const	Complete
Vermillion	OH	Track Connection Estimated Completion Date: Complete	Land Track	Design	Complete
				Grading	Complete
			Signal	Const	Complete
				Design	Complete
				Const	Complete
				Const	Complete

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CONSTRUCTION AND OTHER CAPITAL PROJECTS

Location		Project	Dept	Phase	Status
Wabash	IN	Construct connection track	Track	Const	Complete
		Estimated Completion Date: Complete	Signal	Design	Complete
				Const	Complete

Note 1: Bold print indicates changes from previous report. If status of project phase is blank, work on that part of the project has not yet begun.

Note 2: Project on hold pending evaluation of revised traffic requirements.

Surface Transportation Board Operational Monitoring Report

As of January 31, 2002

CUSTOMER SERVICE

Systems and Personnel Training

Operating Area	Project	Status
TRANSPORTATION		
Car Management and Movement	Systems -- Multiple projects	Complete
Includes Thoroughbred Yard Enterprise System (TYES) and Central Yard Operations (CYO) System	Personnel Training	
	Prepare training materials for TYES and CYO	Complete
	Trainer orientation	Complete
	TYES training at Conrail locations	Complete
Train Dispatching	Systems	Complete
	Personnel Training	
	Prepare computer-based training materials for Norfolk Southern Train Information System (TIS) and Train System Accident Reporting System (TSAR).	Complete
	Train Conrail employees at Dearborn, Pittsburgh, and Mt. Laurel	Complete
Locomotive Management	Systems	Complete
	Personnel Training	
	Prepare training materials; conduct pilot sessions	Complete
	Trainer orientation	Complete
	Train employees at 8 Conrail locations	Complete

Surface Transportation Board Operational Monitoring Report
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CUSTOMER SERVICE

Operating Area	Project	Status
OPERATIONS PERSONNEL		
Crew Management	Systems	Complete
	Personnel Training	
	Prepare training materials	Complete
	Train Conrail employees	Complete
Train and Engine (T&E) Payroll	Personnel Training	
	Prepare training materials; conduct pilot sessions	Complete
	Train T&E crews	Complete
Non-Train and Engine Payroll	Personnel Training	
	Prepare training materials; conduct pilot sessions	Complete
	Trainer orientation	Complete
	Train Conrail employees	Complete
CUSTOMER SERVICE		
Electronic Customer Connectivity	Systems	Complete
	Personnel Training	
	Testing new systems	Complete
	Customer Coordination	
	Information to be distributed to customers	Complete
National Customer Service Center	Personnel Training	
	Prepare training materials	Complete
	Train employees in Pittsburgh and Atlanta	Complete

Note: Bold print indicates changes from previous report.

Surface Transportation Board Operational Monitoring Report

As of January 31, 2002

CUSTOMER SERVICE

Transition Process

Transition team members for NS in Philadelphia working in Customer Service were released at the end of February, 2000. Call volumes have declined as general service levels improve and are currently below call volume levels prior to the split date. The phone trace system, which is an automated feature of our toll-free line that allows a customer to trace the location of its cars by keying in car numbers on the telephone key pad, continues to work as expected. Norfolk Southern has also added car tracing functions to its web page.

Customer Service has reorganized to better leverage the functions of the Central Yard Operations (CYO) groups and the National Customer Service Center (NCSC) staff. Our overall goal is to utilize the larger CYO staff for routine inquiries and allow NCSC to focus on problem resolution and correction.

Other Customer Service changes include moving Agency Operations Center (AOC) billing functions to Accounting; moving Data Quality and Demurrage functions under CYO; and combining Equipment Marketing and Car Distribution and Utilization in a new group called Car Management.

Personnel

The implementation of the Thoroughbred Yard Enterprise System in the former Conrail areas has been completed, including the training of field personnel. All supervisory positions have been filled for Data Quality, the Agency Operations Center and Customer Service.

Customer Awareness

NS continues to host customer meetings to evaluate and provide feedback on the Company's planning processes and strategies. NS continues to make numerous meetings and presentations in order to keep our customers informed.

The Customer Resource Guide, distributed to our customers, provides customers with all resources and information necessary for doing business with the new NS.

The Help Desk Directory, also distributed to our customers, lists key phone numbers that connect users to areas that may assist them in answering questions about NS. It is available in three formats: a pocket guide for employees, a list for customers, and an expanded version available for downloading from the Internet.

Note: Bold print indicates changes from previous reports.

STB

FD-33388

3-21-02

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205025

Memorandum



DATE: March 21, 2002

TO : Ellen Keys, Assistant Secretary
Section of Publications/Records
Office of the Secretary

FROM : Mel Clemens, Director
Office of Compliance and Enforcement

SUBJECT : STB FINANCE DOCKET NO. 33388 - OPERATIONAL MONITORING DATA

Attached are the original and two copies of the latest weekly public data files provided to this office by CSX and Norfolk Southern as required in the above proceeding, which are to be committed to the docket for public reference. As requested, I am providing the three paper copies to Ron Douglas, two for the docket and one for Da 2 Da Legal. If there are any questions, please don't hesitate to contact Ed Nelson at 565-1574.

Attachments

cc: Chairman Morgan
Vice Chairman Burkes
Richard Armstrong
Ron Douglas
Charles Renninger

ENTERED
Office of the Secretary

MAR 22 2002

Part of
Public Record



500 Water Street (J407)
Jacksonville, FL 32202
Phone (904) 366-4134
Fax (904) 359-1571

T. J. Stephenson
Assistant Vice President -
Service Measurements

March 20, 2002

Mr. Melvin F. Clemens, Jr.
Director, Office of Compliance and Enforcement
Surface Transportation Board
The Mercury Building
1925 K Street, NW, Suite 780
Washington, DC 20423

Dear Mr. Clemens:

Enclosed with this transmittal letter are CSX Transportation's operational monitoring reports to the Board for the week ending Friday, March 15th. Cars on-line increased from 231,911 to 232,149 cars. Terminal dwell increased from 24.0 to 24.4 hours. Train velocity decreased slightly from 22.9 to 22.7 miles-per-hour.

We would offer the following observations and interpretations regarding the data CSXT provides the STB, Conrail Transaction Council, and the AAR:

Chicago Gateway Operations

The on-time-to-two-hours-late measure moved unfavorably one percentage point to 71%. The percent of trains greater than 6 hours late moved unfavorably fifteen percentage points to 19%.

Yards and Terminals

Seven of the 14 measured yards showed an improvement in dwell time compared to the prior week. Volumes remained within expected levels across the network.

Corridor Performance

Of the six measured corridors, one showed an improvement last week and another operated at the same performance level. The best performance in the on-time-to-two-hours-late category occurred on the I - 95 corridor with 87%. Overall, the on-time-to-two-hours-late category was 77%, down one percentage point from the prior week. The greater-than-six-hour-late category was 14%, up seven percentage points from last week.

Shared Areas

Daily average on hand cars increased at North Yard and Pavonia and decreased at Oak Island. All volumes remain within expected or observed norms for comparable periods. Overall terminal dwell time was 27.9, up from 24.8 hours for the prior week.

Additional Measurements

Train Delay Metric: For 702 train starts, weekly train delay for power was 1 hour and crew delay totaled 15 hours. Power delay and crew delay hours both decreased from the prior week.

Train Crew Delay Metric: The percent of crews not departing within two hours of the on-duty time averaged 16.4% for the week, increasing slightly from 16.2% the prior week.

Daily Crew Availability Percentage: Crew Availability Percentage was 84%, same as last week.

Daily Number of Recrews Required: Of 1674 crew starts, 56 (3%) were recrews, up one percentage point from the previous week.

Shared Asset Areas Train Delay Metric: SAA Train Delays averaged three trains per day for North Jersey, one for South Jersey, and none for Detroit.

Locomotives: Gross Locomotives = 3836, Average Available = 3399, and Out-of-Service Ratio = 5.0%, same as the previous week.

Cars Offered in Interchange: averaged 349 cars daily, 16 of which was for the Norfolk Southern. The NS-offered increased, and the total-offered increased from the prior week.

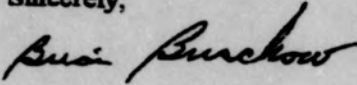
On-time performance, passenger trains through Brunswick, MD: 80% for 10 AMTRAK trains (Pittsburgh - Washington) and 95% for 100 MARC trains (West Virginia - Washington).

Buffalo Customer Service (Hot Line): the customer service center received no calls this week. Customers have not used this line for the past 46 weeks.

Last week CSXT met the goal for 11 of the 18 key first quarter service measurements. Goals were met for personal injuries, cars on line, overall train velocity, merchandise train velocity, slow order miles, relief crews, on-time origination, 30 hour cars, local train on-time origination, hours of locomotive delay, and locomotive out-of-service percent.

The overall performance of the rail network remains at a very high level. Operations are fluid, and CSX is able to absorb additional traffic.

Sincerely,

A handwritten signature in cursive script, appearing to read "B. G. Buschow".

B. G. Buschow
Manager
Service Measurements

Surface Transportation Board

Performance Measures

For the week ending:

03/15/02

Yard Performance

(Composite of NS/CSX Traffic)

		Monday	Tuesday	Wednesday	Thursday	Friday
Location	Measure	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02
Oak Island, NJ	Fluid Capacity	1200	1200	1200	1200	1200
	Cars On Hand - Loaded	332	269	403	352	347
	Cars On Hand - Empty	285	384	482	523	563
	Cars On Hand - Total	617	653	885	875	910
	Cars Handled	372	324	611	547	579
	Dwell Hours	32.5	27.3	23.6	26.8	27.4
Pavonia, NJ	Fluid Capacity	900	900	900	900	900
	Cars On Hand - Loaded	312	399	386	263	300
	Cars On Hand - Empty	235	368	421	555	388
	Cars On Hand - Total	547	767	807	818	688
	Cars Handled	302	502	518	587	352
	Dwell Hours	44.5	27.8	25.3	22.9	27.9
North Yard, MI	Fluid Capacity	850	850	850	850	850
	Cars On Hand - Loaded	136	218	213	210	245
	Cars On Hand - Empty	217	209	244	199	145
	Cars On Hand - Total	353	427	457	409	390
	Cars Handled	174	232	296	141	258
	Dwell Hours	25.9	26.3	30.8	22.8	34.7

CSX Comments: Daily average on hand cars increased at North Yard and Pavonia and decreased at Oak Island.
All volumes still remain within expected norms for comparable periods.

Overall terminal dwell time was 27.9 hours, up from 24.8 hours last week.

Surface Transportation Board Performance Measures

Train Originations

(Composite of NS/CSX Traffic)

		Monday	Tuesday	Wednesday	Thursday	Friday
Location	Measure	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02
North Jersey SAA	Number of Originations	5	7	7	8	9
	% Ontime	60%	71%	57%	38%	67%
	% Late 0-2 Hours	40%	29%	29%	25%	11%
	% Late 2-4 Hours	0%	0%	0%	25%	22%
	% Late 4-6 Hours	0%	0%	14%	13%	0%
	% Late GT 6 Hours	0%	0%	0%	0%	0%
South Jersey SAA	Number of Originations	1	2	3	3	3
	% Ontime	100%	100%	67%	100%	100%
	% Late 0-2 Hours	0%	0%	33%	0%	0%
	% Late 2-4 Hours	0%	0%	0%	0%	0%
	% Late 4-6 Hours	0%	0%	0%	0%	0%
	% Late GT 6 Hours	0%	0%	0%	0%	0%
Detroit SAA	Number of Originations	7	8	8	8	8
	% Ontime	71%	63%	75%	38%	63%
	% Late 0-2 Hours	29%	25%	25%	38%	13%
	% Late 2-4 Hours	0%	0%	0%	13%	25%
	% Late 4-6 Hours	0%	0%	0%	0%	0%
	% Late GT 6 Hours	0%	13%	0%	13%	0%

CSX Comments: Total road train delays were 20 trains. Crew delays were 6 trains for 14 hours; 2 trains were delayed 9 hours for power; originating trains 18 for 79 hours, due to late arrivals.

Surface Transportation Board

Performance Measures

CSXT Cars Offered in Interchange but not Accepted

(Snapshot at Midnight for Day Measured)

		Monday	Tuesday	Wednesday	Thursday	Friday	Daily
Measure	Railroad Offered To	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Average
Cars Offered	NS	25	6	18	22	9	16
	All Other	418	330	388	219	308	333
	Total	443	336	406	241	317	349

Measures all cars in offered interchange status on acquired Conrail territory only. Volumes are listed by cars offered to NS (Norfolk Southern) and All Other Railroads.

CSXT On Time Passenger Train Performance

"Brunswick Line"

Between West Virginia/Washington, DC

		Monday	Tuesday	Wednesday	Thursday	Friday	Weekly
Service	Measure	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Totals
AMTK	Trains	2	2	2	2	2	10
	% On Time	50%	50%	100%	100%	100%	80%
MARC	Trains	20	20	20	20	20	100
	% On Time	90%	100%	100%	85%	100%	95%

AMTK measured according to contract with CSXT.

Surface Transportation Board

Performance Measures

CSXT Train Crew Delay

	Causes of Delay	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly
Terminal	Trains / Hours	03/09/02	03/10/02	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Total
Baltimore	Train Crew Starts	14	14	14	15	17	15	17	106
	Crews Delayed +2 Hours	3	5	4	1	6	2	7	28
	% Delayed +2 Hours	21%	36%	29%	7%	35%	13%	41%	26%
Buffalo	Train Crew Starts	39	26	39	50	44	43	53	294
	Crews Delayed +2 Hours	6	11	8	4	3	5	3	40
	% Delayed +2 Hours	15%	42%	21%	8%	7%	12%	6%	14%
Chicago	Train Crew Starts	27	28	24	26	27	29	23	184
	Crews Delayed +2 Hours	9	8	10	7	8	11	6	59
	% Delayed +2 Hours	33%	29%	42%	27%	30%	38%	26%	32%
Cincinnati	Train Crew Starts	30	32	33	31	36	32	33	227
	Crews Delayed +2 Hours	1	2	1	0	0	0	2	6
	% Delayed +2 Hours	3%	6%	3%	0%	0%	0%	6%	3%
Cleveland	Train Crew Starts	19	14	29	20	24	24	30	160
	Crews Delayed +2 Hours	5	6	5	1	7	8	9	41
	% Delayed +2 Hours	26%	43%	17%	5%	29%	33%	30%	26%
Cumberland	Train Crew Starts	32	30	30	34	34	35	29	224
	Crews Delayed +2 Hours	1	0	1	1	2	4	2	11
	% Delayed +2 Hours	3%	0%	3%	3%	6%	11%	7%	5%
Detroit	Train Crew Starts	6	4	5	4	7	4	6	35
	Crews Delayed +2 Hours	1	1	1	1	2	1	1	8
	% Delayed +2 Hours	17%	25%	20%	25%	29%	25%	17%	22%
Philadelphia	Train Crew Starts	9	8	11	11	11	8	9	67
	Crews Delayed +2 Hours	0	0	1	0	0	1	0	2
	% Delayed +2 Hours	0%	0%	9%	0%	0%	13%	0%	3%
Selkirk	Train Crew Starts	44	33	43	41	47	49	50	307
	Crews Delayed +2 Hours	9	9	6	8	10	10	8	60
	% Delayed +2 Hours	20%	27%	14%	20%	21%	20%	16%	20%
Toledo	Train Crew Starts	31	26	29	26	31	28	33	204
	Crews Delayed +2 Hours	9	4	3	3	3	1	6	29
	% Delayed +2 Hours	29%	15%	10%	12%	10%	4%	18%	14%
Willard	Train Crew Starts	42	43	40	39	45	46	44	299
	Crews Delayed +2 Hours	11	7	6	8	2	6	7	47
	% Delayed +2 Hours	26%	16%	15%	21%	4%	13%	16%	16%

Daily number of train crew starts from selected yards or terminals and the number of those originating train crews that were delayed in those yards or terminals for two hours or more after going on-duty. The percentage of those delayed starts.

Surface Transportation Board

Performance Measures

CSXT Train Delay - Northern Region Lines

	Cause of Delay	Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly
Measure	Trains / Hours	03/09/02	03/10/02	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Total
Train Delay	Originating Train Starts	81	80	113	101	106	109	112	702
	Delayed Hours - Power	0	0	0	0	1	0	0	1
	Delayed Hours - Crews	5	1	1	3	0	0	5	15

Daily number of originating train starts on the Northern Region and the hours delayed due to lack of power and crew of those originating train crews.
The delayed train starts will be broken down between power and crew delayed hours.

Daily Crew Availability Percentage - Northern Region Lines

		Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Daily
Measure	Crew Availability	03/09/02	03/10/02	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Average
Crew Availability		84%	85%	84%	84%	85%	85%	83%	84%

Daily percentage of CSXT road train crews that are available for work on the Northern Region Lines.

Daily Number of Train Crew Starts and Recrews Required

		Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly
Measure	Crew/Recrews	03/09/02	03/10/02	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Total
Crews/Recrews	Train Crew Starts	219	201	248	240	250	255	261	1674
	Recrews	1	25	8	2	2	14	4	56
	% Recrewed	0%	12%	3%	1%	1%	5%	2%	3%

Daily number of CSXT road train crew starts, the number of recrews and percentage of recrews for the Northern Region Lines.

Surface Transportation Board

Performance Measures

CSXT Locomotive Fleet Condition

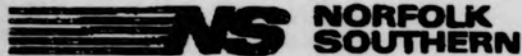
		Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Daily
Measure	Locomotives	03/09/02	03/10/02	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Average
Locomotives	Gross Fleet Size	3794	3809	3845	3853	3854	3842	3855	3836
	Avg. Number Available	3403	3394	3403	3396	3396	3404	3398	3399
	OOS Ratio	4.9	4.6	4.9	5.2	5.0	5.1	5.2	5.0

The measure for Gross Fleet will consist of CSX owned, leased, and foreign locomotives on-line. The Average Number Available will be the number of net fleet available to move traffic. The Out-of-Service Ratio (OOS) is the ratio of CSXT owned locomotives not available.

Shared Asset Areas Train Delay

		Saturday	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Daily
Measure	Shared Area	03/09/02	03/10/02	03/11/02	03/12/02	03/13/02	03/14/02	03/15/02	Average
Train Delay	Philadelphia/South Jersey	1	0	2	0	1	1	0	1
	North Jersey	3	1	2	5	1	3	4	3
	Detroit	0	0	2	0	0	0	0	0

Daily number of outbound trains ready for departure that are held for line haul carriers in each of the shared asset areas for more than one hour after notification. The measure will be a composite of CSX and NS trains.



Norfolk Southern Corporation
Law Department
Three Commercial Place
Norfolk, Virginia 23510-9242

George A. Aspatore
General Solicitor

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E-mail gaaspato@nscorp.com

March 20, 2002

Mr. Melvin F. Clemens, Jr.
Director, Office of Compliance and Enforcement
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

Dear Mr. Clemens:

Pursuant to Decision No. 89 issued in STB Finance Docket No. 33388, for the week ending March 15, 2002, enclosed are schedules reporting Train Origination Performance, Yard Performance, and Trains Held in the Shared Assets Areas. Also enclosed is a schedule showing a daily snapshot of NS Cars Offered in Interchange but not Accepted, and our Locomotive Fleet Statistics. This schedule also includes NS Northern Region Train Starts and Delays that are not limited to a snapshot period.

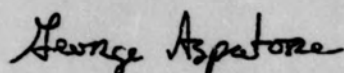
Another schedule incorporated into this transmittal shows NS Crew Starts and Delays, NS Northern Region Daily Crew Availability Percentage, and NS Northern Region Crew Starts and Recrews. Also included is the bi-weekly Buffalo update.

Additionally, this transmittal includes confidential reports containing performance statistics for NS's Chicago Gateway Interchange Operations, Corridor Train Performance and Yard Performance. In an effort to provide you with more detailed information regarding delays, I have included two schedules supporting NS's Chicago Gateway and Corridor Train Performance reports, which identify the number and total time for delays due to crew, power, or other issues. I also have supplied the Public Reporting Measures that we provide to the Conrail Transaction Council and the AAR.

Mr. Melvin F. Clemens, Jr.
March 20, 2002
Page 2

As always, I am including a letter written by Tony L. Ingram, Vice President Transportation – Operations, which discusses delays in our rail operations. If you have any questions or need additional information, please call me.

Sincerely,

A handwritten signature in cursive script that reads "George Aspatore".

George A. Aspatore
General Solicitor

Enclosures



Norfolk Southern Corporation
Three Commercial Place
Norfolk, Virginia 23510-2191

Tony L. Ingram
Vice President
Transportation Operations
Telephone: 757 629-2606
FAX: 757 629-2344

March 20, 2002

Mr. Melvin F. Clemens, Jr.
Director, Office of Compliance and Enforcement
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423-0001

Dear Mr. Clemens:

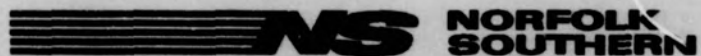
Norfolk Southern's performance metrics remain within normal operating range. The number of cars on line decreased, the average train speed increased, and the average terminal dwell decreased. On the monitored corridors and Chicago gateway operations, 61 trains were held for terminal delays, 49 trains were held for crews, and 33 trains were held for power.

With respect to our customer service hotline in Buffalo, NS did not receive any calls over the two-week period.

In the Shared Assets Areas, daily average on-hand car volume increased at North Yard and Pavonia and decreased at Oak Island. All volume counts were within expected operating norms. Overall average terminal dwell time increased. Reported road train delays for crews and power decreased from the prior week. Six trains were delayed 14 hours for lack of crews and two trains were delayed 9 hours awaiting power. Eighteen originating trains were delayed a total of 79 hours due to late arrivals from CSXT and/or NS. Together, these delays accounted for 42% of the delay hours reported in the SAAs.

Sincerely,

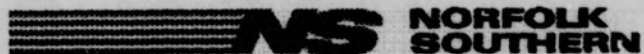
A handwritten signature in dark ink, appearing to read 'Tony L. Ingram', followed by a horizontal line.



For the week ending 3/15/02

Shared Asset Area - Yard Performance

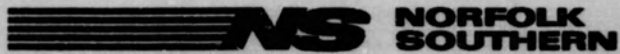
Yard	date	Fluid Capacity	On hand -Empty	On hand - Loaded	On hand - Total	Cars handled	Average dwell
North Yard MI	3/11/2002	850	217	136	353	174	25.9
	3/12/2002	850	209	218	427	232	26.3
	3/13/2002	850	244	213	457	296	30.8
	3/14/2002	850	199	210	409	141	22.8
	3/15/2002	850	145	245	390	258	34.7
North Yard MI Average		850	203	204	407	220	29.0
Oak Island NJ	3/11/2002	1200	285	332	617	372	32.5
	3/12/2002	1200	384	269	653	324	27.3
	3/13/2002	1200	482	403	885	611	23.6
	3/14/2002	1200	523	352	875	547	26.8
	3/15/2002	1200	563	347	910	579	27.4
Oak Island NJ Average		1200	447	341	788	487	27.1
Pavonia NJ	3/11/2002	900	235	312	547	302	44.5
	3/12/2002	900	368	399	767	502	27.8
	3/13/2002	900	421	386	807	518	25.3
	3/14/2002	900	555	263	818	587	22.9
	3/15/2002	900	388	300	688	352	27.9
Pavonia Average		900	393	332	725	452	28.2



For the week ending 3/15/02

Shared Asset Train Origination Performance

location	date	Trains	On time	0-2 hours late	2-4 hours late	4-6 hours late	6+ hours late
Detroit Total	11-Mar	7	71%	29%	0%	0%	0%
	12-Mar	8	63%	25%	0%	0%	13%
	13-Mar	8	75%	25%	0%	0%	0%
	14-Mar	8	38%	38%	13%	0%	13%
	15-Mar	8	63%	13%	25%	0%	0%
Detroit Total		39	62%	26%	8%	0%	5%
North Jersey Total	11-Mar	5	60%	40%	0%	0%	0%
	12-Mar	7	71%	29%	0%	0%	0%
	13-Mar	7	57%	29%	0%	14%	0%
	14-Mar	8	38%	25%	25%	13%	0%
	15-Mar	9	67%	11%	22%	0%	0%
North Jersey Total		36	58%	25%	11%	6%	0%
South Jersey Total	11-Mar	1	100%	0%	0%	0%	0%
	12-Mar	2	100%	0%	0%	0%	0%
	13-Mar	3	67%	33%	0%	0%	0%
	14-Mar	3	100%	0%	0%	0%	0%
	15-Mar	3	100%	0%	0%	0%	0%
South Jersey Total		12	92%	8%	0%	0%	0%
Grand Total		87	64%	23%	8%	2%	2%

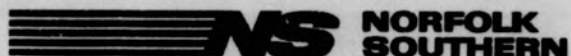


For the week ending 3/15/02

Shared Asset Area Trains Held

area	Sat 09-Mar	Sun 10-Mar	Mon 11-Mar	Tue 12-Mar	Wed 13-Mar	Thu 14-Mar	Fri 15-Mar	Grand Total
North Jersey	3	1	2	5	1	3	4	19
South Jersey	1	0	2	0	1	1	0	5
Detroit	0	0	2	0	0	0	0	2

Daily number of outbound trains ready for departure that are held for line haul carriers in each of the shared asset areas for more than one hour after notification



NS Cars Offered in Interchange but not Accepted

offered	Monday	Tuesday	Wednesday	Thursday	Friday	Total
CSX	0	0	0	0	0	0
other	0	0	0	0	0	0
Total	0	0	0	0	0	0

Snapshot taken between 2:00 and 3:00 each day
NS acquired territory only

NS Northern Region Train Starts and Delays

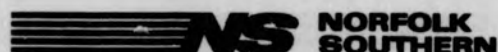
	Saturday 9-Mar	Sunday 10-Mar	Monday 11-Mar	Tuesday 12-Mar	Wednesday 13-Mar	Thursday 14-Mar	Friday 15-Mar	Grand Total
# of Train Starts	152	133	144	170	159	164	167	1089
Delay Cause								
Crew Delays (hrs)	6.0	4.8	16.6	9.0	4.1	7.6	5.1	53.1
Power Delays (hrs)	40.5	5.5	3.4	41.9	36.5	65.0	17.8	210.5

The delay numbers are expressed in hours

Locomotive Fleet Statistics

	Saturday 9-Mar	Sunday 10-Mar	Monday 11-Mar	Tuesday 12-Mar	Wednesday 13-Mar	Thursday 14-Mar	Friday 15-Mar	average
Fleet Size	3182	3179	3201	3141	3163	3153	3169	3170
available	2978	2985	2981	2917	2928	2922	2945	2951
out of service %	6.4%	6.1%	6.9%	7.1%	7.4%	7.3%	7.1%	6.9%

Snapshot taken at midnight
Fleet size is all locomotives on line. Includes owned, leased and foreign.



NS Crew Starts and Delays

		Saturday 9-Mar	Sunday 10-Mar	Monday 11-Mar	Tuesday 12-Mar	Wednesday 13-Mar	Thursday 14-Mar	Friday 15-Mar	total
Allentown	crew starts	13	14	16	17	16	16	18	110
	crews delayed	4	5	6	3	1	6	4	29
Bellevue	crew starts	39	46	40	46	46	41	49	307
	crews delayed	10	19	6	9	7	8	17	76
Buffalo	crew starts	22	23	25	26	27	27	29	179
	crews delayed	5	7	4	7	5	5	6	39
Chicago	crew starts	31	35	32	37	32	32	32	231
	crews delayed	11	12	12	16	12	13	11	87
Cincinnati	crew starts	37	33	23	36	28	34	37	228
	crews delayed	7	7	3	6	3	6	5	37
Cleveland	crew starts	11	11	10	6	10	7	12	67
	crews delayed	6	4	3	1	4	3	4	25
Conway	crew starts	56	40	41	45	51	52	49	334
	crews delayed	11	9	11	10	12	5	11	69
Detroit	crew starts	19	9	20	18	16	19	21	122
	crews delayed	5	3	6	5	3	5	4	31
Elkhart	crew starts	37	40	39	37	39	39	36	267
	crews delayed	21	21	20	19	15	19	18	133
Harrisburg	crew starts	46	46	37	47	62	59	53	350
	crews delayed	12	14	13	18	17	20	20	114
Toledo	crew starts	60	56	54	55	63	58	62	408
	crews delayed	18	19	26	17	12	16	20	128

Notes:

Data source is I & E employees' "End of Trip" reporting

A summary of all "E-O-T's" where departure time is reported as two or more hours after time crew ordered.

Includes all trains for location, whether originating or run-through.

A delayed crew is one delayed two hours or more after coming on duty

NS Northern Region Daily Crew Availability Percentage

	Saturday 9-Mar	Sunday 10-Mar	Monday 11-Mar	Tuesday 12-Mar	Wednesday 13-Mar	Thursday 14-Mar	Friday 15-Mar	average
availability%	75%	76%	77%	80%	79%	79%	78%	78%

Notes:

A "snapshot" of percent of Train and Engineman available at approximately 5:00 AM

NS Northern Region Crew Starts and Recrews

	Saturday 9-Mar	Sunday 10-Mar	Monday 11-Mar	Tuesday 12-Mar	Wednesday 13-Mar	Thursday 14-Mar	Friday 15-Mar	total
crew starts	321	305	279	311	332	326	339	2213
recrews	8	17	11	13	14	9	10	82

Notes:

A summary of trains ordered by field transportation using relief crew (recrew) train symbol

Does not include recrews/trains pulled into terminals by yard crews or road crews called and used in regular service

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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388

CSX Corporation et al., Norfolk Southern Corp. et al.--Control and Operating
Leases/Agreements--Conrail Inc. and Consolidated Rail Corp.

**RESPONSE OF VARIOUS UNIONS
AND THE COMMONWEALTH OF PENNSYLVANIA
TO NORFOLK SOUTHERN'S REPLY TO JOINT PETITION
FOR ENFORCEMENT OF ORDER, OR ALTERNATIVELY TO REOPEN
FOR ORDER DIRECTING COMPLIANCE WITH COMMITMENTS,
OR ALTERNATIVELY FOR RELIEF NOT OTHERWISE PROVIDED-FOR**

Having obtained the Board's approval for its acquisition and operation of 58% of Conrail, Norfolk Southern Corp. ("NS") expects this agency to simply ignore certain express, clear and repeated representations and commitments that were made by NS specifically for the purpose of gaining key support for the acquisition and obtaining the Board's approval. NS apparently expects this Board to do nothing about NS' planned repudiation of the representations and commitments it made regarding the Hollidaysburg Car Shop ("HCS") notwithstanding the Board's Order binding the applicants "to all of the representations they made during the course of this proceeding, whether or not such representations are specifically referenced in" Decision No. 89, simply because NS now views the representations it made about the HCS as inconvenient.

At the time the Unions¹ and Pennsylvania filed their Joint Petition on March 28, NS and its rail subsidiary Norfolk Southern Ry. ("NSR") had expressly refused to provide the Unions

¹ Transport Workers Union of America ("TWU") and the National Council of Firemen and Oilers/SEIU ("NCFO"), International Association of Machinists and Aerospace Workers ("IAM"), International Brotherhood of Boilermakers and Blacksmiths ("IBB") International Brotherhood of Electrical Workers ("IBEW") Sheet Metal Workers International Association ("SMWIA") and Transportation Communications International Union ("TCU") (collectively referred to herein as "Unions")

2.5

with an explanation of the intended closure, beyond the vague and conclusory information issued by NS in its press release on the subject. (NS and NSR are sometimes referred to jointly herein as NS). Now, however, NS and has attempted to explain its position in its April 17, 2001 reply and the thirteen exhibits to the reply. NS' opposition to the joint petition is predicated on misrepresentations of the facts, and specious arguments that its representations and commitments were really just expressions of its intentions that it was free to walk away from at its own convenience. Alternatively, NS argues that the representations and commitments were not binding because 1) they were mere details of what NS describes as just its then-envisioned "operating plan", 2) because the representations and commitments had no defined "end date" and 3) because the economy has slowed. The entire tone of NS' reply appears to be that the Unions and the Commonwealth must have been naïve to believe that NS meant anything it said, no matter how high up the chain of NS command the speaker was, no matter where, or to whom, the statements were made (including under oath) and no matter how often the same statements were made.

Petitioners submit that the evidence provided to the Board in the Joint Petition and this Response clearly demonstrates that NS committed to retaining and continuing to operate the HCS, and to invest in the HCS. Additionally, Petitioners will show that even if "changed economic circumstances" might in some cases justify an attempt by NSR to close the HCS after Board approval, there is no evidence sufficient to support such an action here. NS has, at most, cited a general slowing of economic growth, not an extraordinary and prolonged contraction; and its own carloadings have been only marginally affected. Similarly, even if fluctuations in work loads at the HCS could provide a basis for NS to be relieved of its commitments regarding the

HCS, the evidence about recent work loads at the HCS does not support NS's position. Insourcing work, the work that NS cited as important to growth at the HCS, has actually increased. Moreover NSR's own records as to overall work loads at the HCS shows only a modest difference between current work loads and work loads at the time that NS made its commitments about the HCS; those records also show that current levels of production are not inconsistent HCS work loads in the past. Production on NSR's own equipment has decreased in the last year or two, but that is a result of NSR's decisions to reduce the work force at the HCS and to defer maintenance the cars it owns; and NS' own testimony about its carloadings shows a reduction of only 2%, so the reductions in work on cars were not due to reductions in the use of cars. Petitioners will also show that the decisions of the Board that are cited by NS are factually distinguishable from this case, and that the Board's reasoning in those decisions does not support denial of the relief sought in the Joint Petition.

I. ADDITIONAL EVIDENCE REGARDING NS REPRESENTATIONS ABOUT THE HCS AND UNIONS/PENNSYLVANIA RESPONSE TO NS ASSERTIONS OF FACT

In this response memorandum, the Petitioners will respond to the allegations of fact contained in NS' reply to the joint petition because of the many material misrepresentations therein, relying in part on recent correspondence from NSR to two of the Unions, and records on employment and production at the HCS.

The Petitioners will also will provide the Board with evidence they obtained in connection with hearings held by the Pennsylvania House of Representatives Transportation Committee on April 12 and 26, 2001, including 1) a videotape (and transcript thereof) prepared by that Committee of excerpts of speeches made at Altoona, PA by Congressman Bud Shuster and NS CEO David Goode on "Day One" of implementation of the division of Conrail; 2) a

transcript of remarks made by an NS Vice President Public Affairs to that Committee in 1997, and 3) the testimony of NS's current Vice President Public Affairs in the recent Committee hearings. This evidence is pertinent to NS' denial that it made commitments to retain and operate the HCS and to NS' credibility regarding the HCS.

A. Evidence From Pennsylvania House Of Representatives Transportation Committee

1. Videotape of Day One Speeches

At the April 12, and 26 hearings the Chairman of the Pennsylvania House of Representatives Transportation Committee, Representative Richard A. Geist, played a videotape that contained excerpts of television news reports on "Day One" activities at Altoona that included parts of speeches by Representative Bud Shuster and NS CEO David Goode. A copy of the videotape is being provided to the Board with this reply and a copy of a transcription ("Tr.") of the Shuster and Goode remarks is attached to this response memorandum as Petitioners' Exhibit 22.

In his remarks Congressman Shuster stated that he had made a "deal" with the CEOs of CSX and NS that Norfolk "Southern would do several things for our shops here", including "Investments of \$67 million in capital improvements would be made to the Juniata and Sam-Ray [Hollidaysburg Shop]. Employment in the shops would be increased by at least 178 jobs". Tr at 2. Congressman Shuster also noted "And how important is Altoona going to be to Norfolk Southern? Well, in talking about Norfolk Southern being in 21 states, we're talking about 21,600 miles of track, an awful lot of places to be; but the top man, the chairman of Norfolk Southern, David Goode, where is he today on this historic takeover? Of 21

different states where he could be, countless cities where he could be, he's here in Altoona." Tr. at 3-4.

NS CEO David Goode spoke after the remarks of Congressman Shuster. Mr. Goode stated that NS would not be where it was "without the support not only of all of the people here but of the people standing on this podium with me today... that would not have happened without the support of the people surrounding me on this platform, and it wouldn't have happened without the support of all of you". Tr. at 5. Mr. Goode then stated "And Chairman Shuster has read off an impressive list of the commitments that Norfolk Southern has made. This is going to be the finest, the heart of the Norfolk Southern system in many ways. The finest shops that we can create in railroading today. Tr. at 6, emphasis added. Mr. Goode further said "I want people to look back 100 years from now and say that is a tradition that has continued, and Altoona is still the heart of railroading in the world". Tr. at 7, emphasis added.

2. Oral Testimony Of Mr. McCune On May 15, 1997

On May 15, 1997, then NS Resident Vice President Public Affairs M. Patrick McCune testified before the Pennsylvania House Transportation Committee about the effects of the transaction on Conrail employees in Altoona. He stated that "We intend to operate these shops at the same level that Conrail utilizes them today. We then hope to grow the maintenance business at those shops to the maximum utilization possible." Transcript of McCune Testimony (Petitioners' Ex. 23) at 16. Chairman Geist then asked about the Juniata Locomotive Shop and the HCS and Mr. McCune stated: "Mr. Chairman, I mean, I'm prepared to tell you that we will operate those shops at the same level that Conrail presently utilizes those shops and we think that the addition of Norfolk Southern as the new owner of those shops will bring additional

opportunities for growth at both Juniata and the Hollidaysburg shops". *Id.* at 25. Chairman Geist noted that "On November 18th '96, Norfolk Southern publicly announced that it was committed to operate Conrail's Hollidaysburg Car Shop and the Juniata Locomotive Shop and that it would promote—and I underline the word promote—employment there" (*id.*) and he asked if development of the Operating Plan had indicated any "redundancies or duplication of facilities that would result in reduction of employment at Hollidaysburg or Juniata Shops. *Id.* at 36. Mr. McCune responded that there were "far less duplications, far less redundant assets, far less redundant lines with our proposed merger and our proposed plan than there was in the proposed CSX/Conrail acquisition plans that was unveiled in October of 1996". *Id.* at 37.

Chairman Geist then referred to a newspaper advertisement that NS ran in eighteen newspapers in cities with "significant numbers of Conrail employees" that urged them to support the NS acquisition over the CSX acquisition. *Id.* at 38 [an example of this ad was reproduced in the Joint Petition at Exhibit 4). Chairman Geist then asked "May we assume from the publication that Norfolk Southern does not believe that the Hollidaysburg and Juniata repair facilities duplicate or create redundancy with respect to the Roanoke and –facilities[sic]" and Mr. McCune answered: "I hope I've answered that, Mr. Chairman. We see no duplications and no redundancy and no threat." *Id.* at 39.

3. Written Comments Of Mr. Timmons On April 12 And 26, And Unions/Pennsylvania Response To Those Comments

a. Mr. Timmons' Assertions Regarding NS' Economic Circumstances

In April 12, 2001 written testimony that was also read to the Pennsylvania House Transportation Committee, NS Resident Vice President Public Affairs Richard Timmons suggested that NS' plans and commitments were predicated on expectations based on the "U.S.

economy during 1998-1999", that NSR has been taking retrenchment actions like the closing of the HCS because of the "U.S. economic downturn over the past eight months" and that "we made forecasts that turned out to be exaggerated and that cannot now be sustained in this current economic environment". Timmons Statement at 2-4, Petitioners' Ex. 24.

The Petitioners submit that these attempted justifications for NSR's actions are specious and illustrative of NS' lack of sincerity in its position regarding the HCS because the representations made by NS in its Application, its dealings with the Unions and Pennsylvania officials and its other public statements were not described as dependent on continued economic growth at the 1998-1999 levels, or at any particular level of economic growth; nor were they described as voidable in the event of a slowing of economic growth. Moreover, the Petitioners submit that the claims made in Mr. Timmons' statement are simply not true.

First, it simply can not be that NS' plans were predicated on the continued steep economic growth of 1998-1999--one of the fastest growth periods in recent memory at the end of the longest period of economic expansion since after the end of World War II. Nor can it be that NS' plans were subject to derailment due to any economic bump-in-the-road. In this regard, it must be noted that, even now, we are not in a recession; rather, the economy is simply not growing at the pace it has the last few years. Indeed, the economy experienced faster growth in the first quarter of 2001 than many experts anticipated, and NS exceeded market expectations. Petitioners' Ex. 25. Clearly, from the "Day One" remarks of NS CEO Goode (videotape and transcript), it appears that NSR contemplated that the HCS would be prominent in NSR's operations for the next "100 years". Mr. Goode's statements demonstrate that NSR's commitment was not to be affected by short term economic fluctuations. In any event,

Petitioners submit that if NS's plans, and the representations it made were actually dependent on unprecedented continued steep economic growth, then NS' application materially misrepresented the facts or omitted material information in not disclosing NS' dependence on anticipated fast economic growth and NS' vulnerability to a slowing of growth not even amounting to a recession. The nature of the STB proceedings regarding this transaction, the positions of various parties and possibly the Board's decision would have been different had NS said that the plans it described were dependent on continuation of a white hot economy.

Second, it cannot be that the "economic downturn over the past eight months" was the basis for NSR's decision since NSR first announced plans to close the HCS last November, before anyone was talking seriously about an economic downturn. NS has cited recent economic news in an attempt to try to retroactively justify actions it announced last Fall, but NS could not have relied on information about the economy that it did not then have. Moreover, as Petitioners have noted, recent economic news suggests that there may not be a continued decline in growth or continued decline in earnings for NS. Petitioners' Ex. 25.

2. Mr. Timmons's Assertions Regarding Impact Of Closing The HCS On Shop Workers

In his written and oral testimony submitted on April 26, 2001, Mr. Timmons stated that of the 330 employees at the HCS "all would be offered jobs at Norfolk Southern facilities". He also noted that that assertion had been challenged in the prior hearing but that he had checked and "[t]his statement is accurate and correct notwithstanding other testimony provided to the Committee". Timmons 4/26 Statement at 2, Petitioners' Ex. 26. However, review of the *New York Dock* notices served by NSR on the HCS craft unions and TCU shows that NSR plans to eliminate 331 jobs at HCS and to establish only 156 jobs elsewhere; thus NSR will not have

positions for almost half the affected employees. Petitioners submit that NS gave testimony on this point that it knew to be false, or should known to be misleading.

B. NSR's Letters To TWU And NCFO

In connection with negotiations between NSR and TWU and TCU, and between NSR and NCFO, pursuant to the *New York Dock* conditions and an implementing agreement, those unions propounded questions to NSR about its plans for the HCS. The questions were sent to NSR after the Joint Petition was filed and the answers were received by the Unions some time later. Copies of NSR's answers are attached hereto as Petitioners' Exhibits 27 and 28. In response to the unions' observation that NSR's notice said that work was being transferred from the HCS and that all positions would be abolished, but did not say that the HCS was being closed, NSR stated that "After the transfer of work has been accomplished, there will no longer be a need for HCS" (Answer to NCFO Ques. #1 and TWU Ques. #1), and that some workers would continue at HCS "up to thirty days beyond September 1, 2001 to facilitate the ultimate closure of the facility" (Answer to TWU Ques. # 17).

NSR's letters clearly stated that its plans were not based on the amount of work from CSXT, and that CSXT cars had been sent from the HCS back to CSXT because the work could not be completed by September 1, 2001((Answer to NCFO Ques. #7 and TWU Ques. #s 10-11). Accordingly, it is clear that NS can not contend that its plans are based on a failure of CSXT to comply with its commitments regarding the HCS or that its actions are based on an anticipated decrease in work from CSXT.

Additionally, NSR stated that a current surplus of cars (presumably from the Conrail acquisition) will mean no immediate need for major car repairs, and NSR could not explain the

type and quantity of work that supposedly would be available or provide any reasonable estimate as to the duration that such work would exist. See NSR correspondence answering questions of TWU, BRC and NCFO- Petitioners Ex.27, answers to BRC questions nos. 2, 3, 4, 6, 7 and 8; and Petitioners' Ex. 28, answers to questions nos. 5, 11, 12, and 13. Furthermore, NSR said that there will be no insourced work at the transferee shops. Petitioners' Ex. 27 answer to BRC question no. 8.

C. NS Assertions In Its Reply To The Joint Petition And Unions/Pennsylvania Response

NS' Reply to the Joint Petition contains numerous material misrepresentations of fact.

1) NS claimed that it had made a good faith effort to follow-through on its commitments regarding the HCS and that was supposedly shown by operating the HCS for almost 2 years in a manner consistent with its STB filings (Reply p. 2, 10, 12). However, Petitioners note that Day One was June 1, 1999 and that NSR sought to close the HCS in November of 2000. Clearly, NSR's so-called "effort" lasted at most 1½ years. Moreover, NS has repeatedly acknowledged that most of the first year of its operations after the division of Conrail was essentially a lost year due to NS' unfortunate, self-inflicted merger implementation problems. NS has no basis for claiming that it made a good faith effort when it sought to close the HCS a mere six to eight months after service returned to normal. Petitioners submit that NS can not be heard to say that it tried in good faith to retain and continue to operate the HCS when NS clearly did not do so.

2) NS relied most heavily on its assertions that the HCS has "operated at only one-third capacity since Day One" and that when considered as a "stand-alone" operation, the HCS has supposedly lost about \$7 million (NS Reply at 11, Veron and Belvin Statements),

notwithstanding admitted profits from insourcing work which NS concedes has been about half the work at the HCS since Day One (Reply at 10).

Petitioners submit that even if NS' assertions about alleged actual losses were true, they would be irrelevant because the representations it made were not contingent on the HCS regularly running a profit in the manner calculated by NS.² Petitioners further submit that changed financial circumstances are not a sufficient basis for NS to unilaterally negate its commitments, particularly in the context of its campaign to gather support for its Application by promising retention of the HCS. NS' defense on this basis is especially insufficient to support repudiation of its commitments a mere year and one-half after Day One after self-inflicted financial injuries and a mere 6-8 months after the railroad returned to normal operations.

NS has not shown that financial circumstances at the HCS have so changed from the circumstances prevailing at the time NS made its commitments that those circumstances would even justify an order relieving it of its obligations, had NS actually requested such relief from the Board.

NS' assertion that the HCS is only operating at one-third capacity, is misleading because NS has failed to acknowledge that the Shops was not operating at anywhere near full capacity in the several years before NS made its commitment. NS has suggested that there has been a significant decline in work at the HCS by comparing recent production statistics to those of 1978. The Statement of David Veron notes that the HCS worked on 13,000 cars in 1977 and

² Petitioners believe that NS' claim of losses flows from "creative" accounting regarding attribution of overhead costs, but they do not have access to raw data to make their own assessments as to whether there were actual losses as opposed to paper losses. They also note that given the many misrepresentations in other NS statements regarding this matter (outlined herein), the Board should view NS' assertions of actual losses with skepticism. But, as is explained herein, even if the claim of paper losses is valid that does not justify NS' repudiation of its commitments.

1978 and compares that workload to 4,040 cars in 2000. NS would thereby have the Board infer a significant loss of work. But 1977 and 1978 were apparently the years with the greatest levels of production and employment at the HCS. See the Second Declaration of Thomas Lutton (Petitioners' Ex. 29) ¶¶ 5- . The appropriate comparison in this case is not the workload of the HCS in the period shortly following the creation of Conrail, but the workload in the years around the time that NS made its commitment to retain the HCS. The current work load does not differ substantially from the work load at the HCS in the years preceding the transaction.

Attached to the Second Lutton Declaration is a copy of a chart titled "Record of Production" that is maintained in the HCS that reports the number of cars worked at the HCS since 1955. Second Lutton Declaration ¶¶56 and Ex. H. In 1995, the base year for the financial projections for the Application, the HCS worked on 4667 cars whereas the total number of cars worked at the HCS in 1999 was 4138 and the total for 2000 was 3583. In this regard, Petitioners note that NS Resident Vice President Timmons told the Pennsylvania House Transportation Committee that NS based its projections and calculations and "the high expectations we promoted in our comments and testimony to state and federal officials" on the 1995 traffic, revenue and operating data, and that it was changes between the 1995 data base the circumstances in 2000 that caused NS to depart from the Operating Plan. See Petitioners Ex.24 at 1,2. But there is little difference between production in 1995 and production in 1999 and 2000. It is certainly apparent that it was misleading of NS to argue that its actions were justified by a comparison of production in 2000 to production in 1977-1978 when the HCS averaged over 13,000 cars worked by approximately 1900 employees (as opposed to the current 330).

Comparison of current work loads to the work load in 1997-1998, when NS actually made its commitments also does not show a significant difference. The Record of Production chart shows that the HCS worked on 6398 cars in 1997, 5456 cars in 1998, 4138 cars in 1999 and 3538 cars in 2000 after the furloughs in March of 2000. Petitioners respectfully submit that while these records show a reduction in work done at the HCS, that reduction is not remotely as dramatic as NS has suggested. Moreover, the reduction must be put in the context of general cost cutting by NSR because of its transaction implementation problems and furloughs of workers who would have been available to do additional work. NS' Safety Integration Plan projected that there would be 436 employees at HCS, The current work force was reduced to 330 employees as a result of NSR's furloughs that flowed from its stated need to reduce expenses to offset the costs it incurred in digging out of the hole NS dug for itself in its bungled implementation of the transaction. Petitioner's Ex. 30. Thus NSR's own reduction in the work force at the HCS was a major cause in the reduced output in 2000. Indeed, there is strong evidence that the work done in 2000 is not reflective of the work that was actually available to be done because it appears that NSR has deferred necessary maintenance work. For example, a report on cars rejected by shippers for the first quarter to 2001 shows that the number of rejects more than doubled from the first quarter of 2000. Second Lutton Declaration ¶5 and Second Lutton Declaration Ex. I. Moreover, NS' own statement to the Pennsylvania House Transportation Committee asserted a 2% decline in "carloads in a year". Petitioners' Ex. 24 at 3. This data also suggests that the reduction in car usage cannot have caused the reduction in work on cars, and that the reduction was due to deferral of maintenance and other cost-cutting by NSR because of its implementation problems.

Petitioners also note that analysis of the Record of Production chart shows that the total number of cars worked necessarily fluctuates and is somewhat cyclical. For example the years with the lowest number of cars worked were 1983 and 1984 (2678 and 2969 respectively), and that the number then gradually increased into the 1990. The chart shows a number of years with changes in production of 1000 or more cars from the preceding years: 1988-4547, 1989-6105, 1990-5121; and 1994-6327, 1995-4667, 1996-6078. Petitioners also note that the HCS built over 4,500 new cars in the period of 1993-1998, after building no new cars in the period of 1988-1992. The recent manufacture of so many new cars may also have had an impact on the amount of heavy and periodic repair work that was required in the after 1998, separate and apart from NS' cost-cutting by layoffs and deferral of maintenance, but that does not mean that there will be no such work to be done at the HCS in the future. Surely NS' commitments that it would retain, and even expand the HCS, could not have been predicated only on the work that might have been available in the first years after the Transaction (especially when NS knew how many new car there were). Moreover, the manufacture of so many new cars may have contributed to the current excess car supply cited by NSR in its response to BRC's question no. 6 as explaining a reduced need for major car repairs. *See* Petitioners' Ex. 27. The record of fluctuation of work at the HCS further demonstrates that NS' had no good faith reason for closing the HCS based on its recent work load.

Again, Petitioners deny that NS could unilaterally repudiate its commitments based on changed workload for the HCS, but they submit that all of the foregoing refutes NS' suggestion that there were significantly changed circumstances with respect to the workload for the HCS that could justify its actions. NS simply has no basis for arguing that the work load has changed

significantly from the time when it made its commitments, or that the actual reduction of work is reflective of a long term lack of work as opposed to a cyclical trough and/or a self-imposed deferral of necessary maintenance. Petitioners further submit that, given the historic fluctuations in workload at the HCS, there is no basis to conclude that there is a real and lasting reduction in work based on 6-8 months of NSR operations in normal circumstances (as opposed to transaction implementation crisis circumstances); moreover, NS' quick repudiation of its commitments given the historical record refutes NS' claims that it has made good faith efforts to comply with those commitments.

In short, even if NS' financial claims evidence was relevant to the issue here, the facts do not support its position, given the situation with regard to the HCS in 1995, the base year for financial projections for the Application and in 1997-1998, the years when NS made its repeated public commitments regarding the HCS. Rather the percentage of capacity utilized is essentially the same, and while the number of cars worked is somewhat lower, that is in part due to NSR's actions in the form of furloughs and deferral of maintenance and it is consistent with a pattern of fluctuations in work. To the extent that NS claims financial losses and under utilization of the HCS, current conditions are not significantly different from those that existed when NS made its commitments. Accordingly, even if NS could rely on changed financial circumstances at the HCS as permitting its actions, NS can not show any meaningful change that would justify its plans.

3) NS' reply also asserted that the planned closing of the HCS was a product of "current economic decisions and serious financial challenges" to NS (Reply at 2, see also Reply at 12). However, as is noted above, NSR sought to close the HCS last November, before the current

economic conditions were envisioned by anyone. Additionally, as the Board is well aware, much of NS' financial situation is a product of NS' own failures in implementation of the Conrail transaction. NSR's implementation problems resulted in decreased NS revenues due to the reluctance of shippers to ship by rail, substantial costs to NS in order to remedy its problems and restore the faith of its customers, and then cost cutting by NS to mollify financial markets which in turn hindered NSR's ability to return to pre-transaction levels of service. *See e.g.* Petitioners' Ex. 30.

4) 6) NS' Reply refers to its answers to certain discovery requests propounded by various unions that NS claims show that it made no commitment to retain the HCS. NS cited interrogatories that asked whether NS had plans for shop closings in addition to the plans described for shops at Peagram, Ft. Wayne and Enola, and its answers that NS had not determined whether there would be closings other than those described in the Operating Plan. NS Reply at 7-8 and Exhibits 3-6. NS contends that its equivocal response to those interrogatories applied to the HCS. *Id.*

Given NS' repeated, specific statements about the HCS both in the Operating Plan and elsewhere, it was reasonable for the unions to rely on those statements and to inquire about the many other shops on the Conrail territory allocated to NS and existing railroads that were not discussed in the Operating Plan; and it was reasonable for them to assume that NS' answers to the interrogatories were addressed to shops other than HCS. Indeed, the parties's separate treatment of HCS is illustrated by the interrogatories and answers cited by NS that specifically addressed HCS. The Unions did not inquire about whether NS had plans to close HCS, but instead asked only about what might happen to employment at HCS if CSXT stopped sending

cars to the HCS. And NS responded that it did not know when CSXT might stop sending cars, that it could not speculate on the amount of work that would remain, or the impact of insourcing and the rate of attrition. *E.g.* NS Exhibits 3 (Interrogatory no. 143) and 4 (Interrogatory no. 132). Petitioners submit that neither the question nor the answer assumes that the HCS might be closed; they deal only with the more limited issue of employee impact if CSXT stopped sending cars; NS certainly did not suggest that the HCS might be closed if CSXT stopped sending cars or, for any other reason.

More importantly, the Petitioners also submit that the lawyer-crafted answers to specific interrogatories that were not addressed to the issue of retention of the HCS can not possibly be viewed as negating or trumping the repeated, clear, unequivocal statements by NS and its highest level officers in multiple forums that NS would retain the HCS.

5) NS' Reply (at 11) noted that NSR has "other car repair facilities" and asserted that "Hollidaysburg is thus a redundant facility". This assertion conflicts directly with the testimony of Mr. McCune that there is no redundancy between the Conrail shops and the NSR shops. The notion that the HCS shops would be closed because other shops on NSR could do the same work as the HCS is also inconsistent with Mr. Goode's characterization of the Altoona shops as the finest in the world and the heart of the new NS. Furthermore, any supposed redundancy that exists now also existed while the application was pending; NS can not pretend that it suddenly discovered that the HCS does similar work to that done by other NSR shops. Moreover, any such redundancy existed when NS offered its representations and commitments saying that NS would consolidate work in the Altoona Shops because they are such good facilities--the finest shops , the heart of railroading in the world.

6) NS suggested that it was acting in good faith in closing the HCS because its marketing efforts were not sufficiently successful (Reply p. 2, Veron Statement pp. 4-5). But NS actually increased insourcing after its takeover of the HCS. See second Declaration of Thomas Lutton, Petitioners' Ex. 29 ¶4 and Lutton Ex. G.

7) NS' Reply sought to minimize the impact of its repudiation of its commitments on the HCS workers by claiming that the 300+ employees currently working at the HCS were being given the opportunity to follow their work. (Reply p. 2). But Petitioners again note that NSR's notice to the Unions identified only 156 jobs that would be available at locations where NSR would transfer work. Again, NS has made a statement that it either knew to be false or that it should have known was misleading. Moreover, Petitioners note the 300+ number of employees actually understates the harm to HCS workers and the Altoona communities because the size of the current work force already reflects a reduction in employment at the HCS since NSR took over in 1999. As is shown in the Second Lutton Declaration, there were 481 employees at the HCS in 1998 and 451 in early 2000.

NS' claim that the transfers will ameliorate the harm of the closing of the HCS through supposed creation of 156 jobs is also disingenuous because NSR has not been able to identify the work that supposedly will be transferred, the quantity of the work that may be available at those locations, or the potential time period that additional work will be available at those locations. Indeed, NSR has indicated that a current surplus of cars (presumably from the Conrail acquisition) will mean no immediate need for major car repairs, and NSR has been vague, at best, about the type and quantity of work that will be available and as to reasonable expectations as to the duration that such work will exist. See NSR correspondence answering questions of

TWU, BRC and NCFO- (Petitioners Ex 27, answers to BRC questions nos. 2, 3, 4, 6, 7 and 8; and Petitioners' Ex. 28, answers to questions nos. 5, 11, 12, and 13). Since a large amount of the work at the HCS since Day One has been insourced work, and NSR says that there will be no insourced work at the transferee shops (Petitioners' Ex. 27, answer to BRC question no. 8), the workers at the HCS have reason to be concerned that there really is no work for them at the new locations, or that such work will not last long. These circumstances also give the Unions reason to believe that the offers of work are not legitimate or realistic in the long term, and that the offers are really just a device to reduce NSR's employee protection obligations in the hope that furloughed employees decline transfer out of fear that they will move and the work will not last. Additionally, even if NSR was making bona fide job offers, the relocation of 156 workers does nothing to ameliorate the harm to Pennsylvania and the Altoona communities by the loss of over 300 jobs (actually more than 400 jobs) through furloughs.³

³ Under the *New York Dock* conditions, and various agreements implementing the conditions with respect to the CSX/NS-Conrail transaction, NSR's service of a notice began a process that will lead to mandatory arbitration of issues relating to NSR's proposal for an appropriate arrangement for selection of forces and any assignment of employees. The Unions will arbitrate with NSR because they are obligated to do so. That arbitration will only deal with the limited issues of application of the conditions, including fair arrangements for affected employees, any staffing or work assignment changes, any appropriate selection of forces and assignments of employees and any integration of forces, if a transfer of work occurs. An arbitrator would not have authority to require NS to retain and continue operations at the HCS and to invest in the HCS as NS represented it would. An arbitrator would not have authority to enforce this agency's order. In responding to the questions posed by TWU, BRC and NCFO, NSR took the position that issues relating to why NS plans to close the HCS, its purported explanations for doing so, and its plans for the HCS facilities are "not pertinent to the issues involved in the rearrangement of forces to occur as a result of the coordination". Petitioners Ex. 27, answers to TWU questions 2- 8; and Petitioners' Ex. 28, answers to NCFO questions 2-3. Furthermore, a *New York Dock* arbitration will not address the separate interests of the Commonwealth of Pennsylvania; indeed Pennsylvania will not be able to participate in the proceedings.

II. ARGUMENT

A. NS COMMITTED TO RETAIN, OPERATE AND INVEST IN THE HCS

NS' main argument in opposition to the petition is the claim that its statements about the HCS were not really on the order of commitments, but were more like aspirations, or illustrative examples of what might do, rather than representations on which parties and Board could rely. (Reply pp. 5-7, 12-13).

It is simply outrageous for NS to answer the Unions and the Commonwealth, and to appear before this agency and contend that it did not make commitments to retain, operate and invest in the HCS. Given the number of such statements made by NS and its officers, the content of those statements and the circumstance of the statements being made as part of a political and public campaign to obtain support for the Conrail transaction and to gain approval of that transaction, it is pure sophistry for NS to argue that its statements were not representations on which parties to the CSX/NS-Conrail proceedings and the Board could rely, and commitments to Unions and to the Commonwealth of Pennsylvania and its officials.

The Unions and the Commonwealth have cited numerous statements by NS and its officers that demonstrate that it committed that it would retain and operate and invest in the HCS, they will only summarize some of those statements.

An advertisement placed by NS in the New York Times and other newspapers in November of 1996 titled "A Norfolk Southern/Conrail Combination Will Be Better for All of Conrail's Constituencies" stated "Norfolk Southern is committed to continuing to operate Conrail's Hollidaysburg Car Shop and its Juniata Locomotive Shop at Altoona, and will promote employment there...." Joint Petition Ex.4, emphasis added.

NS CEO David Goode testified before the United States Senate in March of 1997 and told Senator Arlen Specter that the Altoona shops were "excellent facilities" that "NS does not have nearby shop facilities" to the lines it would acquire in Pennsylvania "so we are in a position of not only being able to give assurances that we will keep those shops and keep them operating, we are going to need them". Joint Petition Ex.6, emphasis added

In May of 1997, NS Resident Vice President Public Affairs M. Patrick McCune responded to questions of State Representative Geist about the fate of the Altoona shops stating "...I'm prepared to tell you that we will operate those shops at the same level that Conrail presently utilizes those shops and we think that the addition of Norfolk Southern as the new owner of those shops will bring additional opportunities for growth at both Juniata and the Hollidaysburg shops". In response to questions about the Norfolk Southern advertisement that stated that NS was "committed to operate Conrail's Hollidaysburg Car Shop and the Juniata Locomotive Shop", and NS' appeal for support from Conrail employees about potential redundancy with respect to the Altoona shops and NSR shops Mr. McCune answered: "I hope I've answered that, Mr. Chairman. We see no duplications and no redundancy and no threat." Petitioners' Ex.23, emphasis added

In a Press Release entitled "The New Norfolk Southern The Best Choice For Pennsylvania", NS stated: "Norfolk Southern is committed to operate Conrail's Hollidaysburg car shop and Juniata locomotive shop and will promote employment there". Joint Petition Ex. 10 , emphasis added. And an NS "Fact Sheet" for Pennsylvania, under the heading "Economic Development", NS cited "Estimated \$4 million in capital improvements at Hollidaysburg shop". Joint Petition Ex. 11, emphasis added.

Then on Day One of the division of Conrail, Mr. Goode came to Altoona with Congressman Shuster to speak to the Juniata and HCS employees. Congressman Shuster spoke of the "deal" with NS pursuant to which NS would invest \$67 million in the two shops (\$4 million for the HCS), increase employment at the shops by 178 jobs and increase insourcing work. Mr. Goode then spoke, stating that NS was in Altoona for the "long run", referred to the "impressive list of commitments that Norfolk Southern has made" that had been recited by Congressman Shuster, stated that the Shops were the finest in railroading and would be the heart of the new NS and stated that he wanted people "to look back 100 years from now and say that [the Altoona tradition of railroading has continued] and Altoona is still the heart of railroading." Petitioners' Ex. 22, emphasis added.

Petitioners submit that this quick review of the evidence they have adduced shows that by purpose and context, and even by express language, NS' statements regarding the HCS were representations and commitments, not mere expressions of goals or aspirations. It is certainly clear that NS CEO Goode understood his statements, and those of his company, to be commitments. Indeed, in view of his own remarks, it is surprising that Mr. Goode would allow his subordinates and NS' representatives to file papers with this agency denying that NS' statements about the HCS were commitments.⁴

⁴ NS has relied heavily on its responses to discovery requests served by various unions in the Conrail proceedings. However, as is shown above, the attempts by NS's lawyers to avoid answers that, by their own terms, might generally foreclose certain options did not, and could not negate the many clear and unconditional commitments NS made in the Application and elsewhere. Moreover, the responses themselves do not even suggest that NS had attempted to reserve a right to close the HCS. NS' answers about possible plans for other shop closings could have been, and indeed were, addressed to inquiries about other shops on NSR and the portion of Conrail allocated to NS, especially given NS' specific statements about the HCS both in the Operating Plan and elsewhere, and given the Unions' separate inquiries about what might happen to employment at the HCS if CSXT stopped sending cars to the HCS (NS responded that it did not know when CSXT might stop

In this regard, Petitioners also note that the Comments filed by the Commonwealth and Governor Ridge in the CSX/NS-Conrail proceedings (at 4 and Attachment 1) referred to numerous meetings between the Applicants and identified NS' statements regarding "expansions of Conrail's Juniata locomotive repair shop and Hollidaysburg car repair shop near Altoona...." and its investment of \$4 million in the HCS as "commitments regarding investments and other benefits to the Commonwealth", and then said that "[w]e expect the Applicants to adhere to all commitments made in the Control Application." After NS and the Commonwealth entered the agreement described in the Comments, and after the Comments were filed, NS issued a press release trumpeting Pennsylvania's support for the Application, and noting that Pennsylvania's support was based on a number of factors, including "construction, expansion or upgrading of repair shops, intermodal facilities and other facilities. Petitioners' Exhibit 31. When NS' rebuttal to opponents of the transaction characterized Governor Ridge as supporting approval of the transaction without conditions, the Chairmen of the Pennsylvania Transportation Committees responded (Brief at 8-9) by noting that although the Governor did not specifically ask that conditions be imposed, he referred to NS' representations about the Altoona shops and other Pennsylvania facilities as "commitments" that he expected NS to "adhere to". NS never objected to the Commonwealth's description of NS' statements as commitments or to the Transportation Committees' Chairmen's assertions that the statements were binding commitments.

sending cars, that it could not speculate on the amount of work that would remain, or the impact of insourcing and the rate of attrition, NS addressed only the more limited issue of employee impact if CSXT stopped sending cars, NS did not suggest that the HCS might be closed). As petitioners stated earlier, the lawyers' answers to specific interrogatories that were not addressed to the issue of retention of the HCS can not possibly be viewed as negating or trumping the repeated, clear, unequivocal statements by NS and its highest level officers in multiple forums that NS would retain the HCS.

Additionally, the Comments of the Transportation Committees' Chairmen in the Conrail Transaction Oversight proceedings, noted that, NS "committed to undertake" certain capital investments including the \$4 million in capital improvements at the HCS, but that NS had not reported on the status of those investments in its report for the Oversight proceedings. NS' Reply in those proceedings (at 55), NS did not deny that it had committed to the investment, but merely asserted that its needs were such that it had "developed certain projects in the Commonwealth ahead of those cited by the Committee [sic]". Moreover, the Board's Oversight Decision No. 5 described NS' position as that certain projects be developed ahead of others; and the Board responded to the Comments of the Committee Chairmen by noting that "[w]e will continue to monitor the commitments that the railroads made and the conditions that we imposed."

Petitioners submit that in consideration of all of the foregoing, it must also be recognized that NS' statements regarding the HCS were made as part of a political campaign. NS sought to gain the support of Pennsylvania, its elected officials and communities, first in the battle with CSX, and then in the battle for approval of the transaction. Moreover, the need to obtain political support and minimize opposition was why NS CEO Goode gave assurances on the record to Senator Specter and why NS made its deal with Congressman Shuster. NS was particularly concerned about Congressman Shuster because of his Chairmanship of the House Committee with general jurisdiction over railroads and the STB, and because of his history of protecting the Altoona shops through legislation.

In its campaign, NS succeeded in obtaining support from Pennsylvania and its officials-- it did so by representations made not only to them directly but also publicly and formally in the STB proceedings, in a general media effort, and on Capitol Hill. Petitioners submit that if NS

had in 1997-1998 said that its statements to Pennsylvania and its officials were merely expressions of goals that could change at NS' discretion, the position of Commonwealth and its officials may well have been different. But Pennsylvania supported the Transaction, and that was clearly in reliance on NS' commitments, including those regarding the HCS, in expressing support for the transaction. Similarly, a number of Unions, including two of the Shopcraft Unions (NCFO and IBB&B) entered agreements with NS and CSX and withdrew their opposition to the Transaction before the Board issued its decision (see NS Reply Exhibits 8 and 9:IBB&B-3/25/98, NCFO-6/3/98); in doing so, they had every reason to rely on NS commitments regarding the HCS. For NS to now say that its statements were mere expressions of good faith intent is to negate all that NS said in order to gain the support of Pennsylvania and its officials now that NS has obtained what it wanted, and is no longer concerned about Congressman Shuster.

If NS' statements were made only to Congressman Shuster NS might have a point in arguing that its promises expired on Mr. Shuster's resignation. But NS made its commitments to the Governor and other officials, NS published them in eighteen newspapers, and they were made part of the formal record before this agency and thus became part of the agency's order that representations made during course of the proceedings were binding on the Applicants. Given the foregoing history, and NS' purpose in making the statements it made, NS simply can not unilaterally void its commitments.

With respect to the statement that NS would invest \$4 million in the HCS, NS does not even deny that its statements were a clear commitment; instead, NS argues that it should not have to comply with that commitment because it plans to close the HCS. Reply at 13 n. 8.

According to NS, it should not be held responsible for compliance with its commitment because the investment would be wasted since NSR does not plan to retain the HCS notwithstanding its commitment to do so. *Id.* This circular argument should not be accepted by the Board. NS can not unilaterally relieve itself of its obligations by unilaterally creating conditions that supposedly justify a breach of its commitment. If NS' reasoning was accepted, NS could entirely negate the Board's order binding it to its representations merely by its own actions contrary to its representations. Moreover, it is not known whether the \$4 million investment would have stimulated additional insourcing work.⁵ Simply put, NS admits it committed to investing \$4 million in the HCS, it was bound to that commitment and it should not be allowed to avoid compliance with that commitment as required by the Board's order.

Petitioners respectfully submit that, from the foregoing summary, as well as the detailed discussions of NS' statements about the HCS in the Joint Petition and the first portion of this response, it is absolutely clear that NS' statements were binding representations and commitments, that everyone involved including NS recognized them to be such, and that NS' current denials are simply false.

⁵ NS declarant Veron stated (Declaration at 7) that "in [his] judgment", making the investment would not have helped attract any more business, but he made no effort to substantiate that conclusory claim and failed to explain the basis for his opinion. He also added that the investment "would not, in my judgment, have had any material effect on the ultimate decision to close the Shops". However, it appears that there were no changed circumstances regarding business at the Shops that were the basis for NS' action; rather NS determined to close the Shops when it ceased to be concerned about possible reactions of Congressman Shuster.

B. THE ABSENCE OF AN EXPRESS TIME LIMITATION ON NS' COMMITMENTS DOES NOT NEGATE ITS COMMITMENTS

NS seems to believe that it can escape its obligations by the supposedly crafty argument that because the commitments contained no end date, and the Petitioners did not identify an end date, the Petitioners are asserting that NS must retain the HCS forever, and that NS could not be bound forever, so it therefore must not be bound to them at this time. Just to restate the argument is to reveal its speciousness. Under NS' view, since there was no end date to its commitments it could have closed the HCS on Day 2 at its whim. But that certainly would be a repudiation of what it said in the Application and to obtain support for the Application. NS' argument in this regard is just more sophistry. Moreover, the Unions and the Commonwealth do not contend that NS must maintain the HCS in perpetuity. The commitments may not be forever, but they certainly are not just for a day or two or a mere year and one-half or two years. In the absence of an express end date, the commitment must be construed as for a reasonable time in the context of the Application and NS' campaign for its approval, with NS having the burden of seeking and obtaining STB relief from its commitment based on a showing of sufficiently changed circumstances. What may be a reasonable time would necessarily depend on both NS' statements and other circumstances. Perhaps the end date might be one hundred years as suggested by Mr. Goode. Petitioners submit that the end date should be commensurate with a reasonable expectation as to the retirement date of the least senior employee on the HCS rosters at the time that NS made its commitment. Certainly, the end date could not be less than five years-- the oversight period set by the Board as a basic review period for the Conrail transaction— provided NS filed a petition at that time seeking affirmative relief from its commitments. The end date could not possibly be two years after Day One, particularly when

about half that period was wasted by NS' incompetent implementation of the transaction and a quarter of the period was wasted by NSR's unilateral, premature closing and refusal of business.⁶

C. NS' FINANCIAL ARGUMENTS ARE BOTH IRRELEVANT AND UNDERCUT BY THE ACTUAL FACTS

Because NS' other arguments are predicated on utter fallacies, it ultimately depends on its assertions that the HCS has "operated at only one-third capacity since Day One" and has supposedly lost \$7 million. Reply at 10-11. However, as Petitioners have shown, even if one accepts NS' "creative" accounting despite NS' many misrepresentations regarding this matter, NS' argument would be irrelevant because the representations it made were not contingent on the HCS regularly running a profit in the manner calculated by NS, and because changed financial circumstances are not a sufficient basis for NS to unilaterally repudiate its commitments mere year and one-half or two after Day One--especially given NS' own damage to its operations and self-inflicted financial injuries.

Moreover, as Petitioners have shown, the actual facts are that the financial circumstances at the HCS have not so changed from 1997-1998 when NS made its commitments that they would even justify an order relieving it of its obligations had NS actually requested such relief instead of acting unilaterally. The percentage of capacity of the HCS currently utilized by NS is essentially similar to the utilization of the Shop in 1995, the base year for the financial projections for the transaction, and in 1997-1998 when NS made its commitments, and the reduction number of cars worked is due in large part to NSR's furloughs, deferral of maintenance, and refusals of work. Moreover, the decrease in work is not inconsistent with a

⁶ Indeed, because of these improper unilateral actions by NS, the minimum five year period should begin one-and one-half years after Day One.

pattern of fluctuations in work at the HCS. Accordingly, even if NS' claim of financial losses was relevant and true, it follows that similar financial conditions applied when NS made its commitments, so NS has no basis for even asserting that changed financial circumstances at the HCS permitted its repudiation of its commitments.⁷

D. THE STB DECISIONS CITED BY NS DO NOT SUPPORT ITS POSITION THAT THE COMMITMENTS IT MADE ARE NOT ENFORCEABLE, THE BOARD HAS AUTHORITY TO REQUIRE NS TO RETAIN, OPERATE AND INVEST IN THE HCS

NS' final argument is that several STB decisions NS has cited held that applicants were not bound by certain statements in Operating Plans or otherwise would not be enforced by Board Order Reply at 13-16. However, those cases are readily distinguishable from this case.

The Board's oversight decision relating to the Union Pacific-Southern Pacific transaction is inapposite because the Board's decision regarding that transaction did not contain a specific order expressly binding the applicants to representations they made in connection with the STB proceedings, as was done in the CSX/NS--Conrail transaction.

The prior orders concerning the Conrail transaction that were cited by are distinguishable on their facts, and the Board's reasoning does not support NS' position.

⁷As to NS' assertion that NS must be free to change to react to new circumstances like any business (Reply at 4 and n 4), Petitioners submit that NS has ignored the basic nature of the Board's proceedings and the extraordinary authority NS received in Decision No. 89. NS could not have acquired Conrail's lines without the STB's approval, and that approval came with the conditions that were attached to it. Moreover, the approval provided NS with a self-executing immunity from other law in the carrying-out of the Transaction--immunity that NS has already invoked. The Transaction here was clearly not a free market business transaction, a fact that NS fully appreciates and enjoys. It is therefore disingenuous, at best, for NS to complain that an order enforcing the requirement that it comply with the representations it made in obtaining approval of the Transaction would be inconsistent with common notions about the ability of businesses generally to react to changed circumstances.

NS has referred to the Board's response in the Oversight Decision No. 5 to the State of Maryland's Comments that NSR had not yet made certain infrastructure improvements or instituted certain new forms of service that were described in the Operating Plan. Petitioners note that Maryland did not claim that NS had repudiated commitments, only that NS had not yet acted on certain things that were set forth in the Operating Plan. Moreover, NS' Oversight Report (at 72) said only that the capital improvements were not "immediately necessary" or economically viable, and that they were still being discussed with the State; and NS' Oversight reply (at 33) noted that some of the infrastructure improvements and new service had "not yet been implemented" because of service disruptions and absence of anticipated market developments, but that NS hoped that they would be implemented "over the coming years".

In Oversight Decision No. 5, the Board noted that Maryland expected the items referenced in Maryland's agreement with CSX and NS would be implemented as agreed, and that the Board would monitor the implementation of the Transaction for five years and would "order remedial action as appropriate". With respect to the Maryland's reliance on the Applicants' Operating Plans, the Board said that the Operating Plans were not commitments to achieve the new service and infrastructure improvements within 3 years that must be enforced without variation, and that the Operating Plans did not provide a basis "in and of themselves for relief at this time". Oversight Decision at 24

Review of Maryland's Comments, NS' reply and the Board's decision thus shows that: 1) Maryland did not assert that NS had repudiated its commitments, only that they had not come to fruition yet; 2) NS did not say that it had decided not to follow through on the issues cited by Maryland, only that it had not implemented as yet, and it was still in discussions with Maryland; 3) that the Board did not hold that items in settlements between CSX and NS and parties are

unenforceable, in fact, in that regard, the Board noted that it would monitor implementation for five years; and 4) that the Board did not hold that the operating plans were not enforceable, only that they did not provide a basis "in and of themselves for relief at this time". In essence, the Bard exercised discretion not to take enforcement action in that case.

It is clear that the instant case is distinguishable from the situation raised by Maryland because: 1) Pennsylvania and the Unions are asserting that NS is planning to repudiate commitments made in settlements and in numerous other forums; 2) NS admits that it is refusing to comply with the statements it made in connection with settlements and in connection with obtaining support for the Transaction; 3) the Unions and Pennsylvania do not rely on the Operating Plan "in and of itself" for the commitments, but instead rely on agreements reached by the Commonwealth and NS and agreements between NS and the Unions, and the many clear and unequivocal statements made by NS in its campaign for approval of the Transaction; and 4) the Board does not have the ability to defer a decision and engage in further review of this problem in this case because NS plans to close the HCS in August—future monitoring will be pointless as the repudiation is imminent, so the time for relief in this case is now.

NS has also relied on the Board's Decision No. 5 in Finance Docket No. 33388 (Sub No. 91 (served February 2, 2001) which denied a request from the Erie-Niagra Rail Steering Committee ("ENRSC") for an order directing NS to invest \$6 million in the Buffalo area to mitigate congestion there because NSR did not build two track connections for which it was granted construction exemptions. Reply at 14-15. According to NS, the Board's statement that there was no precedent for issuing the order sought by ENRSC is applicable here. NS is wrong in this assertion for several reasons. First, the situation in that case is distinguishable from this case because NS did not simply refuse to make the investment in Buffalo, but rather stated that

it did not build the connections because technical studies of the lines involved (including grades, curvature and transit times) demonstrated that the proposed routing was not feasible. *See* CSX/NS report on Buffalo Area Infrastructure (September 7, 2000) at 19 n. 13. Second, the Board did not refuse a request that NS be ordered to build the connections for which construction exemptions were granted, but rather it refused a request that NS be ordered to invest a similar amount of money elsewhere in Buffalo; it was that request that the Board viewed as unprecedented. The Board also noted that NS had already spent more in the Buffalo area than was originally planned and twice the \$6 million sought by ENRSC,-- NS had effectively made alternative investments akin to those requested by ENRSC. By contrast, here the Unions and the Commonwealth ask only that NS be ordered to do only what it committed to do. Third, it must be recognized that ENRSC did not settle with the Applicants, or agree to support the Transaction in return for commitments or even the Operating Plan item on which ENRSC relied. Petitioners have shown here that the elements of the Operating Plan relied upon were part of NS' efforts to obtain support for the Transaction from Pennsylvania and its elected officials and were consistent with numerous other statements by NS that described its plans for the HCS as commitments and assurances to Pennsylvania, its officials, its communities and its rail workers. The request to compel investments at issue in the Buffalo area is simply not in any way comparable to the instant petition for enforcement.⁸

⁸ NS' citation to the ruling on the Four Cities Consortium's request for reconsideration or additional conditions (Reply at 15 n. 9, citing Decision No. 96 at 22) also does not advance its argument. The Board there rejected a Four Cities request for a cap on traffic through those cites that the Board had already rejected, and the Board refused to act on a complaint that NS had not reduced traffic as predicted in the Operating Plan. Decision No. 96 at 20-25. The Board's decision merely held that it would again reject the cap on traffic that it had previously rejected, and it noted that applicant assertions about post-transaction traffic levels were necessarily predictions that were dependent on the actions of shippers as well as the carrier's common carriage obligation; the Board

Petitioners respectfully submit that review of the decisions and orders relied upon by NSR demonstrates that they do not support NS' argument against an enforcement order in this case. None of the cases states or suggests that a carrier can not be required to comply with representations that it makes in an Operating Plan; indeed it appears that the Board is prepared to enforce such commitments in appropriate circumstances. Additionally, Petitioners do not rely on the Operating Plan alone, but also numerous statements by NS at the highest levels and in multiple forums. Moreover, none of the cases NS has cited remotely resembles this case with respect to the depth, clarity and repetition of commitments that are going to be repudiated, or with respect to the reaffirmation of the commitments by the applicant's CEO. Furthermore, the other cases did not involve situations comparable to this one where the commitments were made as part of a political campaign to obtain the support of a key State and key elected officials which resulted in support for the Transaction by the State and its officials that was predicated on the commitments that the applicant is now planning to breach. In short, the cases cited are factually distinguishable from this case, and the Board's actual holdings do not support NS' arguments.

also held that there had been no showing that NS' projections were "misleading or unfounded". *Id.* at 22. Additionally, the Board did not hold that it could not or would never grant the sort of relief requested by Four Cities. Indeed the Board said that Four Cities could return to the Board if there was a "material change from the post-transaction projections upon which [the Board] relied" with respect to the Four Cities traffic issue, and that the Board could revisit the issue "if warranted under those circumstances". *Id.* In contrast to the Four Cities situation, Petitioners here are not seeking relief that the Board had already rejected; in fact they seek enforcement of commitments that were relied upon by the parties and the Board in its decision No. 89. Additionally, NS' failure to comply with its commitments is not a result of actions of other parties or other statutory requirements like the common carriage obligation. And unlike the situation with respect to the Four Cities, here the Board can not continue to monitor the situation and re-evaluate if circumstances warrant—NSR will soon close the Shops.

It is therefore clear that there is no reason based on the facts, or under ICC/STB precedent, why the STB can not, or should not, order NS to retain, continue to operate and invest in the HCS as it represented it would. Since the Board has exclusive and plenary authority in major consolidations and it explicitly bound the Applicants in this case to their representations, the Board clearly has authority to compel NS to comply with its commitments regarding the HCS or to take other action against NS if its fails to comply with those commitments. Indeed, the Board's Order in Decision No. 89 stated that it retained jurisdiction to oversee implementation and/or impose additional conditions or to take other action deemed necessary.

However, if, despite all that the Petitioners have shown, the Board nonetheless decides not to enforce its own order binding NS to its representations, Petitioners respectfully submit that the Board should not allow NS to walk away from its commitments without consequence and without recompense for the members of the Unions and the Altoona communities. If NS were to entirely escape its obligations, the Altoona communities would suffer an immediate loss of a significant source of employment, tax revenues and income to be spent in those communities. Additionally, at least one-half of the furloughed shop workers would lose their jobs and their income (and would probably have to fight with NS over their entitlement to *New York Dock* benefits despite the obvious linkage of the furloughs to the Transaction, (Petitioners' Ex. 27 answer to question BRC no. 14)). And perhaps one-half of the work force would have to choose between possible jobs at locations hundreds of miles away and potential loss of benefits if they do not transfer. Moreover, they would be relocating when NS claims that it is in financial extremis and has not described the additional work that would be available at the transferee shops. Indeed, as is explained above, many employees may choose not to relocate their families, and face possible denial of benefits (*see* Petitioners' Ex. 27, answer to TWU question no. 22),

because they have no reason to have confidence in the continued availability of employment at the shop locations identified in NSR's *New York Dock* notice. This would be understandable since NSR has failed to identify the supposed work being transferred--a high proportion of the HCS work has been insourced work that NS says will not be done at the transferee shops-- and since NSR has failed to otherwise explain what new work will be available at the transferee shops. The employees would have entirely reasonable fears that they would uproot their families and move them hundreds of miles, only to be furloughed again in the near future when NS again claims financial need for layoffs; the employees would then have relocated but would have to fight with NSR over their entitlement to protective benefits after furlough from the transferee locations. And they would have no reason to accept any assurances or protestations of good faith from NS due to NS' blatant disregard for its prior solemn commitments and the personal promises made directly to them by NS' CEO, and due to the many other misleading statements made by NS about the HCS.

It must also be recognized that the uncertain possibility of employment for 156 employees in other States does nothing to address the harm to Pennsylvania and the Altoona communities by the loss of hundreds of jobs.

Given these circumstances, as an alternative argument, Petitioners respectfully submit that if the Board does not direct NS to retain, continue to operate and invest in the HCS as NS committed it would, then the Board should hold that NS may be relieved of its commitments only on the condition that all employees at the HCS are deemed dismissed employees, with no obligation to accept transfer to NSR's other shops in order to retain the right to dismissal benefits. Petitioners believe that such an order would not be adequate to enforce the Board's Order, and it would still raise concerns about the Board's willingness and ability to enforce its

orders, but such an order would provide limited compensation to the Altoona community and the workers who are the victims of NS' breach of its commitments, and it would mitigate the unjust benefit to NS from its bad faith repudiation of its commitments. Petitioners do not view this to be a satisfactory alternative to simple enforcement of the clear commitments made by NS. In particular, the Commonwealth notes that this alternative would not remedy harms to the businesses that are associated with the HCS and the employees of such businesses--those who provide supplies and services to the Shops; hence this alternative would not remedy the problem of NS' repudiation of commitments that it made to elected officials who acted in the interests of all of the citizens of the Commonwealth. Accordingly, the Petitioners stress that they have mentioned this alternative for consideration only if the Board decides not to enforce its own order binding NS to its representations.

CONCLUSION

In their introduction to the Joint Petition, the Unions and the Commonwealth of Pennsylvania asserted that it is time for the Board to hold applicants in major rail consolidations accountable for the solemnly undertaken commitments that they make in seeking and obtaining STB approval of their transactions. Reading NS' Reply to the Joint Petition only makes it more clear that the Board must order NS to comply with its commitments to the HCS because NS apparently views its statements about the HCS committing to its retention and continued operation after investment as merely an expedient mouthing of words in order to obtain support for its application and approval from the Board. If NS is allowed to close the HCS, the Board's Order binding NS to the representations it made in the CSX/NS-Conrail proceedings will become a meaningless order, as ephemeral as the commitments made by NS. Petitioners respectfully submit that proper functioning of the Statute, and the nature of the duty of this agency under the Statute mandate that the Board enforce its Order in Decision No. 89.

Petitioners also note that two keystones of recent Board decisionmaking in major consolidations are the inducement of voluntary resolution of issues between applicants and interested parties and the expectation that the Board will engage in post-approval oversight of transaction implementation, and enforcement of the Board's Orders. If NS is allowed to unilaterally negate the sort of commitments that it made in this case with respect to the HCS, then parties in future cases will have no incentive to enter settlements, agreements and other understandings with applicants because the arrangements entered will rightly be viewed as meaningless and unenforceable.

For these broad reasons, and for the specific reasons set forth in the Joint Petition and this Response, the Unions and the Commonwealth of Pennsylvania respectfully submit that the

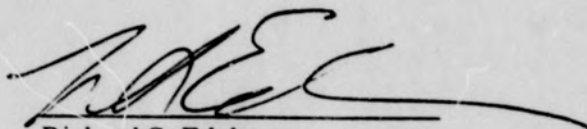
Board should direct NS to adhere to the representations it made regarding the Hollidaysburg shops; specifically that NS must make the \$4 million in capital improvements that it promised, and that NS must retain and continue to operate the shops as it repeatedly represented it would.

Respectfully submitted,



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May 8, 2001



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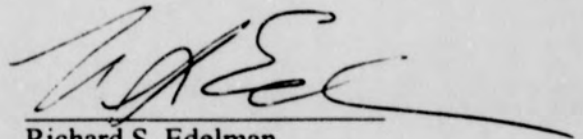
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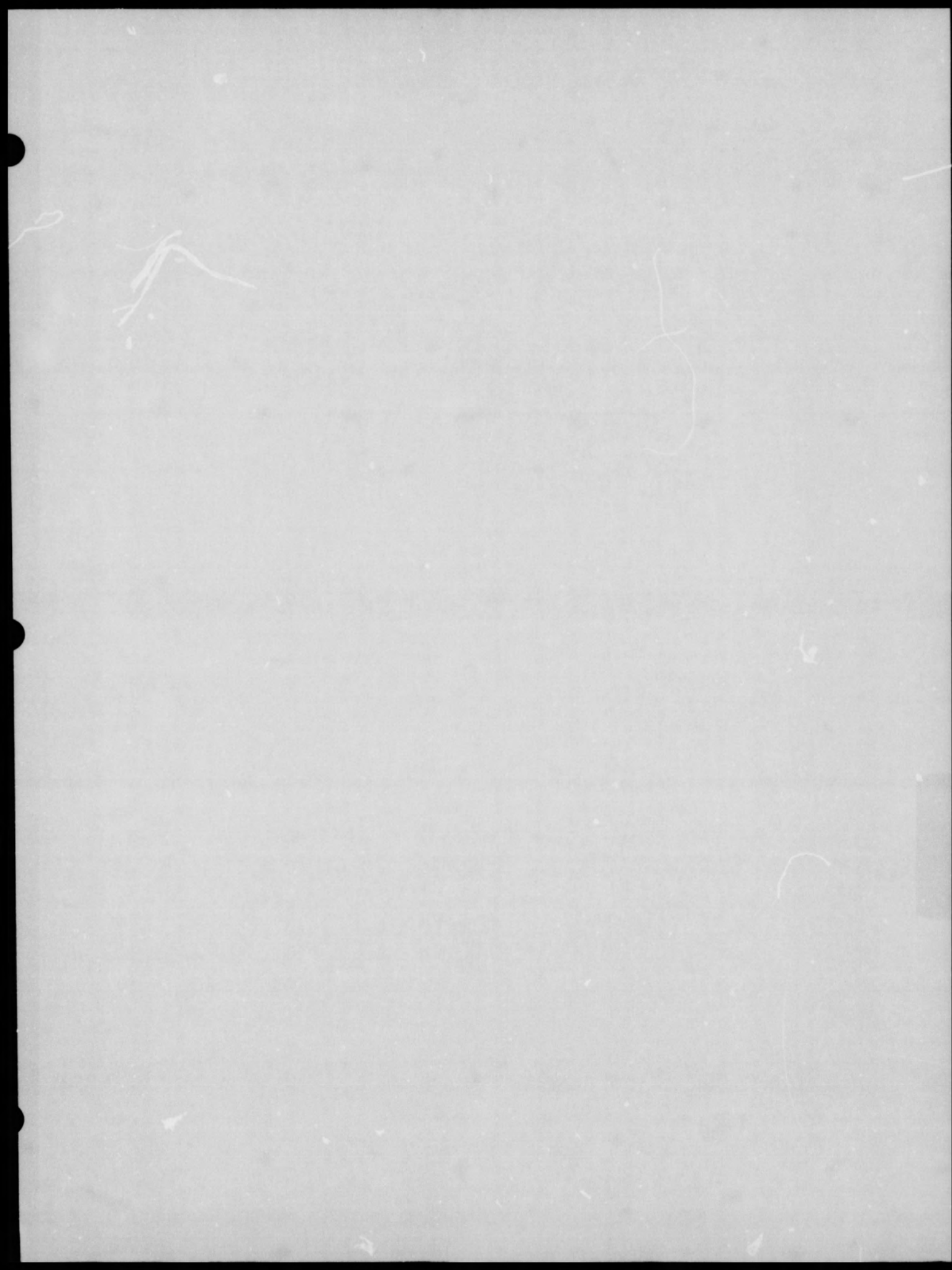
I hereby certify that I have caused to be mailed copies of the foregoing Response of Various Unions and the Commonwealth of Pennsylvania To Norfolk Southern's Reply to Joint Petition for Enforcement of Order, or Alternatively to Reopen for Order Directing Compliance with Commitments, Or Alternatively for Relief Not Otherwise Provided-for by First Class Mail upon the persons listed on the current official service list in Finance Docket No. 33388. Because of the length of the service list in this proceeding representatives of the Applicants and as many other parties as possible were served by mail on May 9, 2001, other parties will be served on May 10, 2001. Washington D.C. counsel for Norfolk Southern are being served by hand on May 9, 2001.

Date

5/9/01

Richard S. Edelman





PETITIONERS'

EXHIBIT 22

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1

DAY ONE Speeches

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Altoona, Pennsylvania

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June 1, 1999

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Pennsylvania Transportation Committee

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Hearing, April 4, 2001

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1 NEWS CLIPS

2 [Rep. Bud Shuster:] ...back in my office on June 23rd,
3 1997, just about two years ago, this fine gentleman
4 here to my right and others, and John Sloe, CSX, we
5 struck a deal and put in writing that when this
6 occurred, Norfolk Southern would do several things for
7 our shops here.

8 The Norfolk Southern truck overhaul and wheel
9 facility would be moved to Juniata. Investments of
10 \$67 million in capital improvements would be made to
11 the Juniata and Sam-Ray Shop. Employment in the shops
12 would be increased by at least 178 jobs. Consolidation
13 of Norfolk Southern air brake and valve facility would
14 be moved to Juniata. Consolidation of Norfolk Southern
15 painting facilities would be moved to Juniata.
16 Consolidation of the Conrail and Norfolk Southern
17 business and office car fleet work in Juniata; and in-
18 sourcing of CSX locomotive and car repairs to Juniata
19 and Sam-Ray over a three year period; a minimum of 200
20 locomotives and 1000 cars, with the commitment that
21 good faith negotiations would continue to increase that
22 in-sourcing of both locomotives and cars.

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1 So when you look at where we stand today
2 compared to where we were back during the bankruptcy --
3 in fact, compared to where we've been struggling over
4 the years, this is an exciting day for us, and a bright
5 new future.

6 And when you consider the strength of Norfolk
7 Southern, generally agreed to be best-run railroad in
8 America. I was at a ceremony a couple weeks ago in
9 Washington where Norfolk Southern received the award
10 for having the best safety record of any railroad in
11 America. But that's not the whole story. The real
12 story is, it was the tenth year in a row that Norfolk
13 Southern got the award for being the safest railroad in
14 America, and Conrail was No. 2. Conrail was No. 2.

15 So we are so excited --

16 [Applause]

17 And how important is Altoona going to be to
18 Norfolk Southern? Well, in talking about Norfolk
19 Southern being in 21 states, we're talking about 21,600
20 miles of track, an awful lot of places to be; but the
21 top man, the chairman of Norfolk Southern, David Goode,
22 where is he today on this historic takeover? Of 21

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1 different states where he could be, countless cities
2 where he could be, he's here in Altoona.

3 And David Goode, I want to thank you from the
4 bottom of my heart for the tremendous effort and
5 support you are providing, not only to the whole system
6 but particularly to those of us here in Altoona. We
7 are blessed to have one of the most distinguished if
8 not the most distinguished CEO of a railroad in America
9 running our railroad now, and we salute you, David
10 Goode, and I'm pleased to introduce you.

11 [Applause]

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1 [CEO David Goode:] ...we're going to see that we
2 continue to have the very best railroad in the world.

3 [Applause]

4 And that would never have happened without
5 the support not only of all of the people here but of
6 the people standing on this podium with me today.

7 As early as -- I don't remember the date, but
8 it was pretty early; I remember well flying in to the
9 airport here in Altoona and being greeted by the high
10 school marching band, being greeted by the students
11 from Logan Elementary School who presented me with a
12 box full of letters. And I kept those letters, and
13 they were good letters, and they spoke volumes about
14 the commitment that this community and the commitment
15 of the people here to being in this for the long run.

16 That's what we are at Norfo'k Southern, we're
17 all on the same track now, as you see everywhere around
18 you when you look at this, and that would not have
19 happened without the support of the people surrounding
20 me on this platform, and it wouldn't have happened
21 without the support of all of you.

22 I thank you for that, I thank you for

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1 bringing us to where we are today. We are well begun,
2 but we are only begun.

3 And Chairman Shuster has read off an
4 impressive list of the commitments that Norfolk
5 Southern has made. This is going to be the finest, the
6 heart of the Norfolk Southern system in many ways. The
7 finest shops that we can create in railroading today.

8 I hope that the list that you have read off
9 is just the beginning of what we can make a much longer
10 list of accomplishments and investments that we can
11 create together.

12 Thank all of you for being my teammates in
13 this endeavor; we're on the same track; we're in this
14 together. Together we're going to create a bright
15 future not only for ourselves and the communities we
16 serve and the shippers that we serve, but for our
17 children and grandchildren as well. Because I want to
18 continue the tradition that you see around you in this
19 valley around Altoona, Hollidaysburg and Blair County.
20 This is the kind of tradition that means something in
21 our business.

22 This is a special business; there is no

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1 stronger tradition in railroading than the tradition
2 right here today, and I want people to look back 100
3 years from now and say that is a tradition that has
4 continued, and Altoona is still the heart of
5 railroading in the world.

6 With your help, we'll make that happen.

7 Thank you.

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1 [Administrator Jolene Molitaris:] ...in this region we
2 have 43 people full-time working with Norfolk Southern
3 and CSX for the next five years to ensure that all our
4 commitments are kept. Our commitments to Norfolk
5 Southern, their commitments to you and to us.

6 It's a proud day, it's a day for opportunity,
7 213 days from now it's going to be the year 2000.
8 Let's get back here then to say "Look at the success we
9 are." Congratulations to you.

10 NEWS CLIPS

11 [Transport Workers Union Railroad Division Director
12 John Czuczman:] ...as Norfolk Southern officially
13 takes over, employees want to be assured their jobs are
14 safe and that their new owners will treat them right.

15 VOICE: Their concern is the culture change.
16 They get used to safety and issues and the movement of
17 forces, abolishment of jobs; that is where our concern
18 is.

19 ANNOUNCER: How open Norfolk Southern's door
20 will be remains to be seen, but company officials say
21 they're confident the transition will be smooth.

22 CEO GOODE: The changes that will occur I

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1 believe will be good ones and will be changes that come
2 from opportunities to bring more business in here. So
3 I'm not anticipating anything except the best kind of
4 relationships.

5 ANNOUNCER: What are your biggest concerns
6 right now?

7 VOICE: Jobs, obviously; they said they were
8 going to bring some jobs into town, and I think they're
9 going to do it, we'll wait and see.

10 ANNOUNCER: As a federal railroad official
11 talked to workers before the ceremony, that's what she
12 heard as well: Make sure to keep our jobs intact.

13 ADMINISTRATOR MOLITARIS: They're still
14 feeling a little bit on the edges of things. They've
15 been through other mergers; they've had experiences.

16 ANNOUNCER: Throughout it all, the railroad
17 has remained important in Altoona. With the latest
18 change now in place, workers here seem optimistic about
19 the future, at least for now.

20 VOICE: We'll survive; we survived before.

21 CEO GOODE: Welcome to the new Norfolk
22 Southern.

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1 ANNOUNCER: The workers who gathered for this
2 midday ceremony were given an optimistic view of their
3 future. Their new boss says the \$10 billion
4 acquisition of Conrail by Norfolk Southern and CSX
5 makes sense only because of what those rail lines gain.
6 In Norfolk Southern's case, that includes all of the
7 rail facilities in Blair County, a place the chairman
8 calls "the heart of the new Norfolk Southern System."

9 CEO GOODE: We expect to use all of the
10 assets of the new Norfolk Southern. One of the most
11 important assets we got is right here, and we're going
12 to give it full utilization.

13 ANNOUNCER: That full utilization means a
14 significant amount of railroad repair work that will be
15 moving here now that the takeover has been finalized.
16 One big supporter of these shops says that there are
17 ironclad promises in place to protect local jobs.

18 REP. SHUSTER: We have in writing the
19 commitment from Norfolk Southern that they're going to
20 do 200 locomotives in the Juniata shop and 1000 cars in
21 the Sam-Ray shop over the next three years.

22 ANNOUNCER: And that is seen as just the

1 beginning. There's also the promise of \$67 million to
2 improve the repair facilities in Flage.

3 VOICE: \$67 million is not peanuts, and I'm
4 looking forward to getting that; we couldn't get that
5 kind of money when we were with Conrail because it
6 wasn't available.

7 ANNOUNCER: Railroad officials tell me it'll
8 be a couple of years before all the blue and white of
9 Conrail is replaced by the black and white logo of
10 Norfolk Southern. That's because the one shop that's
11 going to be doing that repainting is located right here
12 in Juniata. That's good news for the folks who work
13 here.

14 ANNOUNCER: At least going into this move to
15 Norfolk Southern control, the promise is in place that
16 Altoona and Blair County will long have a railroading
17 future.

18 CEO GOODE: And I want people to look back
19 100 years from now and say "That is a tradition that
20 has continued, and Altoona is still the heart of
21 railroading in the world."

22 ANNOUNCER: Most of the more than 1700

1 Conrail workers in Blair County gathered at the Juniata
2 shops to get the latest on a big change that could
3 significantly impact their future: They got a promise
4 of a stable workplace.

5 CEO GOODE: Some of the finest resources on
6 the new Norfolk Southern System are right here. And
7 I'm not just talking about bricks and mortar, I'm
8 talking about all of you.

9 ANNOUNCER: The breakup of Conrail is seen
10 has having national implications when it comes to the
11 future of rail transportation. That's why backers of
12 this region were happy to host this ceremony.

13 VOICE: Change is coming. The question is,
14 is change good?

15 Well, let me tell you, change can be good and
16 the Norfolk Southern banner here will be good.

17 ANNOUNCER: The change to Norfolk Southern is
18 seen as good because of an expansion in operations
19 that's been promised. And it is expected to bring with
20 it a significant investment that should protect the
21 jobs already in place and open up new opportunities for
22 railroad based employment.

1 REP. SHUSTER: Investments of \$67 million in
2 capital improvements would be made to Juniata and Sam-
3 Ray shops. Employment in the shops would be increased
4 by at least 178 jobs.

5 ANNOUNCER: Norfolk Southern Chief Executive
6 David Goode, speaking at the Juniata repair shops, said
7 the \$10 billion acquisition of Conrail makes sense
8 because of what those rail lines gain.

9 In Norfolk Southern's case, that includes all
10 the rail facilities in Blair County, a place the
11 chairman calls the Heart of the new Norfolk Southern.

12 CEO GOODE: We expect to use all of the
13 assets of the new Norfolk Southern. One of the most
14 important assets we've got is right here, and we're
15 going to give it full utilization.

16 ANNOUNCER: That full utilization means that
17 a significant amount of railroad repair work will be
18 moving here now that the takeover has been finalized.

19 REP. SHUSTER: We have in writing the
20 commitment from Norfolk Southern that they're going to
21 do 200 locomotives in the Juniata shop and 1000 cars in
22 the Sam-Ray shop over the next three years.

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1 ANNOUNCER: And that is seen as just the
2 beginning. There is also the promise of \$67 million to
3 improve the repair facilities. But there's still
4 plenty of apprehension among workers.

5 VOICE: I'll wait and see what happens, hope
6 for the best.

7 VOICE: They said they were going to bring
8 some jobs into town and I think they're going to do it;
9 we'll wait and see.

10 VOICE: Their concerns is how Norfolk &
11 Southern is going to treat them. They're so used to
12 the agreements that they had with the Conrail. Anytime
13 we had a problem with Conrail, the door was always
14 open.

15 ANNOUNCER: Company officials say they're
16 confident the transition will be smooth.

17 CEO GOODE: The changes that will occur I
18 believe will be good ones and will be changes that come
19 from opportunities to bring more business in here.

20 ANNOUNCER: It was a chance to enjoy a day
21 off with friends and family away from the Conrail shop.
22

1 In light of the recent takeover, many
2 employees are concerned about the changes that lay
3 ahead. David Goode, the CEO of Norfolk Southern, was
4 at the picnic. He says there will be some changes, but
5 that they will be positive ones.

6 CEO GOODE: These are important facilities.
7 We have a lot of plans which we've talked about which
8 are part of the, really of the operating plans on which
9 we premised our acquisition of a portion of Contrail,
10 and Altoona and Hollidaysburg facilities are key to
11 that.

12 ANNOUNCER: Right now the locomotive shops in
13 Hollidaysburg and Juniata are busy. Work is underway
14 on a number of projects including the assembly of 39
15 EMD locomotives for General Motors. Company leaders
16 say the shop will remain busy as Norfolk Southern takes
17 over.

18 VOICE: Norfolk Southern expects to transfer
19 approximately 170 jobs here to the Altoona area. Those
20 jobs will be across the board, management and labor
21 positions.

22 ANNOUNCER: They also plan to invest over

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1 \$60 million into improving the facilities at both
2 Hollidaysburg and Juniata. So far the breakup of
3 Conrail does seem to be good for the Blair County
4 workforce.

5 CEO GOODE: This is where everything that
6 makes railroading possible has to happen by the kind of
7 good professional railroaders that we see here.

8 ANNOUNCER: Exactly what changes will take
9 place remain to be seen. Many things still need to be
10 worked out. Right now, Norfolk Southern is working on
11 getting the labor agreements in place.

12 CEO GOODE: Only time will make people really
13 understand what this combination can bring, and I'm
14 very optimistic that we'll all look back several years
15 from now, and be very pleased with the benefits,
16 benefits we see.

17 - - -

18 [End of footage]

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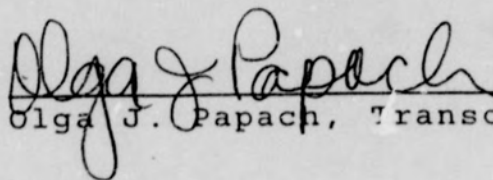
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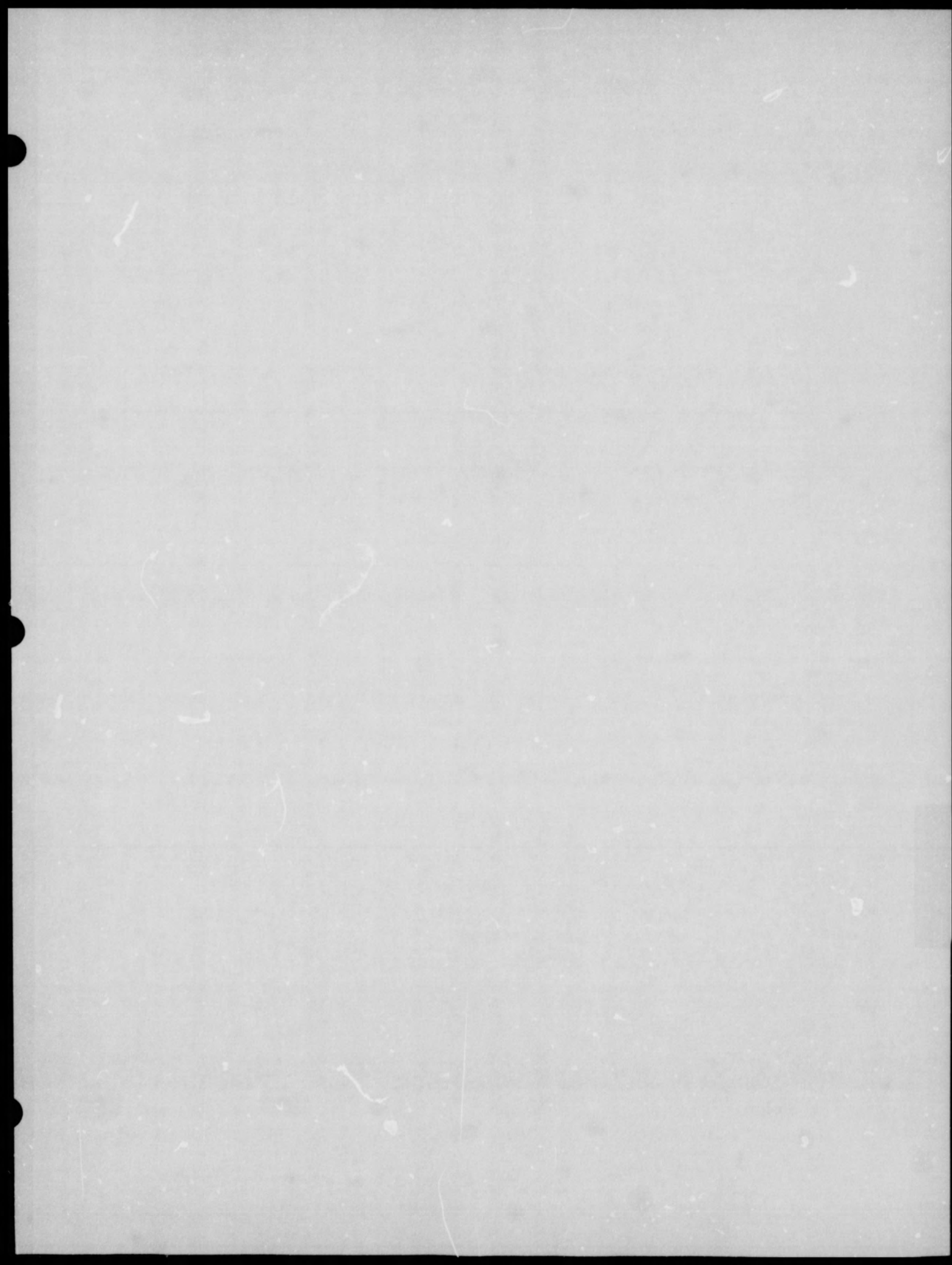
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C E R T I F I C A T I O N

I, Olga J. Papach, do hereby certify
that the attached pages represent a transcript
of the recording of the above.

BY:


Olga J. Papach, Transcriber



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PETITIONERS'

EXHIBIT 23

**Testimony of M. Patrick McCune
Resident Vice President of Public Affairs
Norfolk Southern Corporation**

Before the

**House Transportation Committee
Richard A. Geist, Majority Chairman**

**Thursday, May 15, 1997
Altoona, Pennsylvania**

Also Before:

Rep. David Argall
Rep. Dick Hess
Rep. Dennis Leh
Rep. Todd Platts
Rep. Jerry Stern

1 CHAIRMAN GEIST: Good morning, and welcome to
2 the Republican House Transportation Committee. It's
3 actually the Stand (phonetic) Committee. It's not the
4 Republican. I just said that to nail Paul.

5 We're pleased that everybody could come out
6 this morning. This should be the first of, we believe,
7 four hearings that will be held statewide. It's probable
8 that hearings will be held also in Philadelphia, Conway,
9 and Harrisburg.

10 The agreement that we have been working with
11 in Pennsylvania -- we already had one hearing along with
12 Senator Corman. The Senate Committee had it in
13 Harrisburg, which was very well attended; and we talked
14 about then having a series of committee hearings with the
15 House Transportation Committee.

16 I'd like to introduce the folks who are up
17 front now with us, and I'll start to my far left. The
18 fellow over there with the beard is Bob Mustin. He is the
19 Senior staff person for Senator Doyle Corman Senate
20 Transportation Committee.

21 The guy beside him to the left who still owes
22 me lunch, Paul Parsells, he is the Executive Director for
23 the Democratic Staff in the House and the Transportation
24 Committee. Both of these two fellows are super
25 knowledgeable about transportation issues in Pennsylvania.

1 The next fellow is Dennis Leh, Representative
2 Dennis Leh from Berks County; and he can speak
3 Pennsylvania Dutch for you. He's a long-time member of
4 the House and also a long-term member of this committee.
5 Beside him is Dave Argall, and he'll probably want to talk
6 about Route 61.

7 REPRESENTATIVE ARGALL: Not today.

8 CHAIRMAN GEIST: He's been bugging me for a
9 highway project, had me up to his district to see all his
10 trucks going through his town; and we're glad that Dave
11 came today. And, of course, beside me, who needs no
12 introduction in this part of the state, is Jerry Stern.
13 And Jerry represents Hollidaysburg Car Shops in his
14 district in Southern Blair County.

15 And on my right is our counsel for the
16 Committee, Dick Wilson; and Dick has been retained to do
17 the work concerning the Norfolk Southern CSX marriage and
18 the acquisition of Conrail.

19 My opening remarks are going to be very brief.
20 We in this part of the country have gone through a myriad
21 of changes in the history of railroading in Altoona. From
22 the time that the Pennsylvania Railroad decided that they
23 were going to conquer the Alleghenies in the establishment
24 of the city of Altoona, we've watched much change take
25 place in railroading.

1 As a little boy, I can remember when my
2 grandfathers, who were both laborers in the shop -- a
3 blacksmith and a tinsmith -- were laid off. My father
4 worked at the station and also played baseball for the
5 Altoona Works Team and watching my uncles and everybody
6 else through the ups and downs of railroading.

7 We went through -- when I first was elected
8 twenty years ago, we were just forming Conrail. We were
9 going through the terrible bankruptcies of the Northeast,
10 and the emerging railroad was Conrail.

11 And a long relationship of working very
12 closely with Conrail employees and management to build the
13 railroad to where it is today: A railroad that's worth
14 \$115 a share to CSX and Norfolk.

15 And we are very interested to make sure that
16 the change that's going to take place is a partnership
17 where we in Blair County and with both Sam Ray, Juniata
18 Shop, and the other people, suppliers in this community
19 who are deeply tied to that railroad infrastructure have a
20 better idea of what's going to happen so that we all can
21 work together.

22 I'd also like to introduce two folks in the
23 crowd today. And because the lights are so bright, you'll
24 have to forgive me. Mayor Ray Voltz (phonetic) is here,
25 Mayor Voltz; and Councilman Denny Halerman (phonetic) are

1 here. And both of them are very, very interested in
2 what's going on here today.

3 So if we could, I'd like to start the program
4 this morning. And I know that Norfolk Southern has other
5 people that are on the way, at least they said they were.
6 When they saw the rope outside, I think maybe they turned
7 around and left. We'd like to call Pat McCune.

8 Pat McCune and I go way back together into the
9 very -- to the '80s when he was Consolidation Coal. I
10 know that he is going to be testifying and Senator Craig
11 Louis is supposed to be testifying.

12 Now, this is a House hearing; and we have two
13 ex-senators. Pat was an ex-senator in the state of West
14 Virginia. So it's nice to have the senators come and talk
15 to the House members. So, Pat, if you'd like to come up,
16 have a statement, and then we're going to open it up for
17 questions from the members that are present.

18 MR. McCUNE: Thank you, Mr. Chairman, members
19 of the House Transportation Committee, staff members. I'm
20 honored and please to be here with all of you today here
21 in Altoona to talk to you a little bit about the NS
22 prospective acquisition of Conrail and what it means to
23 NS, what it means to the people of Altoona and to the
24 future of Norfolk Southern System.

25 As happy as I am to be here to talk to you

1 about Norfolk Southern, I'm also here to listen to all
2 of you -- members of the Committee, members of the
3 community, to the business and labor communities -- that
4 have a legitimate stake in what happens to the Conrail
5 system after the proposed takeover of Conrail by Norfolk
6 Southern and CXS.

7 And I'm here to listen and take your
8 suggestions, your recommendations, your advice, and your
9 council back to the pertinent individuals at Norfolk
10 Southern; and I'll be here the rest of the day and take
11 your questions and be here to answer anything that I can
12 and, more importantly, to listen to your concerns.

13 I'd like to do a couple of things. I'd like
14 to tell you a little bit about Norfolk Southern, a profile
15 or bio, if you will, about the company; talk to you about
16 what it means for Pennsylvania in a microsense for the
17 people of Altoona and the surrounding area; in a
18 macrosense for what we believe the proposed purchase of
19 Conrail by Norfolk Southern and to some extent CXST means
20 for the State of Pennsylvania.

21 Norfolk Southern is a Norfolk-based holding
22 company that owns Norfolk Southern Railroad; North
23 American Van Lines, the moving company that I'm sure
24 you've all seen throughout the highways; and Pocahontas
25 Land Company, which is based in Bluefield, West Virginia,

1 and is a land and natural resources management company
2 which controls some 900,000 acres primarily in West
3 Virginia, Kentucky, Virginia, and Alabama.

4 The railroad system currently owns
5 approximately 14,000 miles of track that dissect twenty
6 states throughout the midwest and southeast primarily;
7 Washington, D.C.; and Canada. We haul anything that moves
8 by rail. But the staple and the major products that
9 Norfolk Southern moves to markets include coal, chemicals,
10 automobile, auto parts, grain, paper, steel and metal
11 products, and construction materials.

12 We are also a major transporter of intermodal
13 freight. This type of freight consists of truck trailers
14 and containers that move from origin to destination
15 by using more than one mode of transportation, usually
16 trucks and trains.

17 Norfolk Southern employs approximately 24,000
18 people in a lot of diverse capacities stretched out over a
19 current twenty-state system. Besides our corporate
20 offices located in Norfolk, we have two very large centers
21 of employment levels in Atlanta and in Roanoke and soon to
22 be Altoona.

23 A little look at our financials: 1996 will
24 probably go down as a record year for Norfolk Southern.
25 We set new safety, service, and performance levels based on

1 year-to-year basis. We had record earnings in 1996 of \$6
2 and 9 cents a share, up 12 percent. We had net income of
3 \$770 million, up 8 percent. Our income from rail
4 operations was \$1.2 billion, up 10 percent.

5 We experienced our sixteenth straight quarter
6 of year-over-year increases in earnings per share. We had
7 a dividend increase of 8 percent, which I believe is
8 labeled the best return in the railroad industry. In our
9 operating ratio, a barometer of our efficiency and
10 productivity, was 71.6 percent for 1996, down 1 percent;
11 and we're working to get it lowered.

12 We also improved our on-time performance
13 and our equipment utilization 8 and 4 percent, and we
14 reduced or grade crossing accidents happily by 18 percent
15 in 1996.

16 We take pride in being the safest railroad in
17 the country. Norfolk Southern is the winner for the last
18 seven years of the Harriman Award. The Harriman Award is
19 sponsored by the Federal Railroad Administration and is
20 bestowed upon each class railroad that has the fewest
21 reportable injuries per 200,000 man-hours worked.

22 This years' Harriman Award should be
23 announced, I've been told, sometime in the next week or
24 two; and we fully expect and are very confident that we'll
25 be named the winner for 1996 -- 97. Excuse me.

1 We're very proud of our financials and the
2 profitability of Norfolk Southern, but we're doubly
3 proud of our safety achievements. And we're now honored
4 that most of the major Class 1 railroads have now
5 benchmarked the Norfolk Southern safety record. It's good
6 for all of us.

7 Additionally, Fortune Magazine has named
8 Norfolk Southern as America's most admired railroad for
9 the second consecutive year and has also placed in the top
10 10 percent of more than 400 companies in all industries
11 included in Fortune's annual corporate reputation survey.

12 We are successful for many, many reasons; but
13 one critical component of our success is due to the
14 wonderful efforts of our industrial development
15 department. With approximately fifty employees, it is
16 presumed to be the largest industrial development property
17 of all the railroads. We eagerly pursue all types of
18 business.

19 That aggressiveness has helped Norfolk Southern
20 to either locate or expand over 100 businesses to our
21 lines in 1996. Those 100 projects equate to approximately
22 4,000 new jobs directly related to our industrial
23 development efforts.

24 It is no coincidence that nine of the last
25 twelve auto assembly plants built in the United States

1 have been sited on Norfolk Southern's lines. An extension
2 of our success in the auto area is the recently
3 announced contract that Norfolk Southern has entered into
4 with Ford Motor Corporation.

5 The Ford contract calls for Norfolk Southern
6 to build and operate four mixing centers, which are
7 essentially a hub-and-spoke system similar to the airline
8 industries, that will operate in various locations in the
9 Midwest, the Mid-Atlantic region, and the South.

10 They will handle all the destination
11 distribution of approximately 80 percent of Ford Motor's
12 finish product vehicles. This project will be completed
13 by the end of 1997 and operational in early 1998. The
14 contract length is for twelve years and is expected to
15 generate tens of million dollars in net revenues for
16 Norfolk Southern during the length of the contract.

17 Where are we in the process? It's no secret.
18 You all know that Norfolk Southern and CSX have announced
19 plans to jointly acquire the outstanding shares of Conrail
20 for \$115 a share. NS will contribute \$5.9 billion towards
21 that purchase for a 58 percent share of the Conrail
22 assets, and CSX will contribute \$4.3 billion for its 42
23 percent share.

24 Right now, representatives of both CSX and
25 Norfolk Southern are working feverishly to put together an

1 operating plan that will be submitted in the form of a
2 joint application to the Surface Transportation Board. We
3 expect to submit this plan to the Surface Transportation
4 Board sometime in mid-June.

5 We have petitioned the Surface Transportation
6 Board for an accelerated or an expedited hearing. If
7 approved, the Surface Transportation Board should rule on
8 a joint application in approximately 255 days as opposed
9 to the more frequently used one-year standard. If that's
10 approved, sometime in March a ruling is expected.

11 NS will acquire most of the Conrail assets in
12 Pennsylvania. Craig Louis -- Craig is here. Craig, do
13 you have any maps?

14 MR. LOUIS: Got them.

15 MR. McCUNE: Thank you. This is Craig Louis.
16 Craig is a partner in the law firm of Dechert, Rhoads, and
17 Price and, as Chairman Geist indicated, a former state
18 senator, I believe, for thirteen years from the
19 Philadelphia area; and he's been retained by Norfolk
20 Southern. I've got some maps I'd like to distribute so
21 you can follow along and a quick explanation of where we
22 will go.

23 MR. LOUIS: They were here a few minutes ago.

24 MR. McCUNE: Bear with me for one moment.

25 If you look at the map, I think it's possible

1 to follow along. Norfolk Southern will acquire, as most
2 of you know, most of the Conrail assets in the state of
3 Pennsylvania. We will operate the Conrail line between
4 Cleveland and Northern and Southern New Jersey via
5 Pittsburgh, Altoona, Harrisburg, Lancaster, and
6 Philadelphia, to the port of Philadelphia and to
7 Southeastern New Jersey.

8 And Norfolk Southern will own and operate the
9 Conrail lines from Harrisburg to Buffalo, New York, as
10 well as owning and operating the former Erie and
11 Lackawanna or otherwise known as the southern tier line
12 from Buffalo -- I don't know if you can see-- you can just
13 see it on the top left-hand side of the map to the New
14 York area via Binghamton, New York, and parts of
15 Northeastern Pennsylvania.

16 The port of Philly will be served by a
17 terminal railroad that will be jointly owned by Norfolk
18 Southern and CSX. There will be a lot of shared assets
19 and shared lines by both CSX and Norfolk Southern into the
20 customer base in the Philadelphia area.

21 Norfolk Southern will own the Monongahela
22 Railroad and the coal fields of Southwestern Pennsylvania.
23 CSX will have shared access to those coal mines, offering
24 a dose of real competition into the thriving coal reserves
25 and coal markets that are indigenous to that area.

1 Included in Norfolk Southern's Pennsylvania
2 assets will be the Altoona area shops complex. This
3 includes, as you all know, the Juniata Locomotive Repair
4 Shops in Altoona which overhaul and repair locomotives and
5 locomotive components and Holliday's Car Shops which
6 overhauls freight cars and car components. These two
7 shops have an excellent reputation within the railroad
8 industry and especially in Norfolk Southern. Its workers
9 are among the best in the nation, and we look forward to
10 having the Conrail Repair Shop employees join the Norfolk
11 Southern team soon after the merger is approved.

12 Our chairman, Mr. Goode, visited the shops in
13 this area, I believe, in March, if I'm correct, and came
14 away very impressed by the level of the work and the
15 quality of the work that is being conducted at those
16 shops. These shops will continue to be a critical and
17 integral component to the Norfolk Southern system after
18 the merger.

19 We intend to operate these shops at the same
20 level that Conrail utilizes them today. We then hope to
21 grow the maintenance business at those shops to the maximum
22 utilization possible. How are we going to grow the
23 business? There's a couple of ways that I think we can
24 grow the business and Norfolk Southern thinks we can grow
25 the business:

1 Number 1, CSX has given certain incentives to
2 use the maintenance capabilities at those shops via the
3 purchasing agreement; and we're fully confident that they
4 intend to use those incentives.

5 Norfolk Southern has historically owned most
6 of its car fleet. It's my understanding that
7 Conrail -- within the Conrail fleet, there's a lot of
8 private cars and leased cars. Norfolk Southern has a
9 tendency to own more of their cars, and this obviously
10 proves that there will be periodic overhauling provided
11 here at Altoona.

12 The jointly-owned lines that I talked about in
13 the Philadelphia terminal area and the New Jersey areas
14 will need the services provided by the shops here in the
15 Altoona area. And lastly, the general growth in the
16 business that we fully expect in the years to come in
17 growing our rail freight businesses will undoubtedly
18 create new opportunities for the shops here.

19 This merger is based on growth, ladies and
20 gentlemen. It's not based on paring or selling off
21 assets. We fully expect to develop new markets to
22 increase our market share and to increase every segment of
23 business that Norfolk Southern is now engaged in, and that
24 undoubtedly will have benefits to the car complex shops
25 here in Altoona.

1 In a macrosense, what does it mean for
2 Pennsylvania? Pennsylvania will benefit greatly from the
3 acquisition of Conrail and the divisions of its operations
4 between CSX and Norfolk Southern. The transaction keeps
5 true competition in Pennsylvania.

6 Its too biggest cities, Philly and Pittsburgh,
7 will retain rail freight service by two major competitors.
8 Pennsylvania freight shippers will have the price and
9 service operations that come when rail service is provided
10 by two large, comparably-sized, Class 1 railroads both
11 serving carload and fast growing intermodal markets.

12 Norfolk Southern does considerably more for
13 Pennsylvania than maintaining existing competition.
14 Pennsylvania's shippers will gain new and more efficient
15 routes and services as well as reduced transportation
16 costs to existing markets.

17 They will also have access to new markets to
18 the extended networks and market reach of both Norfolk
19 Southern and CSXT. The new Norfolk Southern System, for
20 example, will allow the first single-line service between
21 Pennsylvania shippers and Kansas City, bypassing costly
22 congestion delays at Chicago and East St. Louis.

23 Norfolk Southern will create new, attractive
24 transportation lanes to Tennessee, the Carolinas, and
25 other points in the southeast. Single line rates usually

1 are lower than two-carrier pricing. They provide
2 Pennsylvania customers the additional opportunities to
3 expand their market reach.

4 The elimination of intermediate switching will
5 reduce transit times and provide improved equipment
6 availability and utilization as well as more consistent
7 customer deliveries further enhancing market opportunities
8 for Pennsylvania's shippers and Pennsylvania receivers.

9 Pennsylvania will see new and expanded
10 intermodal service, the fastest growing segment of
11 railroad traffic in Norfolk Southern. We are very
12 competitive for immediate intermodal hauls as short as
13 500 miles, and that is one-third less than the rail
14 industry average or norm of approximately 750 miles.

15 We know how to run intermodal operations, and
16 we do it well. Since 1988, Norfolk Southern's
17 intermodal volume has grown 94 percent. That's about
18 twice the industry rate. We fully expect to site a new
19 intermodal facility in the Harrisburg area to facilitate
20 the expected growth in north/south intermodal traffic.

21 Competitive intermodal service, carrying truck
22 trailers and containers on rail cars that I alluded to
23 earlier, benefits more than just shippers of freight.
24 Competitive rail service will attract more traffic to rail
25 intermodal and will divert traffic from trucks.

1 Taking trucks off the highway produces
2 significant benefits for the region by alleviating
3 congestion and help lessening air pollution.

4 Representative Argall, I think maybe we'll take some of
5 those trucks off of that congested highway in your area
6 possibly saving Chairman Geist a commitment.

7 REPRESENTATIVE ARGALL: Don't let him off that
8 easy.

9 MR. McCUNE: After we acquire the portions of
10 Conrail, Norfolk Southern will provide improved intermodal
11 services and will expand double-stack opportunities for
12 Pennsylvania customers on all ready cleared routes to the
13 Midwest, the Southwest, Atlanta, and Florida destinations.

14 The day that the merger is consummated by the
15 Surface Transportation Board, we fully expect to operate
16 double-stack service out of the port of Philadelphia to
17 the Midwest to New England and to Canada through a
18 partnership with CP.

19 Triple Crown Services, the Norfolk Southern
20 bimodal subsidiary, successfully competes with
21 over-the-road trucks in the market for moving consumer
22 goods and industrial material for just-in-time inventory
23 management.

24 Triple Crown will serve Philadelphia, with
25 Norfolk Southern operated roadrail trains both to southern

1 and midwestern destinations and will build a road rail
2 terminal in the Philadelphia area.

3 The expanded roadrail network will take truck
4 traffic off Interstate 95 and will permit expanded Norfolk
5 Southern to provide services that might not be cost
6 effective or possible with conventional rail service.
7 We're presently talking to officials at Amtrak about
8 possibly using the northeast corridor for Triple Crown
9 Services.

10 Pennsylvania utilities and the integrated
11 steel companies will be able to draw a larger number of
12 coal sources with the Norfolk Southern/Conrail merger of
13 Conrail. Similarly, Pennsylvania coal producers will gain
14 the ability to ship their coal to a wider number of
15 markets.

16 Monongahela Coal Mine, Pennsylvania's largest
17 generator of rail traffic, will gain the benefits of
18 two-carrier competition and additional single line routes
19 for the first time since Conrail obtained sole access to
20 that coal field in 1990.

21 Norfolk Southern has also negotiated a rate
22 for PP&L that attempts to keep the coals produced in the
23 Clearfield cluster at a competitive market rate and
24 hopefully keep them viable into both the near and
25 long-term future.

1 I've already described for you in some
2 detail the success of our industrial development
3 department. A word about the short lines and the regional
4 railroads. Some of them will be testifying after me
5 today.

6 We recognize and support the concept of an
7 extremely strong and healthy partnership with our
8 connecting short lines and regional railroads. Norfolk
9 Southern takes pride in our short line relationships; and
10 we will work to achieve short line loyalty with aggressive
11 marketing and business incentives, not penalties.

12 All the short lines and regionals will not be
13 happy with the proposed merger, and I'm sure you'll hear
14 more about that later. But Norfolk Southern has met and
15 is committed to meet -- to continue to meet with these
16 railroads with the intention of reaching a fair agreement
17 that will hopefully mitigate any negative effects that the
18 merger may play with the investments of the short line and
19 the regional railroads.

20 We continue to work with the Wheeling Lake
21 Erie. I think Mr. Fisk will tell you about an agreement
22 that we've reached with the CP. Mr. Robey will talk to
23 you about his railroads; and we will continue to meet with
24 them on a one-on-one basis to hopefully resolve any
25 marketing problems, any traffic flow problems that may

1 develop from our merger.

2 Just as the City of Philadelphia will retain
3 two-railroad competitive service, so will the port of
4 Philadelphia with two competitive east/west and almost
5 three with CP north/south routes. Vigorous rail
6 competition, which has been the principle feature of the
7 CSX/Norfolk Southern relationship for many years, will
8 help developers of the Philadelphia Navy Yard to attract
9 new industries and new jobs.

10 The site has a potential for a significant
11 intermodal facility and could be developed as a major
12 distribution center for paper, plastic, and other bulk
13 goods. We're excited about the opportunities that this
14 merger presents to Norfolk Southern. There's been a
15 tremendous rejuvenation of the railroad industry since the
16 Staggers' (phonetic) Act deregulated our industry in the
17 early 80s.

18 And Norfolk Southern -- all of us at Norfolk
19 Southern are extremely confident that the service and the
20 efficiency benefits that will be produced by the
21 consolidation of the Conrail rail network into two
22 comparably-sized, financially-strong systems will benefit
23 Pennsylvania customers, Pennsylvania rail employees,
24 Pennsylvania communities, and the general Pennsylvania
25 public.

1 With that, I thank you for your attention. We
2 will be here the rest of the day. Mr. Louis and I will
3 try to answer any of your questions to the extent that we
4 can, and we look forward to a long-lasting relationship
5 with this Committee and to the citizens and the business
6 community of the Altoona area. Thank you.

7 CHAIRMAN GEIST: Thank you very much, Pat.
8 Let me introduce Representative Dick Hess from Bedford,
9 who just came in. Dick has an awful lot of his
10 constituents who work for Conrail and has a very deep
11 interest in what we're doing here today.

12 We're going to open up the panel for some
13 questions for you. I'd like to ask a couple first that
14 we've prepared. In Norfolk and Western Southern Railroad
15 merger proceeding, Norfolk Southern cited a number of
16 benefits related to the coordination of shop and repair
17 facilities and maintenance away functions.

18 Norfolk Southern claimed that a result of the
19 merger, is able to avoid planned shop expansions at its
20 Roanoke car shop and at Schaffers Crossing, Virginia,
21 facility for air brake cleaning.

22 What benefits related to the coordination of
23 shop and repair facilities have you been able to identify
24 as a result of your planned acquisitions of Conrail's
25 Hollidaysburg Car Shop and its Juniata Locomotive Car

1 Shop?

2 MR. McCUNE: Mr. Chairman, I mean, I'm
3 prepared to tell you that we will operate those shops at
4 the same level that Conrail presently utilizes those
5 shops and we think that the addition of Norfolk Southern
6 as the new owner of those shops will bring additional
7 opportunities for growth at both Juniata and the
8 Hollidaysburg shops.

9 How that relates to what Norfolk Southern did
10 in the '80's, I mean, I'm not aware of. I wasn't around
11 then. I don't have any historic perspective that would
12 lead anybody to a conclusion other than what I've laid out
13 to you today.

14 CHAIRMAN GEIST: If you don't have answers to
15 the questions, after this meeting's over, would you have
16 Craig present written answers to the Committee, please?

17 MR. McCUNE: Yes, sir.

18 CHAIRMAN GEIST: On November 18th, '96, Norfolk
19 Southern publicly announced that it was committed to
20 operate Conrail's Hollidaysburg Car Shop and the Juniata
21 Locomotive Shop and that it would promote -- and I
22 underline the word promote -- employment there. Norfolk
23 Southern also stated it would aggressively pursue work
24 from other equipment owners to increase the work handled
25 by these two shops.

1 As you have proceed with your plans in
2 conjunction with the merger, what steps have you taken and
3 what actions will you undertake in order to honor the
4 commitment and the public statements made about the CSX
5 percentage of work coming there?

6 MR. McCUNE: Well, I don't know if we can
7 force CSX to take advantage of the incentives; but I think
8 the economic incentives to CSXT are legitimate and real
9 and offer them real incentives for them to use the shops.

10 We have divided the assets of Conrail, as I've
11 told you earlier, on a 58/42 basis. CSX is entitled to 42
12 percent of the supplies and material at that shop. It's
13 my understanding that CSX will pay for the labor at the
14 shop but that they are entitled to their prorated share of
15 the supplies and materials.

16 And we feel very confident that they are going
17 to honor their commitment that they said earlier in March
18 to use those shops, and we think these incentives are
19 enough to bring them there.

20 CHAIRMAN GEIST: What portion of the Conrail
21 car and locomotive fleet will Norfolk Southern be
22 acquiring as part of this merger?

23 MR. LOUIS: Mr. Chairman, under the agreement,
24 the assets of Conrail are essentially going to be divided
25 on a 58/42 basis. There's been no specific delineation as

1 to which cars or which locomotives are going to be the
2 subject of that, but the assumption is that it will
3 essentially be divided along those lines.

4 CHAIRMAN GEIST: Just as an aside, Pat, you
5 know we get all the ones with bathrooms already in it.

6 Could you please describe for the folks here
7 the current shop facilities operated by Norfolk Southern
8 at Roanoke, Atlanta, Lynnwood, and other locations on the
9 system?

10 MR. McCUNE: I don't have any intimate
11 knowledge how those are operated. I'd be more than happy
12 at the appropriate time to bring representatives of
13 Norfolk Southern who have some management responsibility
14 for those shops before this Committee or before any
15 committee at a future location and time to discuss their
16 intimate knowledge of those shops.

17 CHAIRMAN GEIST: All right. That's all the
18 questions. I'm going to come back to me, but I'd like to
19 defer to the other Committee members. Jerry.

20 REPRESENTATIVE STERN: I have a question
21 regarding Norfolk Southern and whether or not you've
22 closed any of your car or locomotive repair facilities
23 within the last five years and, if so, what circumstances
24 led to that decision to close those facilities?

25 MR. McCUNE: I don't know the answer to that,

1 sir. I'll find that out. To the best of my knowledge, I
2 don't know if we've closed any. I think we may have
3 consolidated some of our repair shops in the south, but
4 I'll have to find that out for you.

5 REPRESENTATIVE STERN: That's all the
6 questions I have for now, Mr. Chairman.

7 CHAIRMAN GEIST: Dave -- Representative
8 Argall.

9 REPRESENTATIVE ARGALL: Thank you,
10 Mr. Chairman. In your opening comments, you talked a good
11 bit about the impact on Pennsylvania coal; but I believe
12 all of your comments were strictly bituminous.

13 I represent an anthracite-producing area, and
14 I'd appreciate it sometime in the future if you could
15 prepare for me a statement on what the impact will be upon
16 the anthracite industry -- much smaller, but from my
17 perspective, a very important segment of our local
18 economy.

19 I'm hearing some quiet optimism back home, but
20 there's a lot of what ifs; and I'd appreciate it if you
21 could provide that information for me at a later time.

22 MR. McCUNE: Sure. It is a new market. We
23 understand metallurgic and steam coal very well, but the
24 anthracite is a completely new region for us. I do know
25 that Bill Fox, Vice President of Coal Marketing, and, I

1 believe, Bill Honasland (phonetic) have made a trip to the
2 anthracite fields.

3 If that hasn't been accomplished, it's been
4 planned in the near future to get a better grip on some of
5 the issues and the marketing capabilities and
6 opportunities that may develop for the anthracite regions.

7 REPRESENTATIVE ARGALL: Thank you.

8 CHAIRMAN GEIST: Representative Leh.

9 REPRESENTATIVE LEH: Yes. Thank you,
10 Mr. Chairman. First of all, let me state that I don't
11 pretend to understand vast consequences of such a buyout;
12 however, I do, as a small businessman, understand
13 competition. And I guess when I look at the map here,
14 what I'm trying to understand is you're talking about
15 increasing competition; but I only see green lines.

16 And I know -- I was on the Consumer -- I still
17 serve on the Consumer Affairs Committee. And as the
18 former Senator knows, we worked together last year on
19 deregulating electric. And when we deregulate electric in
20 Pennsylvania, we enable people or we will enable people,
21 people in Allentown or people in Pittsburgh, to purchase
22 electric power from generators anywhere else in this
23 Commonwealth.

24 Yet, if I have a business in Reading, I'm only
25 going to be able to use Norfolk Southern if the deal goes

1 through. I don't understand the competition. I do
2 understand you're saying that you will be able to take my
3 product to many new markets; however, I'm still going to
4 have to rely on you to transport it and no one else.

5 So that's -- I just don't understand when
6 you're saying this is going to increase competition and
7 therefore lower prices.

8 MR. McCUNE: In some areas, that remains the
9 same; but in most of the areas, in most of the consuming
10 markets in the Philadelphia/Pittsburgh area and in many
11 points in the eastern part of the state you will have
12 access to two or more Class 1s and in some cases three or
13 more Class 1s.

14 Not only will it benefit the receivers of
15 freight traffic in Pennsylvania but also to those shippers
16 who for the first time will have access by a choice of
17 Class 1 carriers -- Norfolk Southern or CSX -- into the
18 largest consumer market in the country; and that's New
19 England, Northern New Jersey, New York area. That has
20 never existed before.

21 REPRESENTATIVE LEH: Okay. I said -- there's
22 some things that I still don't see. And I can understand
23 that because you're talking something here that I'm going
24 to have a hard time understanding the whole concept of it,
25 but I'm going to be looking at it very closely. But thank

1 you. I appreciate it.

2 CHAIRMAN GEIST: Paul, this is a chance to
3 deal with something other than monster trucks for the next
4 couple weeks.

5 MR. PARSELLS: The Chairman realizes and many
6 of our members, I'm concerned with the increasing size and
7 number of trucks. I was glad to hear about your efforts
8 to get those trucks off the road.

9 One thing that I've heard in previous
10 testimony and in things that I've read about Norfolk
11 Southern is you're much more willing to take our short
12 hauls where Conrail clearly has not done that in this
13 state to any great extent. Do you see opportunities in
14 Pennsylvania for increasing short-haul business?

15 MR. McCUNE: We certainly do. As I indicated
16 in my presentation, we feel very confident in being able
17 to deliver intermodal freight very efficiently and
18 competitively at around the 500-mile mark.

19 I do know that we intend to develop new
20 intermodal markets from the Philadelphia area into the
21 Ohio Valley and aggressively market that intermodal
22 capacity, which hasn't been done before.

23 We run a profitable intermodal operation. I
24 think Tom Finkbeiner (phonetic), our vice president of
25 intermodal operations said -- and we run a railroad that

1 goes nowhere. We've learned how to do it because we don't
2 have a lot of long-haul routes between major metropolitan
3 markets. We will get that after the merger.

4 But we have sharpened our intermodal skills on
5 a lot of short hauls, and we know how to do it
6 competitively and productively. And I think that it opens
7 up a whole world of opportunities for short line,
8 intermodal hauls in Pennsylvania and from Pennsylvania to
9 surrounding states and surrounding markets.

10 MR. PARSELLS: Thank you, Mr. Chairman.

11 CHAIRMAN GEIST: Bob.

12 MR. MUSTIN: Yes. I note that following your
13 testimony there's Standard Steel, which is from Lewistown
14 which is from Senator Corman's district.

15 When we had a tour of the Conrail locomotive
16 shops a few months back, I noted that we were told that
17 steel was purchased from Standard Steel for the wheels for
18 the locomotives. I also know that Conrail purchases
19 somewhere in the neighborhood of about \$400 million of
20 goods and services from Pennsylvania companies. Will
21 Norfolk Southern continue that practice?

22 MR. McCUNE: Yes -- I mean. Yes, sir. I
23 mean, right now, we do \$100 million worth of business with
24 Pennsylvania suppliers to the rail industry and we operate
25 2 percent of the freight miles that Conrail operates today

1 in this state; and we fully expect that that \$100 million
2 level will do nothing but rise as we acquire -- hopefully
3 acquire the 2600 miles of track and the assets of Conrail
4 in the State of Pennsylvania. It can only go up.

5 CHAIRMAN GEIST: Jerry.

6 MR. McCUNE: Providing they're competitive.

7 REPRESENTATIVE STERN: It's been brought to my
8 attention that on October 7th, 1996, that Norfolk Southern
9 did issue a press release announcing that on January 6th,
10 '97, its locomotive shop in Chattanooga, Tennessee, where
11 repaired EMD Engines would be closed and consolidated with
12 its locomotive repair shop of Roanoke, Virginia, sixty
13 employees were to be relocated as a result of that
14 closure. Is that news to you or is that something you're
15 not familiar with?

16 MR. McCUNE: As I indicated to you, sir, I do
17 recall that. I'm a regional lobbyist in the Mid-Atlantic
18 and in Pennsylvania; and to the extent that I have any
19 intimate knowledge of what happens in some of the southern
20 states, I really don't. I'd be more than happy to find
21 out as much information as I can.

22 I think I said that I do recall there was some
23 closures or a closure in the Tennessee area, and I believe
24 it was Chattanooga. I'm not stonewalling you. I just
25 don't know.

1 REPRESENTATIVE STERN: Could you get that
2 information back to the --

3 MR. McCUNE: Surely.

4 REPRESENTATIVE STERN: -- Committee Chairman
5 and report back to him, please?

6 MR. LOUIS: Mr. Chairman, I'm not familiar
7 with the issue of Chattanooga versus Roanoke; but there was
8 considerable discussion which I was privy to
9 between -- during the Chairman's visit to the Altoona area
10 a couple of months ago in which he described the current
11 capacity at Roanoke as being overflowing and the fact
12 that, without respect to this Conrail acquisition, that it
13 was clear that Norfolk Southern was going to need expanded
14 capacity for locomotive repair.

15 And the clear expectation is that in addition
16 to the Conrail work which is already being done and as Pat
17 has described to you all will continue to be done through
18 these shops, there's the clear expectation that Norfolk's
19 current need for expanded capacity is also going to
20 provide the opportunity for increased business here in the
21 locomotive repair shops.

22 So it would seem to me that, if anything, the
23 prior closure of Chattanooga and consolidation into Roanoke
24 may inure to the benefit of Altoona because there is no
25 longer an existing capacity within the current Norfolk

1 system to meet their present demand.

2 CHAIRMAN GEIST: I'm going to jump over to
3 some labor questions, which I don't think that it's any
4 secret to you that we've had so many inquiries into our
5 office as to what the current labor situation is and what
6 the job retraining situation is and practices within
7 Norfolk Southern.

8 I have some questions that I would like to
9 follow-up on the labor side of this and employment side of
10 it. On November 12th, 1996, Mr. Goode in a presentation
11 before Solomon Brothers Transportation Conference in New
12 York indicated that a CSX/Conrail acquisition would have
13 resulted in substantial overlap of CSX/Conrail routes and
14 facilities.

15 He stated, quote, I wish Conrail employees
16 could have heard the CSX/Conrail conference call last week
17 with the analysis. If they had, they would have heard the
18 list of yards and shops being considered for
19 consolidation.

20 From a job security standpoint, if I were in
21 the safety shoes of the Conrail employee, I would welcome
22 Norfolk Southern with open arms. I welcome a merger with
23 a company whose physical plant extends and complements
24 rather than duplicates the Conrail system.

25 At the same time, I'd be concerned about my

1 retirement. I want my overfunded Conrail pension fund to
2 be combined with Norfolk Southern's overfunded pension
3 plan. I would not want it anywhere close to CSX'S, which
4 had been on the Pension Benefit Guaranteed Corporation's
5 of Most Underfunded Pension Plans.

6 Quote, Fund statement by your president and
7 CEO raises a number of very important issues to Conrail
8 employees in this community. With Norfolk Southern's
9 Roanoke Shops only 700 miles south of Altoona, this
10 community is justifiably concerned about what the Norfolk
11 Southern takeover of these repair facilities will hold for
12 the future.

13 And as a result of your continuing development
14 of an over-operating plan and assessment of the assets to
15 be acquired from Conrail, have you identified any
16 redundancies or duplication of facilities that would
17 result in reduction of employment at Hollidaysburg or
18 Juniata Shops?

19 And on that 42 percent takeover, who gets the
20 42 percent of the pension funds that would go to CSX?
21 These are -- some of these labor questions really need to
22 be addressed in public.

23 MR. McCUNE: Commenting on the first part of
24 your question, I believe you asked why is Norfolk Southern
25 a benefit for Conrail, its system, and its employees than

1 the CSX proposed merger. And I think the Chairman --

2 CHAIRMAN GEIST: That's correct.

3 MR. McCUNE: -- answered it later on in his
4 statement that if you overlay a map of the current Norfolk
5 Southern System, the current Conrail System, that it's an
6 end-to-end fit.

7 And you will find that there were far less
8 duplications, far less redundant assets, far less
9 redundant lines with our proposed merger and our proposed
10 plan than there was in the proposed CSX/Conrail
11 acquisition plan that was unveiled in October of 1996.

12 CHAIRMAN GEIST: The reason that we went back
13 a collected all these quotes was that -- I think everybody
14 in this room and everybody watching the television was
15 very aware of the ads that were running when CSX and
16 Conrail were in love.

17 And then after CSX and Norfolk Southern fell
18 in love, then Conrail was shuffled aside. My question I'd
19 asked in Harrisburg was before, What made this love affair
20 take place? We see the different ads and different quotes
21 now basing these questions. So I'm very, very concerned
22 about the pension plans and the employees and the future
23 of the employment here, and that's why these questions are
24 being asked.

25 MR. McCUNE: They are legitimate concerns. We

1 have marked those concerns down. I hope that we have gone
2 to the extent possible to help allay some of those
3 concerns. Obviously, the details will be unveiled in the
4 operating plan.

5 But as Mr. Louis indicated, the Roanoke Shops
6 are at capacity; and we don't see, I mean, at this point,
7 any threat from those shops siphoning off work from the
8 local shops here.

9 CHAIRMAN GEIST: On December 4th, 1996,
10 Norfolk Southern ran a newspaper ad in eighteen newspapers
11 serving cities with significant numbers of Conrail
12 employees. This ad urged Conrail employees to support a
13 Norfolk Southern acquisition of Conrail and argued that a
14 combination of CSX wasn't good for Conrail employees.

15 In that advertisement, Norfolk stated, quote,
16 At the same time, Conrail's major Hollidaysburg and
17 Altoona Shops are within 70 miles of CSX facilities at
18 Cumberland, Maryland. Redundancies like these could add up
19 to lost jobs.

20 It also stated, Conrail employees have every
21 reason to support a combination with Norfolk Southern.
22 Norfolk Southern System extends and compliments the
23 Conrail System rather than duplicating it.

24 May we assume from the publication that
25 Norfolk Southern does not believe that the Hollidaysburg

1 and Juniata repair facilities duplicate or create
2 redundancy with respect to the Roanoke and -- facilities?

3 MR. McCUNE: I hope I've answered that,
4 Mr. Chairman. We see no duplication and no redundancy and
5 no threat.

6 CHAIRMAN GEIST: A lot of these things you've
7 touched upon in your testimony. We would really hope that
8 we could get detailed answers, especially in the division
9 of services and goods because we do have a facility at CSX
10 very close by.

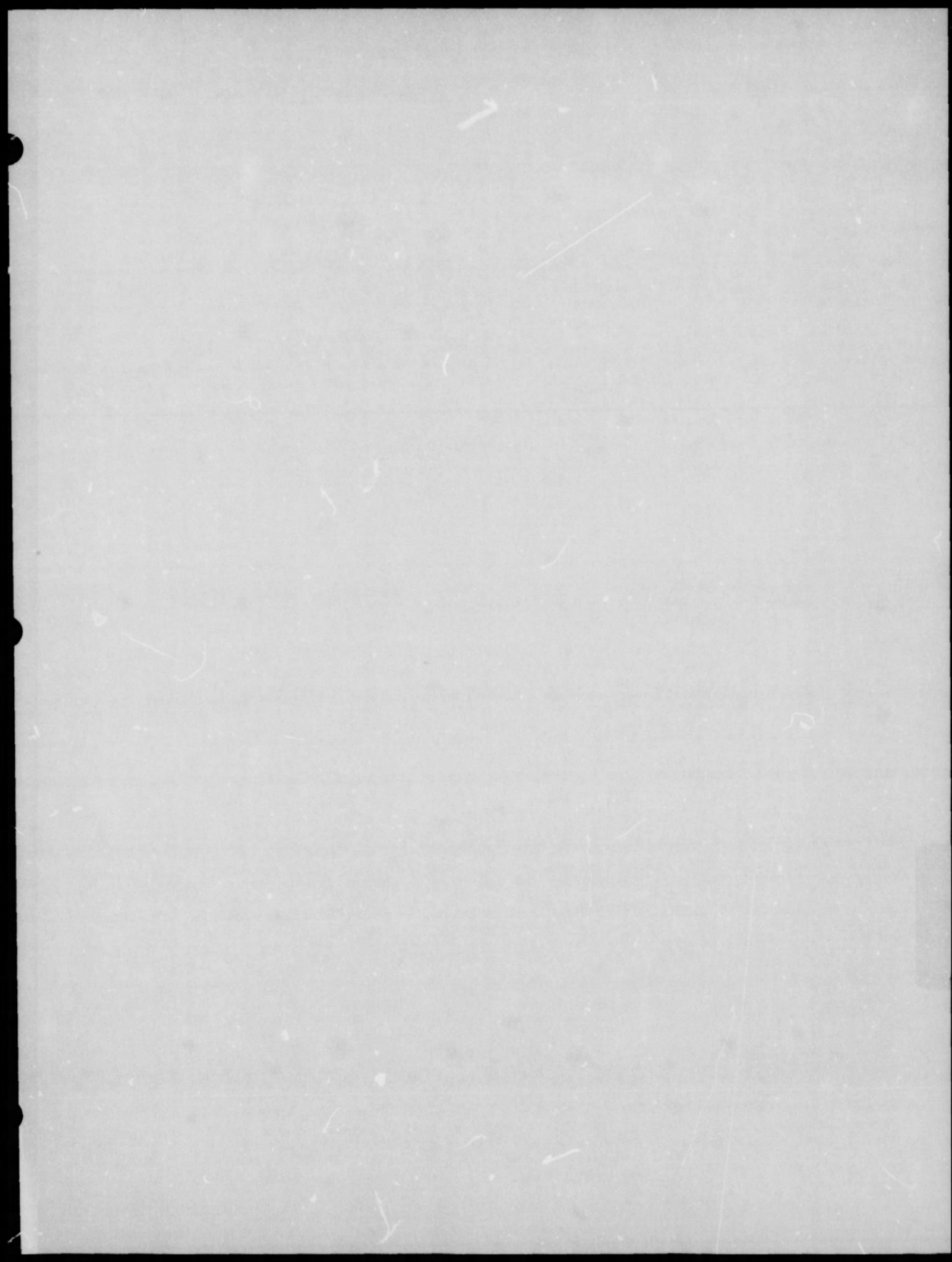
11 MR. McCUNE: As far as your question on how
12 you divide the pension assets, it's a legitimate question.

13 CHAIRMAN GEIST: It's a very legitimate
14 question.

15 MR. McCUNE: I don't know. We'll certainly
16 find out. I do know that some of these things have yet to
17 be decided and will be worked on probably up and through
18 the submission of our operating plan to the Surface
19 Transportation Board.

20 CHAIRMAN GEIST: We have received numerous
21 inquiries in our office from local Conrail retirees and
22 employees regarding the status of their supplemental
23 pension plan as a result of the acquisition and the
24 division of Conrail.

25 As your own CEO has pointed out, the Norfolk



PETITIONERS'

EXHIBIT 24

NORFOLK SOUTHERN OPENING STATEMENT
PA HOUSE OF REPRESENTATIVES
TRANSPORTATION COMMITTEE
ALTOONA, PA
APRIL 12, 2001

RICHARD F. TIMMONS
RESIDENT VICE PRESIDENT, PUBLIC AFFAIRS

Good morning Mr. Chairman and other distinguished members of the Committee, local officials and others with interest in Norfolk Southern and its operations in the Commonwealth of Pennsylvania

I thank you for the opportunity today to present information that I believe will be most useful as you review the past performance of Norfolk Southern since the Conrail acquisition in June of 1999. I would much rather have met this body of distinguished legislators under more favorable circumstances, and I regret that the reason for these hearings is the decision Norfolk Southern made to close the Car Shops at Hollidaysburg, but from my perspective this is still a constructive forum for a useful, two-way dialogue concerning the current Norfolk Southern situation as it has evolved over the past 22 months.

Let me begin by saying that I have three observations to offer this morning and with your permission and I would like to elaborate on each. These observations are:

- ♦ First, the information process underlying the Norfolk Southern Conrail acquisition of 1999.
- ♦ Second, the ongoing Norfolk Southern strategy to address our current economic and service challenges.
- ♦ And lastly, the Norfolk Southern investment in the Commonwealth of Pennsylvania over the past 2 years and the general contributions to state organizations and institutions - our good neighbor initiatives.

Permit me at this time to comment on each of these in turn and then I will be pleased to address any questions you may have concerning what I have provided in this testimony or other matters that you believe are important for us to discuss.

In relation to the first point, **our railroad and the Conrail acquisition process**, let me point out several details that are not well understood and have a direct bearing on how we at Norfolk Southern approached the acquisition and developed the high expectations we promoted in our comments and testimony to state and federal officials.

- The base year for the Conrail traffic studies and operating plans was 1995. That was the most recent data available on Conrail's operations and that data was used to make projections and calculations on what Norfolk Southern could expect to realize from a revenue and operating standpoint once the acquisition had occurred.

- The application to the Surface Transportation Board in Washington for the acquisition of Conrail actually was submitted in 1997.
- And, the control date was in August of 1998. This was the technical date that Norfolk Southern and CSX could legally take control of their portions of the Conrail system.
- And as we all know the transaction was actually realized and executed in June of 1999
- Many of the shippers that used the Conrail system did not commit and award contracts for traffic until just before the June 1999 split date. Split date refers to the division of the Conrail system between Norfolk Southern and CSX in a 58 to 42% ratio. Even though nearly everyone involved with shipping on the railroads was aware of the upcoming Norfolk Southern - CSX transaction, shippers opted to bargain for the best deal and wait until the last minute to commit one way or the other. This is normal and fully understandable. The consequence of this, however, was that Norfolk Southern and CSX were both faced with vastly different service requirements and operating plans, most notable in the Shared Assets Area, and had to modify their plans right up until the last minute. These last minute adjustments were clearly not the result of poor data or inaccurate or exaggerated benefits projections, but were clearly as a result of unanticipated customer decisions at the last minute.
- During this period of uncertainty, both railroads were vigorously competing for business, locking in contracts without any fuel adjustments, and moving quickly based on the prevailing record setting national economic trends of growth and prosperity that the nation had been experiencing since 1993.

From the period 1997 through 1999, railroad analysts, our service design personnel, marketing teams, the transportation departments, and Wall Street were optimistic about the future growth and great economic potential of this new northeastern franchise. We spent two years working to get the foundation in place and based on everything that we thought we knew, we were confident of the outcomes and our success. When asked, we were enthusiastic and confident about the future of our new system and believed we had the numbers to support that optimism.

We promoted it strongly, believed what we said and backed that aggressiveness up with dollars when we paid dearly for our portion of the Conrail system, approximately 58%. No one to my knowledge had other than the highest expectations for our new system and our future prosperity as reflected by the U.S. economy during 1998 and 1999.

Now between the time the 1995 Conrail data base was used as the baseline and the year 2000, a number of interesting and unpredictable economic developments occurred in our commodities departments. All of which strongly compelled modifications in our operating plans and traffic patterns as a result of new customers, plant sitings, shifts in production decided by customers and significant changes in world and domestic markets. For example:

- **Metals (Steel):** Between 1995 and last year, six steel mills which shipped 34,000 carloads generating \$34.5 million in freight revenue on NS' lines closed and another 12 which shipped 76,000 carloads generating \$72.1 million in freight revenues opened.
- **Chemicals:** Between 1997 and last year, 12 chemical production facilities which shipped more than 14,000 carloads generating \$23 million in freight revenues on NS' lines closed or shifted production and 16 such facilities which shipped more than 16,000 carloads generating \$21.4 million opened or expanded production.
- **Export and Coastwise Coal:** Dramatic changes in the world market for coal have curtailed significantly the amount of coal shipped via NS' Lamberts Point, Virginia export facilities, with last year's total dumpings at exactly 10 million tons less than in the Conrail "base year" of 1995 (18.9 million tons vs. 28.9 million tons). And as recently as 1991 that total was 38.5 million tons.
- **Intermodal:** Following the Conrail Split Date, NS handled approximately 5500 loads per week for APL, the largest steamship stacktrain operator. Less than six months later, APL was purchased by Neptune Orient Lines and it entered into a long-term contract that resulted in the shift of all of its traffic from NS to CSX, essentially stripping NS of almost 20% of its total intermodal business. Yet NS - which could scarcely have projected in the Conrail consolidation application the purchase of the largest US container shipping line by a Singapore shipping line - aggressively sought and won replacement business, including significant volumes with BNSF, and in short order was actually handling more intermodal loads than it had before losing the APL business. But the movement patterns and supporting train services for this business changed dramatically.

These examples bring home the reality of our constantly changing business requirements that obviously demand new capital investments and reconfigured service offerings in order to capitalize on the opportunities and meet demands of the changing market place.

Coupled with these dynamic conditions, the current U.S. economic downturn over the past eight months has hit the railroad industry hard. For Norfolk Southern, this has been very measurable and the implications are clear. For example,

- Diesel fuel prices have increased significantly in the past year from \$.75 in January of 2000 to \$1.12 in January 2001. This is a 47% increase in one year. No one in 1997-98 could have foreseen this dramatic increase or calculated the costs to the railroad.
- Our carloadings are a direct reflection of the economy:
 - Coal down 2.2%
 - Agriculture down 2%
 - Metals and construction down 11%
 - Chemical down 4%
 - Paper Products down 7%
 - Automotive down 10%
 - Only Intermodal has increased - up 6%
 - Overall, a decline of 2% or 61.4 thousand carloads in a year.

The impacts on our revenues are clear and the requirements to address these problems are obvious. But I must re-emphasize the point that our plans and commitments and statements prior to coming to Pennsylvania were made in good faith and with the best information available at the time. No company consciously makes investments that are going to result in economic losses and failures. Norfolk Southern has experienced a significant economic turndown that was a true surprise. We made forecasts that turned out to be exaggerated and that cannot now be sustained in this current economic environment. This is the truth of the matter and while unfortunate, this reality underlies the reason for the ongoing corporate restructuring that has been underway for the past year at Norfolk Southern.

As all in this room are so well aware, the acquisition of Conrail in Pennsylvania went very poorly for Norfolk Southern for the first 6-8 months. Our now well known computer problems produced an escalating series of very serious congestion, lost car, misrouting, locomotive and crew availability problems that took months to correct. But all of that is behind us now and the overall record speaks for itself. By the spring of 2000, less than a year after the acquisition, the railroad was back in action and rapidly improving each week.

The Surface Transportation Board mandatory report this week reflects Norfolk Southern train speeds of 22.3 MPH, dwell times of 23.7 HRS and cars online 203K. These are dramatic improvements from a year ago and vastly different numbers from the summer and fall of 1999. The Norfolk Southern railroad system in Pennsylvania is fluid, flexible, retains capacity and is safe and being upgraded as we speak as the summer construction season is now underway throughout the state.

But this is just a start. Our aim is to grow the business, improve the system, and preserve what we have built over the past two years. As many of you are aware, we have few options in this regard. Our stock has declined 60% in two years and our debt with the Conrail acquisition remains at \$7B. Carloadings are down as are overall revenues. We have difficult and serious work before us, but we are committed to seeing what we started through to a successful conclusion.

This leads me to observation number two, the Norfolk Southern strategy to address these challenges and service issues that we are experiencing today and, incidentally so are the other major railroads in the United States.

- NS has embarked on a corporate restructuring campaign that has reduced the management force by 20%.
- We will reduce the workforce by 1,000 - 2,000 employees this year.
- We will dispose of 12,000 railroad cars over the next year.
- Will eliminate 4,000 miles of our 22,000 mile system, principally in the southeastern United States.
- Divest ourselves of 10 redundant or underutilized facilities.

- Sell real estate, mineral and timber rights.
- Redesign Norfolk Southern's service network with the assistance of Multi-modal Applied Systems analysts.
- Use outside analysts to evaluate the organizational structure and operations of the corporation and make changes as appropriate.
- We have already cut the dividend this year by 70%. This is the first time ever that Norfolk Southern has reduced the dividend.

Unquestionably, the focus must be on service and we are determined to improve our service. We will do that with technical innovations, internal reorganizations, partnering with other railroad systems across the United States, develop operating plans and investments driven by computer analysis and continue to focus on operating a safe and reliable railroad. If we are not able to successfully reshape the railroad and make it more reliable, customer friendly, service oriented and adaptable to the dynamics of the market place, the company at large will be at serious risk and the other 5,500 employees of the company in Pennsylvania will be in jeopardy.

We seriously regret the closing of the Hollidayburg Car Shops. We did not come to Pennsylvania to struggle with service, labor and business problems. We fought hard to be part of a historic rail network with a renowned labor force that was anticipated to be wonderful blending of an unparalleled north-south and east-west freight rail system. We still believe in the viability of that system and are working hard to make it a reality.

And finally, the last observation I would like to make is that of the Norfolk Southern commitments to the Commonwealth over the past two years. Let me break this out by broad category.

- Investments to Support Increased Traffic: \$79.8M
- Investments to Improve Service and Operating Efficiency: \$34M
- Investments in Public and Environmental Improvements: \$30.7M; and \$389K to Altoona
- Fiber Optic Investments: \$52.2M; and \$17M to the Altoona area
- Basic Railway Infrastructure: \$109.4M
- Investments in Shops and Mechanical Facilities: \$17.3M; and \$16M to Altoona and Hollidaysburg Shops
- Miscellaneous Railway Investments: \$17.4M; and \$179K to Altoona
- Shared Asset Capital Investments: \$1.7M
- For a total of \$342,870,752

Some of the highlights include:

- Worked with Bethlehem Steel to establish the \$12M intermodal freight terminal at Bethlehem.
- We are close to a \$15M intermodal terminal contract at the PNBC.

- \$6M in cash to the City of Philadelphia to advance the redevelopment of the Naval Shipyard - specifically Kvaerner shipyards.
- \$5M on track expansions for new industries.
- \$33 M on track expansion for a steel importing firm at U.S. Steel Fairless Works.
- \$3M coal unloading facility at Homer City power plant.
- \$5.8M batch weigh loading system at Consols Baily Mine at Waynesburg.
- \$28M rail line to the Keystone Power Plant in Shelocta.
- \$31M for Rutherford Yard Intermodal Hub in Harrisburg
- \$6.9M for Conway Yard near Pittsburgh.
- \$6.8M signals upgrade on the Harrisburg to Philadelphia line.
- \$4.9M for the Northern Region headquarters building in Harrisburg.
- \$4.2M in Harrisburg for new track connections and signals.
- \$2.2M for new connections in Bethlehem yards.
- \$1.2M for fueling facility improvements in Harrisburg.
- \$8M for general shop improvements.
- \$52M invested for fiber optic cable conduits along the Pennsylvania right-of-way.

It goes without further elaboration that many of these and others have very important implications for safety, environmental, power generation, and communications for the citizens of the Commonwealth.

Overall \$342.8M invested to date in Pennsylvania with another \$30M proposed. I am not aware of any other state in the Norfolk Southern system of 22 states that has received this level of investment across such a broad spectrum of our activities and facilities. This is an unprecedented level of commitment.

As new neighbors to many of you, we have strived hard to be good neighbors. Many organizations throughout the state have asked for contributions and we have stepped up to those requests. The Norfolk Southern Foundation has donated \$144,700; and \$42.5K to Blair County alone. We have contributed \$15,000 to the independent colleges and universities and \$10,700 as matching gifts to Pennsylvania organizations.

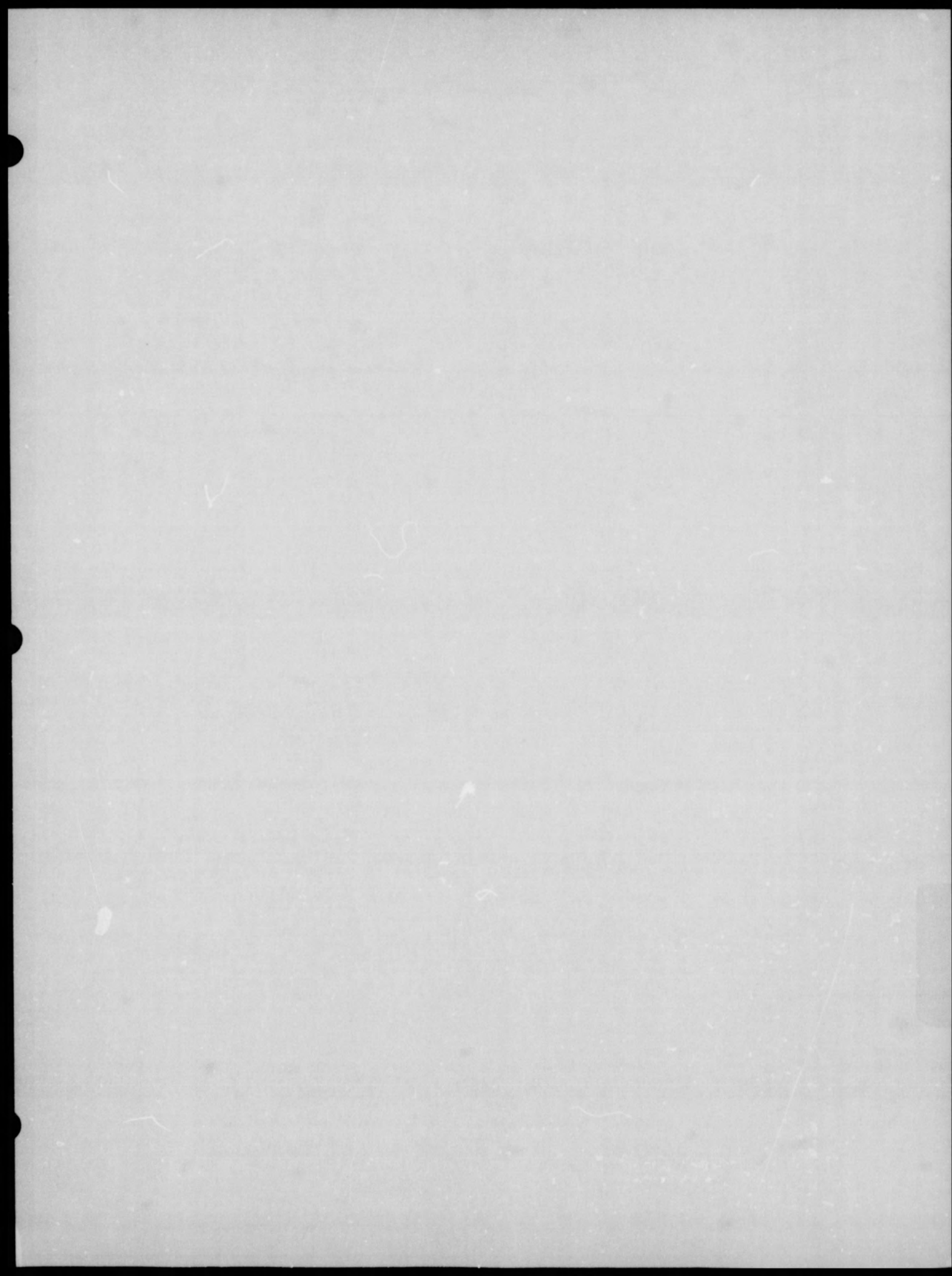
Community frustrations in and around Chambersburg and Erie, Pennsylvania due to mainline tracks running through the center of the towns have been relocated at a cost to Norfolk Southern of \$8M.

We have cooperatively engaged in serious discussions across the Commonwealth on commuter rail issues such as the Harrisburg Corridor One, Schuylkill Valley Metro, Pittsburgh Mon-Fayette Expressway and other exploratory initiatives that could prove beneficial to the citizens of the Commonwealth in years to come if the details of federal and state regulations as well as financing can be reconciled.

As many on this Committee are well aware, Pennsylvania has more regional and short line railroads of any state in the nation, approximately 60. We have strong partnerships with many of these railroads who are providing services, economic development and employment opportunities to numerous communities throughout the state. Our Chairman, Mr. David Goode, led the American

railroad industry in establishing a cooperative railroad agreement with short lines to facilitate their operations and growth and revenues.

Mr. Chairman and members of the Committee, our history of investment and commitment to the Commonwealth of Pennsylvania is clear and a matter of record. You may not agree with where we have invested our money and what our priorities have been. These have been business decisions tied to our obligations to our stockholders and to the future health and well being of Norfolk Southern Railway Corporation. We made it clear when we arrived in Pennsylvania that we were here for the long term and that our investments and business decisions were tied to that long term view. We still are committed to improved service, growth of revenue and cooperation with officials, communities and our business partners. My sincere thanks to you for your forbearance in hearing me out this morning and I now stand ready for any comments or questions you may have.



PETITIONERS'

EXHIBIT 25

FOR WIRE TRANSMISSION: 8:30 A.M. EDT, FRIDAY, APRIL 27, 2001

Virginia H. Mannering: (202) 606-5304
Recorded message: 606-5306

BEA 01-10

GROSS DOMESTIC PRODUCT: FIRST QUARTER 2001 (ADVANCE)

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 2.0 percent in the first quarter of 2001, according to advance estimates released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 1.0 percent.

The Bureau emphasized that the first-quarter "advance" estimates are based on source data that are incomplete or subject to further revision by the source agency (see the box on page 3). The first-quarter "preliminary" estimates, based on more comprehensive data, will be released on May 25, 2001.

Personal consumption expenditures (PCE) was the largest contributor to the increase in GDP in the first quarter. Government spending, nonresidential structures, and residential structures also contributed to the increase. The contributions of these components were partly offset by a large decrease in private nonfarm inventory investment and decreases in exports and in equipment and software. Imports, which are a subtraction in the calculation of GDP, decreased.

The acceleration in real GDP growth in the first quarter primarily reflected an upturn in PCE for goods, a smaller decrease in exports, and an upturn in residential fixed investment that were partly offset by a larger decrease in private inventory investment and a deceleration in PCE for services. There was a much larger decrease in imports in the first quarter than in the fourth.

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 2.8 percent in the first quarter, compared with an increase of 1.9 percent in the fourth. Excluding food and energy prices, the price index for gross domestic purchases increased 2.4 percent in the first quarter, compared with an increase of 1.6 percent in the fourth.

NOTE.--Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between these published estimates. Percent changes are calculated from unrounded data and annualized. "Real" estimates are in chained (1996) dollars. Price indexes are chain-type measures.

- more -

Real personal consumption expenditures increased 3.1 percent in the first quarter, compared with an increase of 2.8 percent in the fourth. Durable goods purchases increased 11.9 percent, in contrast to a decrease of 3.1 percent. Nondurable goods increased 2.6 percent, compared with an increase of 1.0 percent. Services expenditures increased 1.7 percent, compared with an increase of 4.9 percent.

Real nonresidential fixed investment increased 1.1 percent in the first quarter, in contrast to a decrease of 0.1 percent in the fourth. Nonresidential structures increased 11.0 percent, compared with an increase of 10.4 percent. Equipment and software decreased 2.1 percent, compared with a decrease of 3.3 percent. Real residential fixed investment increased 3.3 percent, in contrast to a decrease of 3.6 percent.

Real exports of goods and services decreased 2.2 percent in the first quarter, compared with a decrease of 6.4 percent in the fourth. Real imports of goods and services decreased 10.4 percent, compared with a decrease of 1.2 percent.

Real federal government consumption expenditures and gross investment increased 5.7 percent in the first quarter, compared with an increase of 3.8 percent in the fourth. National defense increased 4.9 percent, compared with an increase of 8.9 percent. Nondefense increased 7.0 percent, in contrast to a decrease of 4.6 percent. Real state and local government consumption expenditures and gross investment increased 3.1 percent, compared with an increase of 2.5 percent.

The real change in private inventories subtracted 2.48 percentage points from the first-quarter change in real GDP, after subtracting 0.62 percentage point from the fourth-quarter change. Private businesses reduced inventories \$7.1 billion in the first quarter, following increases of \$55.7 billion in the fourth quarter and \$72.5 billion in the third.

Real final sales of domestic product -- GDP less change in private inventories -- increased 4.6 percent in the first quarter, compared with an increase of 1.7 percent in the fourth.

Gross domestic purchases

Real gross domestic purchases -- purchases by U.S. residents of goods and services wherever produced -- increased 0.6 percent in the first quarter, compared with an increase of 1.5 percent in the fourth. Gross domestic purchases is equal to GDP minus net exports of goods and services.

Disposition of personal income

Current-dollar personal income increased \$121.2 billion in the first quarter, compared with an increase of \$80.7 billion in the fourth. Personal tax and nontax payments increased \$28.9 billion, compared with an increase of \$34.6 billion.

Disposable personal income increased \$92.2 billion in the first quarter, compared with an increase of \$46.1 billion in the fourth. Real disposable personal income increased 2.0 percent, compared with an increase of 0.7 percent.

Personal outlays increased \$115.0 billion in the first quarter, compared with an increase of \$83.9 billion in the fourth. Personal saving -- disposable personal income less personal outlays -- was a negative \$74.3 billion in the first quarter, compared with a negative \$51.6 billion in the fourth. The personal saving rate -- saving as a percentage of disposable personal income -- decreased from a negative 0.7 percent in the fourth quarter to a negative 1.0 percent in the first.

Current-Dollar GDP

Current-dollar GDP -- the market value of the nation's output of goods and services -- increased 5.2 percent, or \$129.2 billion, in the first quarter to a level of \$10,243.6 billion. In the fourth quarter, current-dollar GDP increased 3.0 percent, or \$75.0 billion.

Information on the assumptions used for unavailable source data is provided in a technical note that is posted with the news release on BEA's and STAT-USA's Web sites. Within a few days after the release, a detailed "Key Source Data and Assumptions" file is also posted on the STAT-USA site. In the middle of each month, an analysis of the current quarterly estimates of GDP and related series is made available on both Web sites; click on Survey of Current Business, "Business Situation."

* * *

BEA's major national, international, regional, and industry estimates; the Survey of Current Business; and BEA news releases are available without charge on BEA's Web site:

<www.bea.doc.gov>

STAT-USA maintains an Internet site that contains BEA estimates, the Survey of Current Business, and BEA news releases. For information about STAT-USA, go to <www.stat-usa.gov>, or call (202) 482-1986. Subscriptions for single-user unlimited access to STAT-USA's Internet information are \$75.00 for 3 months or \$175.00 for 1 year.

Summary BEA estimates are available on recorded messages at the time of public release at the following telephone numbers:

(202) 606-5306	Gross domestic product
606-5303	Personal income and outlays
606-5362	U.S. international transactions

Most of BEA's estimates and analyses are published in the Survey of Current Business, BEA's monthly journal. Subscriptions and single copies of the printed Survey are for sale by the Superintendent of Documents, U.S. Government Printing Office. Internet: <bookstore.gpo.gov>; phone: 202-512-1800; fax: 202-512-2550; mail: Stop SSOP, Washington, DC 20402-0001.

* * *

Next release -- May 25, 2001, at 8:30 A.M. EDT for:
Gross Domestic Product: First Quarter 2001 (Preliminary)
Corporate Profits: First Quarter 2001

Comparisons of Revisions to GDP

Quarterly estimates of GDP are released on the following schedule: "Advance" estimates, based on source data that are incomplete or subject to further revision by the source agency, are released near the end of the first month after the end of the quarter; as more detailed and more comprehensive data become available, "preliminary" and "final" estimates are released near the end of the second and third months, respectively. The "latest" estimates reflect the results of both annual and comprehensive revisions.

Annual revisions are usually carried out each summer and cover the quarters of the most recent calendar year and of the 2 preceding years. Comprehensive (or benchmark) revisions are carried out at about 5-year intervals and incorporate definitional and classificational changes that update the accounts to portray more accurately the evolving U.S. economy and statistical changes that update the accounts to reflect the introduction of new and improved methodologies and the incorporation of newly available and revised source data.

The table below shows comparisons of the revisions between quarterly percent changes of GDP for the different vintages of the estimates. These comparisons can be used to assess the likely size of future revisions. For example, two-thirds of the revisions between the quarterly change in the advance estimate of real GDP and that in the final estimate were within a range of -0.6 to +0.9 percentage point. Thus, based on past history, the first-quarter change in real GDP now estimated at 2.0 percent at an annual rate, is not likely to be revised below 1.4 percent or above 2.9 percent in the next two releases.

Revisions Between Quarterly Percent Changes of GDP: Vintage Comparisons [Annual rates]

Vintages compared	Average without regard to sign	Range	
		Two-thirds of revisions	Nine-tenths of revisions
<u>Current-dollar GDP</u>			
Advance to preliminary.....	0.6	-0.5 to 0.9	-0.9 to 1.4
Advance to final.....	.7	- .6 to 1.0	- .9 to 1.6
Preliminary to final.....	.3	- .3 to .4	- .6 to .7
Advance to latest.....	1.3	- .6 to 2.0	-1.9 to 3.7
Preliminary to latest.....	1.2	-1.1 to 1.7	-1.6 to 3.0
Final to latest.....	1.3	-1.0 to 2.2	-1.7 to 2.9
<u>Real GDP</u>			
Advance to preliminary.....	0.5	-0.5 to 0.7	-0.9 to 1.2
Advance to final.....	.6	- .6 to .9	- .9 to 1.3
Preliminary to final.....	.3	- .4 to .4	- .5 to .6
Advance to latest.....	1.4	-1.1 to 2.0	-1.6 to 3.4
Preliminary to latest.....	1.4	-1.2 to 2.0	-1.7 to 3.1
Final to latest.....	1.4	-1.1 to 2.3	-1.8 to 3.0

NOTE.--These comparisons are based on the period from 1978 through 1999 for the first three comparisons in each group and on the period from 1978 through 1997 for the last three comparisons in each group.

The Washington Post

SATURDAY, APRIL 28, 2001

HOME
EDITION

Inside: Real Estate
Today's Contents on Page A2

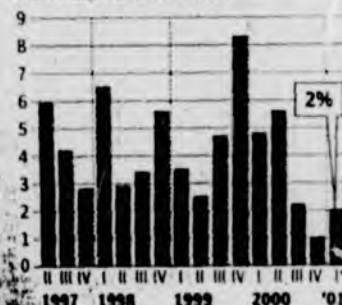
25¢

Prices may vary in areas outside metropolitan
Washington. (See box on Page A2)

Seeing Double

The nation's economy grew about twice as fast as many predicted in the first quarter of 2001.

Gross domestic product, seasonally adjusted, annual rate
Percent change from previous period



*preliminary numbers
SOURCE: Department of Commerce

Economy Beats Expectations

Strong Consumer Spending Calms Fears of Impending Recession

By JOHN M. BERRY
Washington Post Staff Writer

Americans bought so many cars, refrigerators and other goods that the U.S. economy grew faster than expected in the first three months of the year, when some experts thought the nation's 10-year expansion was coming to an end.

The economy grew at a 2 percent annual rate in the first quarter, the Commerce Department reported yesterday, double the pace of late last year and about twice as fast as most forecasters had predicted.

Analysts said the gain, largely driven

by rising consumer spending, indicated the economy was not in as bad shape as it had appeared during the winter, when stocks were falling, layoff announcements were multiplying and some economists and politicians were warning of a possible recession.

"These are great numbers," said economist James Glassman of JP Morgan Chase Securities. "They suggest that the economy is not nearly as weak as was feared and that we are not close to being in a recession."

"The reason everyone feels so bad about the economy is that at 2 percent

growth, we are operating far below our potential," Glassman said.

Stocks rallied in response to the Commerce report. The Dow Jones industrial average gained 117.70 points to close at 10,810.05. The Nasdaq composite index rose 40.80 to 2075.68. However, Glassman and other analysts cautioned that with unemployment rising and both business and consumer confidence falling, the demand for goods and services in coming months remains uncertain. As a result, most of them said the Federal Reserve

See ECONOMY, A12, Col. 1

1st-Quarter Economic Growth a Surprise

ECONOMY, From A1

likely to continue cutting short-term interest rates.

The Fed has lowered its target for overnight rates by 2 percentage points since the beginning of the year, with another half-point reduction probable, Glassman said.

But given the picture of the economy painted by the Commerce report, particularly the large reduction in business inventories, "I think it is doubtful they will go beyond that," he said.

In January, Fed Chairman Alan Greenspan worried that economic growth had slowed nearly to a stop. As recently as March, White House officials warned that President Bush's proposed tax cut was needed to prevent a recession.

Meanwhile, Americans were buying. The most important factor in first-quarter growth was a solid gain in consumer spending, which rose at a 3.1 percent annual rate, up slightly from a 2.8 percent rate in the fourth quarter of last year. The rate in part reflected a big jump in spending on durable goods such as cars, appliances and furniture. Consumer purchases account for roughly two-thirds of GDP.

Spending for housing and business structures both rose, as did outlays by both federal and state and local governments.

Another positive note in the report was a significant drop in the U.S. trade deficit. The better trade results added 1.38 percentage points to the overall increase in the GDP, which measures the amount of goods and services produced in the United States after adjustment for inflation.

"The trade numbers show that U.S. producers are not suffering as much as it appeared," Glassman said. "This is not a great story for global growth but it means things are better in this country than we thought."

The first-quarter growth rate, an estimate based on incomplete data, confirmed that businesses have moved unusually fast to get rid of the unwanted inventories that built up in the second half of last year, when spending by both consumers and businesses slowed sharply. The report said the decline in inventories cut 2.48 percentage points off the first-quarter growth rate.

While some industries, especially manufacturers of high-tech equipment, still have problems, analysts said most of the production cuts required to reduce inventories appear to have been made. If so, that means the drag on growth from inventories will be much smaller later this year.

Besides inventories, the only decline was in business spending for new equipment and software, which fell at a 2.1 percent annual rate.

When the Fed cut its target for overnight rates by half a percentage point last week, policymakers cited concerns about the future of business investment as one reason for their action. Business profits, an important source of funding for investment, are down, but the most important determinant of spending for new plants and equipment is whether there will be a demand for what will be produced. That is why analysts are still cautious about the U.S. economic outlook.

If consumer spending continues to increase even at a modest rate, businesses will be much more likely to avoid major cuts in capital investment except in few especially hard-hit sectors, such as telecommunications, where there is an enormous overcapacity.

Most forecasters have been predicting that economic growth would pick up in the second half of this year and, according to a number of analysts, the Commerce figures support those predictions but hardly guarantee their accuracy.

However, concerns about the future of consumer spending were reinforced yesterday by another report showing that consumer sentiment fell this month as worries about jobs continued to deepen. The University of Michigan's index of consumer sentiment fell to 88.4 from 91.5 last month. However, the final April figure was up a bit from a preliminary reading two weeks ago.

"The gain recorded in late April was due to the rebound in stock prices as well as the cut in interest rates," a survey official said. "Importantly, lower interest rates have not improved buying attitudes. Consumers are not convinced that the rate cuts will quickly restore favorable job and income prospects, and the continued increases in job and income uncertainty will dampen consumer spending throughout the balance of the year."

Most of the drop in confidence was in consumers' assessment of current economic conditions rather than their expectations about how the economy will perform in coming months.

Norfolk Southern beats estimates, but sees challenges

Updated 10:10 a.m. ET, Thu Apr 26, 2001

From wire reports

NEW YORK - Norfolk Southern Corp. nearly doubled Wall Street forecasts Wednesday after two other major U.S. **railroads** missed earnings targets earlier in the week.

The **railroad's** earnings rose to \$61 million, or 16 cents a share, even better than the highest estimate of analysts surveyed by earnings tracker First Call, whose forecasts ranged from breakeven to 15 cents a share, with a consensus forecast of 9 cents.

Norfolk Southern, which combined about half the former Conrail into its system starting in 1999, earned \$14 million, or 4 cents a share, a year earlier, excluding a charge for cutting staff in the wake of the Conrail integration.

Including that charge and a gain from the sale of its North American Van Lines business, the company reported net income \$74 million, or 19 cents a share, compared with a net loss of \$48 million, or 12 cents a share, a year earlier.

Railroad officials warned that a slowing U.S. economy could cause problems going forward.

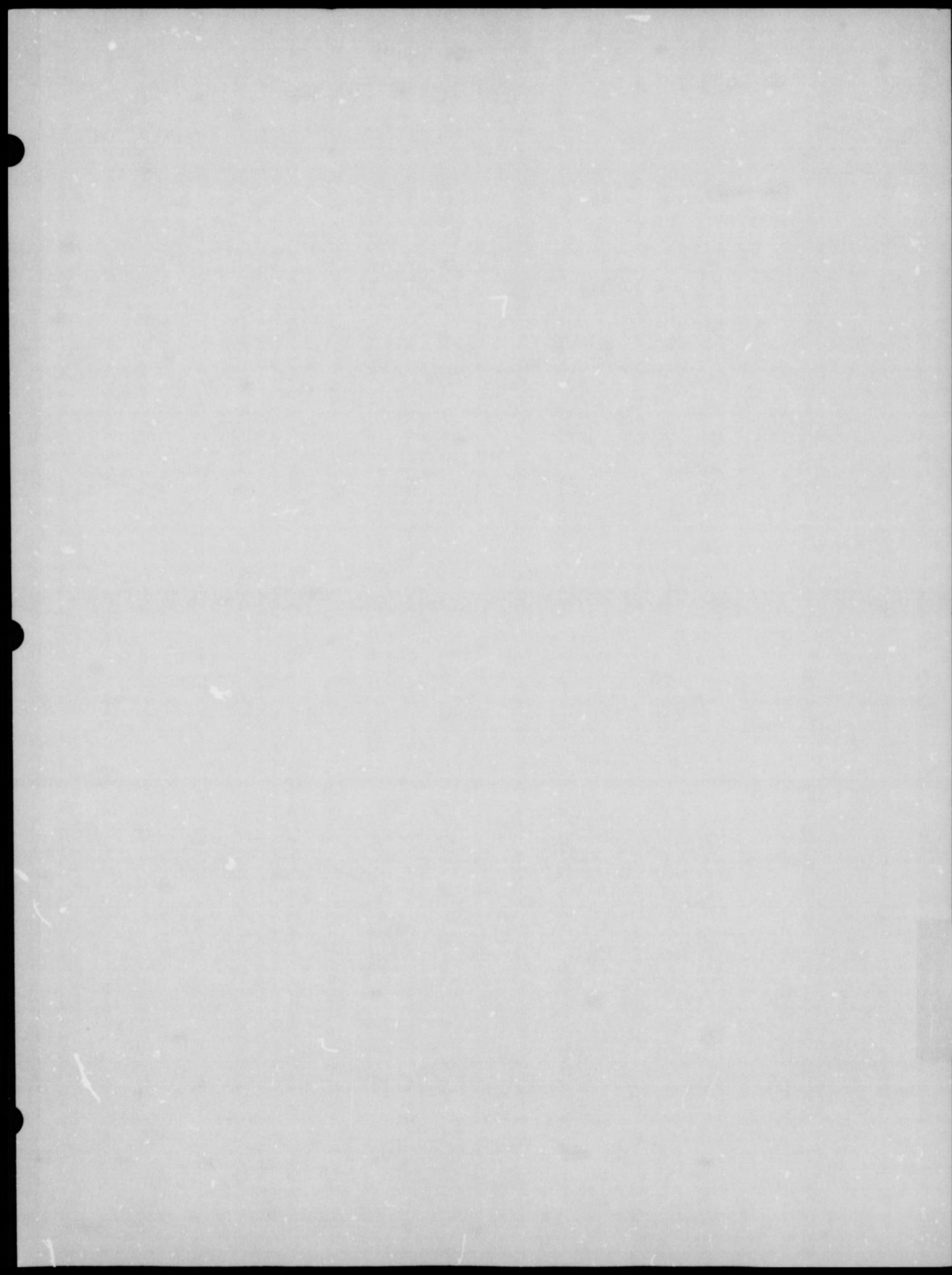
"The plight of the industrial economy makes our outlook for the remainder of the year guarded," said Ike Prillaman, the company's chief marketing officer. "Carloadings for April are running behind last year's volume in all of the industrial groups."

Analysts forecast earnings per share will rise to 31 cents in the second quarter from 26 cents a year earlier. While Jason Seidl, analyst with ING Barings, said Norfolk's improvement in service levels is impressive, he said the company faces challenges.

"They finally got their house in order and here we are with the economy in the tank," he said. "They're probably going to have to play the waiting game to show what they can do."

Revenue at the **railroad** edged up to \$1.54 billion from \$1.50 billion a year earlier. Its ratio of operating expenses to revenue, a key measure of a railroad's financial performance, improved to 86.7% from 91.4% a year earlier.

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PETITIONERS'

EXHIBIT 26

**NORFOLK SOUTHERN OPENING STATEMENT
PA HOUSE OF REPRESENTATIVES
TRANSPORTATION COMMITTEE
HARRISBURG, PA
APRIL 26, 2001
RICHARD F. TIMMONS
RESIDENT VICE PRESIDENT, PUBLIC AFFAIRS**

Good morning Mr. Chairman and members of the Committee. This is the second time I have appeared before this Committee in as many weeks and I thank you for the opportunity to provide additional information concerning Norfolk Southern's presence in the Commonwealth of Pennsylvania over the last 22 months.

This morning, I have with me Mr. Mike McClellan, Vice President of Intermodal Marketing, who in just a few moments will provide you with information concerning our marketing and intermodal operations in the Commonwealth.

Before that, however, let me bring you up to date on several issues and clarify others that were part of the testimony that some of you heard on April 12 in Altoona. At that time, I testified that **Norfolk Southern had invested \$342.8M in the Commonwealth over the past 22 months.** I am pleased to report this morning that that sum has increased by **\$1.9M with our decision last week to expand the Enola freight yards** capacity from 125 to a 600 car flat switching yard which includes 28 miles of new track, switches and other improvements further enhancing this region as a transportation hub.

This \$344.7M total with an additional \$30M commitment to the Commonwealth is a clear indication of Norfolk Southern's commitment to the rail network in Pennsylvania and our belief in the future of the system that we are building here.

Our investment priorities have been established with the intention of building a railroad in Pennsylvania and the northeast that is competitive, service oriented and adaptable to the fast moving market conditions in the freight shipping world. Our expenditures in this region of the state in the Rutherford intermodal yards, the Enola yards, the Harrisburg intermodal yards, our Northern Region headquarters offices and dispatching center, along with a renewed Triple Crown roadrailer operation in Swatara Township are all long term investments with an eye to handling the well documented freight increases expected for the future.

Let me also re-emphasize the **Norfolk Southern commitment to safety across our system.** The record is admirable by any measure. And is a focus of the PUC, FRA and Norfolk Southern management. For 10 consecutive years, Norfolk Southern has won the industry safety award for Class I railroads - the Harriman Award. In the year 2000, in just the Harrisburg Division, we spent \$26.7M on road bed and bridge maintenance and \$13.5M on signals projects. We are proud of our safety record and these investments are intended to sustain our safety tradition.

With your permission, I would like to clarify several points that were of interest to both labor representatives and Committee members following my last testimony:

- I was asked about the future job opportunities for the **330 Norfolk Southern employees** working in the Hollidaysburg shops. My response was that all would be offered jobs at Norfolk Southern facilities following the closure on September 1 of this year. This statement is accurate and correct notwithstanding other testimony provided to the Committee.
- Now following my testimony in Altoona, there were questions concerning the provisions of the **New York Dock for the Hollidaysburg employees**. The New York Dock is a labor protective agreement stemming from the 1968 Penn Central merger. Let me say that this is a New York Dock transaction:
 - And the **relocation benefits** have been programmed for employees that are offered jobs distant from Altoona. All exceed the New York Dock standards.
 - As you may not be aware, the New York Dock benefits are not purely a railroad decision, but are an agreed upon position that **can go to arbitration** if employees and the railroad cannot agree.
 - And as a point of interest, you should know that **Norfolk Southern pays \$1.5M each month to Conrail employees** under New York Dock provisions as a result of the Conrail acquisition.
- And finally, I testified previously that our service has dramatically improved from the summer and fall problems of 1999 and that the Norfolk Southern performance metrics provided to the STB each week reflect that upturn. To highlight this change in service efficiency, I would point out that **Norfolk Southern has received laudatory letters from PPL US Steel, as well as short line operators** thanking us for the improved service, the cooperation and the commitment that Norfolk Southern has shown in working through the problems and shortcomings of the past.

At this time, I would like to introduce Mr. Mike McClellan, Vice President, Intermodal Marketing, for comments that he has for your use and information, and following his remarks we will be prepared to answer any questions that you may have.