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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388



CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

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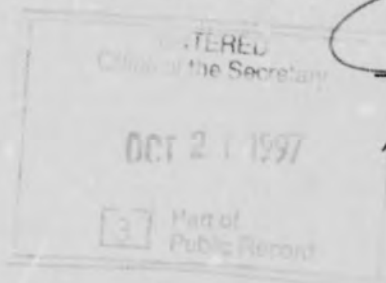
CERTIFICATE OF SERVICE OF
VERIFIED STATEMENT (WITH EXHIBITS)
OF

JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF

THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

I hereby certify that a copy of the above-referenced document,
with exhibits, was served this 20th day of October, 1997 upon all
Parties of Record identified in STB Decision No. 43, via first
class mail, postage pre-paid on this 20th day of October, 1997.



John F. Collins
JOHN F. COLLINS, ESQ.

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JOHN T. COLLINS
(1923-1991)

October 20, 1997

VIA UPS NEXT DAY AIR

SURFACE TRANSPORTATION BOARD
OFFICE OF THE SECRETARY
Case Control Unit
1925 K Street N.W.
Washington, DC 20423-0001



ATTN.: STB Finance Docket No. 33388

Dear Secretary of the Board:

Enclosed are an original and twenty-five copies of the Verified Statement of John F. Collins, Esq., New York State Legislative Chairman of the Brotherhood of Locomotive Engineers, with Exhibits A through F, submitted on behalf of: The Brotherhood of Locomotive Engineers, Conrail General Committee of Adjustment, R.W. Godwin, General Chairman, and the Brotherhood of Locomotive Engineers' New York State Legislative Board, (collectively, "BLE").

Also enclosed with the submission is a diskette containing same, as required.

By copy of this letter, this submission (with exhibits) is also served on all of the Parties of Record identified in STB Decision No. 43. One original and 11 copies of the Certificate of Service are enclosed herewith. Kindly return one file-stamped copy in the envelope enclosed for your convenience.

Very truly yours,

COLLINS, COLLINS & KANTOR, P.C.

John F. Collins
JOHN F. COLLINS, ESQ.



JFC:card
Enclosures

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BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

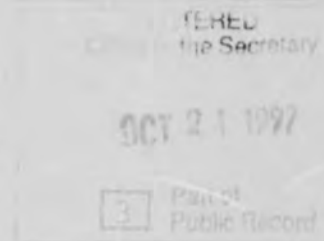


CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

VERIFIED STATEMENT
OF
JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF

THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")



I, JOHN F. COLLINS, make this Verified Statement as part of the evidence and arguments to be considered by the Surface Transportation Board (hereinafter, "STB") in its review of Finance Docket 33388, filed by CSX TRANSPORTATION, INC. and NORFOLK SOUTHERN (hereinafter, "CSX" AND "NS") to acquire Conrail, which application, it is submitted, does not meet the legal criteria set forth in Title 49, USC 11324, in that it is adverse to the interests of the public, the shippers and the employees.

QUALIFICATIONS

1. I received my Bachelor of Arts Degree in History/Economics in 1968 from Hobart College and am familiar with economics and history of the rail industry and its mergers and have been actively involved in the

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previous rail mergers, including Conrail.

2. I received a Juris Doctor from the State University of New York at Buffalo in 1971, where I did honors work and independent legal studies covering topics under the Railway Labor Act, Collective Bargaining in the Rail Industry, Rail Mergers, etc.
3. In 1974, I received my Masters of Labor and Industrial Relations from Michigan State University where I concentrated my studies in Railroad Labor Relations and Railroad Labor History.
4. In 1967 and 1968, I began working summers on the Erie Lackawanna Railroad (EL) as a fireman and in May of 1969, began as a full time engine service employee with the EL RR and continue to hold seniority as an engineer on Conrail and as a member of BLE Division 421, Buffalo, New York. I am presently on full-time union leave.
5. I was admitted to the practice of law in New York State in 1972 and for the past 25 years, have concentrated my practice in the area of Railroad Labor Law, Railroad Collective Bargaining and Railroad Mergers, etc., and over the years I have negotiated engineer contracts with Metro North and Conrail. I have appeared before both Federal and State Courts on railroad legal issues; before the National Mediation Board, the National Railroad Adjustment Board, the Railroad Retirement Board, and served as the BLE Designee on Voluntary Arbitration set up under Section 10 of the Railway Labor Act with Arbitrator La Rocco and former Conrail Vice President, Bob Swert.
6. I have developed and taught college credit courses for the New York State School of Labor and Industrial Relations at Cornell University, and in 1976, developed the Buffalo Railroad Studies program for Cornell, which dealt with, among other railroad/union related topics, the subjects of railroad mergers, the Interstate Commerce Act, Railroad Revitalization and Reform Act, equity

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disputes, job protection agreements, etc. the creation of Conrail, etc.

7. I am fully familiar with the history of the ICC, 10901 sales, short lines, spinoffs, employee protection, shipper concerns and other criteria now considered by the STB in ruling on applications such as Finance Docket 33388.
8. I have been selected for inclusion in Who's Who in American Law, 2nd edition, and continue to practice law in the Federal Courts of New York, Maryland, Massachusetts, Ohio, Pennsylvania and West Virginia.
9. I served as a Union Local Chairman for 12 years, handling myriad grievances, including New York Dock and Title V Claims and presently, serve as the New York State Legislative Chairman for the Brotherhood of Locomotive Engineers (hereinafter, "BLE"). I have been recognized as an expert in the areas of Railroad Labor Law and Collective Bargaining and have reviewed this Board's recent Decisions and Arbitration Awards therein concerning the Union Pacific-Southern Pacific merger. I am fully qualified to offer my opinion on the subject matter presently before this Board in Finance Docket 33388.
10. It is my candid opinion that the proposed acquisition does not meet the legal criteria set forth by Congress, in that:
 - (1) The interests of the public are not being protected;
 - (2) the interests and safety of the employees are not being protected; and
 - (3) the interests of the shippers are not being protected.

PRELIMINARY STATEMENT

1. In submitting my sworn statement, I am not unaware that many of the practitioners in this field, including most

of the participants in this process, consider this acquisition to be a "done deal" and that the STB will merely "rubber stamp" what the railroads have put forth, while placing a "few bandages" in "trouble spots," as was done by this Board in the UP-SP merger.

2. I am also not unaware of the fact that the two railroads, CSX and NS, have already spent billions of dollars on this proposed acquisition; and that they have already made significant plant physical improvements; that they have reassigned CSX and NS personnel to work in Conrail territory; that they have removed local operating authority from Conrail officials and have generally begun the takeover process prior to this Board even making a preliminary decision, thereby giving the impression that despite this review process, the deal is consummated.
3. I am also not unaware of the fact that the Chairperson of this Board, Ms. Morgan, has already indicated her preference concerning the acquisition and takeover and that she has been requested to recuse herself and has refused to do so; that Board member Owen ruled on and approved the problem-plagued UP-SP merger, despite legitimate concerns voiced by the Department of Justice, rail employees and numerous shippers, whose unheeded voices are now raised even louder in desperate protest; that Board nominee William Clayburn, Jr., handled transportation issues for Senator Rob of Virginia, who now supports Clayburn's appointment; that the CSX and NS are both based in Virginia and are large contributors to both Senator Rob's and Senator Warner's campaigns and that both Senators have publicly supported the acquisition and merger; and that hundreds of shippers, who at CSX's and NS's request, have filed opinion letters supporting the transaction (as was also done by UP-SP shippers at those railroads' request) and yet, despite the apparent "stacked deck," would urge this Board to

seriously consider the ramifications of what they are doing and to honestly and conscientiously consider the "public interest" before the railroads' interests in consummating the merger.

LEGAL CONSIDERATIONS

1. Because Congress has cloaked the Board with what the Courts refer to as "administrative expertise," and thus, their decisions are relatively unreviewable, and because the Board has been inundated with thousands of documents, which in the time allotted they can only skim, and because of the recent history of the UP-SP disaster, one is necessarily skeptical about whether or not this Board will serve any function, except to "rubber stamp" another merger/acquisition by two railroads who allege it is in the "public interest," when in fact it is their own interests that are paramount and not the public's.
2. In following the Congressional directive to consider the public's interests, this Board must consider the effect on a community and the public that the loss of railroad jobs entails, as well as the effect on the shippers and employees in general.

ECONOMIC EFFECT ON THE PUBLIC

1. At my request, Economists Larry Lichtenstein, Ph.D. and Mark Zaparowski, Ph.D., prepared a brief economic impact analysis concerning the loss that a community suffers when 100 jobs paying \$50,000.00 per year are lost. (See Exhibit A, attached hereto).
2. It is not controverted that a minimum of 100 people in the Buffalo, New York area will lose their jobs if this merger/acquisition is approved. (Actually, system-wide, by the railroads own filings, the job loss figures are in the thousands). If only 100 employees lose their jobs, the "Buffalo CMSA in 1998 will fall by \$12,500,000.00." Over a 30-year period, this amounts to a total loss of \$667,000,000.00 for the community and the public.

Likewise, lost sales tax revenue in 1998 would be \$352,000.00, growing to almost \$19,000,000.00 over 30 years. Surely, the Congress intended for the STB to consider these economic losses and their effects on the public at large. Yet, there is no doubt that the STB, at least up until this time, does not consider this issue, or the adverse economic effect that job losses have on the existing communities and states.

3. The alleged income protection provided railroad workers by New York Dock, which this Board believes offsets this problem, is an illusion. The carriers control the entire process. Railworkers and/or their unions cannot disprove the railroads' claim that job loss is due to "national economic conditions" or a "downturn in the economy" and not to the transaction. The railroads' "national economic data" is not accessible to the average railroader and/or local chairman, and therefore, in most cases, they cannot collect benefits, even though they are out of work and in most cases, unemployed.
4. The denial and arbitration process itself, which has historically been fully utilized by the railroads, discourages and defeats any just compensation. For the STB to ignore this reality, is to ignore the directive of Congress to consider the "public good." The resulting rippling economic consequences to a small community that the loss of a mere 100 jobs entails cannot be ignored, nor should the unfulfilled promises of "job protection" serve to distort the truth.
5. In the 25 years of my legal representation of "adversely affected employees," most of the claims were lost or withdrawn, because of the inability of the affected employee to disprove the railroad's claim that it was the national economy and not the merger that resulted in the loss of income and jobs. Just like the NS and the CSX have done in this process, they utilize self-serving

railroad-documented evidence or claim "proprietary privilege" (as they have done in this process) to effectively defeat access to needed evidentiary facts to offset their blanket denials and disregard for the spirit of the law and the public interest.

6. Likewise, this Board cannot ignore the fact that most older workers do not and cannot relocate to "created jobs" hundreds of miles from their neighborhoods and communities. Once the "horse is out of the barn," and the merger is approved, the STB is relatively powerless to rectify the results created by the merger, as exemplified by the problems following the UP-SP merger. This Board must deal with the public interest in preserving their communities and their way of life. The alleged justification of "efficiency of rail operations" does not justify destroying the very communities that the railroads pledge to serve, by eliminating good jobs and mandating forced transfers.
7. The argument or belief that the merger is in the "public interest" and therefore, must be approved despite what it does to the public and those who make up the public must be examined by this Board.

POST MERGER/ACQUISITION - REALITY

1. Railroad line abandonments present another problem for the communities and the railroad employees. The CSX and NS have speculated rosy predictions to both the public and the shippers, the States and the U.S. Congress. After they win STB approval of this transaction, there is nothing that can be done to stop them from spinning off what they claim to be "marginal lines." This can be done in spite of the fact that both CSX and NS have enjoyed enormous system-wide profits, with high returns on one part of their system, which should offset alleged lower returns on another part. Yet, the public is powerless to prevent the railroad from spinning off alleged

- "underperforming lines," or in questioning the railroad's economic data which they allege justifies their actions.
2. Thus, cities like Gowanda, New York; Salamanca, New York; Hornell, New York, etc. find themselves at the mercy of railroad giants who no longer desire to service their communities, in spite of the fact that during the acquisition process, they project continued service and promised bright futures for the communities. After this STB process is completed, their "economic data" will force them to reconsider, unfettered by administrative review and their rosy pre-merger predictions will be re-evaluated to comply with a change in the corporate objectives.
 3. I have been involved in numerous litigated and documented cases where the railroads in New York State have secured regulatory and financial incentives in return for their promises of railroad service (the Southern Tier for example), only to have them abandon their efforts, after they receive what they want. Unless the STB places covenants in its Final Order, the public and the shippers will be powerless to stop abandonments and poor service in any area the railroad chooses to abandon.
 4. This Board cannot be unaware that the CSX and NS have flooded the public and shippers with self-serving letters and promises of increased service, more jobs, more shipping routes, cheaper rates, corporate presence, etc. But, as pointed out by U.S. Senator Barbara Mikulski of Maryland and others, when testifying at Senator Spector's hearing last Spring in Washington, DC, there is nothing in writing, or any covenants signed by the CSX and NS, to guarantee any of their pre-merger-approval promises. Thus, as Senator Mikulski pointed out the railroad service to the Port of Baltimore continues, at least until this process is over and then what happens is anybody's guess.

4. The public and their communities are faced with continued abandonments, as evidenced by CSX, NS and Conrail history. They will be forced to enter the railroad business and support municipal railroads to benefit the abandoned shipper, in spite of the fact that the CSX and NS will control all access to their main lines. This concern was addressed by the Erie County Industrial Development Agency of New York State and the State of New York in their submission to this Board. If no protection is afforded, it is the public taxpayer who will have to finance the community's entrance into the railroad business. If the picture is as bright as the CSX and NS project, then let them guarantee in writing and make it a part of the STB Order, that continuation of Class I rail service in these communities is guaranteed and that equal access by all short lines to Class I connections is also guaranteed. This guarantee, I submit will never happen. After this acquisition process is approved, it will be "liaise faire" railroading.
5. At a legislative hearing conducted by the New York Assembly Transportation Committee Chairman, Assemblyman Gant in Rochester, New York last Spring, both the CSX and NS stated that they will determine who has access to their lines. New York State Electric and Gas and Eastman Kodak were both justifiably concerned because under the merger proposed, they will both be captive to CSX and like the communities they serve, they are subject to CSX's "business decisions."
6. If the CSX and NS can agree to jointly assume approximately \$10.5 billion in debt to buy Conrail and are concerned about their bottom line, i.e., stockholders, then query: what is to stop them from agreeing on when and where to compete, how much to charge shippers, and what communities they will abandon or serve? (See, Exhibit B, verified letters from railroad

workers/union representatives, Michael D. Fink and Theodore A. Stachura concerning the merger, as well as a published opinion letter from former State Transportation Commissioner, William C. Hennessy).

SAFETY AND SERVICE

1. Can the STB realistically approve this merger in light of the UP-SP fiasco? Bigger is not always better. (See, Exhibit C, four articles from the Wall Street Journal concerning the serious shipping and safety problems on UP-SP).
2. A review of the UP-SP merger process and the time line involved reveals that the STB merely rubber-stamped that which the railroad offered and that the evidentiary submissions, oral argument and STB decision-making time were merely procedural and took place over a couple of days.
3. Like the CSX and NS, the UP-SP projected a rosy scenario for the merged railroad, devoid of any protection or guarantee, and upon further examination, has resulted in a nightmare for shippers, consumers, employees and most importantly, the public in general.
4. The CSX and NS projections present us with more of the same hyperbole put forth by the UP-SP. CSX and NS speculate that they will grow the railroad to service shippers, capture truck traffic, protect employees and service their acquisition debt, approximated at \$2.5 million per day in interest alone, while at the same time, becoming more profitable and successful as a railroad, despite the lack of hard data to support this.
5. The facts show that the CSX and NS cannot grow their railroads fast enough to cover their debt. They do not have enough trained railroad personnel to fulfill their promises or to immediately secure new shippers. In their 1996 stock reports, they have both reported downgrading of their financial structure due to their acquisition

debt and uncertainty over immediate future growth.

6. The truth is that they can only service their ongoing debt and bottom line by raising shipper rates and cutting employees. The merged CSX-NS systems still have 75% of the shippers captive to one railroad. Eastman Kodak and New York State Electric and Gas, to name two, will be captive to CSX for their coal shipments. CSX will raise their coal shipping rates to meet their bottom line and service their debt. It will be no different than the U.S. cities who are captive to one airline, e.g., Buffalo, New York (U.S. Air) and have the highest airline rates in the Country. If this acquisition is approved, New York State citizens, along with the rest of the Country, will pay for CSX's-NS's arrogance.
7. The NS-CSX railroads will monopolize railroad dependent shippers and raise rates where the shippers have no alternative means of transportation. They cannot capture new truck business fast enough to immediately affect the bottom line. For the immediate future, they will continue to service existing CR shippers only. When cash crunch time comes, they will raise rates and cut jobs, that being the only immediate solution to their cash flow problems, thereby resulting in less trains and less service while simultaneously harming, not benefitting the public.

RAILROAD SAFETY

1. Railroad safety should also be a primary concern to this Board if it is going to protect the public interest, the shipper's interests and the employees' interests. The current Board should learn from the mistakes of the predecessor Board: there have been ELEVEN DEATHS on the UP-SP due to unsafe operations since the UP-SP merger was approved.
2. There are not enough trained and certified locomotive engineers and conductors to do the Conrail work today.

They cannot run more trains and grow the railroad, because securing new shippers will require more equipment, more trained employees, more on-time promises and more attention to detail than either Conrail, CSX or NS had shown in the past.

3. BLE General Chairman, Robert W. Godwin and BLE Local Chairman/Legislative Representative, Gary J. Brink, have adequately documented the safety and service concerns just in New York State alone. (See, Exhibits F and G, Verified Statement of Robert W. Godwin and Verified Statement of Gary J. Brink). A canvassing of all of the qualified engineers who work on Conrail, CSX and NS will reveal that they are already overworked and overwhelmed providing today's service, without regard to the added demands of new shippers, new territories, new work schedules, etc. that the CSX-NS acquisition projects will occur.
4. The NS and CSX filed labor impact submissions which reveal that significant job cuts in safety-essential crafts, carmen, signalmen, dispatchers, maintenance-of-way employees, clerks, machinists, etc. are already planned. Conrail operating managers, trainmasters, road foremen, and other personnel are already being told by CSX and NS that they will not be needed. Centralized dispatching has led to numerous wrecks on the CSX and UP-SP, with more looming in the future. (See, Exhibit D, letter of R.H. Wagner: Car Inspectors eliminated - no train inspections being performed).
5. The recent increase in engineer deaths and railroad fatalities on the CSX, UP-SP, BN-SF and NS are frightening. Yet, the CSX and NS want this Board to approve a merger/acquisition which is guaranteed to result in more accidents and more deaths. On the CSX alone, nine engineers have died in the last four years. The recent ELEVEN UP-SP deaths (in eight months), traced

by the FRA as being due to dispatcher error, untrained crews and the merged railroads' general disregard for safety over service, cannot and MUST NOT be ignored.

6. The public interest includes and demands safe transportation of freight, especially where significant amounts of hazardous materials are concerned. A recent CSX wreck/hazardous spill in Scary, West Virginia and a Conrail wreck/hazardous spill in Dunkirk, New York are only two examples of the railroads' disregard of safety. The bottom line is that if this Board approves this transaction, both CSX and NS will try to run more trains with less employees, in order to improve the bottom line and pay off the merger debt.
7. The angry shippers and the recent deaths on the UP-SP system since that merger cries out for this Board to put a stop to the merger mania that is running wild in the rail industry and United States corporations in general.
8. This Board was created by Congress to protect the public, the shipper and hopefully, the railroad worker. The Congress did not intend it to champion railroad mergers at any price. Self-serving politicians who support this merger at the request of their railroad benefactors should not influence or control this Board.
9. Conrail is a profitable railroad. There is no need to force this acquisition through at this time. Certainly there should be no rush to create a new railroad system that will result in more deaths on the railroads and increased risk to the public safety.

EMPLOYEE INTEREST

1. There can be no doubt that the CSX and NS want this Board to subvert the operations of the Railway Labor Act and to achieve through administrative fiat what they refuse to do in the collective bargaining process.
2. The recent decisions by this Board subverting long-standing seniority agreements and supporting arbitration

awards (O'Brian and Yost) STB Decision June 26, 1993 -STB (Arbitration Review Finance Docket 32760), have supported rulings which have gutted the collective bargaining agreements and are an insult to Rail Labor. The awards represent an obviously misguided reading of Congressional intent and are contrary to the "public interest." The public has a real interest in seeing that free collective bargaining continues in this country.

3. The "legal rationale" for arbitrator approval and STB concurrence in emasculation of an employee's rights under the collective bargaining contract is simply erroneous and evidences an intent on the part of both arbitrators and this Board to do the carrier's bidding under the guise of "enlightened public interest." To argue collective bargaining changes are "necessary to effectuate the STB's approved consolidation and yield enhanced efficiency in operations benefitting the general public and the employees of the merged operations," is pure poppycock.
4. The public interest approach to Arbitrator Yost and the Board's "deferential lace curtain standard of review" is ambiguous double-speak and uses "public interest" arguments to justify wholesale slaughter of employee rights under long-standing collectively bargained agreements.
5. As lawyers know, if we couch the argument under the term of administrative expertise, and defer to the administrative decision-making process, which the Court and the Congress infer is made by "experts," even though STB "experts" are politically appointed, and then the "experts" say that the changes are "necessary for realization of the public benefits of approved transactions," there is effectively no review process and no ability to stop gutting of the contracts.
6. Utilizing the term, "necessary for public benefit", the

Board can approve almost anything that it chooses to approve. The courts will not intervene, because they have limited jurisdiction and are required to defer to the ambiguous standards covered by the "fair substantial arrangement" rule and the continuing myth of "administrative expertise." Likewise, the Congress eradicates itself from the problem by postulating that the "experts" are to make the decision and therefore, their "expertise" is to be given great latitude to "effectuate a covered transaction," which specious reasoning is then reaffirmed by the courts, and overlooked by the Congress.

6. Incredulously, this Board, in abrogating collective bargaining agreements, has convinced itself that "it is securing the public some transportation benefit that would not be available if the CBA were left in place." To further add insult to injury this Board, Chairman Morgan and Vice-Chairman Owen have endorsed this argument in supporting the UP-SP's gutting of the collective bargaining agreement involved in that merger approval process. The Board and certain arbitrators have allowed the elimination of seniority provisions and other hard fought rights of the railroad employees by arbitrator fiat, rather than agreement of the parties.
7. This "public transportation benefit" argument used in the UP-SP merger, to change collective bargaining contracts is pure fiction, created by the Board, the Courts and Arbitrators to give the railroads "carte blanche" to disseminate the vested collective bargaining agreement property rights of railroad workers. The belief that seniority rights have little importance is undermined by the very actions of the Board and the Congressional "seniority system" itself.
8. On Thursday, October 2, 1997, the Wall Street Journal, headlines read:

"Wrong Track A big Railroad Merger Goes Terribly Awry In A Very Short Time."; and

"Union Pacific is Hammered Over Service and Safety: Have Patience, It Says. Have You Seen Our Rice?"

9. Can this Board continue this legalistic charade? Does "benefitting the public" and the approval of the merger of UP-SP, with this Board's further approval of emasculation of collectively bargained agreements and employee rights have any relevance to what is actually happening on that railroad? As the Wall Street Journal reported:

"Its railroad safety record, marred by three fatal crashes in three months is being characterized as a fundamental breakdown by federal regulators. Its routed system has slipped into gridlock West of the Mississippi River, with thousands of freight cars backed up for miles in the Houston area alone. Its Chairman had to publicly apologize in August to its big customers."

The article continues,

"So bad has service become that customers say Union Pacific Corp., the nation's largest railroad, can't account for millions of dollars of shipments for weeks at a time."

The truth is, Union Pacific cannot account for shipments for months at a time, yet seeks to continue to cut seniority agreements which have nothing to do with their problems. As pointed out:

"Riviana Foods Corp., a Texas rice producer, tried to ship a freight car full of rice from Missouri to Tennessee in early August. A month later, the car was spotted on a track in Devil's Slide, Utah. The latest word is that it is somewhere in Texas. 'I still don't know where its at,' says Terry Nickens, Riviana's distribution Manager."

The date of the article is October 2, 1997. The shipment was

started in Missouri in early August. That means the shipment still hasn't arrived at its destination two months after it was shipped.

10. Query: how does the Union Collective Bargaining Agreement cause or affect this problem? If it does not, then why does this Board allow wholesale unjustified attacks on Collective Bargaining Agreements? The article continues,

"A Major Debacle Union Pacific's attempts to put together the biggest railroad is fast becoming one of the industry's biggest debacles.

... with stunning speed, the merger has unraveled in recent weeks into a series of service and safety snafu. Hundreds of customers have threatened to take away business, and the Federal Railroad Administration could well impose stiff fines on the company for safety violations.

That article and other articles citing railroads' unprecedented merge binge go on to say:

"The carriers' executives concede that they overestimated their ability to combine giant rail systems operating hundreds of thousands of freight cars."

11. The UP-SP executives, like CSX's Snow and NS's Goode, promised to divert freight from trucks, reduce highway congestion, reduce air pollution, reduce fuel consumption, and pass shipper savings of 20% on to the public. Now the shippers are screaming and do not want to ship by rail. Where is the promised public benefit? Instead of delivering on the same type of promises that the CSX and NS are now making, UP-SP:

- (1) Operated their system so unsafely that ELEVEN employees died in the first eight months of 1997;
- (2) F'minated workers;
- (3) Cut back operations;

- (4) Lacked locomotive cars and experienced train and engine crews;
- (5) Eliminated former SP managers who knew how to run the former SP Railroad;
- (6) Failed to service both old and new customers; and
- (7) Lost trains, congested yards, recorded staggering delays, and have generally failed to deliver their promises.

12. CSX and NS are going the same route, and making the same pre-approval promises. Nowhere in the operation problems highlighted by the various Wall Street Journal articles and numerous other papers, does the existence of a collective bargaining agreement, or a seniority system, or other employee rights surface as a contributing factor in the carrier's plight or its failure to provide "public service." Yet, it is in the UP-SP arbitration awards, which this Board endorses and encourages, that emasculation of employees' collective bargaining rights continue. This Board's reasoning is flawed. The UP "tie-ups which reach across the economy, and presently the worst gridlock in the history of Houston, Fort Worth, Los Angeles, Chicago and North Platte have nothing to do with the collective bargaining rights of the employees or their seniority agreements.

The problems on the UP-SP, as acknowledged by UP-SP executives, are directly related to the arrogance of the UP-SP officials and the lack of adequate regulatory STB and FRA control.

13. As pointed out in the October 8, 1997 journal article, the UP-SP debacle is having "sweeping and unexpected effects on industrial and consumer America." This Board must assume some responsibility for this problem. As pointed out in the Wall Street Journal:

"more than 10,000 railroad cars a day are stuck in limbo on the Union Pacific route system that stretches from the Midwest to the West Coast, lacking the crews, locomotives and even the tracks to keep the network moving. That's triggering everything from production slowdowns at factories to a scramble to switch to

other more expensive forms of transportation."

Nowhere in the articles does it point to collective bargaining agreements as being a cause in the total breakdown of the UP-SP system.

14. This Board must evaluate what its role is. In Answers to Interrogatories, both the NS and CSX allege that the "efficiency of the merged operation" (same relief sought by UP-SP) requires the following:

- 1.) One seniority agreement roster;
- 2.) One collective bargaining agreement;
- 3.) No Railway Labor Act procedures;
- 4.) Moves of more than 100 to 500 miles whenever required;
- 5.) Consolidation of terminals whenever required;
- 6.) Hub and spoke designations;
- 7.) Movement of locomotive engineers to other seniority districts and/or railroads, regardless of their qualifications, families, schools, communities, etc.;
- 8.) Closing of local car shops; local signal locations; local radio operations; local maintenance-of-way forces and other safety-sensitive jobs.
- 9.) Subcontracting of work and the general elimination of any restrictions that might allegedly impede their pursuit of "operational efficiency" which they allege and this Board seems to unhesitatingly endorse is for the "public good," when in fact, it is for the railroads' benefit alone.

The railroad employees, the shippers, the communities, the families, the local businesses, etc. are the public! The fact is, that this Board fails to consider the general public and looks only at the proceeding and its affect on the real world through the "rose colored" glasses provided by the railroad's "merger mania" team. It is time to do a reality check and to determine what is the "public interest."

15. Perhaps this Board should begin to listen to the railroad workers who actually work on the lines under consideration. After completing a recent FRA investigation, the FRA fined the UP after

determining that over 57% of its locomotives were defective and ruled that a "fundamental breakdown" in safe railroad operating practices had occurred.

16. The UP-SP BLE members had been complaining about the unsafe operating practices and unsafe locomotives on the UP-SP, but it took the DEATHS of ELEVEN PEOPLE in the first eight months of 1997 to get the FRA's attention. Likewise, the FRA has recently blasted the CSX for what it termed, "serious safety shortfalls in all areas of the railroad's operations" and fined them over \$750,000.00 for violations. Can this Board continue to ignore this?

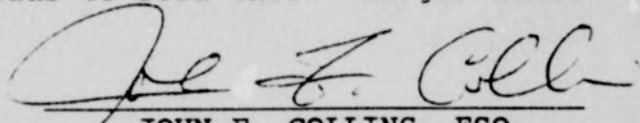
17. Rather than deal with legitimate engineer complaints about defective locomotives, extended seniority districts, excessive work hours, unqualified personnel, etc. and the BLE's suggestion to work together with the railroad to resolve these complaints, the railroads continue to alienate the unions and their members by convincing this Board and/or certain arbitrators to abolish entire sections of the collective bargaining agreements, extend seniority districts, expand reporting to work terminals, etc. and pursuing a course of action which continues to threaten the very "public interest" which this Board is sworn to uphold.

18. The Board must ask itself, what efficiency and "public policy" did the expedited approval of the UP-SP merger and the elimination of union collective bargaining agreements on those railroads serve? The public or the railroads??

CONCLUSION

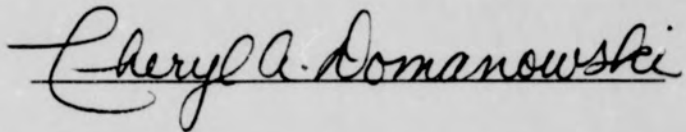
John F. Kennedy once wrote a book titled, "Profiles in Courage." This book dealt with decisions by individuals made in the political arena that were made for the right reasons with integrity and commitment to the truth, rather than for political expediency. There is probably no one reviewing this administrative process who believes that this Board will resist the pressure of the railroads and the support that they have trumpeted up to support this merger/acquisition. Indeed, the decision by the Board

to not "fast track" the application process was considered a major victory by many. However, if the Board continues along the path that it has recently taken and ignores the history of the UP-SP; BN-SF mergers and continues to support "carte blanche" power for the railroads in this merger application process, the "slow track" approach will be a "pyrrhic" victory and the "Machiavellian" approach taken by the railroads to feed their "merger mania" will have carried the day.



JOHN F. COLLINS, ESQ.

The individual above-named appeared before me this 20th day of October, 1997, and swore that the statement filed herein is based upon his education, training and experience in the railroad industry and as a union officer, and he further declared under the penalties of perjury that the foregoing statements are true and correct.



CHERYL A. DOMANOWSKI
Notary Public, State of New York
Qualified in Erie County
My Commission Expires May 6, 1998.

EXHIBIT LIST
OF
VERIFIED STATEMENT OF JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF

THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

- EXHIBIT A ECONOMIC IMPACT ANALYSIS BY LARRY LICHTENSTEIN, PhD
AND MARK P. ZAPAROWSKI, PhD, ASSOCIATE PROFESSOR
AND PROFESSOR OF ECONOMICS, CANISIUS COLLEGE,
BUFFALO, NEW YORK
- EXHIBIT B VERIFIED LETTERS FROM RAILROAD WORKERS/UNION
REPRESENTATIVES, MICHAEL D. FINK AND THEODORE A.
STACHURA, AS WELL AS PUBLISHED OPINION LETTER OF
FORMER STATE TRANSPORTATION COMMISSIONER, WILLIAM
C. HENNESSY.
- EXHIBIT C WALL STREET JOURNAL ARTICLES
- EXHIBIT D VERIFIED LETTER OF R.H. WAGNER, CONCERNING NO
INSPECTIONS OF TRAINS DEPARTING DEWITT YARD, NEW
YORK
- EXHIBIT E VERIFIED STATEMENT OF ROBERT W. GODWIN, GENERAL
CHAIRMAN, BROTHERHOOD OF LOCOMOTIVE ENGINEERS
GENERAL COMMITTEE OF ADJUSTMENT, CONSOLIDATED RAIL
CORPORATION
- EXHIBIT F VERIFIED STATEMENT OF GARY J. BRINK (WITH
APPENDICES A, B AND C), LOCAL CHAIRMAN AND
LEGISLATIVE REPRESENTATIVE, BROTHERHOOD OF
LOCOMOTIVE ENGINEERS, DIVISION 69, AS WELL AS
VERIFIED LETTER (WITH ATTACHMENTS) OF PHILIP R.
HOULE, VICE GENERAL CHAIRMAN EAST OF THE AMERICAN
TRAIN DISPATCHERS DEPARTMENT OF THE BROTHERHOOD OF
LOCOMOTIVE ENGINEERS

COLLINS, COLLINS & KANTOR

ATTORNEYS AT LAW • 267 NORTH STREET • BUFFALO, NEW YORK 14201 • (716) 885-9700 • FAX: (716) 885-9770

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

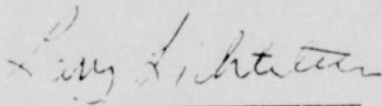
VERIFIED STATEMENT
OF
JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF

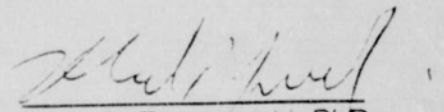
THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

EXHIBIT A

ECONOMIC IMPACT ANALYSIS



Larry Lichtenstein, PhD
Associate Professor of
Economics & Finance
Canisius College
Buffalo, NY 14208
(716) 888-2677



Mark P. Zaporowski, PhD
Professor of
Economics & Finance
Canisius College
Buffalo, NY 14208
(716) 888-2679

October 14, 1997

INTRODUCTION

The purpose of this report is to identify the impact on the local economy of a loss of 100 jobs paying \$50,000 each. We estimate the direct and indirect lost income as well as the lost sales tax revenues associated with the loss of these jobs. Losses are projected over a 30 year period and are reduced to present value.

ECONOMIC BASE IMPACT ANALYSIS

The concept of the economic base multiplier is based on the notion that certain expenditures within a region lead to the creation of income within that region, which leads to a re-spending of that income subsequently generating new income to residents of that region. This process is complicated by a variety of factors, including, but not limited to, leakages of income and spending to other regions, taxes, and variations in individual spending patterns.

One could think of the economic base multiplier as working in the following simplified manner:

A transaction leads to \$100 sent to region A. This \$100 is income to a resident within the region. This individual will typically spend a portion of his income on locally produced goods and services. Some of the money will be used to pay local taxes, and some will be used to pay state and federal taxes. Some of the money will be spent on goods and services produced outside region A. A fraction of the goods produced within region A will have been produced in other regions.

A portion of the money that is spent in region A will generate new income for other residents in the region. In a similar fashion, they will re-spend their income on imports, local services, taxes, and some of it may be saved. The economic base multiplier attempts to estimate the total amount of new income that will be generated within region A which is the result of the original injection of income to the region. If the economic base multiplier is 2.5, then the original \$100 infusion into the economy of region A will generate an additional \$150 in income for a total impact of \$250. Region A has an income that is \$250 higher than it would have been without the initial spending.

Small area economic base multipliers have been the subject of analysis for a number of years. The proper multiplier is an empirical question that has been discussed by

economists in the economic base literature. While the proper multiplier to be used for an analysis of this type is a matter of judgement; income multipliers for small regions, such as the Buffalo CMSA have been estimated in the range of 1.78 - 2.76 [Hall and Licari, Isserman and Gerking], private sector estimates center around 2.5 which seems to be the most appropriate for this analysis.

The additional income generated through the economic base multiplier also has an impact on the sales tax base. From Census data, it was determined that an additional \$28.20 of sales tax revenue was generated from each additional \$1000 of personal income created.

CONCLUSION

If these 100 jobs are lost, we project that income in the Buffalo CMSA in 1998 will fall by \$12,500,000. We project these losses over the next 30 years. Assuming that wages grow by the expected future inflation rate of 3.7% per annum, cumulative lost income to the region over the next 30 years amount to almost \$667,000,000. When reduced to present value using a 6.5% discount rate, this amounts to almost \$246,000,000 of lost income [see Table 1].

Lost sales tax revenue in 1998 is projected to fall by \$352,500. Cumulative lost sales taxes over the next 30 years amounts to almost \$19,000,000. When reduced to present value using a 6.5% discount rate, this amounts to almost \$7,000,000 [see Table 2].

REFERENCES

1. Frey, Donald, "A Structural Approach to the Economic Base." *Land Economics*, November 1989, pp. 352-358.
2. Hall, Owen and Joseph Licari, "Building Small Region Econometric Models." *Journal of Regional Science*, December 1974, pp. 337-354.
3. Isserman, Andrew and Shelby Gerking, "Forecasting With Economic Base Models," Unpublished paper, University of Wyoming.
4. U.S. Department of Commerce, Bureau of the Census, *Government Finances 1989*

TABLE 1

**PROJECTED LOST INCOME TO THE LOCAL ECONOMY AS A RESULT
OF A LOSS OF 100 JOBS PAYING \$50,000**

YEAR	DIRECT INCOME	DIRECT AND INDIRECT INCOME	CUMULATIVE INCOME	PRESENT VALUE	CUMULATIVE PRESENT VALUE
1998	\$5,000,000	\$12,500,000	\$12,500,000	\$11,737,089	\$11,737,089
1999	\$5,185,000	\$12,962,500	\$25,462,500	\$11,428,508	\$23,165,598
2000	\$5,376,845	\$13,442,113	\$38,904,613	\$11,128,041	\$34,293,638
2001	\$5,575,788	\$13,939,471	\$52,844,083	\$10,835,472	\$45,129,111
2002	\$5,782,092	\$14,455,231	\$67,299,314	\$10,550,596	\$55,679,707
2003	\$5,996,030	\$14,990,075	\$82,289,389	\$10,273,210	\$65,952,916
2004	\$6,217,883	\$15,544,707	\$97,834,096	\$10,003,116	\$75,956,032
2005	\$6,447,945	\$16,119,862	\$113,953,958	\$9,740,123	\$85,696,155
2006	\$6,686,519	\$16,716,296	\$130,670,254	\$9,484,045	\$95,180,200
2007	\$6,933,920	\$17,334,799	\$148,005,054	\$9,234,699	\$104,414,899
2008	\$7,190,475	\$17,976,187	\$165,981,241	\$8,991,909	\$113,406,808
2009	\$7,456,522	\$18,641,306	\$184,622,547	\$8,755,502	\$122,162,310
2010	\$7,732,414	\$19,331,034	\$203,953,581	\$8,525,310	\$130,687,620
2011	\$8,018,513	\$20,046,282	\$223,999,863	\$8,301,171	\$138,988,790
2012	\$8,315,198	\$20,787,995	\$244,787,858	\$8,082,924	\$147,071,714
2013	\$8,622,860	\$21,557,151	\$266,345,009	\$7,870,415	\$154,942,129
2014	\$8,941,906	\$22,354,765	\$288,699,774	\$7,663,493	\$162,605,622
2015	\$9,272,757	\$23,181,892	\$311,881,666	\$7,462,012	\$170,067,634
2016	\$9,615,849	\$24,039,622	\$335,921,288	\$7,265,827	\$177,333,462
2017	\$9,971,635	\$24,929,088	\$360,850,375	\$7,074,801	\$184,408,263
2018	\$10,340,586	\$25,851,464	\$386,701,839	\$6,888,797	\$191,297,060
2019	\$10,723,187	\$26,807,968	\$413,509,807	\$6,707,683	\$198,004,743
2020	\$11,119,945	\$27,799,863	\$441,309,670	\$6,531,331	\$204,536,073
2021	\$11,531,383	\$28,828,458	\$470,138,128	\$6,359,615	\$210,895,688
2022	\$11,958,044	\$29,895,111	\$500,033,239	\$6,192,414	\$217,088,102
2023	\$12,400,492	\$31,001,230	\$531,034,468	\$6,029,609	\$223,117,711
2024	\$12,859,310	\$32,148,275	\$563,182,744	\$5,871,084	\$228,988,794
2025	\$13,335,105	\$33,337,762	\$596,520,505	\$5,716,727	\$234,705,521
2026	\$13,828,503	\$34,571,259	\$631,091,764	\$5,566,428	\$240,271,948
2027	\$14,340,158	\$35,850,395	\$666,942,159	\$5,420,080	\$245,692,029

TABLE 2

PROJECTED LOST SALES TAX REVENUE

YEAR	DIRECT AND INDIRECT INCOME	LOST SALES TAX REVENUE	CUMULATIVE LOST SALES TAX REVENUE	PRESENT VALUE	CUMULATIVE PRESENT VALUE
1998	\$12,500,000	\$352,500	\$352,500	\$330,986	\$330,986
1999	\$12,962,500	\$365,543	\$718,043	\$322,284	\$653,270
2000	\$13,442,113	\$379,068	\$1,097,110	\$313,811	\$967,081
2001	\$13,939,471	\$393,093	\$1,490,203	\$305,560	\$1,272,641
2002	\$14,455,231	\$407,638	\$1,897,841	\$297,527	\$1,570,168
2003	\$14,990,075	\$422,720	\$2,320,561	\$289,705	\$1,859,872
2004	\$15,544,707	\$438,361	\$2,758,922	\$282,088	\$2,141,960
2005	\$16,119,862	\$454,580	\$3,213,502	\$274,671	\$2,416,632
2006	\$16,716,296	\$471,400	\$3,684,901	\$267,450	\$2,684,082
2007	\$17,334,799	\$488,841	\$4,173,743	\$260,419	\$2,944,500
2008	\$17,976,187	\$506,928	\$4,680,671	\$253,572	\$3,198,072
2009	\$18,641,306	\$525,685	\$5,206,356	\$246,905	\$3,444,977
2010	\$19,331,034	\$545,135	\$5,751,491	\$240,414	\$3,685,391
2011	\$20,046,282	\$565,305	\$6,316,796	\$234,093	\$3,919,484
2012	\$20,787,995	\$586,221	\$6,903,018	\$227,938	\$4,147,422
2013	\$21,557,151	\$607,912	\$7,510,929	\$221,946	\$4,369,368
2014	\$22,354,765	\$630,404	\$8,141,334	\$216,111	\$4,585,479
2015	\$23,181,892	\$653,729	\$8,795,063	\$210,429	\$4,795,907
2016	\$24,039,622	\$677,917	\$9,472,980	\$204,896	\$5,000,804
2017	\$24,929,088	\$703,000	\$10,175,981	\$199,509	\$5,200,313
2018	\$25,851,464	\$729,011	\$10,904,992	\$194,264	\$5,394,577
2019	\$26,807,968	\$755,985	\$11,660,977	\$189,157	\$5,583,734
2020	\$27,799,863	\$783,956	\$12,444,933	\$184,184	\$5,767,917
2021	\$28,828,458	\$812,963	\$13,257,895	\$179,341	\$5,947,258
2022	\$29,895,111	\$843,042	\$14,100,937	\$174,626	\$6,121,884
2023	\$31,001,230	\$874,235	\$14,975,172	\$170,035	\$6,291,919
2024	\$32,148,275	\$906,551	\$15,881,723	\$165,565	\$6,457,484
2025	\$33,337,762	\$940,125	\$16,821,848	\$161,212	\$6,618,696
2026	\$34,571,259	\$974,909	\$17,796,758	\$156,973	\$6,775,669
2027	\$35,850,395	\$1,010,981	\$18,807,739	\$152,846	\$6,928,515

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

VERIFIED STATEMENT
OF
JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF

THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

EXHIBIT B

UNITED TRANSPORTATION UNION
LOCAL 394 HUDSON DIVISION
20 KELLOGG AVE.
SCHENECTADY, NEW YORK 12304

John F. Collins
B of L E
Legislative Chairman
267 North St.
Buffalo, New York 14201

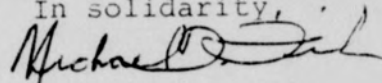
Dear John,

I am writing to express the concerns of my membership towards the proposed Conrail merger. My membership is made up of what I call a real cross cut view of the modern professional railroader. For the first time ever I have been able to have discussions with members who are facing a possible fourth railroad. With representing members with as much as 50 years service and as little as 1 year there is a common view amongst most members. They are afraid of an uncertain future for the first time. Some members expressed to me some of the complaints they were getting from the shippers they serve in New York State. With those views in mind I decided to poll a cross section of shippers in our area to listen there opinions concerning the merger.

One of the largest shippers on the Albany Division is Archer Daniels Midland or ADM Milling located in Hudson, New York. Both labor and management at the Hudson plant have expressed complaints about the decline in service from Conrail. They told me that service they are receiving has been terrible for quite some time. The cars being delivered are always late resulting in excessive plant delays and excessive overtime payments to their crews. One senior management person at the plant told me that service seemed to get worse after the announcement of the merger. ADM cars are being held at Selkirk Yard until it is convenient to deliver them. He told me that Conrail must try to convince ADM that anything would be better than what they are getting now. ADM plans on testifying to the STB just that opinion. They feel the railroad has nothing to lose and ADM has everything to gain. Everyone knows that when you starve someone they will eat just about anything put in front of them.

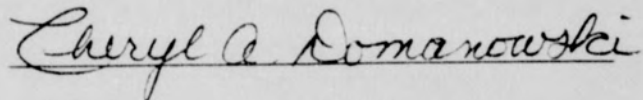
To sum it all up, most shippers that I've talked to feel the same way. Conrail has had ample opportunity to deliver the quality service it's been preaching about for years. They seem to have deliberately decided not to. An elite few will stand to profit from this merger well beyond most of our wildest dreams. To bad it had to be at the expense of the shippers and the livelihoods of our members. Please put forth these views in intercession for all our members. Things don't look very promising for us.

In solidarity,



Michael D. Fink
General Secretary
U'U GO-619

Michael D. Fink appeared before me this 17th day of October, 1977, and swore that the statement filed herein is based upon his education, training and experience in the railroad industry and as a union officer. He further declared under the penalties of perjury that the foregoing is true and correct.



CHERYL A. DOMANOWSKI
Notary Public, State of New York
Qualified in Erie County
My Commission Expires May 6, 1998.

Theodore A. Stachura
244 Weimar Street
Buffalo, NY 14206
October 15, 1997

The Honorable Linda J. Morgan, Chairman
U.S. Surface Transportation Board
1925 K Street N.W.
Washington, DC 20423

Re: Docket #33388
CSX/Norfolk Southern - Control & Operating Leases and
Agreements - Conrail Inc and Consolidated Rail Corp.

Dear Madam Chair:

As an employee of the Delaware & Hudson Railway Co., and
BLE Legislative Union Representative in the State of NY,
I am very much concerned by the proposed break-up of
Conrail by the CSX and NS Railroads.

I believe many jobs will be lost, due to the amount of monies
figured for job buy-outs. Approximately one billion dollars
for management and all working crafts. The personnel now
working for all the railroads in the US is about 325,000,
whereas the worst years of the Depression, over 700,000
personnel were working.

Many communities and consumers will feel the economic impact.
As you know, the CSX is acquiring a huge debt in order to
finance the purchase of their section of Conrail. Approximately
two million dollars a day in interest, to be profitable and
to try to erase their debt in the near future, they undoubtedly
will have to raise rates on all haulage, particularly coal
and grain unit trains, which in turn most coal is burned to
supply electricity. Utility rates will rise again. The
trucking industry doesn't seem to want that long haul business.
The coal is too heavy for the highways and safety, and would
take too many trucks over our already congested highways, not
to mention the high cost of transporting this coal by truck.
There are approximately 10 electric plants in New York State
alone that burn coal for electricity.

Also in other states where automobiles are carried by railroads
from factories to dealer distribution points, the cost would
rise. (Presently the cost is approximately \$450.00 per auto),
which I feel is very high. Again, the consumer would feel the
impact. As you can see, there would be no competition in any
of these categories.

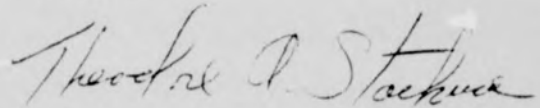
My concern also would be why would the Norfolk Southern and CSX Railroads want Conrail when they are already profitable? Why would they want to assume a debt? They will undoubtedly suffer many growing pains like the BNSF, which are getting worse. (Shipping and SAFETY)

There will be many employees with about 25 years of service that will not receive a job buy-out and would most likely have to change their residence to another state. This in turn would affect the communities and economic impact, including revenues and consumer spending.

The operating plan submitted by the NS & CSX in NYS alone is not a guarantee of the future operation of the railroad. Once the Surface Transportation Board gives its approval, nothing prevents the Carrier from changing the operating plan to meet its own needs. The fact is that shippers, communities, and workers will have little recourse to challenge the actions of the Carrier.

Therefore, I feel it is not in the public's interest for this transaction to be approved and I strongly urge the Surface Transportation Board to REJECT the proposed break-up of Conrail by the NS & CSX Railroads.

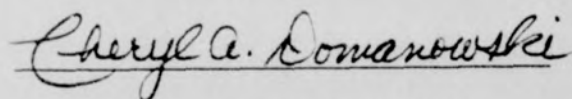
Sincerely,



Theodore A. Stachura
NYS BLE Legislative Rep.,
Division #220

cc: J.R. Rossa
Sec/Trea, BLE Div. 220

The individual above-named appeared before me this 16th day of October, 1997 and swore that the statement filed herein is based upon his education, training and experience in the railroad industry and as a union officer. He further declared under the penalties of perjury that the foregoing is true and correct.



CHERYL A. DOMANOWSKI
Notary Public, State of New York
Qualified in Erie County
My Commission Expires May 6, 1998.

succeeds

The union of the city's development and Amherst's growth is a cooperative needed in this area's crucial quest for jobs. The two will join in a marketing effort, which sports its own logo and its consultant. In an effort to woo new business, it will stress that the two communities are home to manufacturers "producing 21st century products" and solving challenging business problems.

Ads in national trade magazines will begin tomorrow. There will be a page on the World Wide Web. Expect shiny brochures.

The startling thing about this match is that Masiello and IDA Executive Director James J. Allen have been on opposite sides of bitter lawsuits that argue Amherst has wrongly lured downtown Buffalo businesses to its suburban office parks, feathering its own nest at the expense of a neighbor. Whatever truth there has been to the allegations, perhaps they can subside now if Buffalo and Amherst truly work as a team, bent on helping each other and no longer in competition.

Both partners are expressing other area development agencies into the should be. This region is not helped when open ventures are fractured. We'll do mess possibilities are greeted by a united region as a whole rather than its pieces. As this marriage is, it could be a pretty all. The partners deserve congratulations in courtship.

nce ethics?

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ld benefit from an open meeting, scheduled where the public could discuss from advance sed version of ethical guidelines — before, to adopt them.

ur champs

me will scoff that this is only a minor-league go unnoticed in most parts of the country. cares? Manager Brian Graham, the coaches worked hard to prevail and deserve the best

New York State has invested in helping railroads — now what will it get back?

By WILLIAM C. HENNESSY

My mother (yes, my mother) worked for the railroad in 1915, and as a boy, I lived along the bus main line of the Erie Railroad. And I loved it. I am a railroad buff I guess, and maybe that's why when I was state commissioner of transportation, I saw railroads and transit as just as important as highways.

That is why I can't quit in the light to preserve our railroad system and even try to make it better. To see the Erie main line through my home town, Wellsville, inactive today is bitterly disappointing.

While I was deputy commissioner, Conrail was put together by federal planners. Ray Schuler, the state commissioner at the time, recognized the need for a strong response from New York State. He was instrumental in developing a Rail Division in the Department of Transportation.

Its mission was simple. Work to obtain the rail system that would best respond to the needs of New York's rail freight users and passengers.

He, along with Gov. Malcolm Wilson, proposed the first railroad bond issue to enable the state to invest in certain rail lines so the system could accommodate the commerce of New York. Hugh Carey, who at the time was a candidate for governor, supported the issue. With bipartisan support, it had overwhelming voter endorsement.

Commissioner Schuler and I never hesitated to use the leverage we had to obtain from Conrail the best railroad services possible. We fixed the overhead bridges and tunnels to make double-stack container services possible, brought passenger train speeds up to 110 mph, electrified the Harlem Division commuter rail services, maintained main-line services across the Southern Tier and rescued innumerable local branch lines.

Gov. Carey recognized the importance of the state's rail programs, and a second rail bond issue was submitted to the voters of New York and approved.

Our investments helped Conrail become profitable. But the people of New York did not make their investments to bolster a company's stock price. Our investments are in the facilities themselves and are not intended to be short-term.

Today, Conrail stock is held in trust by two rail giants — Norfolk Southern and CSX. Conrail stockholders have received a handsome profit. Norfolk Southern and CSX will gain handsomely in access to East Coast ports and to New England and Canada. But what kinds of rail service improvements will our industries and passengers receive?

I see a New York with many unre-

solved rail issue. Will there be intermodal services to New York City and Long Island? Will further progress in high-speed rail passenger services be made? Will the Erie main line be constituted? How many of our branch lines, such as the Syracuse-to-Monticello line, are to be repaired once again?

Questions like these need factual answers. You won't find them in the documents filed by CSX and Norfolk

Southern with the federal regulators.

Several years ago, Nelson Rockefeller, Malcolm Wilson, Hugh Carey, Ray Schuler, Walter Anderson, Perry Duryea, John C. Emerret, Stanley Fink and others did what they had to do to save and improve the railroads of New York. We are at a critical point, and it justifies the same kind of statewide, bi-partisan leadership.

Now is the time for the new leaders of New York, who I believe to be very able, to step up to the plate. Don't look to Washington for relief. New York's interests will not be protected there. And it is not just the governor's job. The Legislature, mayors, county executives and business

leaders must light together for their mutual benefit.

Not only must CSX and Norfolk Southern enter into specific agreements with New York to assure us that our past investments will be protected, but we must address future needs.

Conrail's buyers are great railroads. Perhaps they can do more for New York

than Conrail did. But if so, it will not be as a result of vague promises or goodwill. It can only be assured by hard agreements setting for the specific new services. Next June, we will see new railroad management in our state. Exactly what happens will be determined by hard negotiation. New Yorkers are entitled to a fair share.

This situation is made all the more difficult by the impending collapse of Amtrak. Amtrak has had to be rescued from fiscal disaster so many times since its creation in 1971 that one has to ask if a brand-new way of providing national rail passenger service might be found.

Perhaps Amtrak might reposition itself as a manager of private-sector contracts for modern, efficient rail passenger services. Perhaps the states or computer operators around the country should take over.

The problems of Amtrak are too overwhelming to be cured by NS and CSX. However, high-speed rail is too important to New Yorkers to be disregarded in the ongoing negotiations.

WILLIAM C. HENNESSY, a former state transportation commissioner, Thruway Authority and state Democratic chairman, lives in Bolton, Landing, near Albany.

IN THE DEBATE

Conrail grew with the state's support. Now that Norfolk Southern and CSX are taking over the rails, New York's leaders must insist that the needs of our commerce and people play into their decisions.

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

VERIFIED STATEMENT
OF
JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF

THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

EXHIBIT C

Wrong Track

A Bi-Railroad Merger Goes Terribly Awry In a Very Short Time

Union Pacific Is Hammered Over Service and Safety: Have Patience, It Says Have You Seen Our Rice?

By DANIEL MATHALABA

Staff Reporter of THE WALL STREET JOURNAL

Its railroad safety record, marred by three fatal crashes in three months, is being characterized as a "fundamental breakdown" by federal regulators. Its route system has slipped into near gridlock west of the Mississippi River, with thousands of freight cars backed up for miles in the Houston area alone. Its chairman had to publicly apologize in August to its big customers.

So bad has service become that customers say Union Pacific Corp., the nation's largest railroad, can't account for millions of dollars of shipments for weeks at a time. Riviana Foods Corp., a Texas rice producer, tried to ship a freight car full of rice from Missouri to Tennessee in early August. A month later, the car was spotted on a track in Devil's Slide, Utah. The latest word is that it was somewhere in Texas. "I still don't know where it's at," says Terry Nickens, Riviana's distribution manager. "Is this any way to run a railroad?"

A Major Debate

Union Pacific's attempts to put together the biggest railroad merger in history is fast becoming one of the industry's biggest debates. With high hopes last year, the company bought Southern Pacific Rail Corp. for \$3.9 billion and promised to begin merging the systems this summer into a seamless link between the West Coast and the Midwest.

Instead, with stunning speed, the merger has unraveled in recent weeks into a series of service and safety snafus. Analysts estimate the carrier has already lost about \$125 million in revenue as customers diverted shipments. Hundreds of customers have threatened to take away business, and the Federal Railroad Administration could well impose stiff fines on the company for safety violations. The company concedes that its service problems will reduce its third-quarter earnings by 10% to 15%. And the stock price has dropped 13% in the past month.

And yesterday, things got worse. The Dallas-based company said it would abandon an embarrassing plan to move goods by ship through the Panama Canal—a plan that was rejected this week by its customers. Instead, in an even more remarkable step, it agreed to hand over some of its business to competing railroads and to "borrow" the services of dozens of former managers from Eastern railroads to help untangle the mess.

Surprised Observers

The setbacks have startled industry observers, who only a few months ago expected the merger to go smoothly, especially because Union Pacific had had a

Business and Finance

WORLD COM OFFERED \$30 billion in stock for MCI, hoping to break up MCI's planned merger with British Telecom. If successful, the move would be the largest takeover in corporate history, turning the No. 3 long-distance carrier into a telecom titan with unmatched assets in long-distance, local and Internet services. Indeed, WorldCom could emerge with unprecedented clout and, potentially, pricing power over the Internet.

(Articles in Column 6 and on Pages A3, B1 & C1)

Anheuser-Busch's sales practices are being investigated by the Justice Department amid allegations that the nation's largest brewer is abusing its dominant market position. Industry lawyers and executives said.

(Article on Page A3)

Prudential Insurance is exploring a sale of its huge but unprofitable health-care business, a unit that is expected to fetch well over \$1 billion, people familiar with the matter said.

(Article on Page A3)

Manufacturing activity cooled a bit in September while continuing to signal strong economic growth, a survey of purchasing managers found. Meanwhile, pricing pressures increased.

(Article on Page A2)

GM is taking longer than expected to prepare for an IPO of its giant Delphi parts-making unit, likely to be one of the biggest stock sales on record.

(Article on Page B4)

Chrysler and Toyota each posted a 14% drop in U.S. sales of cars and light trucks, while Honda's rose 3.1%.

(Article on Page B4)

The Dow Jones industrials topped 8000 for the first time in six weeks, rising 70.21 to 8015.50. Bond prices surged amid weaker-than-expected economic reports and the dollar advanced.

(Article on Page C1)

Southeast Asian currencies dived as Thailand broke out among the region's economic leaders. Over Malaysian Prime Minister Mahathir's attacks on the currency markets.

(Article on Page A12)

A tobacco meeting with Clinton produced pledges from GOP leaders that they would try to pass legislation to cut teen smoking early next year.

(Article on Page A4)

US Air reached a tentative accord with its pilots union that would lower the carrier's costs and move it a step closer to executing the growth strategy of chairman and CEO Wolf.

What's News—

World-Wide

CLINTON WARNED Congress he will use vetoes to preserve spending priorities.

Budget Director Raines met with House and Senate Appropriations leaders to make clear the administration's position. At risk are at least four big spending bills. The administration fears it is losing leverage in the piecemeal approach Congress has taken this year, and would prefer an omnibus bill. Clinton may not enjoy the support he had in past budget fights, because Republicans have taken care to share the largesse with Democrats. (Article on Page A20)

The Senate voted 53-45 for a big Treasury spending bill that contains a 2.3% cost-of-living increase for lawmakers. The bill now goes to Clinton.

"Fast track" trade legislation passed the Senate Finance panel in what the White House hopes will be a boost for the troubled plan. In a compromise meant to win bipartisan support, references to labor and environmental rights would be largely advisory, and programs would continue to help those hurt by imports. (Article on Page A2)

The U.S. opened an investigation of the South Korean auto market that could lead to trade sanctions under the process known as Super-301. The move is meant to pressure Seoul into boosting imports of U.S. cars. The U.S. referred four or more disputes to WTO arbitration panels. (Article on Page B4)

Attorney General Reno is almost certain to take the next step toward naming an independent counsel to investigate possible fund-raising abuses by Gore, administration officials say. She must decide by tomorrow whether to begin a formal 90-day inquiry that could lead to an appointment. Clinton's case is trickier. (Article on Page B5)

NATO troops in Bosnia seized TV transmitters to end broadcasts they said incited violence against peacekeepers. Programs by a U.S.-backed Bosnian Serb faction were then put on. Meanwhile, NATO ministers met to consider Bosnia troop cuts this year. In Serbia's Kosovo province, police broke up a march by 3,000 ethnic Albanian students.

Israel's release of a Hamas leader failed to quell Palestinian anger over his deportation to Jordan. Critics of the move also said Sheikh Ahmed Yassin's release was part of a deal for Jordan to free two Israeli agents held after the attempted killing of a Hamas official last week. Meanwhile, PLO police arrested 11 Hamas activists in Nabulus.

Secretary of State Albright said the U.S. hasn't yet decided how it will respond to the \$2 billion natural-gas contract signed with Iran by a group led by France's Total. Albright declined in an interview to say whether Clinton might waive sanctions as he has with a similar law involving firms doing business with Cuba. (Article on Page A2)

The quality of HMO care varies widely across the U.S. in areas ranging from prenatal to heart attack treatment, according to a report by the industry's leading accreditation organization. The group intends the report to be used by medical officials to make improvements, and by employers to select health plans. (Article on Page B6)

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And yesterday, things got worse. The Dallas-based company said it would abandon an embarrassing plan to move goods through the Panama Canal—a plan that was conceived this week by its customers. Instead, in an even more embarrassing move, it agreed to build over some of its lines by competing railroads and to transfer the services of dozens of former managers from Kansas railroads to help stabilize the lines.

Surprised Observers

The setbacks have startled industry observers, who only a few months ago expected the merger to go smoothly. Especially because Union Pacific had had a sterling reputation in railroading.

"They thought they would conquer the world," says William Withuhn, transportation editor at the Smithsonian Institution in Washington and a widely recognized expert on railroads. "They were counting on having a great success. But they just didn't plan it right. It fell apart."

Union Pacific acknowledges that it has been caught by surprise—and humbled by the experience. Richard Davidson, its chief executive, said in an interview after a recent meeting with more than 200 angry chemical-company officials and other shippers in Houston: "I never imagined in my wildest dreams that I'd be down here apologizing for our service." Yesterday, a Union Pacific spokesman said, "There's no denying we have severe service problems, but we are making headway."

Problems Acknowledged

The carrier's executives concede that they overestimated their ability to combine giant rail systems operating hundreds of thousands of freight cars. They say the company's own long record of success, unmatched through much of the late 1980s and early 1990s, may have bred overconfidence. We are arrogant," Greg Garrison, Union Pacific's Houston superintendent, said last month. "We consider ourselves the best."

Union Pacific says it still can solve its problems, perhaps within a few months. But for now, its merger woes have raised scudding questions about how well railroads can transport goods in the nation's ever-growing consumer market. For more than a decade, the industry has been on an unprecedented merger binge that was supposed to give the remaining few powerful railroads a better chance—"competing against trucks, which now deliver nearly 60% of the nation's freight revenues. That improvement, in turn, was supposed to keep prices everything from highway construction to air pollution to fuel costs down. And consumers would gain. If a few more railroads can haul goods at 20% more cheaply than trucks can, why's much of the saving to be passed on to the public?

But Union Pacific's problems suggest that the railroads are a long way from offering this promise and that shippers may have to do without them using them. The company's difficulties on the Gulf Coast are being watched by critics whenever it comes to realize that Union Pacific's assets amount to more than \$10 billion in stock.

The Dow Jones industrials topped 8000 for the first time in six weeks, rising 70.24 to 8015.50. Bond prices surged amid weaker-than-expected economic reports and the dollar advanced.

(Article on Page C1)

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(Article on Page A4)

US Air reached a tentative accord with its pilots union that would lower the carrier's costs and move it a step closer to executing the growth strategy of chairman and CEO Wolf.

(Article on Page B3)

Salomon dismissed John Sander, head of its global equity derivatives business, making him among the first casualties of Traveler's \$9 billion purchase of the bond-trading firm.

(Article on Page B3)

Small-company stock funds roared back in the three months ended Sept. 30, after lagging behind big-company funds for a long stretch.

(Article on Page C2)

Marriott International's plan to split off its food and management service businesses into a joint venture with France's Sodexho will reduce its debt burden by more than 75%.

(Article on Page A10)

Markets

Stocks: Volume 397,888,140 shares. Dow Jones industrials 8015.50, up 70.24; transportation 720.39, up 23.85; utilities 249.34, up 1.97.

Bonds: Lehman Brothers Treasury Index 72.19, up 0.41.

Commodities: Oil \$21.05 a barrel, up 12 cents; Dow Jones futures index 1165.77, up 11.15; spot index 120.26, up 0.41.

Dollar: 126.85 yen, up 0.50; 1.7743 marks, up 0.0170.

Israel's release of a Hamas leader failed to quell Palestinian anger over his deportation to Jordan. Critics of the move also said Sheikh Ahmed Yassin's release was part of a deal for Jordan to free two Israeli agents held after the attempted killing of a Hamas official last week. Meanwhile, PLO police arrested 11 Hamas activists in Nablus.

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Congo's Kabila said he was sending troops into Congo Republic after two days of cross-border shelling that killed as many as 11 in Kinshasa. Meanwhile, the U.N. is withdrawing a team sent to Congo to investigate Rwandan refugee massacres, the second inquiry Kabila succeeded in blocking.

Louisiana Sen. Mary Landrieu was officially sealed after the senate Rules Committee voted 160 to drop an investigation of her narrow 1996 victory over GOP challenger Woody Jenkins. The panel said it had found insufficient evidence of vote fraud, and the inquiry's pace drew Democratic protests.

Overseas farms would be inspected for possible disease-causing contaminants under a plan Clinton is set to announce today, the Associated Press said. Those failing to meet standards would be barred from exporting to the U.S. New sanitation guidelines also would be issued for U.S. farmers.

An Algerian Muslim group's truce took effect, but attacks blamed on Islamic militants continued. Three people were killed 40 miles south of Algiers, capping a week in which nearly 100 were massacred. Other groups continue to fight the government.

An Army colonel concurred with a hearing officer's recommendation that Sergeant Major of the Army Gene McKinney be court-martialed on sexual misconduct charges, people familiar with the case said. A final decision now rests with a general.

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Heidi's Fiction

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INTRINSIC VALUE: A hot chairman, a fine idea, and one big IPO. Page C1.

SMALL STOCK FOCUS: Strong profits may strengthen rally. C1.

THE HOME FRONT: Housing industry courts H-spanne buyers. B1.

TRAVEL: Young hires can seal deals, but they can't rent a car. B1.

ADVERTISING: McDonald's calls upon Americans: happy meals. B5.

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Big Railroad Merger Quickly Goes Awry

Continued From First Page

Waverly, this. Still a pride that a... I prehabitated kitchens that had... railroads to give money, says... I dropped it from Paris and the railroad... entire. They give it occurs... give hermits—foods, break... show, just stuff you wouldn't think... supper. Says Armando Sanchez, the assistant manager. "You would think if a truck can get through, why can't

Moreover, Union Pacific's headhunts are directed to the next great railroad merger—the \$10 billion breakup of Conrail between Norfolk Southern Corp. and BNSF Corp. Since considered almost certain, the merger has caused the federal government's Surface Transportation Board, the merger's chief clearing questions from members of Congress, labor unions and community groups worried about a repeat performance. "This creates all sorts of problems on CSX and Norfolk Southern," says Al Myers Hatch, an analyst at NatWest Securities Corp. The future prosperity of the entire rail industry depends on Union Pacific solving its service problems — and quickly.

An Enormous Challenge

To be sure, Union Pacific faced an enormous challenge in trying to create a system with 36,000 miles of track and more than 100,000 freight cars. What's more, the company it was buying, Southern Pacific, was the weakest of the major railroads; it suffered from a lack of investment in freight yards and locomotives. Some industry executives, who jokingly called it the "Suffering Pacific," say the railroad

Manufacturing Cools And Pricing Pressures Show Slight Increase

Continue From Page A2

Deliveries were taking longer in September, while just 1% said delivery times were improving. That could indicate inflationary concerns, as slow delivery times can mean bottlenecks that eventually push up prices. Still, September was an improvement over August.

Importantly, Mr. Ore noted, purchasing managers don't report any changes in their backlog of orders. That's good news, because companies sometimes use a growing backlog of orders as leverage to raise prices.

While the production and order indexes jointly declined slightly, there was a change in the export-orders index to 30.8 from 32.5. Although it still indicates growth, that's a head turning drop. December's is an indication that the strong order in 1972 is turning a problem in export growth remains to be seen. Mr. Or-

Separately, the Conference Board said its index of 10 leading economic indicators rose 0.2% in August over a year, raising it to 100. The composite measure of 10 previously reported indicators, intended to predict growth six to nine months in advance, signals that growth should continue at a moderate pace into 1988, analysts said.

CONSTRUCTION SPENDING

These are the Commerce Department's figures for construction spending in billions of dollars at seasonally adjusted annual rates.

	August 1997	July 1997	August 1996
Total new construction	601.8	683.7	571.0
Residential	260.0	259.4	249.3
Nonresidential	163.9	165.3	152.8
Public	137.8	139.0	127.4

LEADING INDICATORS

Here are the net contributions of the components of the Conference Board's Index of leading indicators. After seasonally adjusted, they increased 0.2% in August.

couldn't have survived on its own over the long haul.

Nevertheless, Union Pacific officials hoped that the merger, which became effective in September 1966, would yield large rewards, not only through major cost savings but by increasing freight business with more direct routes between the Midwest and West Coast. Southern Pacific's major routes stretch in a great arc from Portland, Ore., to Los Angeles, Houston, St. Louis and Chicago. Union Pacific forms a large funnel like system, from the Midwest to Salt Lake City, with branches to Seattle, Oakland, Calif., and Los Angeles. Combining the two, Union Pacific promised, would slash delivery times as much as 20%, more than enough to win new business.

But company officials concede that they badly underestimated the number of crews and locomotives they would need; in part, they relied on their past success in acquiring other railroads. Those mergers allowed Union Pacific to lay off great numbers of employees and still keep the trains running. But instead of adding to a combined work force of 52,000, the company offered buyouts to more than 1,000 workers at a time when freight shipments were booming nationwide.

"We miscalculated," says Mr. Garrison, the Houston superintendent. "It upset a lot of customers."

The Houston Trouble

The company also cut back operations at an important railyard near Houston shifting 300 freight cars a day to a bigger but overtaxed Englewood yard in Houston 20 miles away. The result: Within a few weeks, the bigger yard was swamped, causing delays of as long as a month. "The yard is like a coffee cup that's already too filled," says Rick Carliswell, a yard manager at Englewood. "It just overflowed."

In a railroad, delays at a hub can quickly spread throughout the system—and this one did in a big way. By August, at the beginning of the peak holiday shipping season, trains were already backing up for miles along the Gulf Coast. More recently, the snarl has spread to Union Pacific's facilities in the Los Angeles Long Beach harbor complex, where as many as 3,000 containerized shipments have been piling up for lack of locomotives.

"I've never seen it this bad," says David McLean, director of global marketing for Circle International Inc., of San Francisco, which arranges freight transportation for major companies.

Scrambling. Union Pacific is buying or leasing more than 300 locomotives, but it hasn't any quick solution to the backlog.

Through its buyouts, Union Pacific also encouraged an exodus of many Southern Pacific executives and managers, whom industry officials said were skilled at keeping the weaker line going. They lost a lot of institutional knowledge, says Ed Emmett, president of the National Industrial Transportation League, which represents about 1,200 rail and truck customers.

What's more, the exodus aggravated the clash of corporate cultures that a

merger would be sure to provoke. Led by the 6-foot-4-inch Mr. Davidson, who surrounded himself with equally imposing subordinates, Union Pacific runs a well-oiled and aggressive rail operation out of its Omaha, Neb., rail headquarters. Executives there, accustomed to using the latest equipment to dispatch trains and repair tracks, were skeptical about the talents of many Southern Pacific people. Former Southern Pacific executives say many of their suggestions were ignored. "You are merging two cultures, one that had no money and one that had a lot of money," says Art Schoener, until this week Union Pacific's executive vice president for operations.

Traditions Slighted

Most merging railroads, to bolster morale, have tried hard to preserve the traditions of their predecessors. But shortly after the acquisition, Union Pacific replaced the name of a famous Southern Pacific high-speed freight train, the Memphis Blue Streak, with the symbol "EMELB" (standing for Intermodal Memphis to Lone Beach train). "It was an inspirational thing," says Fred Frailey, who wrote a book about the Blue Streak. "The Memphis Blue Streak was the heart and soul of the Southern Pacific. But all that was lost on the Union Pacific." In response, a Union Pacific spokesman says: "That's the least of our concerns right now."

Yesterday, the company hit what analysts described as rock bottom: It announced a service-recovery plan that appears to mirror parts of rescue operation outlined by its chief rival, Burlington Northern Santa Fe Co. Union Pacific said it would temporarily divert certain business, including coal, grain and automobile shipments, to other railroads throughout the Western two-thirds of the country, including Burlington Northern. In addition, Union Pacific plans to reroute trains around congested hubs and use less-busy freight yards to handle more of its business. It also said it would operate fewer trains and take locomotives off its faster trains and spread them around the system.

"Everyone at our company is working hard on restoring service to levels that will satisfy our customers," Mr. Davidson said in a statement yesterday.

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Announcing...

AMERICA'S FIRST SILVER DOLLAR



Union Pacific Tie-Ups Reach Across Economy

By DANIEL MAHALARA
And ANNA WILDE MATHEWS

Staff Reporters of THE WALL STREET JOURNAL

A Northwest lumber mill had so much unshipped wood that it stacked it on a barge for the slow trip down the coast. A small Houston packager is sending 20 or 30 workers home almost every day because it

TRANSPORTATION

can't get the plastic materials it needs. And all across Nebraska, farmers may have the most unusual concern of all: running out of molasses for their cattle.

Union Pacific Corp.'s continuing service problems are beginning to have sweeping and unexpected effects on industrial and consumer America. More than 10,000 railroad cars a day are stuck in limbo on the Union Pacific route system that stretches from the Midwest to the West Coast, lacking the crews, locomotives and even the tracks to keep the network moving. That's triggering everything from production slowdowns at factories to a scramble to switch to other more expensive forms of transportation.

The biggest railroading crisis in dec-

ades is fast reaching into American everyday life. "Whatever the costs of the United Parcel Service strike, this may well have a greater effect on the economy," says Aaron Gellman, director of the Transportation Center of Northwestern University in Evanston, Ill. "This could take much longer to fix."

The foul-ups began a couple months ago when Union Pacific tried to digest its \$3.9 billion acquisition last year of Southern Pacific Rail Corp. Its officials say they simply underestimated the manpower and effort the merger would take, but critics say the company tried to cut costs too much.

Union Pacific, the nation's largest railroad, normally has about 300,000 cars on its system on any given day. But because of its operational woes, the number of cars has swollen to about 340,000 a day, worsening the congestion problems and making it ever harder for the railroad to unclog its lines.

The railroad has tried everything from hauling goods on a ship through the Panama Canal — under a plan that was soon scuttled — to shifting backed-up freight to rival railroads. Richard Davidson, chair-

Railroad Bottlenecks

Union Pacific's worst gridlock spots:

CITY	MAIN CARGO
Houston	Chemicals, cars, grain
Fort Worth, Texas	Coal, lumber, mixed freight
Los Angeles	Electronic goods, clothing
Chicago	Paper, factory parts, mixed freight
North Platte, Neb.	Coal, food, metal goods

man and chief executive officer of Union Pacific, said in a statement yesterday that he has apologized to many of the railroad's customers in the past two months and that "most of the people are rooting for us." He added, "We have a plan in effect to fix it." Still, despite adding locomotives, hiring workers and curtailing service, the company said it doesn't expect to untangle the gridlock in its 36,000-mile system until at least January.

That's distressing news for a wide variety of companies now in the peak shipping season for Christmas. Eden LLC, a children's product importer in New York, is now shipping Arthur the Aardvark, Paddington Bear and Peter Rabbit stuffed animals, among others, by rail and worries that last-minute orders won't make it to store shelves until it's too late. Already, the company is seeing delays of as much as a week on Asian goods that are loaded onto rail cars at West Coast ports for the trip East.

Chemical makers already have incurred some \$100 million in extra costs and lost sales, according to the Chemical Manufacturers Association. Other industries may have to shoulder even higher inventory and shipping expenses, particularly because many of them are switching rail shipments to trucks, which for regular cargo costs 20% more and for bulky cargo can cost three times as much.

What's more, the snarl-ups on rail are creating logistical nightmares because railroad cars often carry goods of enormous size, which can quickly fill up warehouses and storage yards. As many as

Please Turn to Page R10, Column 5

Union Pacific Creates Tie-Ups

Continued From Page R1

20,000 gallons of chemicals can fit into a single rail car — the capacity of four tanker trucks.

So big are the lumber shipments, for example, at the Georgia-Pacific Corp. mill in Coos Bay, Ore., that the company has quickly had to barge its wood to Southern California, after rail shipments fell three weeks behind. Its only other option: pile it in the parking lot, in enormous stacks.

"It's a total disaster," declares George Robinson, manager of logistics operations for Georgia-Pacific's building-products division. "No one could ever imagine it would be this bad."

Economists say the effects of the Union Pacific tie-ups aren't yet obvious to consumers. But they affect bedrock industries, including the \$105 billion chemical business based in the Gulf Coast, which supplies raw materials to makers of everything from tires to toys.

"These industries are the base of the economy," says John Taylor, professor of transportation at Wayne State University in Detroit. "Their problems

spread through the rest of the production chain."

Chevron Corp.'s chemicals operation already slowed production at its Baytown, Texas, plant, which produces polyethylene pellets, the white BB-size balls that are melted to make plastic products.

Disruptions have become a daily occurrence at United DC, a Houston packager of plastic pellets. Marc Levine, United DC's president, says he has to send 20 or 30 of his workers home most days because the railroad doesn't bring enough loaded cars or doesn't show up at all. "It's just a matter of time before consumer costs go up," says Mr. Levine.

Sam Shanklin, a purchasing agent for Animal Feed Ingredients Inc. in Kansas City, Mo., has a different worry: the health of Nebraskan cattle. Union Pacific delivers entire train cars of molasses that farmers use to make corn feed more appetizing to cows.

Mr. Shanklin has arranged trucks to handle the shipments for now but worries that trucking can't continue to handle loads of this magnitude. Without sweetener in their food, it "just doesn't taste as good," he says.

THE WALL STREET JOURNAL WEDNESDAY, OCTOBER 8, 1997

Union Pacific Safety Rapped In U.S. Report

By DANIEL MACHALABA

Staff Reporter of THE WALL STREET JOURNAL

Federal railroad regulators are expected today to issue a report sharply criticizing safety procedures at Union Pacific Corp. and urging sweeping changes in the company's rail operations, following a series of deadly crashes.

The report by the Federal Railroad Administration would be one of the harshest criticisms to date of a major railroad's operations and raises questions about railroad mergers. Union Pacific has had three fatal accidents in the past three months. Federal investigators have said overworked crews, managers and equipment have contributed to the safety problems, particularly at the railroad's Gulf Coast hub.

The safety issues have also coincided with widespread shipping delays in parts of Union Pacific system, the nation's largest rail network. In addition, Union Pacific is still digesting a \$3.9 billion takeover last year of Southern Pacific Rail Corp.

"They're trying to cope with the merger, traffic increases and crew shortages all at the same time," said David Green, an FRA safety specialist in Hurst, Texas. "It's eroding their essential basic safety practices a little bit everywhere."

The agency's report follows an unprecedented review by federal inspectors of a major railroad's entire operations. Since the last week in August, as many as 50 FRA inspectors have scrutinized operating practices, dispatching, and maintenance and work schedules on Union Pacific's 36,000-mile network.

The review was touched off by a

series of collisions that caused the deaths of five employees and two stowaways. In the most recent wreck, two Union Pacific trains collided in Fort Worth last month, killing two crew members. In that crash, four unmanned locomotives rolled 10 miles before hitting an oncoming freight train.

Yesterday, a spokesman for Union Pacific Railroad Co., a unit of Dallas-based Union Pacific, said its overall safety record has improved steadily throughout the decade, despite the recent crashes, and

it welcomes the FRA review and recommendations.

Analysts said the government report could raise the profile of safety in federal reviews of mergers. More than 40 railroads have consolidated into five giants since 1980 and more mergers are expected, including the planned consolidation of Conrail Inc. by Norfolk Southern Corp. and CSX Corp. Until recently safety issues involving rail freight have arisen periodically.

Please Turn to Page A10, Column 5

Union Pacific Faces Criticism on Safety In a U.S. Report

Continued From Page A3

cally, but Union Pacific's rash of accidents, along with a fatal crash at CSX, prompted the unusual review of rail operations.

According to people familiar with the government review, the federal agency's report will identify widespread employee fatigue, inconsistencies in training, and inadequate testing at Union Pacific. For example, investigators found that Union Pacific crews lately are spending an unusually long amount of time after they complete their railroad duties waiting for transportation to take them back to terminals, according to the people familiar with the report. The delays extend their work schedules, postpone rest periods and add to fatigue levels, they said.

In addition, reductions in the number of crew members aboard freight trains to just two from four or five a decade ago have eliminated opportunities for on-the-job training for new recruits, they said.

Officials at the Federal Railroad Administration declined to comment on specific findings and recommendations. But agency spokesman David Bolger said the "measures will be swift and strict."

Last week Union Pacific and the agency jointly unveiled a package of safety initiatives, including a safety hotline for employees to anonymously voice any safety concerns. Union Pacific Railroad President Jerry Davis pledged to personally review every call within 24 hours.

In addition, Union Pacific said it would re-evaluate all of its training programs, including those for dispatchers, train and engine employees and field managers, and formed a company task force to find ways to reduce crew fatigue, including potential changes in crew scheduling.

FTC's Chairman Appoints Valentine General Counsel

WASHINGTON—Federal Trade Commission Chairman Robert Pitofsky named Debra A. Valentine to the post of general counsel, the agency's senior legal adviser.

Ms. Valentine, 44 years old, had been assistant director for international antitrust issues at the FTC, coordinating the commission's dealings with antitrust-enforcement agencies around the world and with international agencies such as the World Trade Organization. Before joining the FTC in 1995, she was a partner at O'Melveny & Myers, a law firm here.

KEANE INC. (Boston)—Brian Keane and John Keane have been named to the newly created office of the president of this software-services company. The two executives, who were previously senior vice presidents, will report to John F. Keane Sr., chairman and chief executive officer. The two are sons of the elder Mr. Keane. The company said Brian Keane, 36 years old, will be responsible for its information services and health-care services divisions; John Keane Jr., 37 years old, will be responsible for information technology, finance, human resources and employee organizational development.



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T B A N K I N G

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

VERIFIED STATEMENT
OF
JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF
THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

EXHIBIT D

R.H.Wagner
8878 Midlake Meadows Rd
Bridgeport, N.Y. 13030

R.W.Godwin
General Chairmen Conrail
810 Abbott Rd. Suite 200
Buffalo, N.Y. 142200

July 15 1997

Dear Sir and Brother:

I'm writing you to lodge a formal complaint against Dewitt Terminal District Superintendent M. MacDonald for willfully violating C.F.R. 49 Sect. 215.13 paragraph(b). He or His subordinates, Yardmaster and Trainmasters, have ordered Trainmen to inspect their own train for departure from Dewitt to various local points, where car inspectors are employed 24 hours a day.

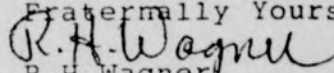
The semantics they use are there aren't any car department people available, so do a Transfer Test and let us know when you are ready to leave.

A Transfer Test only covers the air portion as per EC-99 and not the mechanical part as per C.F.R. 49 Sect. 215.13 paragraphs(a&b).

Listed below are dates, jobs, Engine numbers and crews of these occurrences.

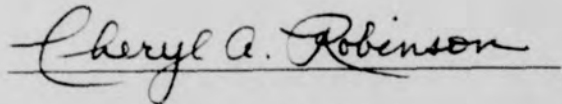
11 Jun 97	YADE-16	1926	R.H.Wagner	T.Burchill
12 Jun 97	YADE-16	1926	R.H.Wagner	T.Burchill
13 Jun 97	YADE-16	1929	M.Wallace	T.Burchill
9 Jul 97	YADE-16	1943	R.H.Wagner	T.Burchill

Your attention in this matter would be greatly appreciated to prevent further reoccurrences of this problem and continue on the right path for a **safe work environment** for all.

Fraternally Yours,

R.H.Wagner
B.L.E. Division 169

C/C W.Thompson Dist. Chairman
D.Hayes Local Chairman Div. 169

The above-named individual appeared before me this 15th day of July, 1997 and swore that the statement filed herein is based upon his education, training and experience in the railroad industry and as a union officer. He further declared under the penalties of perjury that the foregoing is true and correct.



CHERYL A. ROBINSON
Notary Public, State of New York
Qualified in Erie County
My Commission Expires May 8, 1998.

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

VERIFIED STATEMENT
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R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

EXHIBIT E

**VERIFIED STATEMENT
FROM
ROBERT W. GODWIN
GENERAL CHAIRMAN**

**BROTHERHOOD OF LOCOMOTIVE ENGINEERS
CONRAIL
GENERAL COMMITTEE OF ADJUSTMENT**

I am entering my forty first year in the Railroad Industry. On August 16, 1957, I hired out on the Erie Railroad as a Locomotive Fireman. During my tenure, I worked as a Clerk, Trainman, Conductor, and Locomotive Engineer. I was also involved in six Rail mergers and/or Consolidations listed below:

1. Erie Railroad / DL&W Merger 1959
2. Bison Yard Consolidation - Erie Lackawanna / NKP (N&W) 1962
3. Merger of Erie Lackawanna / D&H as a holding Company DERACO by the Norfolk & western.
4. The failed merger between the Erie Lackawanna and B&O Railway 1973-1974
5. Merger of Erie Lackawanna Railroad, Lehigh Valley Railroad, New York Central Railroad, Pennsylvania Railroad, Reading Railroad, CNJ Railroad, and Lehigh and Hudson and at least five switching railroads, Indianapolis Union Railroad, Buffalo Creek Railroad, Niagara Jet. Railway, Lehigh & New England, Raratan River Railroad into Conrail 4-1-76
6. In 1993, Conrail brought the Monongahela Railway Company and merged it into Conrail.

During the years 1959 and up, including today, I was also a Union Officer and employee of these companies. I have seen first hand how these employees have suffered. They suffered monetarily and their personal lives were totally disrupted. In addition, numerous employees were injured and killed because the Interstate Commerce Commission approved a "Helter Skelter", Wham Bam, thank You Ma'AM' Mergers with little or nothing in regard to a safe operation.

We are all looking at this type of merger approved by the new "lean and mean" Surface Transportation Board (STB) -- The Union Pacific - Southern Pacific Merger. In a few short months, we have seen seven (7) people killed - five employees of the Union Pacific and two civilians. We have seen at least three serious transportation disasters with fatalities and many more employees injured. We have also seen a number of untold derailments that, but for the "Grace of God", could have caused more deaths to employees and civilians.

Over sixty (60) percent of their locomotives have serious F.R.A. defects. Their rail car fleet is in all probability in the same shape as their locomotive fleet. However, because the switching yards are so over-loaded with traffic, no one can get close enough to inspect them.

On September 10, 1997, the F.R.A. review stated - "Wide spread safety deficiencies". These include problems with fatigue, sloppy train dispatching, poorly trained employees and defective equipment.

If the Surface Transportation Board approves the splitting up of Conrail, with their total neglect to demand a safe operation, we will have a mirror image of the Union Pacific / Southern Pacific merger. We will have Railroad workers and civilians injured and killed. We will also have the very real possibility of a serious transportation disaster that could include a Hazardous Material / Dangerous goods incident.

With Norfolk Southern's plan to double and triple the freight trains on the Amtrak Northeast Corridor, we could have another incident where a one hundred and twenty mile per hour Amtrak Train and a Freight train could come together.

Norfolk Southern and CSXT stated that this merger will, over one to five years, take one million trucks off the nation's highways. My questions are -- Where will they put these one million trucks when they get them? What will they transport them on? Where are they going to get the locomotives to pull them? Where are they going to get the crews to handle these one million trucks on trains?

If you look at the Norfolk Southern / CSXT Submission of the 1995 Labor Impact Exhibit in the Surface Transportation Board Finance Docket No. 33388, you really have to wonder if anyone is thinking about safety.

To show the inconsistencies in their plan to capture and handle the one million trucks that they say they will remove from the American highways, let us see how this statement and the reality of the Labor Impact Exhibit will work out.

To capture and handle one million trucks worth of lading you are going to need a very high percentage of track work, not only on Conrail, but also on the Norfolk Southern and CSXT. You cannot capture and handle one million truck's lading on single track railroads and tracks that have 25 and 30 MPH speed limits. If you cannot handle truck trains at 60 MPH or faster, you cannot expect to capture their business let alone keep it - if in fact you do capture it.

Yet, in their Labor Impact Submission, they show the following for Maintenance of Way Employees:

Jobs Abolished

Based on 1995
676

Based on 1996
495

Based on 1996/97
584

Let's look at Signal Men using the same one million truck theory. Recently a Conductor was killed on Conrail and three other Conrail Crew Members were injured because of an out of focused signal that had water between the light and the lens causing an improper signal to be displayed.

To run truck trains at 50, 60 or 70 MPH, you need a well maintained signal system, but again if you look at the Labor Impact, you find the following involving Signalmen:

Jobs Abolished

Based on 1995
73

Based on 1996
25

Based on 1996/97
22

Every Locomotive Engineer places his/her life, the lives of fellow employees and the lives of the public on the integrity of the Signal System. If the Signal System is not inspected and maintained on a daily basis, the integrity of that system diminishes very quickly.

If you are going to remove one million trucks of the highways, you will need a fleet of well maintained locomotives and rail cars. Let's take a look at what the Norfolk Southern / CSXT Labor Impact states in regard to these very important technicians:

Jobs Abolished

Craft	Based on 1995	Based on 1996	Based on 1996/97
Carmen	511	338	207
Electricians	136	52	39
Laborers / Fireman & Oilers	77	46	37
Railway Supervisors / Foremen	199	75	69
Sheet Metal Workers	79	37	29
Boiler Makers	9	5	5
Machinists	85	84	53

Locomotives and rail cars are subject to weather, tonnage, bad rail, hard couplings and long days between shop time. Any reduction in their crafts would place employees and the public in harms way.

Another situation that caused delays, accidents, injuries and deaths on the Union Pacific / Southern Pacific merger was the fact that non-agreement Supervisors were doubling up on Clerical work and non-agreement Supervisors work when, in fact, they should have been supervising the employees.

If you look at the Norfolk Southern / CSXT Labor Impact, it shows that they are going down the same road. It is a road that leads to accidents, deaths, injuries and delays.

Jobs Abolished

	Based on 1995	Based on 1996	Based on 1996/97
Craft			
Clerical Employees	1389	834	595
Non-Agreement	1563	1160	830
Police	98	46	42
Yardmasters	31	25	14

To move enough trains to handle one million trucks of lading you need a work force of experienced, properly trained and well rested Locomotive Engineers, Conductors and Trainmen to handle these trains in a safe and responsible manner.

Again, we go to the Norfolk Southern / CSXT Labor Impact Study to show that the Carriers are talking out of both sides of their mouths and never mention safety.

Jobs Abolished

	Based on 1995	Based on 1996	Based on 1996/97
Craft			
Locomotive	460	245	242
Engineers			
Trainmen /	1135	329	322
Conductors			

In the very near future, the Locomotive Engineers and Conductors/Trainmen that hired out in the 1950's and early 1960's will reach retirement age. They like myself, have lived the past mergers and they are tired of the pettiness, the hassle and the thought of having your job transferred forcing them to move. Rather than putting up with this aggravation, they will take their pension. Lock this in with the fact that there is a shortage of Locomotive Engineers on Conrail, Norfolk Southern and CSXT and the result is that Locomotive Engineers, Conductors, and Trainmen will be forced to work longer hours and take more trips in a fatigued condition. The combination of these factors set up a scenario on these Railroads, in regard to safety, that will make the Union Pacific / Southern Pacific situation look like a walk in the park.

The Surface Transportation Board has the authority to approve Railroad mergers, but with any position of authority there is responsibility. The Surface Transportation Board obviously dropped the ball in the Union Pacific / Southern Pacific merger approval.

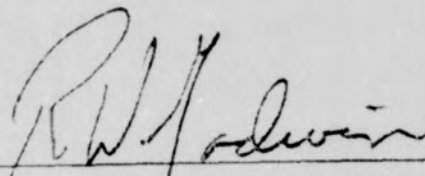
In the wide open spaces of the Western United States, a serious derailment or a train collision may not even affect five people. In the East, the population density is so great that a one car derailment of a dangerous Haz Mat car could cause a transportation disaster of catastrophic enormity.

I strongly urge that the Surface Transportation Board not approve this merger based on the pressure from the Carrier, their political allies, or to further the careers of the Members of the Surface Transportation Board. Do not approve this merger until you are one hundred percent sure that the safety of the American Public and the employees of the Railroads are absolutely guaranteed.

In every Railroad Book of Rules and Timetables in the United States, it states:

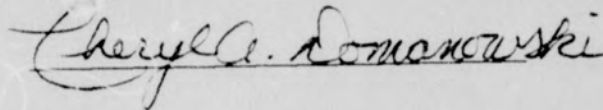
"Safety is of the first importance. These rules provide for a safe and efficient operation. In case of doubt, the safe course must be followed."

I am holding the Surface Transportation Board members to this standard. If there is one thing you think or know is unsafe in the Carrier's Plan, refuse to approve the Norfolk Southern and CSXT request to split Conrail.



R. W. Godwin
General Chairman
B.of L.E.-Conrail-G.C.of A.

The individual above-named appeared before me and swore that the statement filed herein is based upon his education, training and experience in the railroad industry and as a union officer. He further declared under the penalties of perjury that the foregoing is true and correct.



CHERYL A. DOMANOWSKI
Notary Public, State of New York
Qualified in Erie County
My Commission Expires May 6, 1998.

BEFORE THE
SURFACE TRANSPORTATION BOARD

STB FINANCE DOCKET NO. 33388

CSX CORPORATION AND CSX TRANSPORTATION INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
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VERIFIED STATEMENT
OF
JOHN F. COLLINS, ESQ.
NEW YORK STATE LEGISLATIVE CHAIRMAN

ON BEHALF OF

THE BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
CONRAIL GENERAL COMMITTEE OF ADJUSTMENT,
R.W. GODWIN, GENERAL CHAIRMAN,
AND BROTHERHOOD OF LOCOMOTIVE ENGINEERS,
NEW YORK STATE LEGISLATIVE BOARD
(Collectively, "BLE")

EXHIBIT F

*BROTHERHOOD OF LOCOMOTIVE ENGINEERS
DIVISION 54
12 KELLOGG AVENUE
PORT JERVIS, N.Y. 12771-1714*



*GARY J. BRINK
LOCAL CHAIRMAN / LEGISLATIVE REPRESENTATIVE*

*PHONE: (914) 856-4586 * FAX: (914) 856-8899 * GBRINK54 @ AOL.COM*

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
STB Finance Docket No.33388
1925 K Street, N W
Washington, DC 20423-0001

October 17, 1997

Dear Secretary Williams:

As a member of the Executive Committee of the New York State Legislative Board of the Brotherhood of Locomotive Engineers, as the Brotherhood of Locomotive Engineers Legislative Representative and Local Chairman of Jurisdiction of the Conrail Southern Tier of New York (Binghamton N.Y. to Croxton N.J.), it is my duty to inform you that I and my constituency cannot support the application of the NS and CSX to acquire Conrail.

Safety is our primary concern, but we also have concerns regarding shippers needs and considerations..

On the issue of safety, we have many concerns in regard to the portion of the NS operating plan pertaining to the Southern Tier . The NS operating plan calls for ten (10) dedicated through trains daily over the Southern Tier. In the plan, two general merchandise trains, two auto trains, four stack pack trains and two intermodal trains will operate daily between Buffalo N.Y. and North Jersey .

(Please refer to Appendix A)

Presently, there are four dedicated trains a day between Buffalo and North Jersey, two stack packs and two general merchandise trains. This operation presently requires a total of 16 crews to operate these trains between Buffalo and North Jersey. The amount of crews primarily is a result of the distance of the Tier, 430 miles, the lower speeds on the Tier and traffic windows east of Port Jervis N.Y. Port Jervis to HX interlocking, the entrance to Croxton yard, is controlled by New Jersey Transit Rail Operations train dispatchers by mutual agreement with Conrail, NJT and Metro-North.

The service is presently short 3 Engineers. These shortages are being covered partially by extra Engineers and assigned Engineers who are advanced to protect the trains. Because of these shortages, Engineers are presently being overworked. This is a result of the shortage of QUALIFIED Engineers. We hope for relief of this situation, it is unsafe. The NS plan calls for 6 additional trains, which will require an additional 18 crews. We are already short 3 Engineers plus 18 new crews, which will total 21 Engineers short. Conrail has not sent a candidate to Engineers Training School (ETS) from the Southern Tier in over 4 years, nor are they going to for the next two classes.

Who is going to operate these trains? Are they going to stretch the present work force beyond their limits? Are we going to have already overworked Engineers operating trains over the Tier, completely stressed out from sleep deprivation, poor diet and limited time home with their families?
(This happened on the UP-SP after the merger)

Or, is the NS making promises they can't or have no intention of keeping? If on tomorrow, Conrail were to hire the men the NS would need to operate these dedicated trains safely, they would have to hire well over 50 men. Twenty one of which, after 8 months of employment, would be sent to ETS. The rest would cover the Conductor's assignments and there would be also, usual failure rate.

According to the figures of the NS & CSX Joint Labor Impact Exhibit, they plan to create 16 new engineer positions and 16 trainmen positions over a span of three years. After three years, they will still be short ten men.
(Refer to Appendix C)

It takes 200 starts as a trainman to qualify for Conductors School. It takes 13 months to train a man from date of hire until he is FRA certified and qualified as an Engineer. New Engineers on the Southern Tier will jointly be required to qualify on up to 430 miles of rail road and 620 miles of track. They will be required to be qualified on the main, all secondary tracks, all industrial tracks and all yards. Some will be required to qualify on New Jersey Transit.
(Refer to Appendix B)

They will need to know exactly the location of every interlocking, every signal, every hot box detector, every dragging equipment detector, every crossover, every speed restriction, every customer switch, every road crossing, every close clearance point and all conditions that will effect the movement of their train . They will need to know what territory they are to operate on and what rules apply to that territory. They must be familiar with all yards, who controls the yards , identify all tracks within the yards, track capacity, FRA excepted track within the yards and all fouling points. They must know all the requirements of proper hazardous material handling and the procedures of hazardous material response in case of leaks, spills or derailments.

They must be familiar with and comply with all FRA Locomotive Inspection requirements, Initial Terminal Brake tests, Road Brake tests and Transfer Brake tests. They must be familiar with all equipment restrictions and procedures for handling the equipment. They will be responsible for the safety of their train, their crew members and themselves.

A lot of responsibility for an Engineer with 30, 20 or 10 years experience, never mind an Engineer only 13 months in the industry. We are fearful that the NS will try to expedite training, so crews will be available at a much earlier time frame. The results of such an endeavor could be disastrous. Seven fatalities on the UPSP since the merger.

Another safety concern we have is inspection of trains, presently 2 stack packs a day operate over the Tier. One train originates in South Kearny and picks up the rest of the train at Croxton yard before departing. The other train yards in Croxton after arriving from Binghamton.. However the four carmen positions presently in Secaucus (Croxton Yard) are to be abolished. (Refer to Appendix C)

The NS plan call for 6 trains in and out of Croxton a day. WHO and HOW are these trains going to be inspected as required by the FRA.

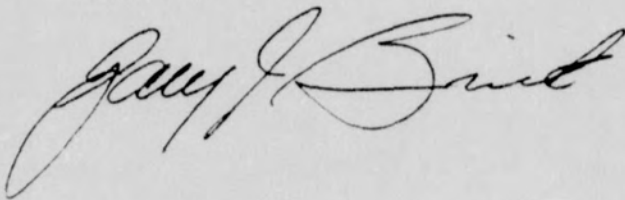
Another concern is supervision. Presently the Southern Tier has a District Superintendent in Binghamton N.Y. and a Trainmaster in Campbell Hall N.Y. The Superintendent is responsible for the entire District and handles local issues and every day operations from Binghamton to Buffalo. The trainmaster at Campbell Hall handles all local issues and every day operations from Binghamton to Suffern N.Y. The trainmaster's position at Campbell Hall is to be abolished. (Refer to Appendix C)

Who is going to oversee the safe operation of crews east of Binghamton? Who is going to supply crews at Port Jervis and Campbell Hall with safety equipment, necessary flagging supplies, supplies - time table inserts

I have attached Appendix A, B, and C for documentation.

For all the reasons described above, I do not support the application of the NS and CSX to acquire Conrail. I Gary J. Brink, declare under penalty of perjury that the foregoing is true and correct.
Further, I certify that I am qualified and authorized to file this verified statement. Executed on October 17, 1997

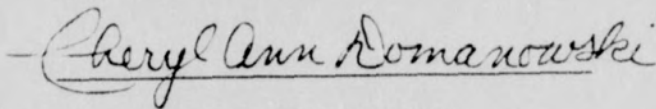
Sincerely,



Gary J. Brink

GARY J. BRINK appeared before me and swore that the statement herein is based upon his education, training and experience in the railroad industry and as a union officer. He further declared under penalties of perjury that the foregoing statement is true and correct.

SWORN TO BEFORE ME THIS 17th
DAY OF OCTOBER, 1997.



CHERYL A. DOMANOWSKI
Notary Public, State of New York
Qualified in Erie County
My Commission Expires May 6, 1998

Appendix A

routes and NS. Schedules will be improved or developed to reflect single-line services between facilities that are now served exclusively by either Conrail or NS.

Automotive traffic to and from Detroit and the upper Midwest will either operate direct to destination or will be marshaled at NS' Bellevue Yard near NS' planned Fostoria, OH mixing center. Bellevue will assemble solid trains of multi-levels and/or parts, and will distribute blocks of empty auto parts cars. New schedules are shown in Figure 13.3-16.

Examples of particularly important new services follow.

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Three dedicated automotive trains will traverse the Penn route between Bellevue, OH and northern New Jersey. The only work performed enroute for these trains will be to setoff or pickup automotive traffic blocks at Harrisburg for connection to other automotive trains serving automotive facilities at Baltimore, Newark and Wilmington.

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IMNIDE and IMDENI

Taking advantage of the doublestack cleared Penn route and the doublestack cleared Shenandoah and Piedmont routes, NS will reroute its current Norfolk, VA, to Detroit, MI, stack trains via Hagerstown, MD, and Cleveland, OH, saving 200 miles and 14 hours versus the current route via Knoxville, TN.

DSCGCX-1, DSCGCX-2, DSCXCG-1, DSCXCG-2, IMCXSL and IMSLCX

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Figure 13.3-23

New or Changed Intermodal Schedules

Origin	Destination	Train ID	Depart Origin	Arrive Destination	Transit Time	Intermediate Service and Connections
Atlanta	E-Rail	IMATER-1	0530-0	1130-1	30' 00"	New service to E-Rail replacing Kearny
Atlanta	E-Rail	IMATER-2	2100-0	0430-2	31' 30"	New service to E-Rail replacing Kearny
E-Rail	Atlanta	IMERAT-1	0500-0	1700-1	36' 00"	New service to E-Rail replacing Kearny
E-Rail	Atlanta	IMERAT-2	2000-0	0430-2	32' 30"	New service to E-Rail replacing Kearny
E-Rail	Harrisburg	IMERHB	0330-0	1151-0	8' 21"	Connecting service to Western gateways from E-Rail
Harrisburg	E-Rail	IMHBER	0700-0	1521-0	8' 20"	Connecting service from Western gateways to E-Rail
Chicago	Croton	DSCGCX-1	1900-0	2200-1	26' 00"	Doublestack service via Southern Tier to Croton
Chicago	Croton	DSCGCX-2	0200-0	0500-1	26' 00"	Doublestack service via Southern Tier to Croton
Croton	Chicago	DSCXCG-1	1230-0	1530-1	28' 00"	Doublestack service via Southern Tier to Chicago
Croton	Chicago	DSCXCG-2	0100-0	0300-1	27' 00"	Doublestack service via Southern Tier to Chicago
Croton	St. Louis	IMCXSL	2130-0	0314-3	54' 44"	New service to St. Louis from Croton with connections to Kansas City
St. Louis	Croton	IMSLCX	1800-0	2200-2	51' 00"	New service from St. Louis with connections from KC to Croton
Harrisburg	New Orleans	IMHBNO	0400-0	0100-2	46' 00"	New service via I-81 Shenandoah Valley route with connections from Pittsburgh, New York and Philadelphia
New Orleans	Harrisburg	IMNOHB	1700-0	1600-2	46' 00"	New service via I-81 Shenandoah Valley route with connections to New York, Philadelphia and Pittsburgh
Baltimore	New Orleans	IMBLNO	0400-0	0500-2	50' 00"	New service from Baltimore and north
New Orleans	Baltimore	IMNOBL	00010-0	0152-2	52' 30"	New service to Baltimore from south
Detroit	Norfolk	IMDENI	0300-0	2330-1	44' 30"	New shorter route for doublestack to Norfolk
Norfolk	Detroit	IMNIDE	2030-0	1500-2	42' 30"	New shorter doublestack route to Detroit
Harrisburg	Kansas City - UP	IMHAKCUP	2210-0	1830-2	45' 20"	New service from Northeastern terminals to UP-KC via Harrisburg hub
Toledo	Kansas City - SF	IMALKCSF	0415-0	0727-1	28' 12"	New service from Ohio hub to BNSF at Kansas City
Kansas City SF	Toledo	IMKCALSF	1445-0	1730-1	25' 45"	New run through service from NS KC ramp to Airline, HO hub
Kansas City	Toledo	IMKCAL	2345-0	0130-1	25' 45"	New service from NS KC ramp to Airline, OH hub
Kansas City	Harrisburg	IMKCHB	0200-0	2302-1	44' 02"	New service from NS KC ramp to eastern hub

IMERHB, IMHBER, IMHBKUP, IMKCHB

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New or Changed Automotive Schedules

Origin	Destination	Train ID	Depart Origin	Arrive Destination	Transit Time	Intermediate Service and Connections
✓ Bellevue	Oak Island	AUBVOI	0245-0	0500-1	26' 15"	Parts service from Bellevue hub to Metuchen and Linden, NJ
Bellevue	Ridgefield ML	AUBVRH	0345-0	0530-1	25' 45"	ML service via Southern Tier to Ridgefield from Bellevue hub.
Ridgefield ML	Bellevue	AURHBV	0800-0	1200-1	28' 00"	Empty parts and ML service from Linden and Metuchen to Bellevue.
↗ Bellevue	Doremus ML	AUBVDO	1430-0	2045-1	30' 15"	Dedicated ML service from Bellevue hub to Doremus ML.
Doremus ML	Bellevue	AUDOBV	0100-0	0253-1	25' 53"	Return empty service from Doremus to Bellevue.
Atlanta	Bellevue	AUATBV	2100-0	0300-2	30' 00"	Dedicated service from Atlanta to Bellevue hub.
Atlanta	Oakwood	AUATOA	2130-0	0940-2	36' 10"	Dedicated auto service from Atlanta to Detroit
Burnham Auto	Oakwood	AUBROA	1800-0	0422-1	9' 22"	Dedicated auto service from Chicago to Detroit
Oakwood	Burnham Auto	AUOABR	0400-0	1330-0	10' 30"	Dedicated auto service from Detroit to Chicago
Bellevue	Atlanta	AUBVAT	2325-0	0500-2	29' 35"	Dedicated auto service from Bellevue to Atlanta
Bellevue	Kansas City SP	AUBVKCSP	0100-0	0454-1	8' 54"	SP ML run through from Bellevue to KCSP
Bellevue	Kansas City UP	AUBVKCUP	2100-0	2345-1	27' 54"	UP ML run through from Bellevue to KCUP
Bellevue	Sidney, IL UP	AUBVSIUP	1600-0	0643-1	15' 43"	New UP I/C via Sidney, IL.
Kansas City SP	Bellevue	AUKCBV-SP	2000-0	0219-2	29' 19"	New SP run through service to Bellevue hub.
Kansas City UP	Bellevue	AUKCBV-UP	0800-0	1319-1	28' 19"	New UP run through service to Bellevue hub.
Kansas City SF	Detroit	AUKCOA-SF	0200-0	0738-1	28' 38"	New SF run through service to Detroit
Detroit	Kansas City SF	AUOAKC-SF	1800-0	0002-2	31' 02"	New run through service to KC-SF.
Detroit	Atlanta	AUOAEF	1651-0	0413-2	35' 22"	Dedicated auto service from Detroit to Atlanta
Sidney UP	Bellevue	AUSIBV-UP	0730-0	2102-0	12' 32"	New I/C service with UP via Sidney
Sterling	St. Louis-BN	AUSTSLBN	2300-0	0127-0	27' 27"	New Chrysler parts train service
St. Louis BN	Sterling	AUSLSTBN	2300-0	0015-2	24' 15"	Return of Chrysler parts cars to Detroit

New General Manifest Schedules

Origin	Destination	Train ID	Depart Origin	Arrive Destination	Transit Time	Intermediate Service and Connections
Linwood	Oak Island	GMLIOI	0251-0	0630-1	27' 39"	New service via NEC to Baltimore, Philadelphia and Oak Island
Oak Island	Linwood	GMOILI	2130	0414	30' 44"	New service via NEC to Baltimore, Philadelphia and Oak Island
Elkhart	Oak Island	GMELOI	1030-0	1955-1	32' 25"	Bypass service from Chicago to New Jersey
Buffalo	Oak Island	GMBFOI	0700-0	0545-1	22' 45"	Southern Tier Freight Service.
Oak Island	Buffalo	GMOIBF	0730-0	0615-1	22' 45"	Southern Tier Freight Service.
Allentown	Knoxville	GMAIKX	1530-0	0035-2	33' 05"	Long distance bypass train with Macon block via Shenandoah Corridor.
Knoxville	Allentown	GMKXCAL	1730-0	0200-2	32' 30"	Long distance bypass train with blocks from Birmingham and Chattanooga
Ft Wayne	Tolono IC	GMFWTOIC	1700-0	0050-1	08' 50"	New run through service with IC over Tolono
Tolono IC	Ft Wayne	GMTOFWIC	0900-0	1500-0	05' 00"	New run through service with IC over Tolono
Ft Wayne	Sidney UP	GMFWSIUP	0130-0	0830-0	8' 00"	New run through service with UP via Sidney, IL.
Sidney UP	Ft Wayne	GMSIFW-UP	0900-0	1740-0	7' 40"	New run through service with UP via Sidney, IL.
Conway	Sidney	GMPISIUP	1200-0	0800-1	21' 00"	New bypass run through with UP via Sidney, IL.
Sidney UP	Conway	GMSIPIUP	0600-0	0024-1	17' 24"	New bypass run through with UP via Sidney, IL.
Elkhart	Macon	GMEIMA	1600-0	0300-2	35' 00"	Bypass long distance train.
Macon	Elkhart	GMMAEL	0730-0	1820-1	34' 50"	Bypass long distance train.
Roanoke	Baltimore	GMROBL	1432-0	0354-1	13' 22"	New service via NEC.
Baltimore	Roanoke	GMBLRO	0300-0	1602-0	13' 02"	New service via NEC.
Chattanooga	Columbus	GMCHBU	1600-0	0934-1	17' 34"	Bypass long distance train.
Chattanooga	Elkhart	GMCHEL	2200-0	2211-1	24' 11"	Bypass long distance train.
Elkhart	Chattanooga	GMEICH	0830-0	0734-1	22' 04"	Long distance bypass train with blocks for Birmingham and Chattanooga
Conway	Decatur, IL	GMCWL	1000-0	0200-1	17' 00"	Long distance bypass train with blocks for UP and BNSF.
Decatur	Conway	GMDEPI	2300-0	0212-2	26' 12"	Long distance bypass train with blocks from UP and BNSF.
Decatur	N Platte, NB	GMDEKCUP	2200-0	0900-1	11' 00"	Run through with UP to N. Platte, NB.
St Louis	Barstow, CA	GMSLKC SF	2200-0	1100-1	13' 00"	Run through with SF with blocks to Barstow
Kansas City UP	Decatur, IL	GMKCDE UP	1300-0	0150-1	13' 50"	Run through from UP with blocks for Conway.
Kansas City SF	Decatur, IL	GMKCDE SF	1200-0	0133-1	13' 33"	Run through from SF with blocks for Conway.

GMELOI

This train will operate between Elkhart, IN and Oak Island, NJ, on a daily 32-hour schedule bypassing intermediate terminals at Toledo or Bellevue, OH, and Pittsburgh.

GMOILI and GMLIOI

These new trains between Oak Island and Linwood provide intermediate service to Philadelphia, Wilmington and Baltimore. Transit time for these trains will be 30 hours. These trains will break-down the interchange and rate barriers at the Potomac River that have prevented the free flow of general freight traffic along the Eastern seaboard for the last 20 years.

GMBFOI, GMOIBF

These General Merchandise trains will operate between Buffalo and Oak Island. They will also carry blocks to and from the CPRS at Binghamton. As traffic grows, new trains will be established to run through to the CPRS.

GMSLKC, GMKCDEF

This General Merchandise train service to the BNSF at Kansas City will include new service from Decatur, IL, and St. Louis, MO, to Barstow, CA. Blocks built at Detroit, Decatur and St. Louis will be joined at Moberly, MO, thus building a full Barstow train for the BNSF.

GMDEKCUP, GMKCDEUP

These General Merchandise trains between Decatur and North Platte, NE, will carry UP North Platte blocks made at Conway, Detroit, Knoxville and Elkhart. It is expected that the UP will build similar eastbound blocks.

between CP and NS as noted above and in the Plan.

IMALKCSF, IMKCALSF intermodal service to the BNSF at Kansas City will be provided by a pair of trains originating and terminating at the Airline. OH (Toledo) hub. At Airline, connections will be made for New Jersey, New England, Baltimore and Buffalo.

IMHBKCUP will be the intermodal service to and from the Union Pacific via Kansas City originating at Harrisburg, PA and operating via the Toledo (Airline) hub to Kansas City, with a transit time of 45 hours.

IMATER-1, IMATER-2, IMERAT-1, IMERAT-2, IMBLNO, and IMNOBL will connect the Northeast and Southeast. NS currently operates two intermodal trains daily between Atlanta and Newark. These new schedules will originate and terminate from NS's expanded E-Rail facilities. Transit time from the E-Rail facility to Atlanta will average 32 hours. The trains will handle conventional intermodal and doublestack traffic and will be routed via the Lehigh line. (Until such time as clearance improvements are made, these trains will operate via the Trenton Line.) Connections to Jacksonville and Miami will be made in Atlanta.

DSCGCX-1, DSCGCX-2, DSCXCG-1, DSCXCG-1, DSCXCG-2, IMCXSL, IMSLCX are representative of new schedules NS will operate as through service from Chicago via the Southern Tier Route from Buffalo to Croxton, NJ. Six intermodal trains a day will be operated in and out of the Croxton terminal. Four of these trains will be doublestack, and the third pair between Croxton and St. Louis will handle both doublestack and conventional intermodal traffic. The St. Louis trains will connect with the Kansas City trains at the Toledo (Airline) hub, providing 48-hour service between Northern New Jersey and Kansas City, with traffic pre-blocked for western connections.

exclusively-served NS facilities at Croxton and E-Rail in the Newark area. NS will also have direct access to the Port Newark area and to the APL intermodal facility at South Kearny.

Importantly for intermodal operations, the Operating Plan contemplates the upgrading of Conrail's Southern Tier line between Buffalo, NY and Croxton, NJ as a principal artery for double stack service moving between West Coast points, the Chicago gateway, and the Eastern Seaboard.

Some of the important intermodal services are discussed below.

IMERHB, IMHBER, IMHBKCUP, and IMKCHB are important new examples of service to and from the expanded E-Rail intermodal terminal in Newark, NJ. These four new trains are typical of service that will be handled over NS's new intermodal hub at Rutherford, PA near Harrisburg, where block exchange and train consolidation will occur. From Harrisburg, long distance trains will be operated to and from the Kansas City gateway and beyond.

The IMBLNO and IMNOBL trains are new service offerings via the Piedmont Route between Baltimore and New Orleans, with transit time of 50 hours. These important new schedules will offer intermediate service to Greensboro, Charlotte, NC and Greenville, SC.

IMHBNO, IMNOHB are new intermodal trains via the Shenandoah route, which will originate or terminate at the consolidation hub at Rutherford. The trains will handle traffic from the New Jersey, Philadelphia and Baltimore areas. Service will be provided for both conventional intermodal traffic and doublestack between the points named on the one hand, and Knoxville, Memphis, Huntsville, Birmingham, New Orleans, on NS and Dallas via connection with the KCS at Meridian, MS. Transit time between Harrisburg and New Orleans will be 46 hours.

IMBFBN and IMBNBF will handle intermodal traffic between Buffalo and Binghamton, connecting to CP at Binghamton. New service to New England points will also be offered over Harrisburg and Sunbury, PA as traffic grows in conjunction with the haulage agreement executed

AUBVRH and AURHBV will be important new automotive multilevel trains operated from Bellevue to the Ridgefield Heights, NJ ramp on a dedicated basis via the Southern Tier

AUATBV, AUATOA, AUBVAT, and AUOAAT will handle automotive traffic on a dedicated basis from the upper Midwest via Bellevue, OH to Atlanta. These trains will handle both automotive parts and multilevels in each direction, eliminating interchange and classification delays, thereby improving service reliability. Trains will be operated from Bellevue on an average 30-hour schedule, and from Detroit to Atlanta with an average transit time of 35 hours. Depending on the traffic involved, transit time savings will vary from one to three days.

AUOAKCSF and AUKCOASF will represent important new automotive services to BNSF via the Kansas City gateway, operated directly to and from Oakwood Yard in Detroit via Decatur.

AUBVKCSP and AUBVKCUP, AUKCBVSP, AUKCBVUP will handle automotive traffic for Union Pacific on a schedule from Bellevue to interchange at Kansas City of under 30 hours. Similarly, AUBVSIUP, and AUSIBVUP will handle consolidated intermodal and automotive trains between Bellevue and the new UP interchange at Sidney on a 15-hour average schedule from Bellevue, and a 12-hour average service from the Toledo (Airline) hub for intermodal traffic.

3. The Coal Network

The principal change in the coal network operations is the elimination of circuitry for coal traffic originating at Conrail mines in West Virginia. This traffic must now move by Conrail's West Virginia's secondary to Columbus, OH and then east over Conrail's mainline to Harrisburg, PA for traffic moving to points generally north and east of Harrisburg.

The Plan moves this traffic via Deepwater and Elmore, WV to Roanoke, VA.

Appendix A

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Appendix B

Southern
Tier

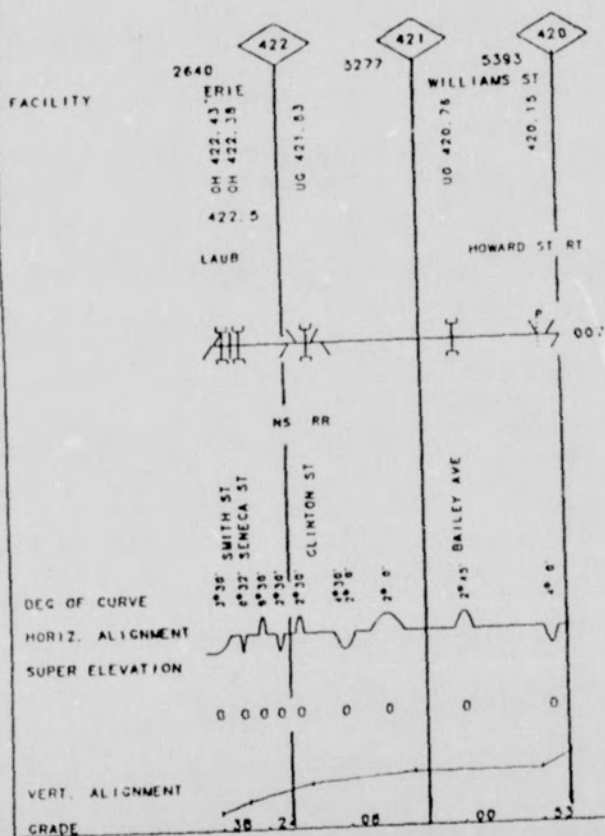
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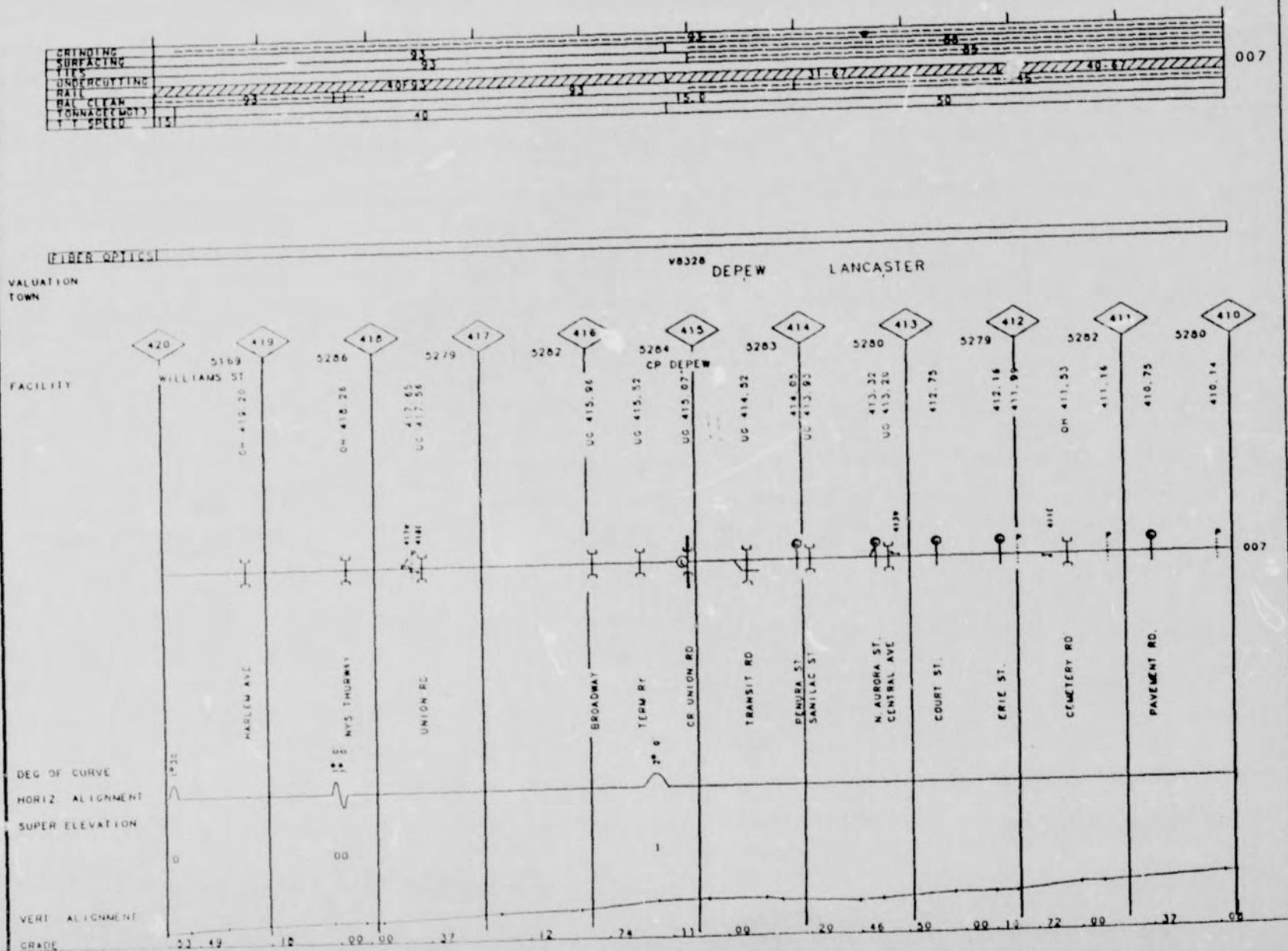
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RAIL CLEAN	
TORNAFF (CUT)	
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GRINDING	
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TORNAFF (CUT)	
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30-6401 SOUTHERN TIER LINE



GRINDING SURFACING TIES	75.22
UNDERCUTTING	76.78
RATE	12.45
RAIL CLEAN TONNAGE (MCT)	517.61
T T SPEED	0.10

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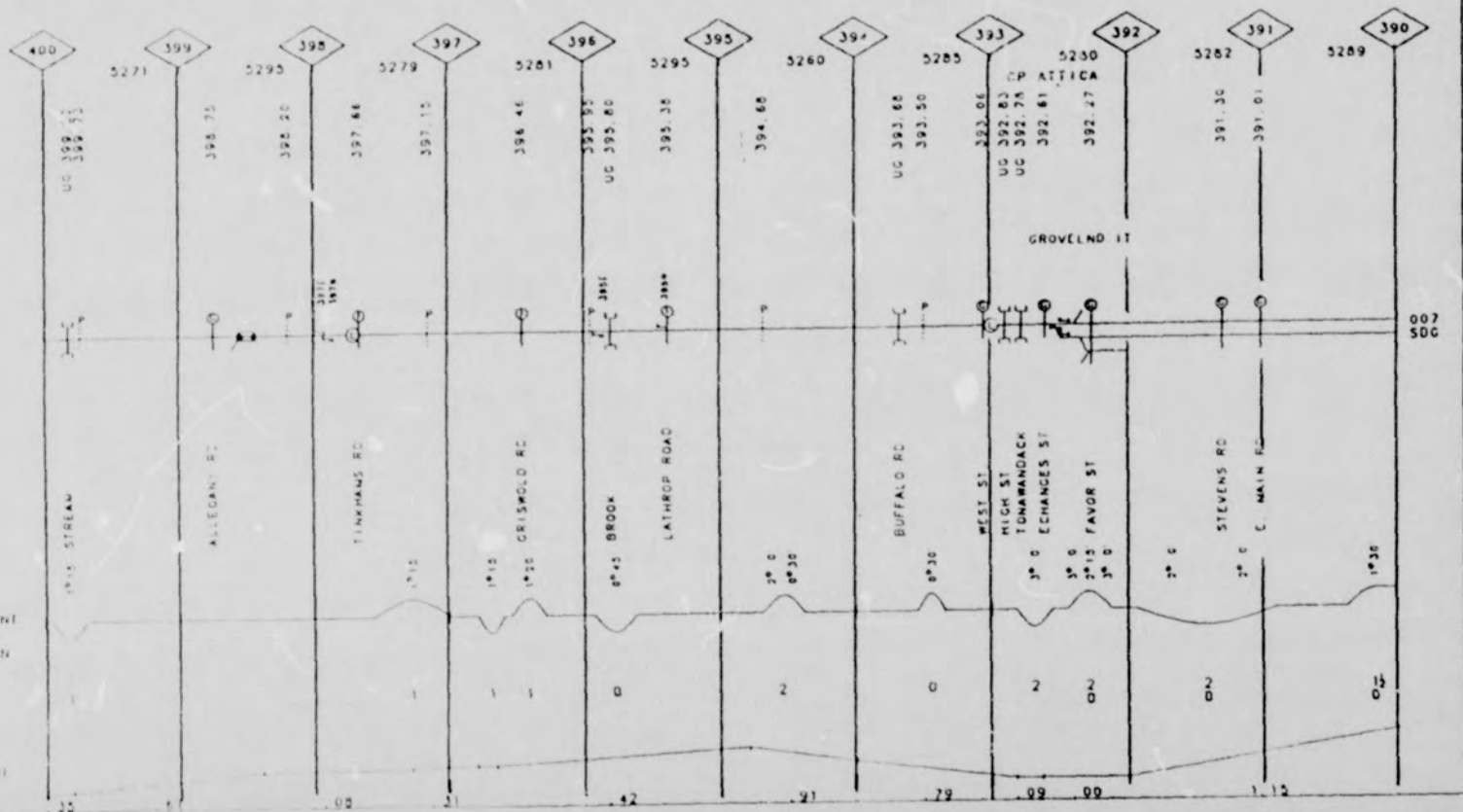
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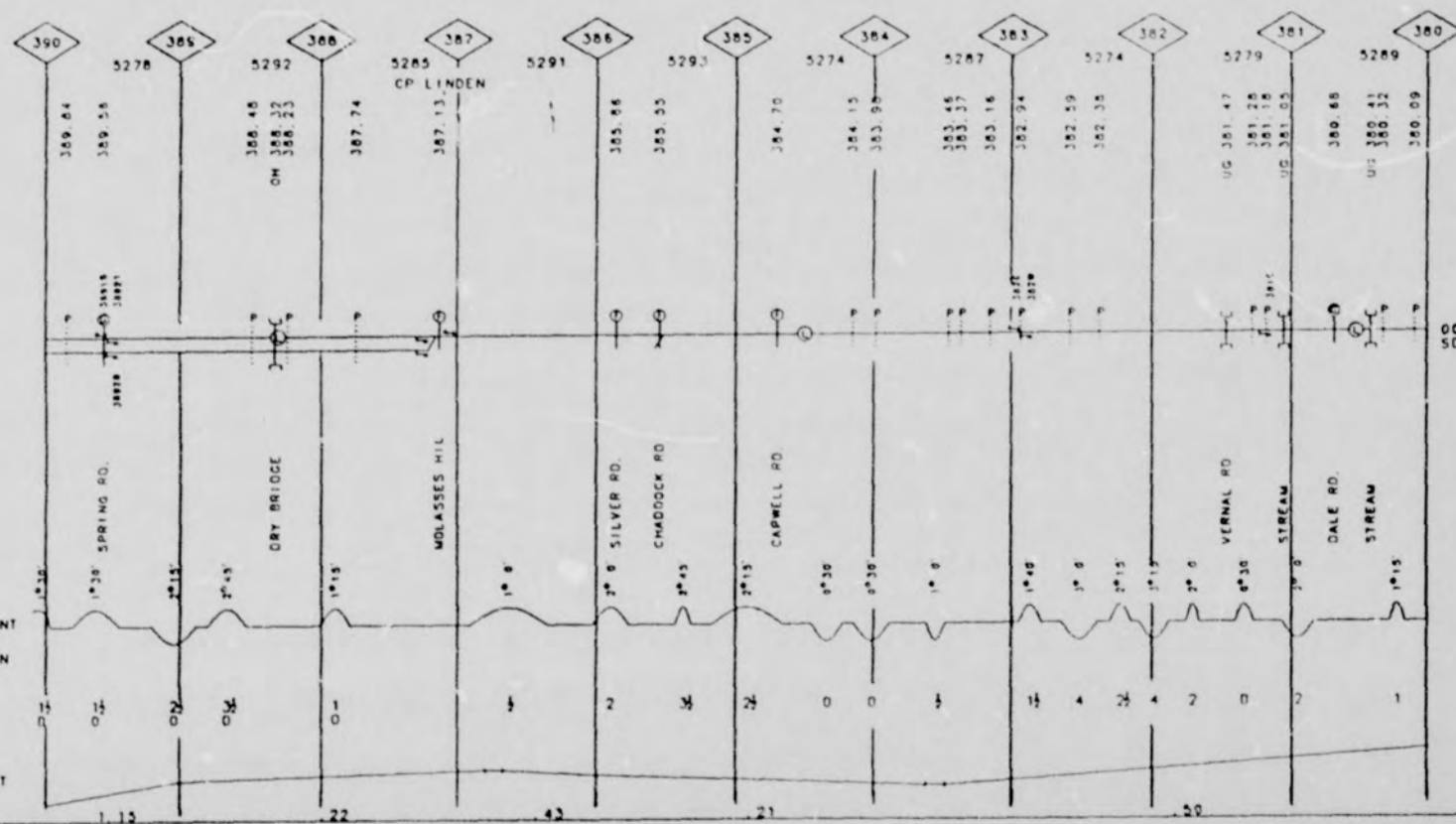
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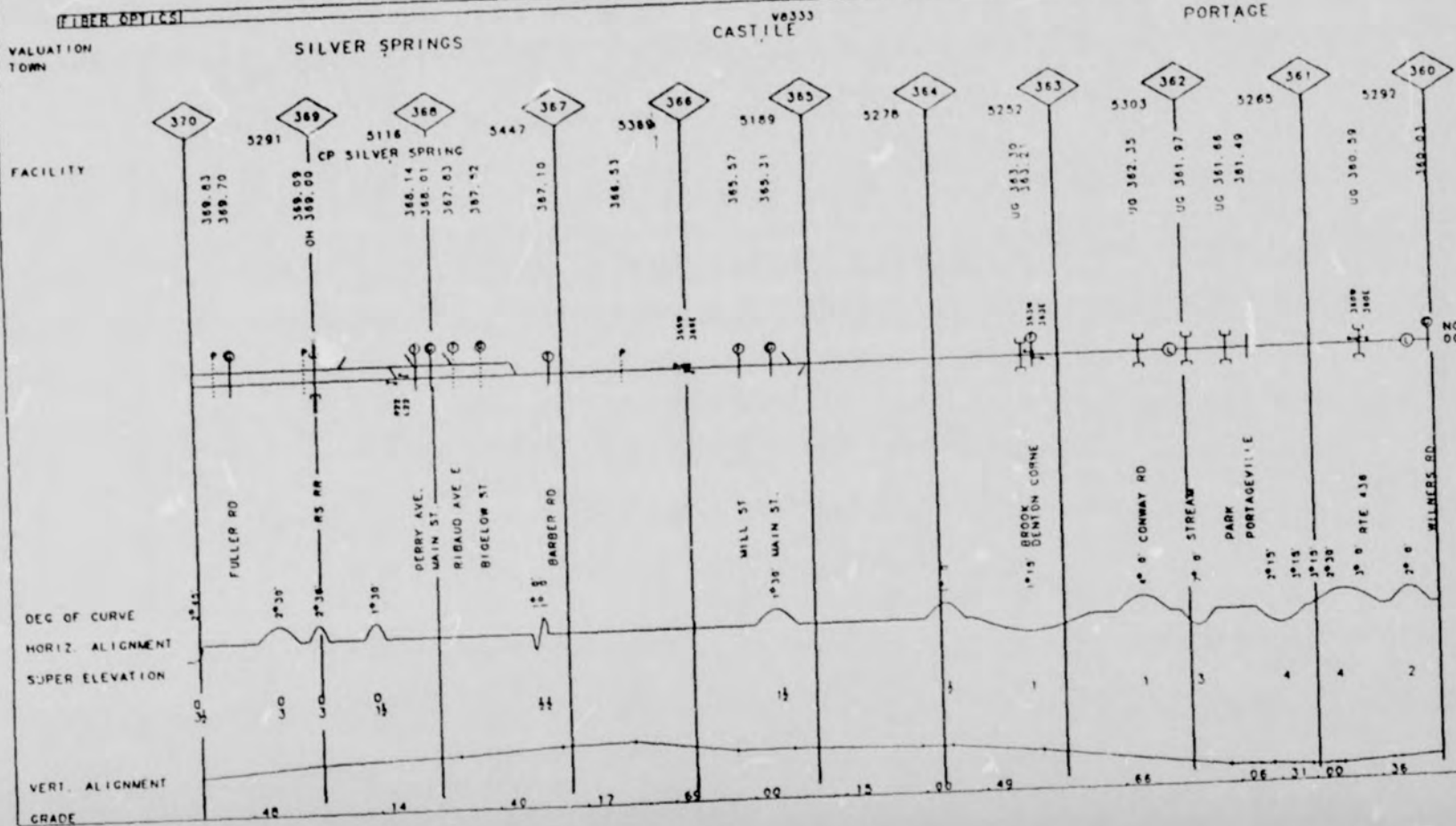
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GRINDING	
SURFACING	
TIES	
UNDERCUTTING	
RAIL CLEAN	17-38
TORNADE (WGT)	1.0
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GRINDING	
SURFACING	
TIES	
UNDERCUTTING	
RAIL CLEAN	31-69
TORNADE (WGT)	1.0
T SPEED	25



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GRINDING	
SURFACING	
TIPS	
UNDERCUTTING	
RAIL	32 65 32 65 32 65 31 69 31 69 31 69 31 69 31 69 31 69
RAIL CLEAN	
TONNAGE (WGT)	
T T SPEED	

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SPACING	23
ON CUTTING	23
RA	12.39
RA CLEAN	12.39
T T SPEED	25

NCS

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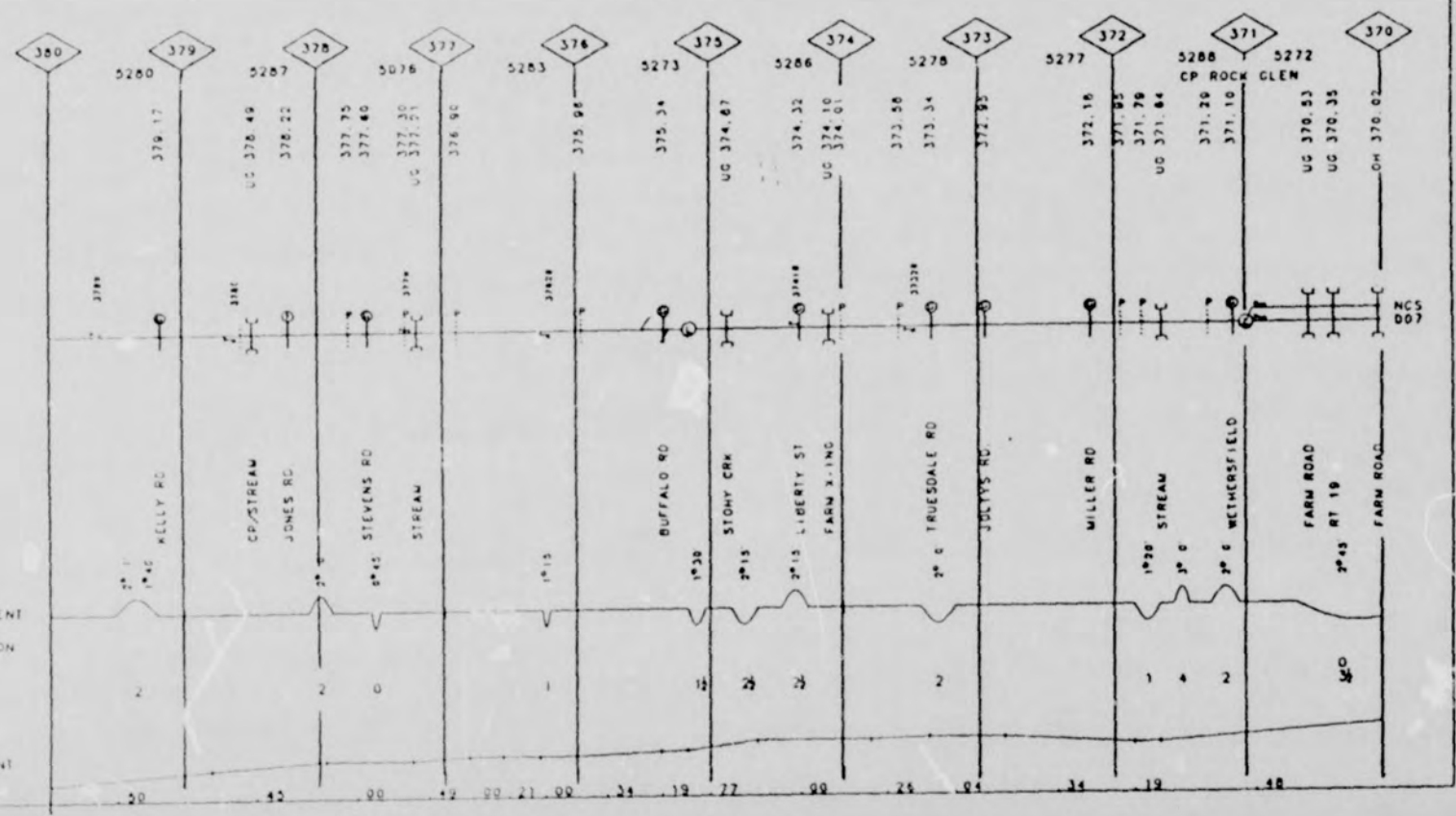
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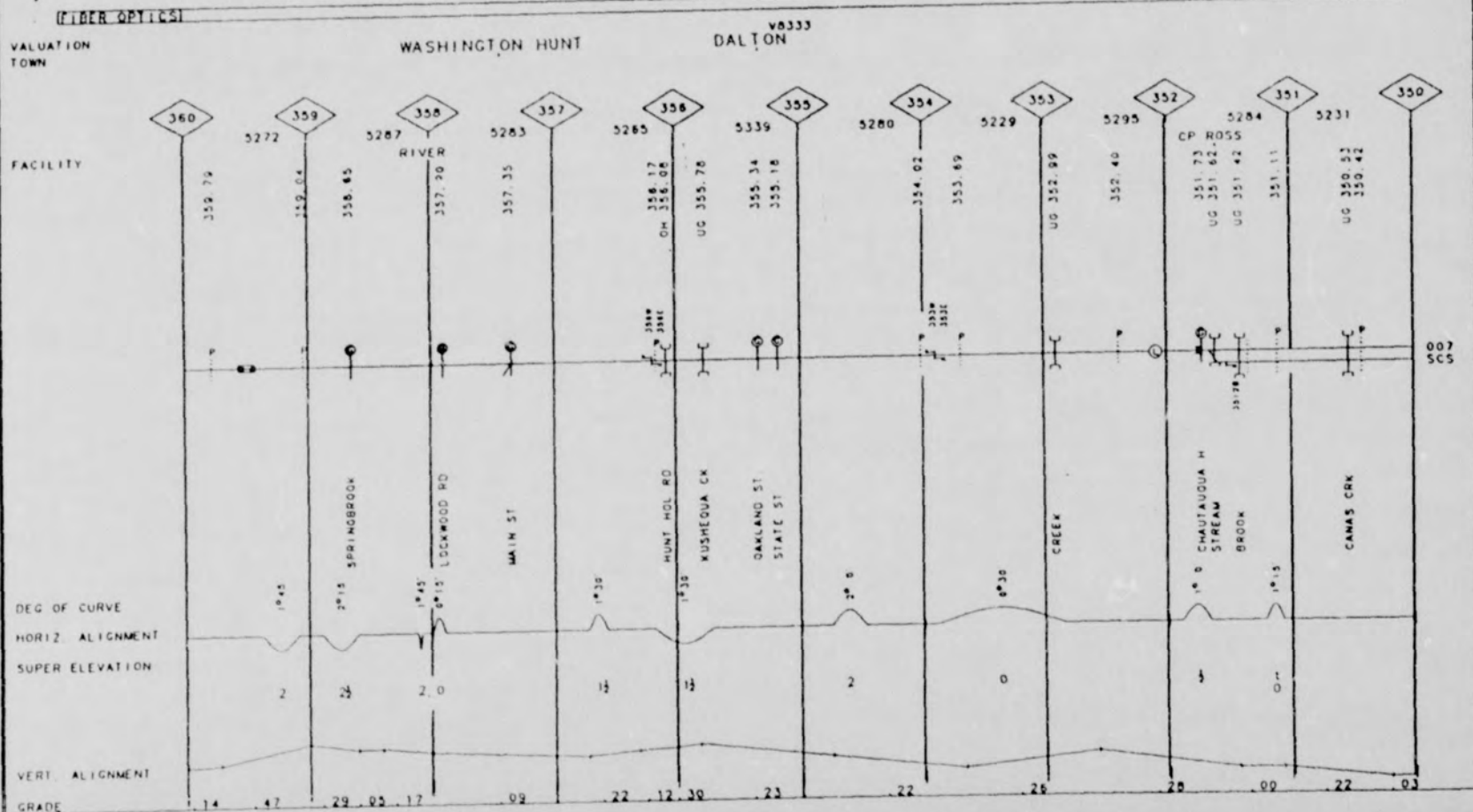
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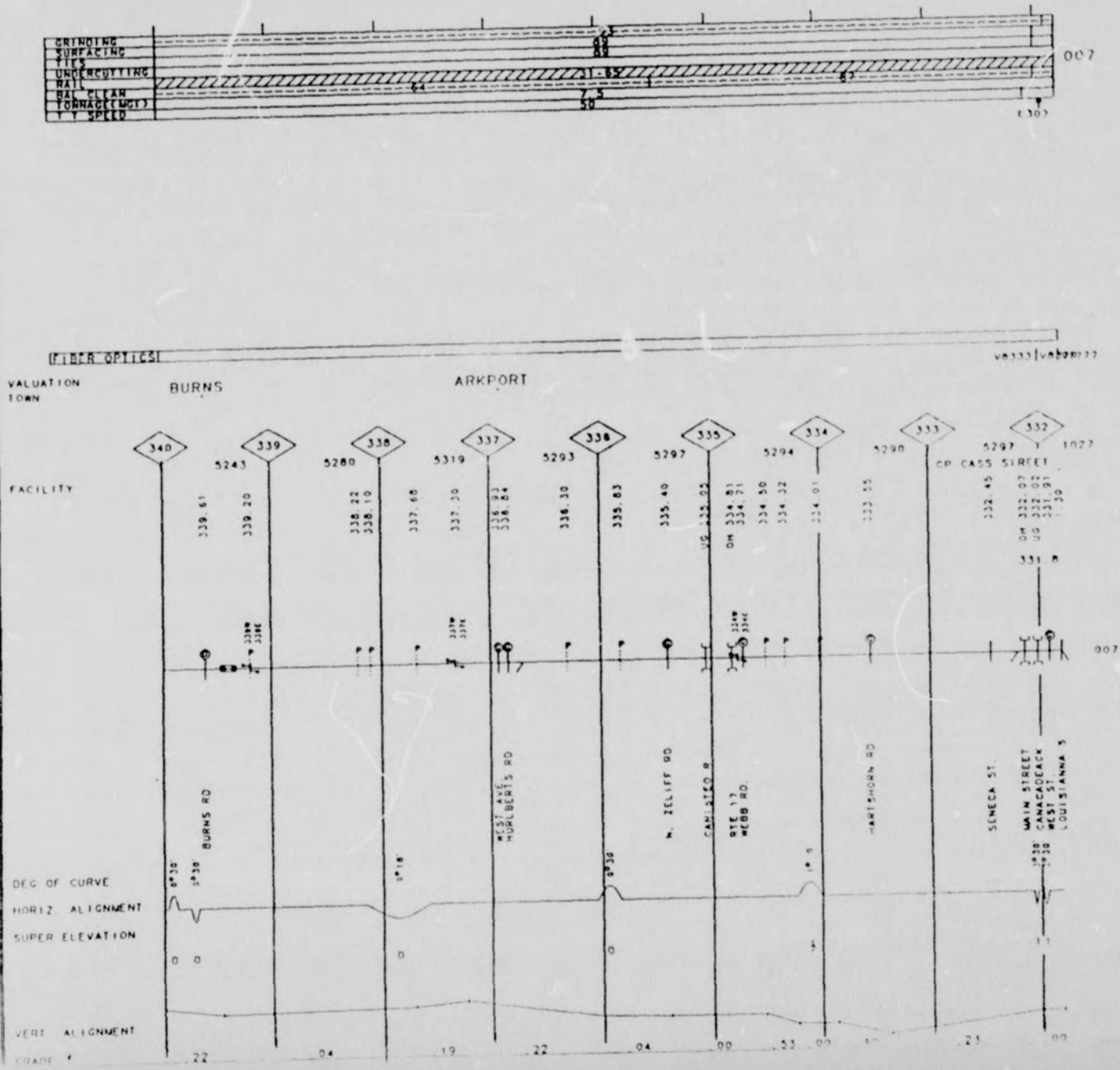
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SURFACING								
TIPS								
UNDERCUTTING								
RATE	31.65	32.65	32.65	32.65	32.65	32.65	32.65	32.65
DAL CLEAN	7351	645	645	645	645	645	645	645
TONNAGE(MGT)	15.0							
T T SPEED		50	7.5					

007

GRINDING	74(1)
SURFACING	82
TIPS	82
UNDERCUTTING	
RATE	32.50
DAL CLEAN	235
TONNAGE(MGT)	7.5
T T SPEED	12

SCS





15

GRINDING	0.4
SURFACING	0.4
TIES	0.4
UNDERCUTTING	0.4
RAIL	0.4
RAIL CLEAN	0.4
TONNAGE(MGT)	0.4
T T SPEED	(10)

NCS

GRINDING	0.4
SURFACING	0.4
TIES	0.4
UNDERCUTTING	0.4
RAIL	0.4
RAIL CLEAN	0.4
TONNAGE(MGT)	0.4
T T SPEED	(10)

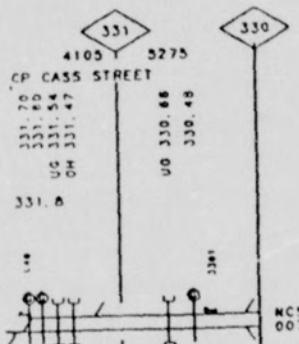
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HORNEILL

FACILITY



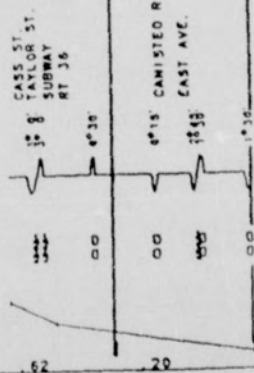
DEG OF CURVE

HORIZ. ALIGNMENT

SUPER ELEVATION

VERT. ALIGNMENT

GRADE



[illegible]

NCS

007

FIBER OPTICS

VALUATION
TOWN

CANISTEO

V0328

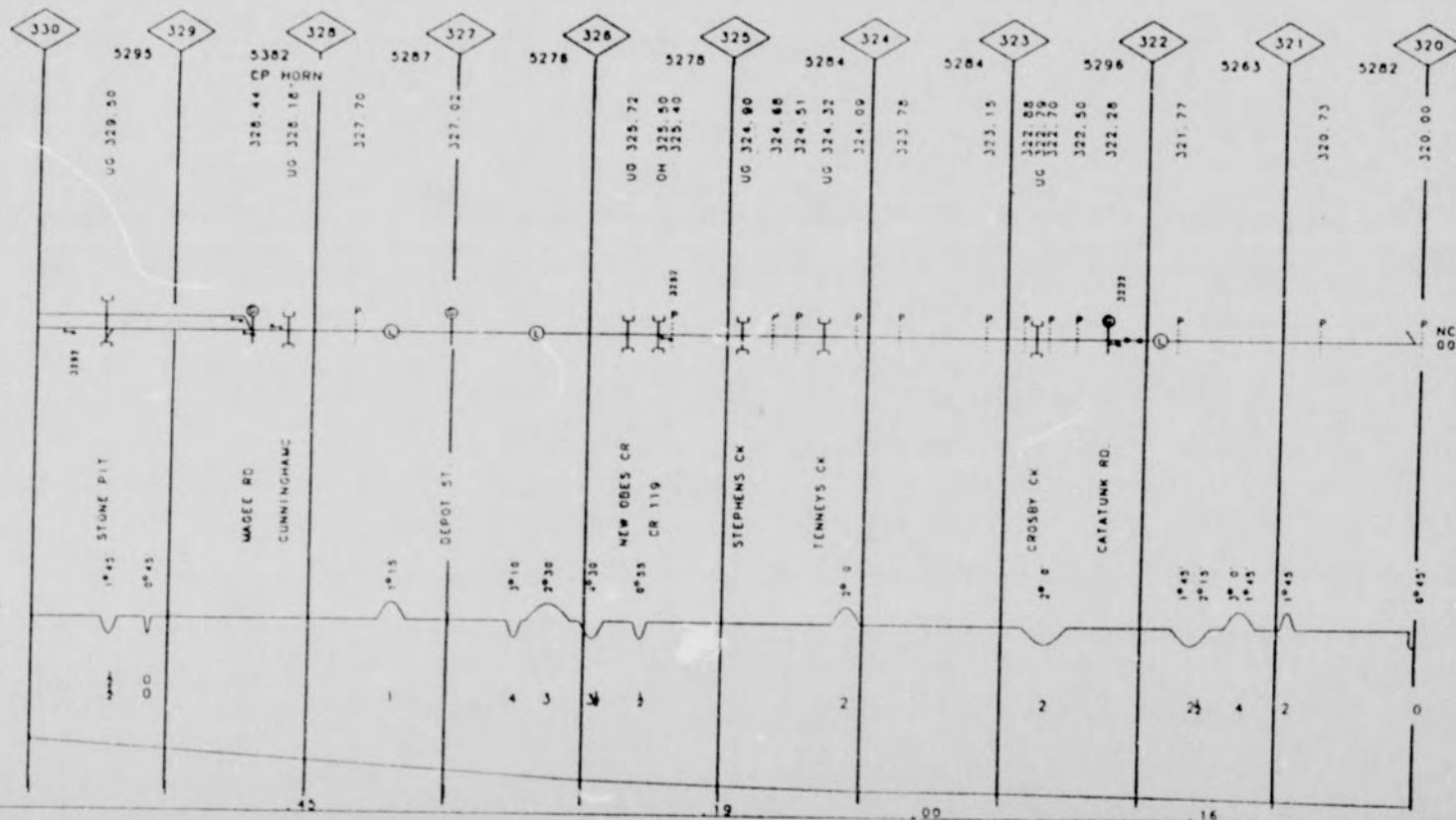
ADRIAN

FACILITY

DEG OF CURVE
HORIZ ALIGNMENT
SUPER ELEVATION

VERT ALIGNMENT

GRADE



GRINDING		200
SURFACING		200
TIES		200
UNDERCUTTING		200
RAIL		200
RAIL CLEAN		200
TONNAGE		200
T SPEED		200



NCS

007

(FIBER OPTICS)

V8328

CAMERON

CAMERON MILLS

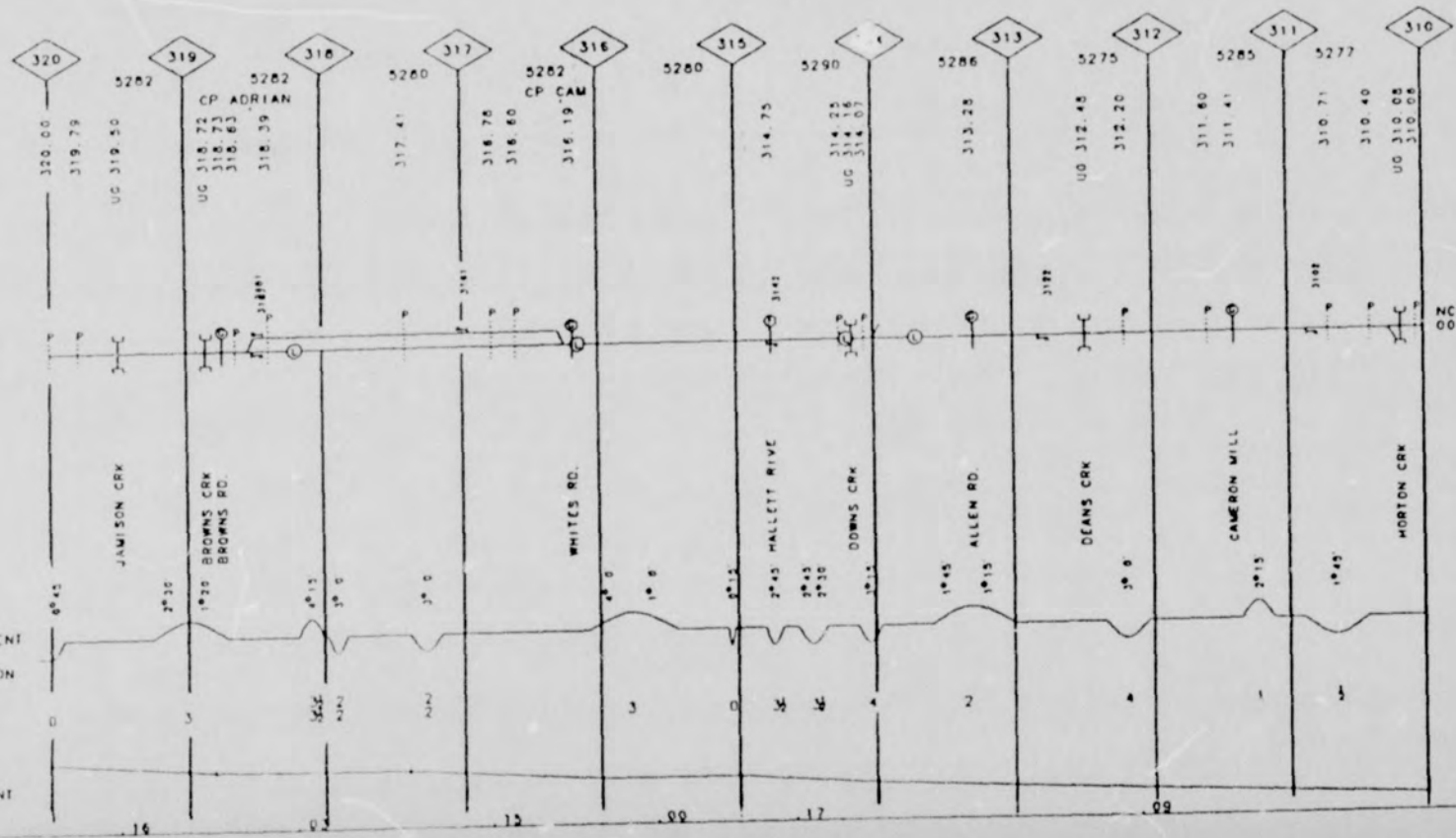
VALUATION
TOWN

FACILITY

DEG OF CURVE
HORIZ. ALIGNMENT
SUPER ELEVATION

VERT. ALIGNMENT

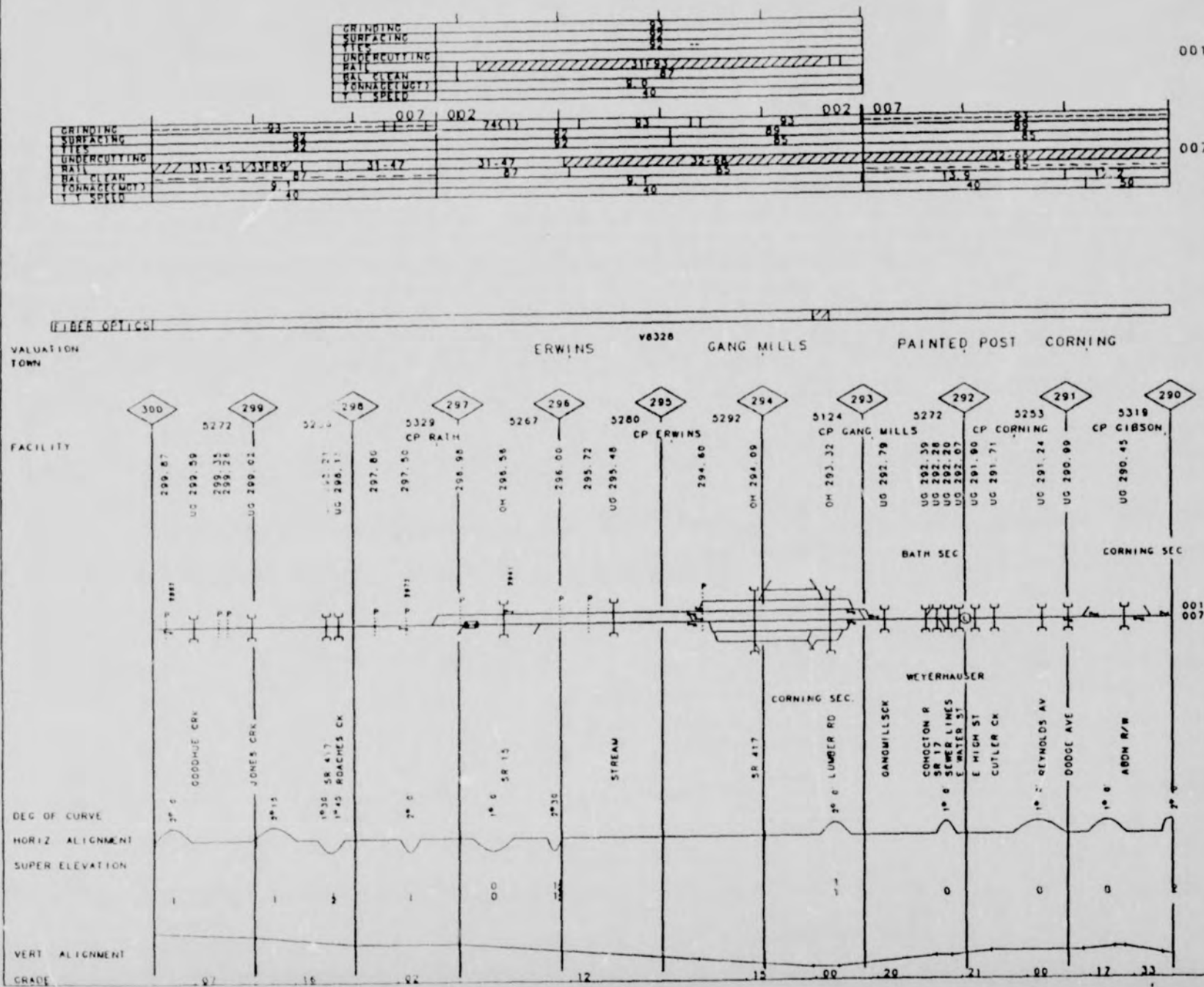
GRADE

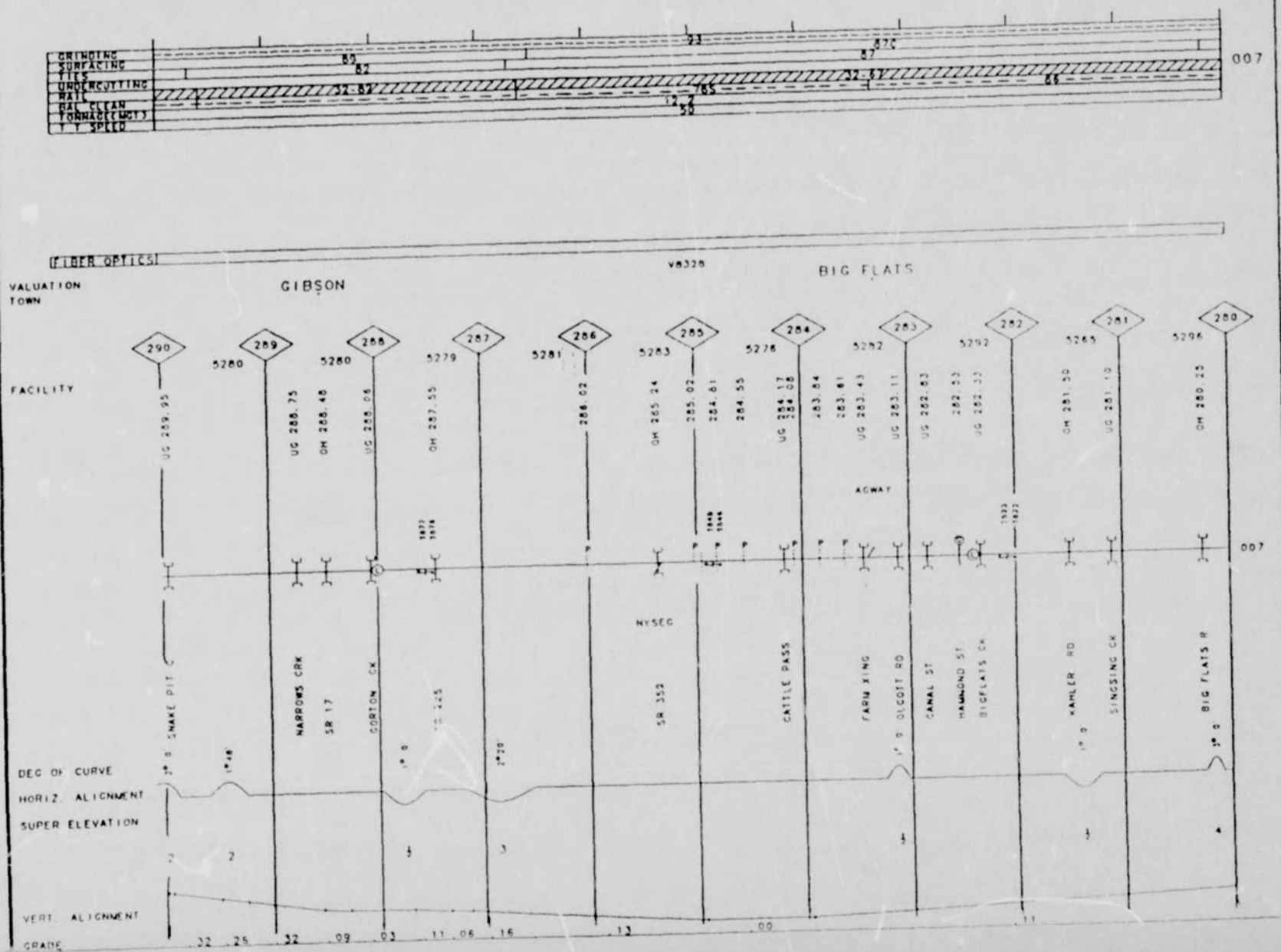


NCS
007

007

17.

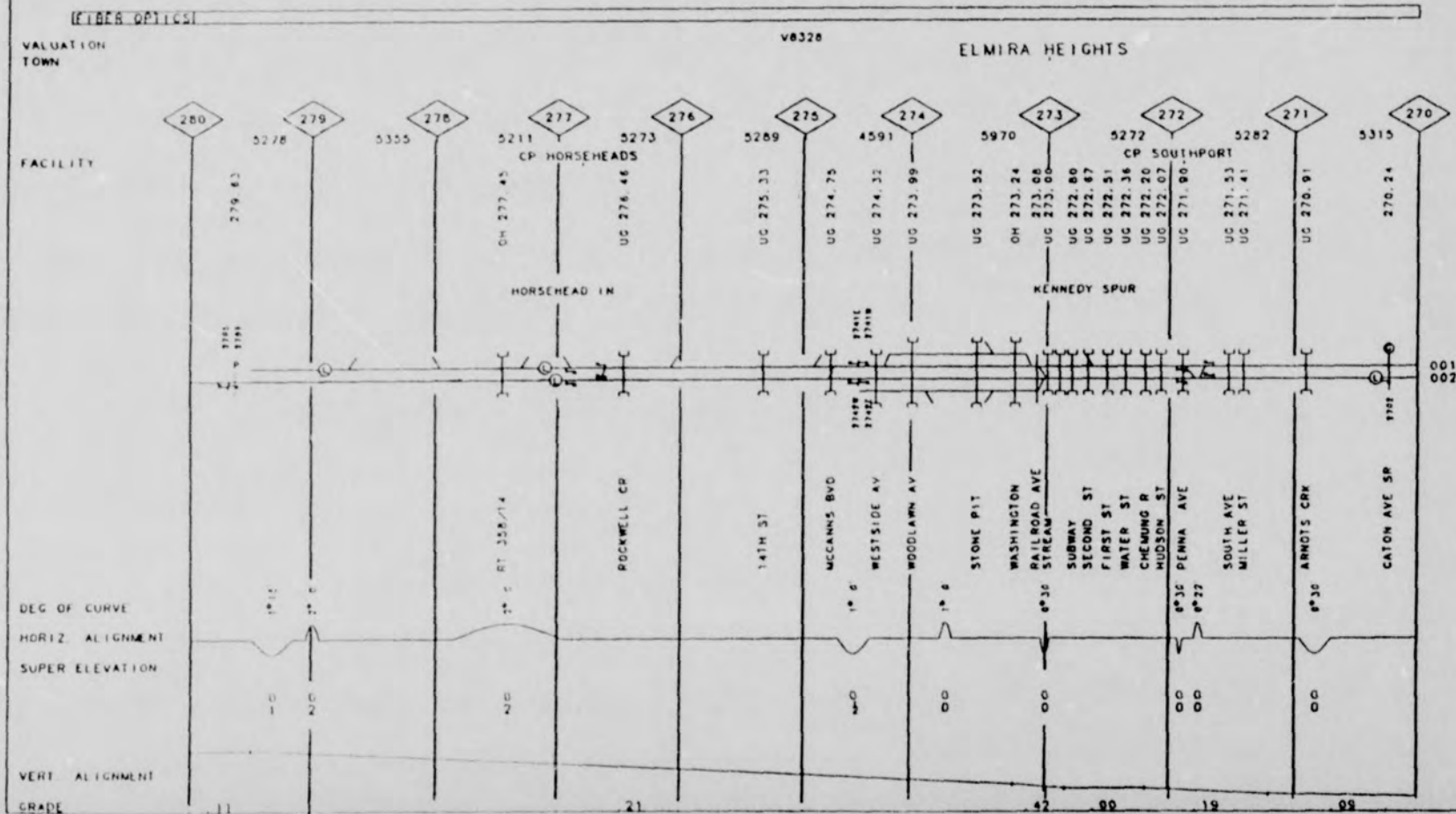


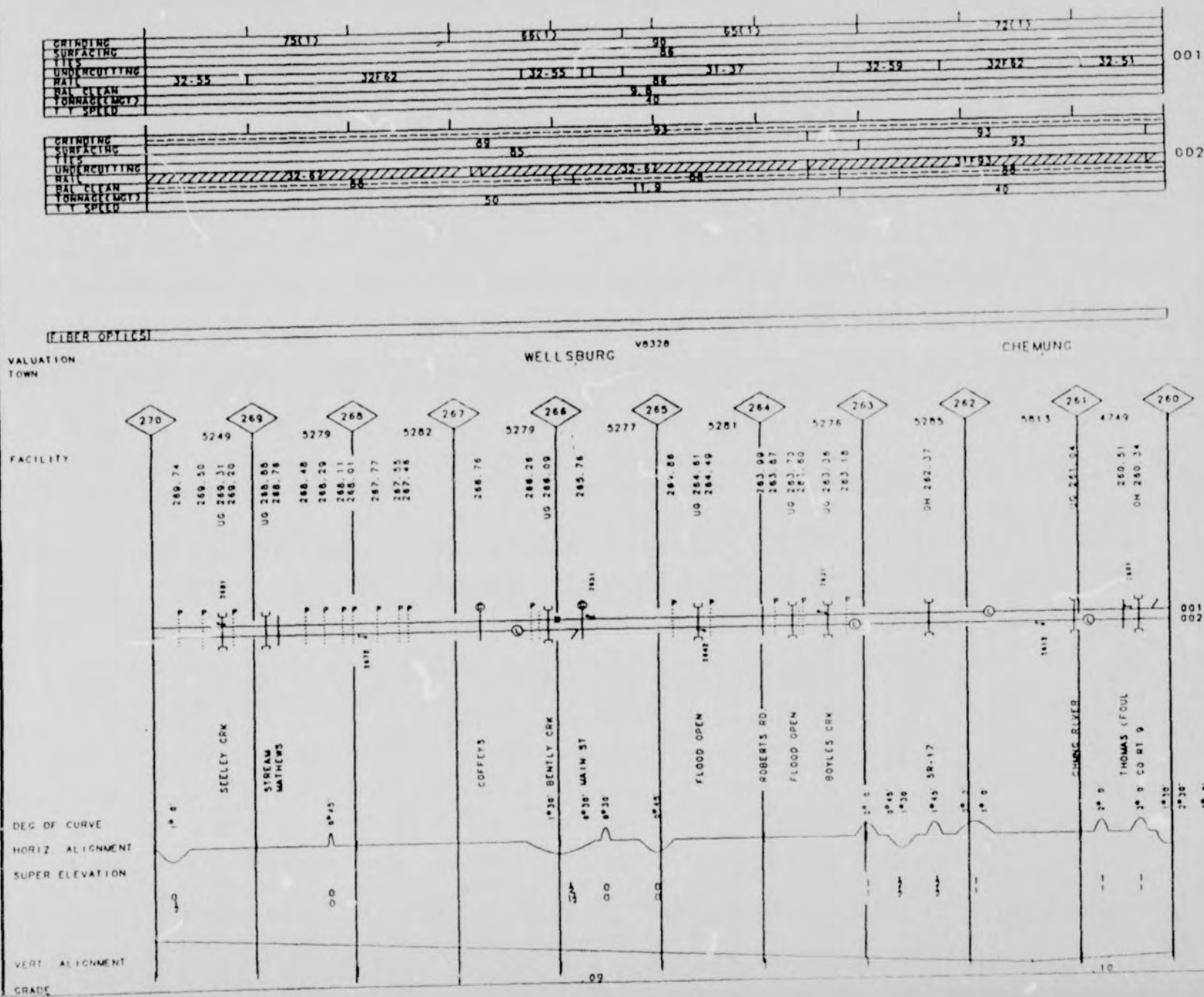


A & P

	70(1)	ND	001	75(1)	11	90
GRINDING	84	52		87		86
SURFACING	22			22		22
TIES	32.48	32.51	32.55	32.54	32.50	32.53
UNDERCUTTING					132.57	31.34
RAIL CLEAN	10		40	10.2		85
TONNAGE (MGT)	10				9.8	40
T T SPEED						

	007	002	001	002	001	002
GRINDING	83		92	92	89	92
SURFACING	77					85
TIES	32.67	32.67	32.67	32.67	32.67	32.67
UNDERCUTTING						
RAIL CLEAN	12		12.2		11.9	50
TONNAGE (MGT)	50					
T T SPEED						





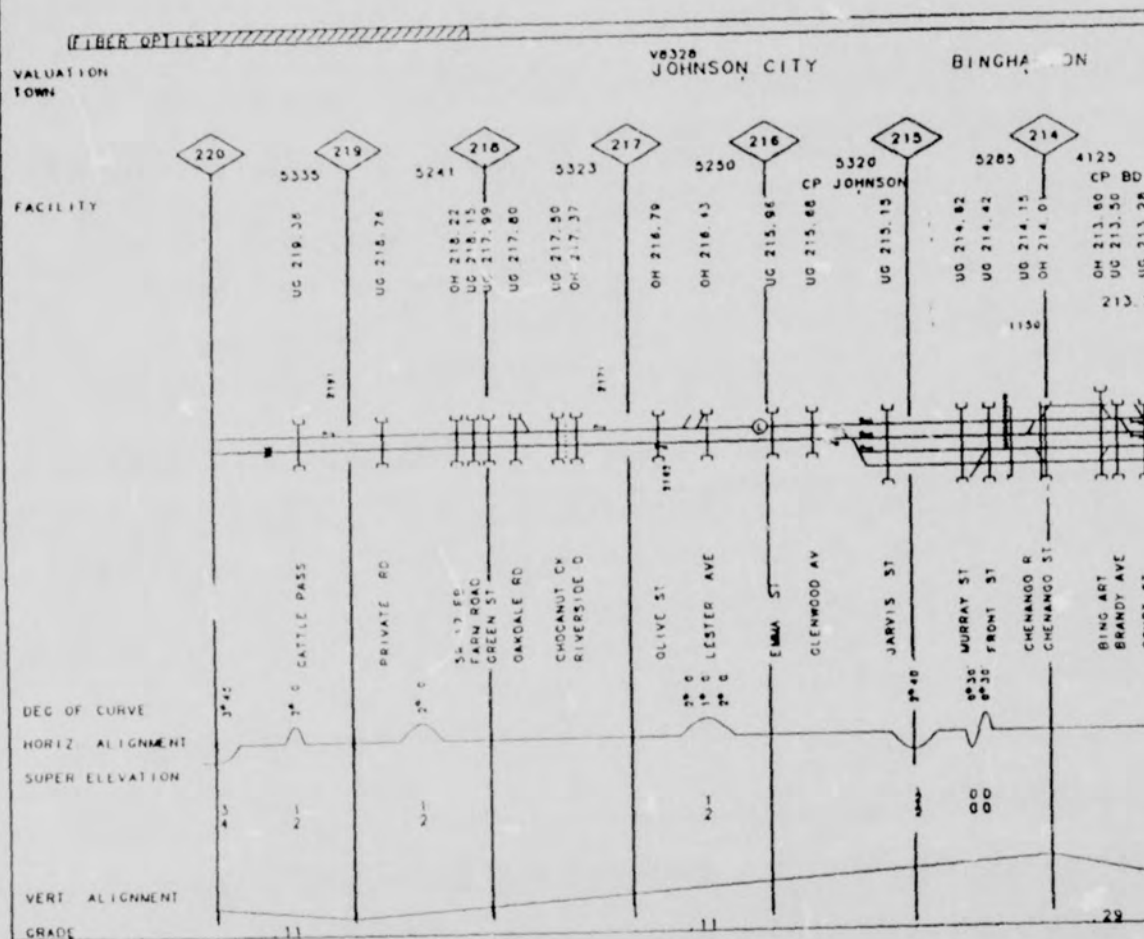
85
22MP 250.00-MP 260.00

GRINDING	65(1)	89	86	75(1)	83	75(1)
SURFACING				88	84	
TIES					92	
UNDERCUTTING				31-16	32F63	40F88
RAIL	32-52	31-44	28	705	32-53	88
RAIL CLEAN	55		7.4			
TORNADE (UGT)		40			30	
T SPEED						

GRINDING		93		93	92	75(1)
SURFACING		88			92	
TIES						
UNDERCUTTING				40F88	31-47	
RAIL	40F88	32-89		40F88	31-47	88
RAIL CLEAN		55	8.3			
TORNADE (UGT)		50			30	
T SPEED	45					

001

002

001
002

GRINDING	65.11	0011	007
SURFACING	82		82
FILES	82		82
UNDERCUTTING	31-45	31-45	31-45
RAT	275		275
RAT CLEAN	3.8		7.3
TONNAGE(MGT)	40		40
TY SPEED			

007

GRINDING	71.11		
SURFACING	82		
FILES	82		
UNDERCUTTING	32-49	32-50	
RAT	275		
RAT CLEAN	3.7		
TONNAGE(MGT)	40		
TY SPEED			

002

FIBER OPTICS

V5326

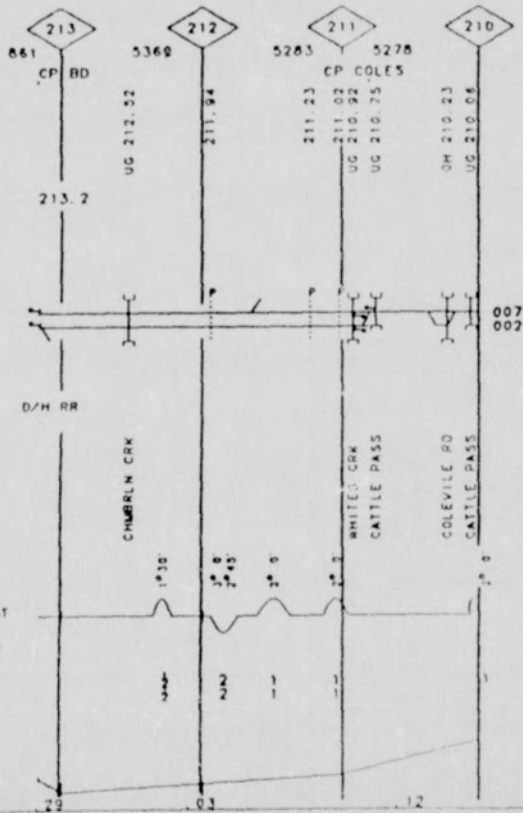
VALUATION
TOWN

FACILITY

DEG OF CURVE
HORIZ. ALIGNMENT
SUPER ELEVATION

VERT. ALIGNMENT

GRADE



007
002

007

REV. 01/01/94

	200.00	201.90
MP	201.90	210.00

91

STB

FD

33388

10-21-97

D

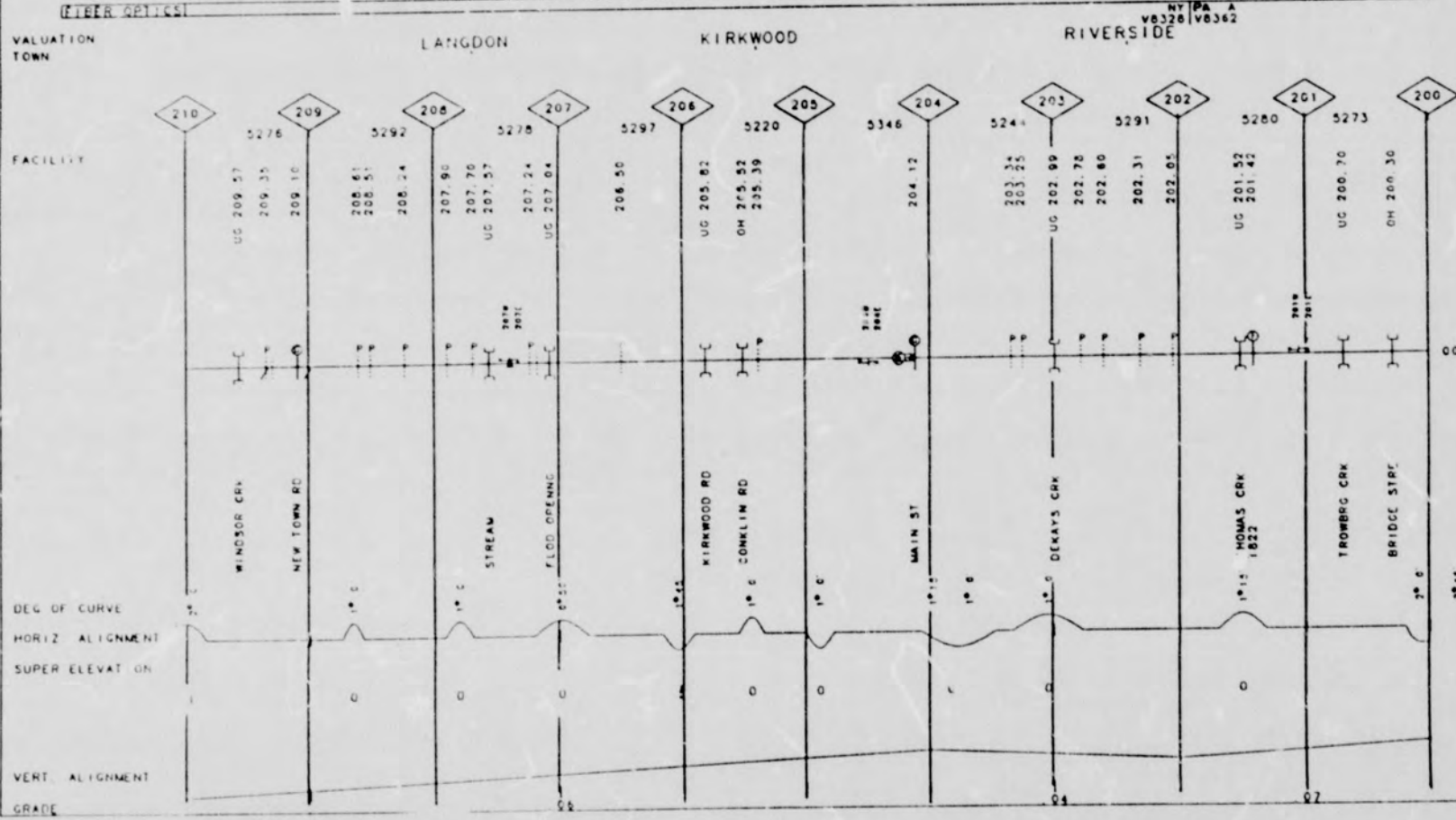
182786

3/4

GRINDING
SURFACING
TIPS
UNDERCUTTING
RAIL
RAIL CLEAN
TONNAGE (MOT)
T T SPEED



007



VALUATION
TOWN

LANGDON

KIRKWOOD

RIVERSIDE

NY PA A
V6328 V6362

FACILITY

DEG OF CURVE
HORIZ ALIGNMENT
SUPER ELEVAT ON

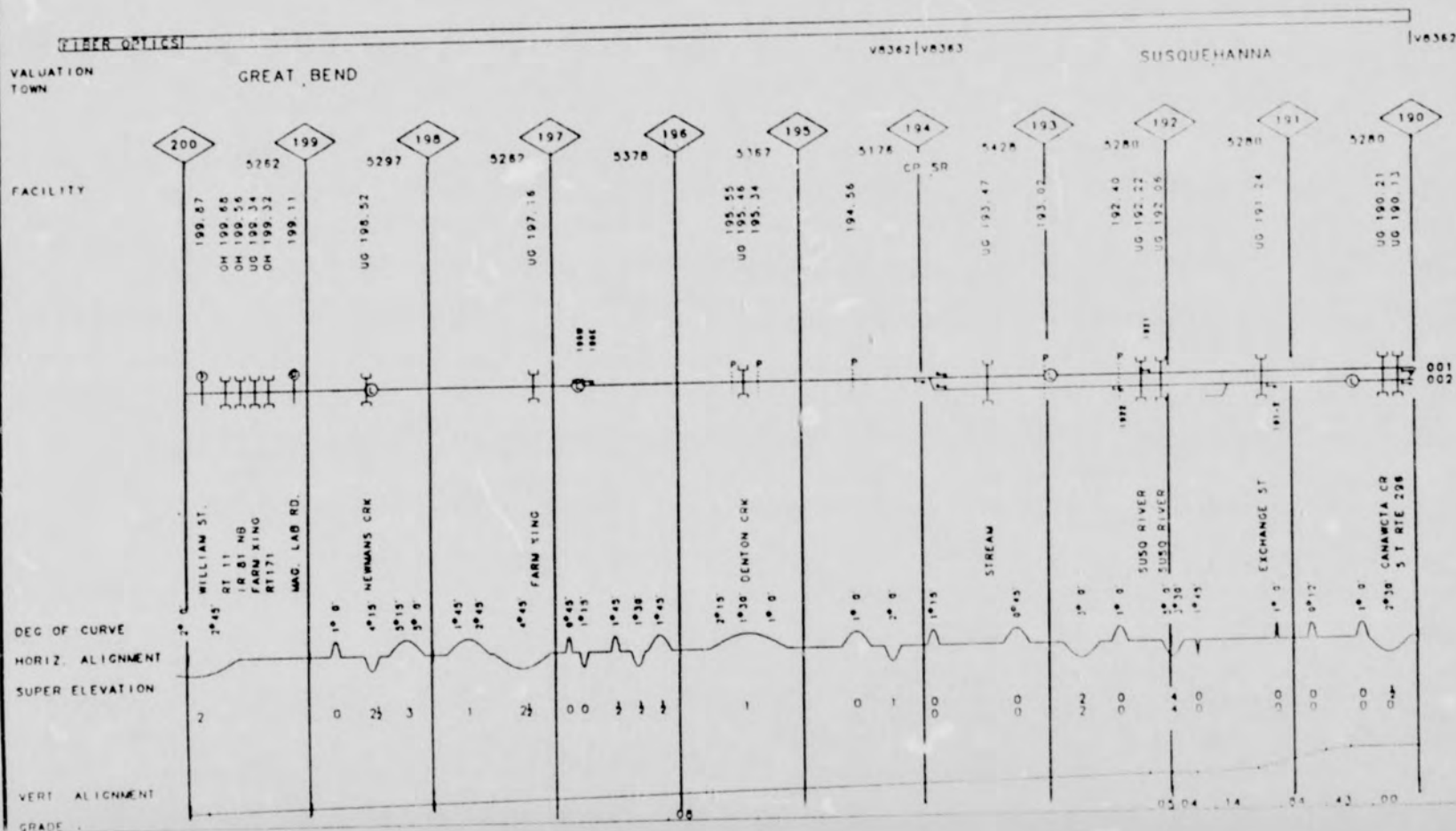
VERT. ALIGNMENT
GRADE

30-6303 SOUTHERN TIER LINE
SOUTHERN TIER LINE

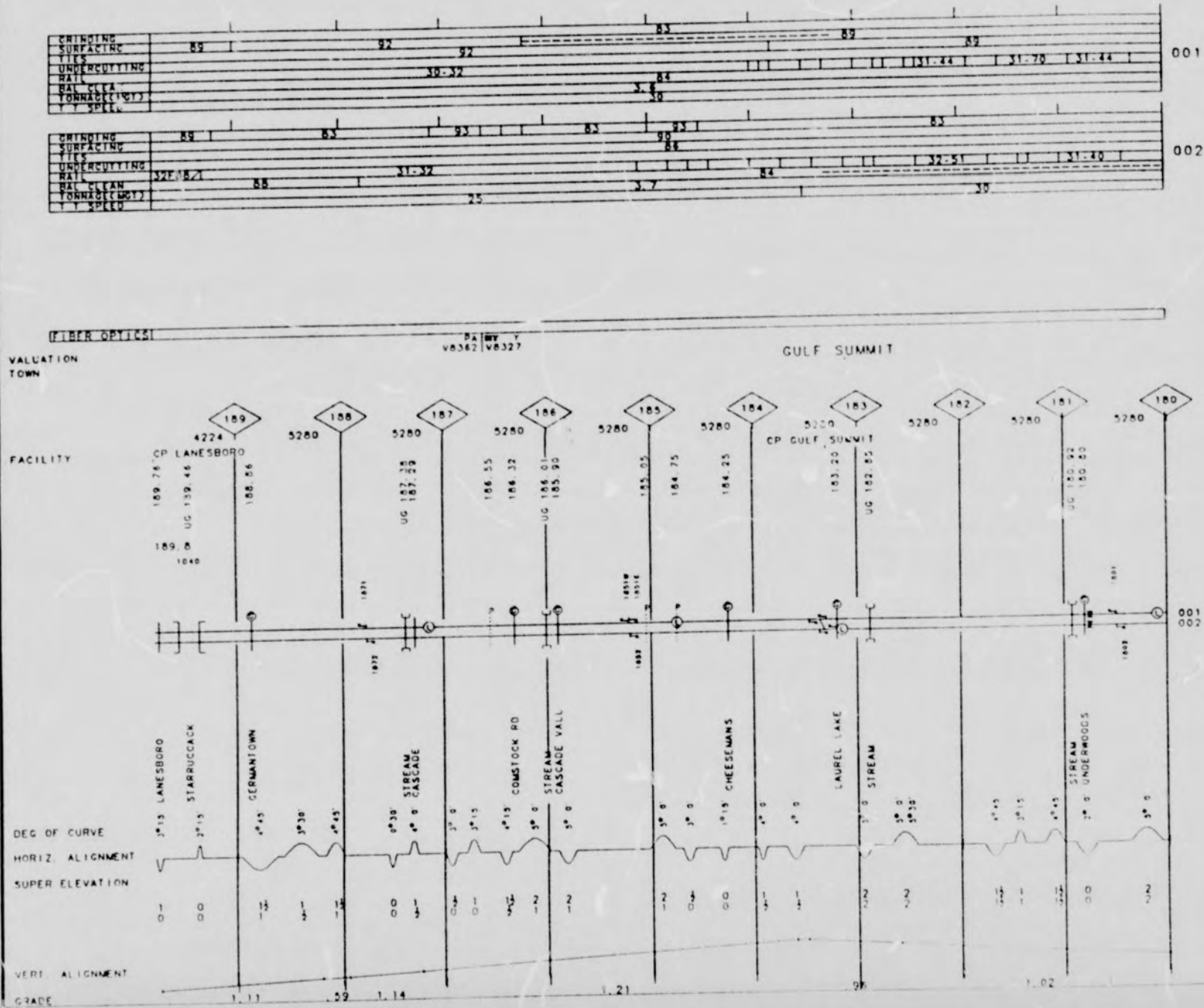
REV 01/01/94

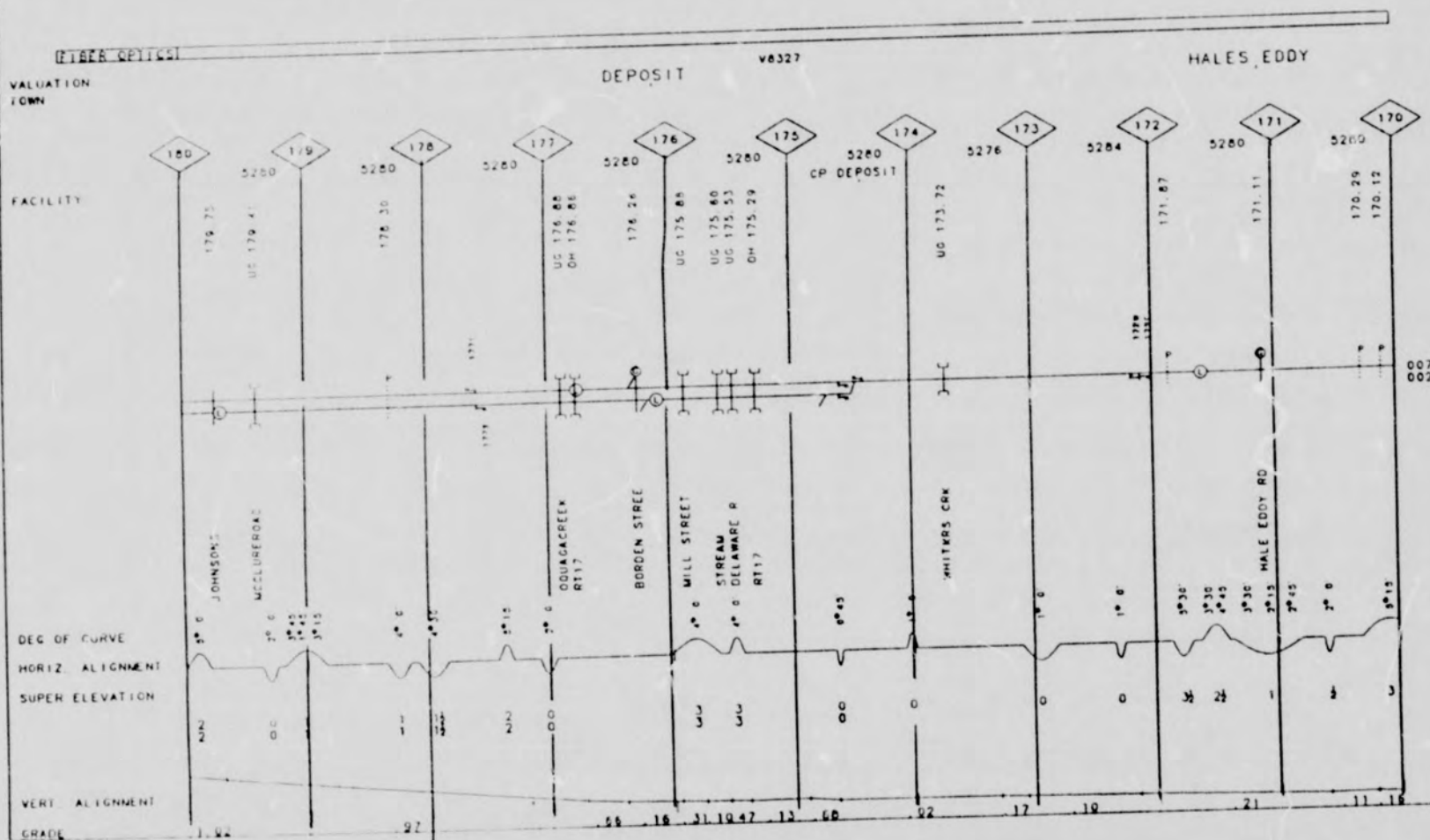
MP 201.90
MP 200.00
MP 201.90

PA/ NY
91

[illegible]

23



[illegible]

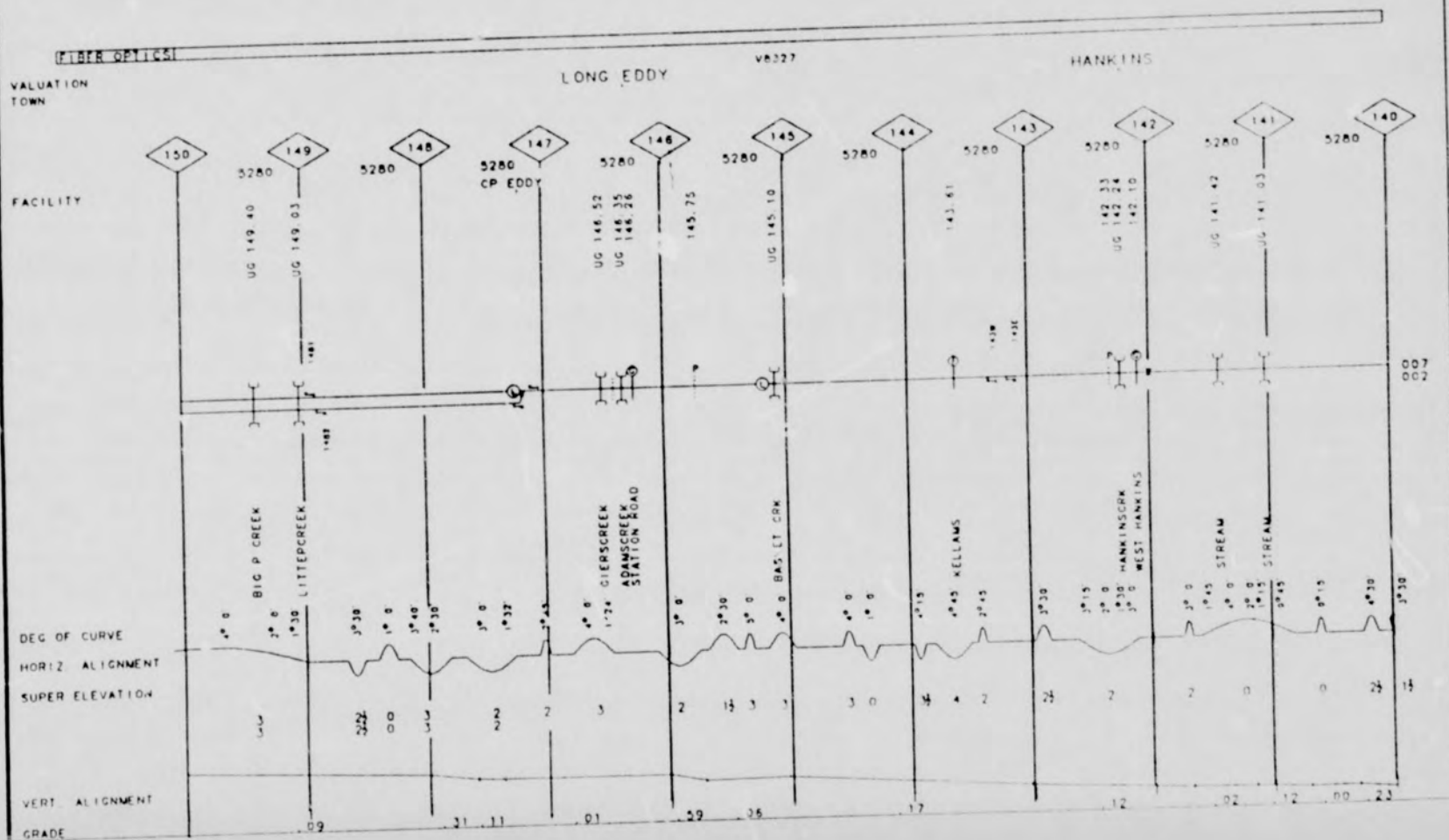
GRINDING			93		680
SURFACING			91		
FILES			91		
UNDERCUTTING					
RAIL			3187		
WAL CLEAN					
TONNAGE (MGT)			3.8		
1 SPEED			15		40

GRADE

30-6302 SOUTHERN TIER LINE
1930

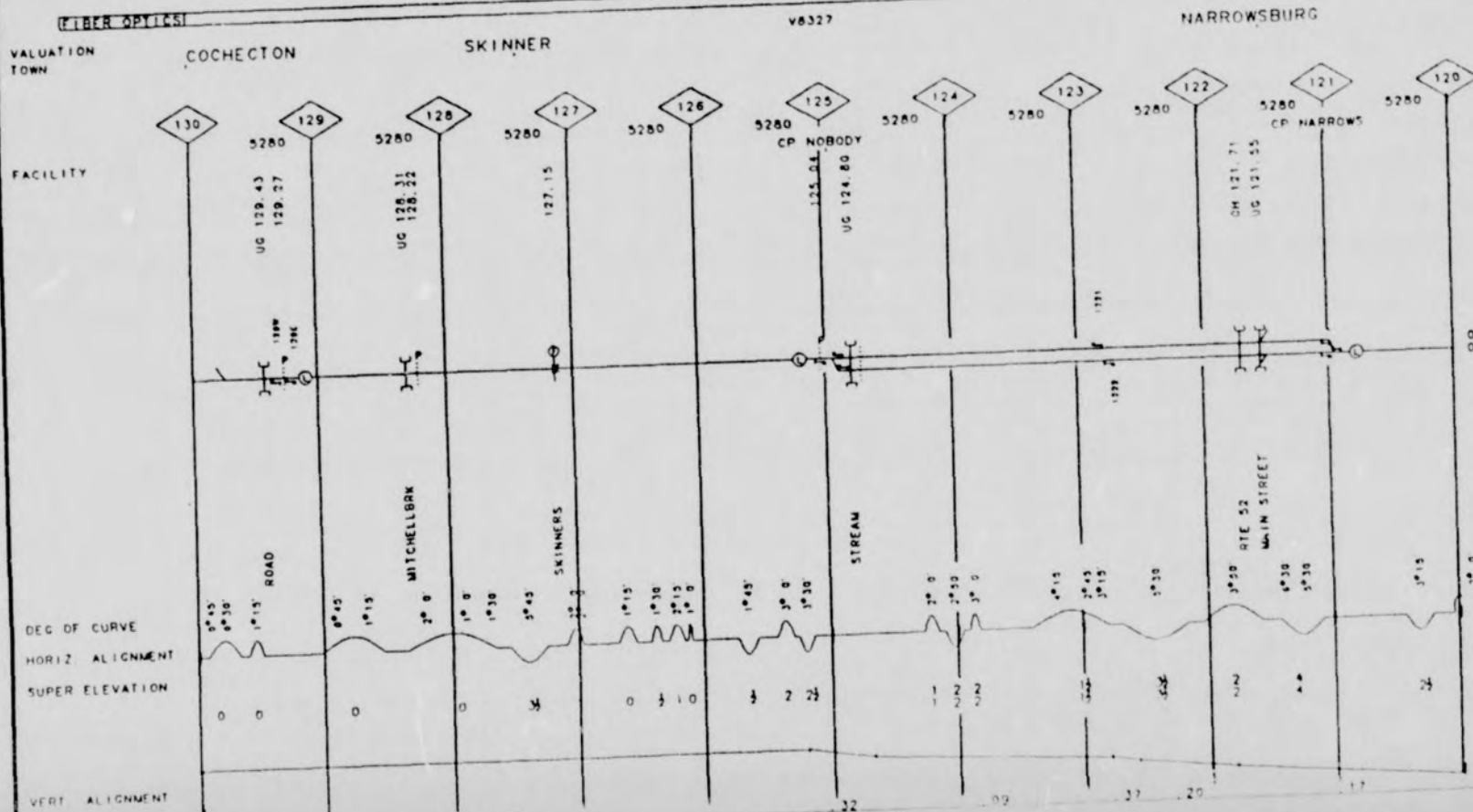
GRINDING	70(1)	001	007	83	22	81	83	11	83	
SURFACING	81									
TIES	91									
UNDERCUTTING										
RAIL	32-55 130-33	31-34			32-55 32-55		31-42	31-34	31-45	
RAIL CLEAN	3-5	3-5		40	1351	7-1	40		35	
FORNAGE(MOT)										
TY SPEED										

GRINDING	88(1)		88(1)
SURFACING	81		
TIES			
UNDERCUTTING			
RAIL	31-44 32-49 130-32		132-48
RAIL CLEAN	3-8		
FORNAGE(MOT)			
TY SPEED	40		



GRINDING	007	68.15	95	68.15	111	68.15	91	67.15	001
SURFACING									
TIES									
UNDERCUTTING									
RAIL CLEAN	31-38	31-39	31-44	30-32	31-38	32-55	31-34	30-33	31-45
TORNADO (WGT)	35	35	40	40	40	35	35	35	35
T SPEED									

GRINDING	002	68.15	91	70.15	007
SURFACING					
TIES					
UNDERCUTTING					
RAIL CLEAN	31-40	31-45	31-42	31-34	
TORNADO (WGT)	40	35	35	40	
T SPEED					



99
NY[illegible]

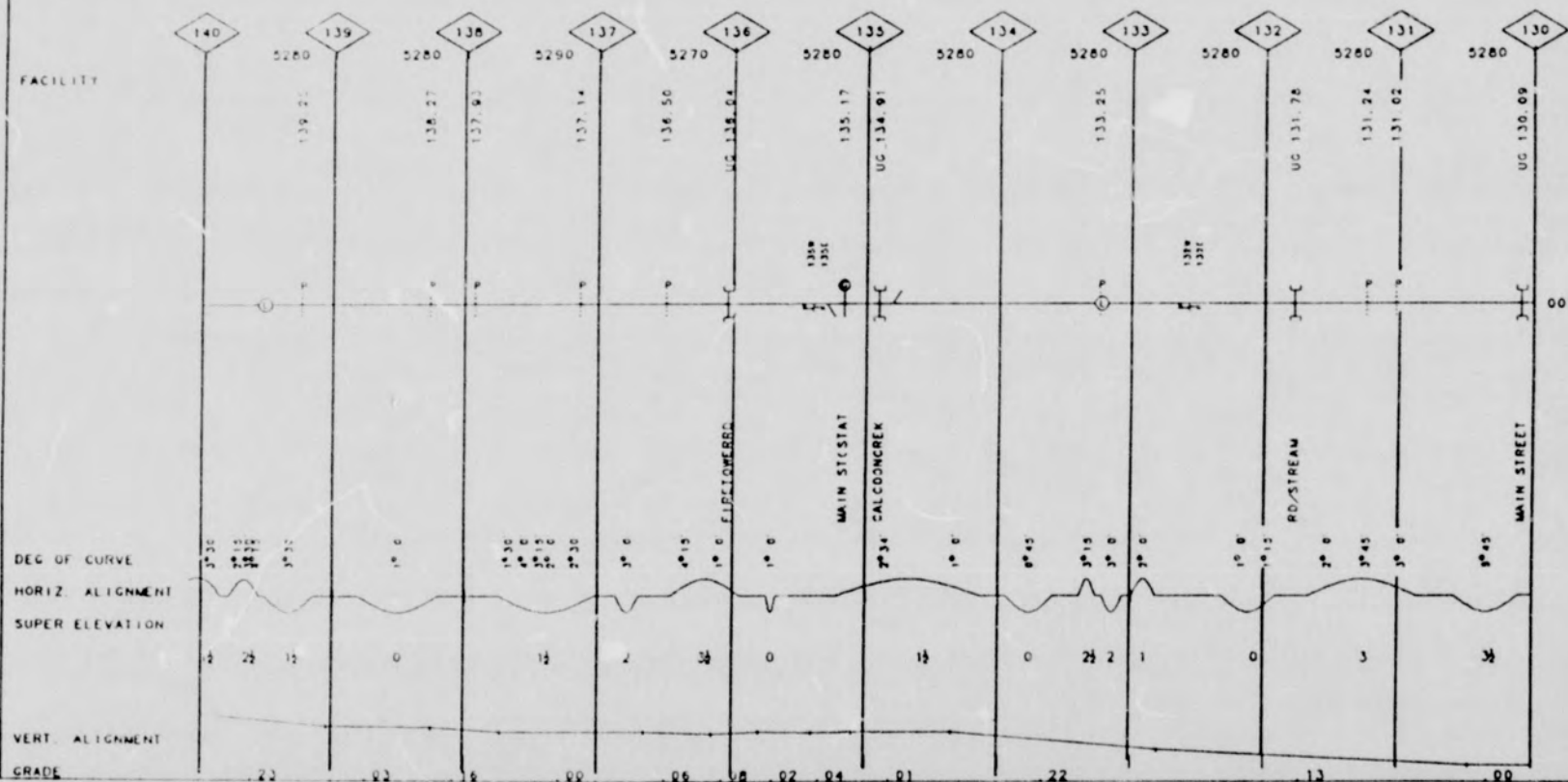
007

(FIBER OPTICS)

VALUATION
TOWN

V8327
CALLICOON

COCH ECT ON



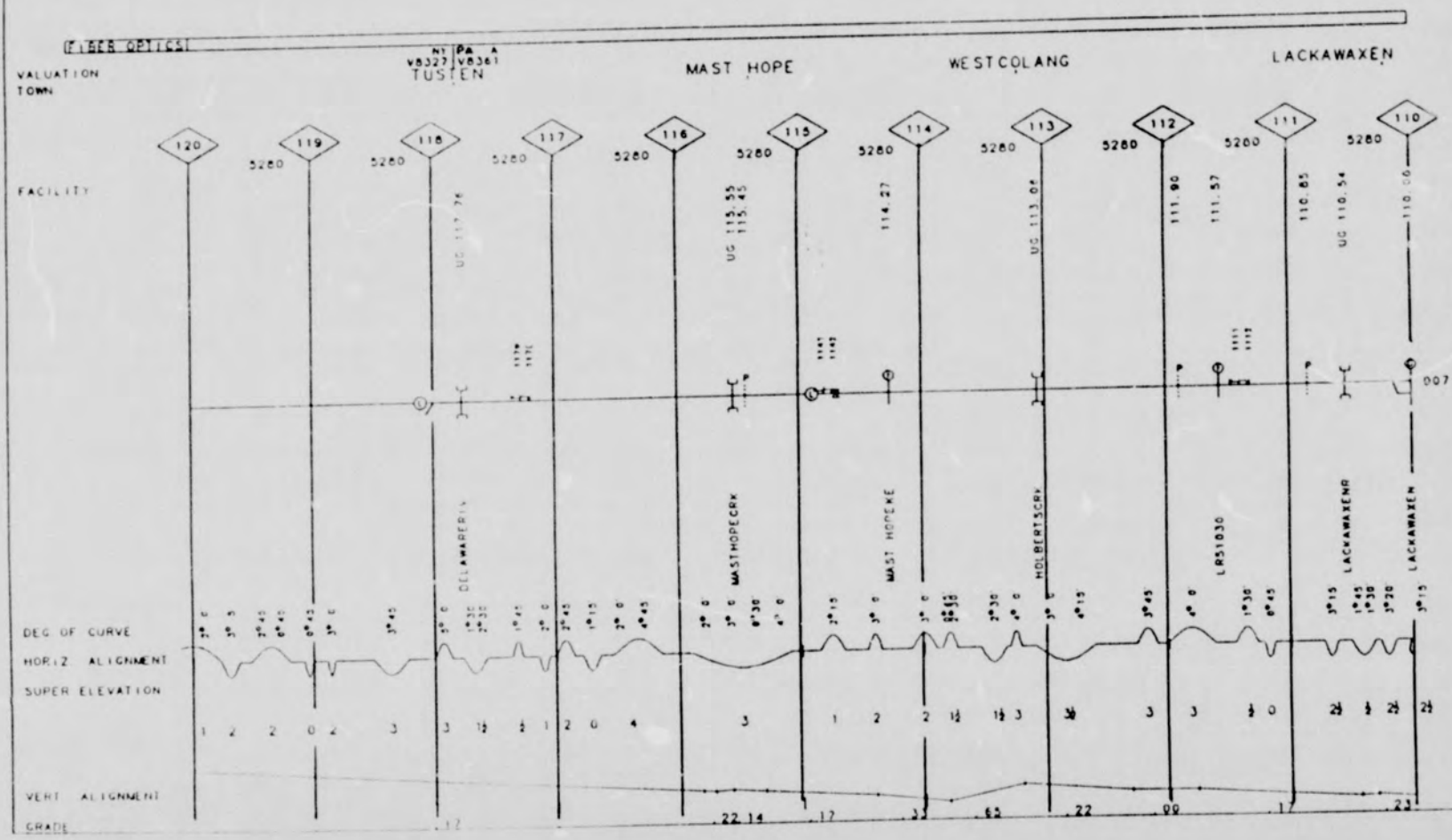
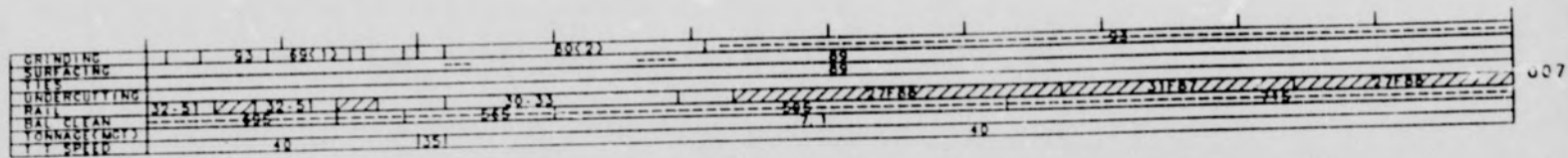
007

30-6302 SOUTHERN TIER LINE

REV 01/01/94

MP 130.00-MP 140.00

27



[illegible]

GRINDING	0.2
SURFACING	0.2
FINING	0.2
UNDOING	32F.50
REACTING	44
PAK 5.00	7.5
FORNICATION	140
SPEED	30

007

RIEHR OPTICS
PALM BEACH, FL

VALUATION
TOWN
SPARROWBUSH
V0323

FACILITY

1058 91
5260 90

2.16	UC	91.16
	OH	90.95
	UC	90.84

91.2

BUSHKILL CRK
LR 549
DELAWARE RV

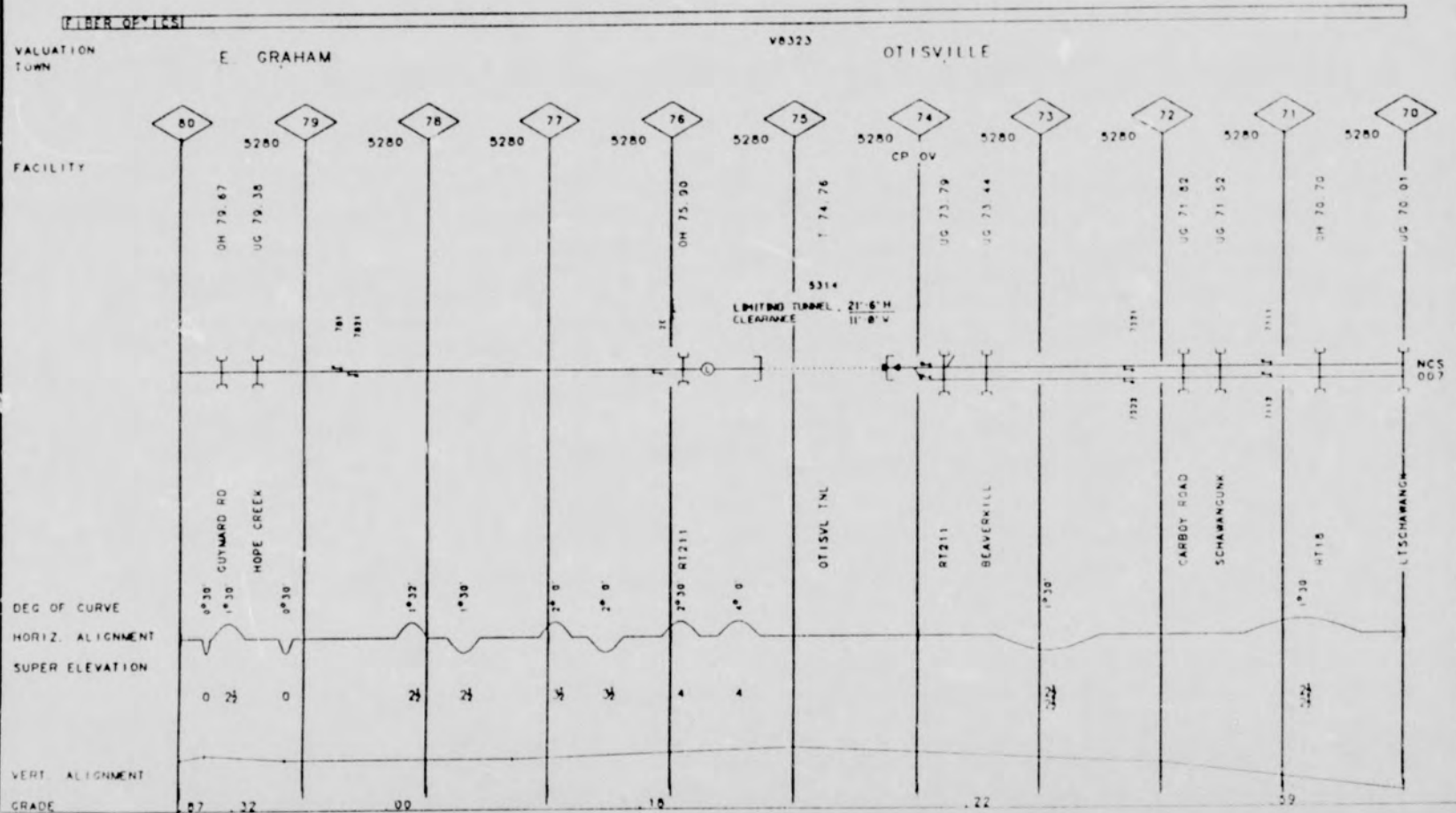
DEC OF CURVE
HORIZ. ALIGNMENT
SUPER ELEVATION

WELSH, ALI GHADEMI

GRADE

25.02.40.22

	007	NCS	007	NCS
CRITTING	24	52	54	55:12
SURFACING	88	88	88	88
TIES	32:55	32:58	13:17:47	15:51
UNDERCUTTING	12:35	15:51	12:35	15:51
RAIL CLEAN	7.6	5.3	5.3	5.3
TORNADO (M/T)	80/40	1:55:40	40/40	80/40
T.Y. SPEED	80/40	80/40	80/40	80/40



GRINDING	(2/1)
SURFACING	2.8
TIES	2.8
UNDERCUTTING	
RAIL	
RAIL CLEAN	2.3
TONNAGE/TWIST	2.3
T T SPEED	60/40

NCS

GRINDING	(2/1)			70 11	70 11		69
SURFACING	2.8	66		70 11	70 11		69
TIES	2.8						
UNDERCUTTING							
RAIL	1 32 53				12-45		
RAIL CLEAN					7.8	6.45	
TONNAGE/TWIST	2.4				60/40	12	
T T SPEED							

007

FIBER OPTICS

V8323

VALUATION
TOWN

HOWELL'S

FACILITY

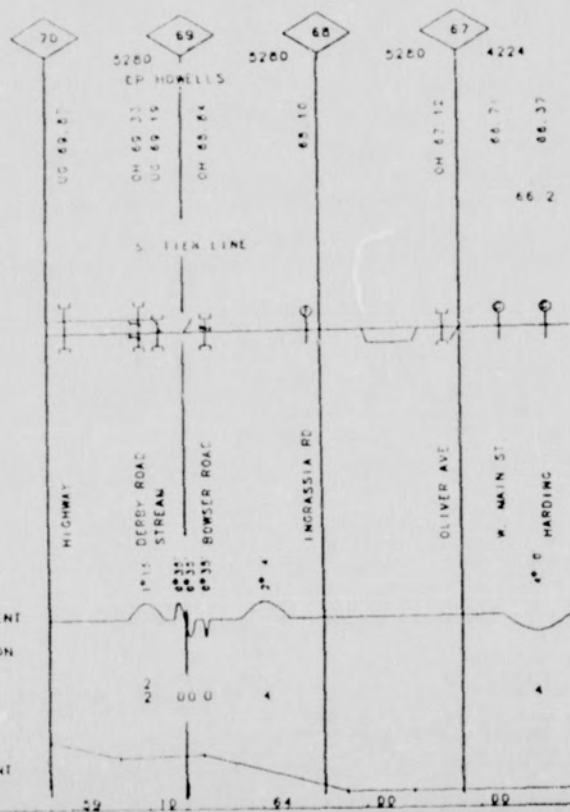
DEG OF CURVE

HORIZ. ALIGNMENT

SUPER ELEVATION

VERT. ALIGNMENT

GRADE



NCS
007

107
NY

68.90
70.00

66.20 -MP
68.90

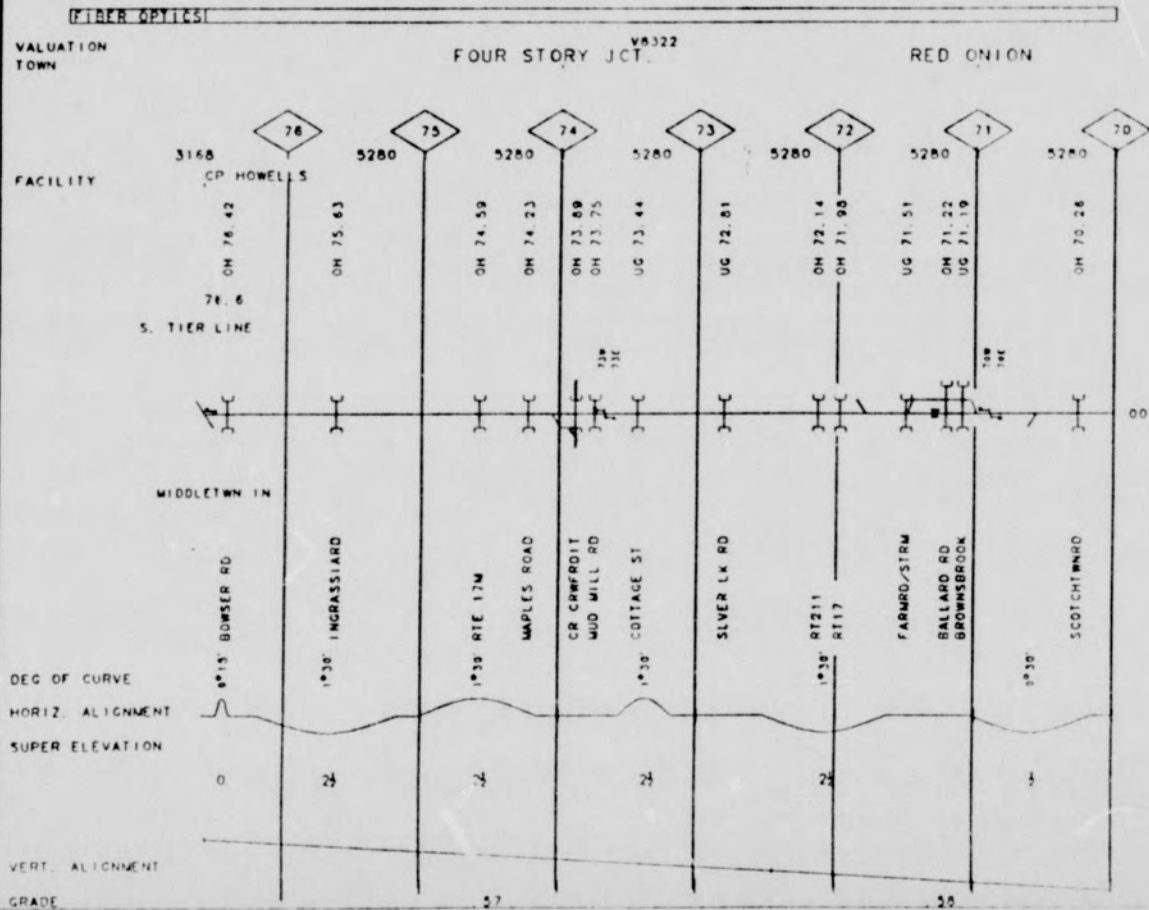
MP

REV. 01/01/94

30-6102 MIDDLETOWN I.T.
SOUTHERN TIER LINE

GRINDING	35.43	83	85	86	87	88	89	90	91	92	93
SURFACING											
TIES											
UNDERCUTTING											
RAIL	32-53	32	32-56	32-57	32-58	32-59	32-60	32-61	32-62	32-63	32-64
RAIL CLEAN											
YONKOG (METS)											
T-SPEED		60/40	6.7	7.5	8.2	8.9	9.6	10.3	11.0	11.7	12.4

007



SDC	109
	22

007

V0322

FACILITY

GRADE



30-6103 SOUTHERN TIER LINE

REV 01/01/94

MP 60.00 - MP 70.00

109
22

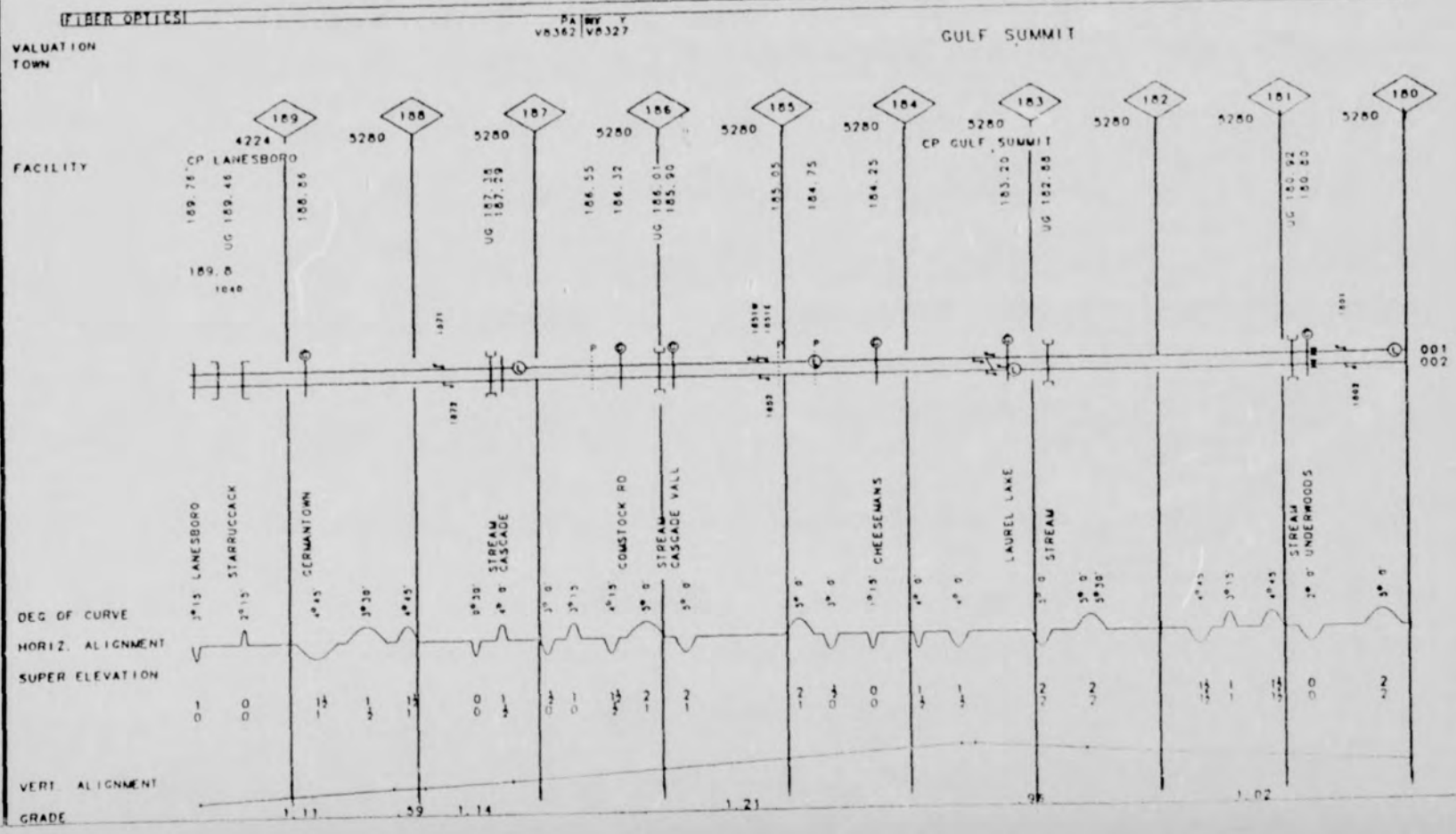


30-6302 SOUTHERN TIER LINE
SOUTHERN TIER LINE

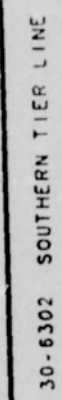
REV. 01/01/94

180.00 MP 186.60 NY/ PA 94
MP 186.60 189.80

GRINDING	89	92	92	83	89	89	001
SURFACING							
TIES							
UNDERCUTTING							
RAIL		30-32		84	31-47	31-70	31-44
RAIL CLEAN	32FAB/1	88	31-32	3.7	84	32-51	31-40
TORNADO (UGT)			25			30	
T SPEED							



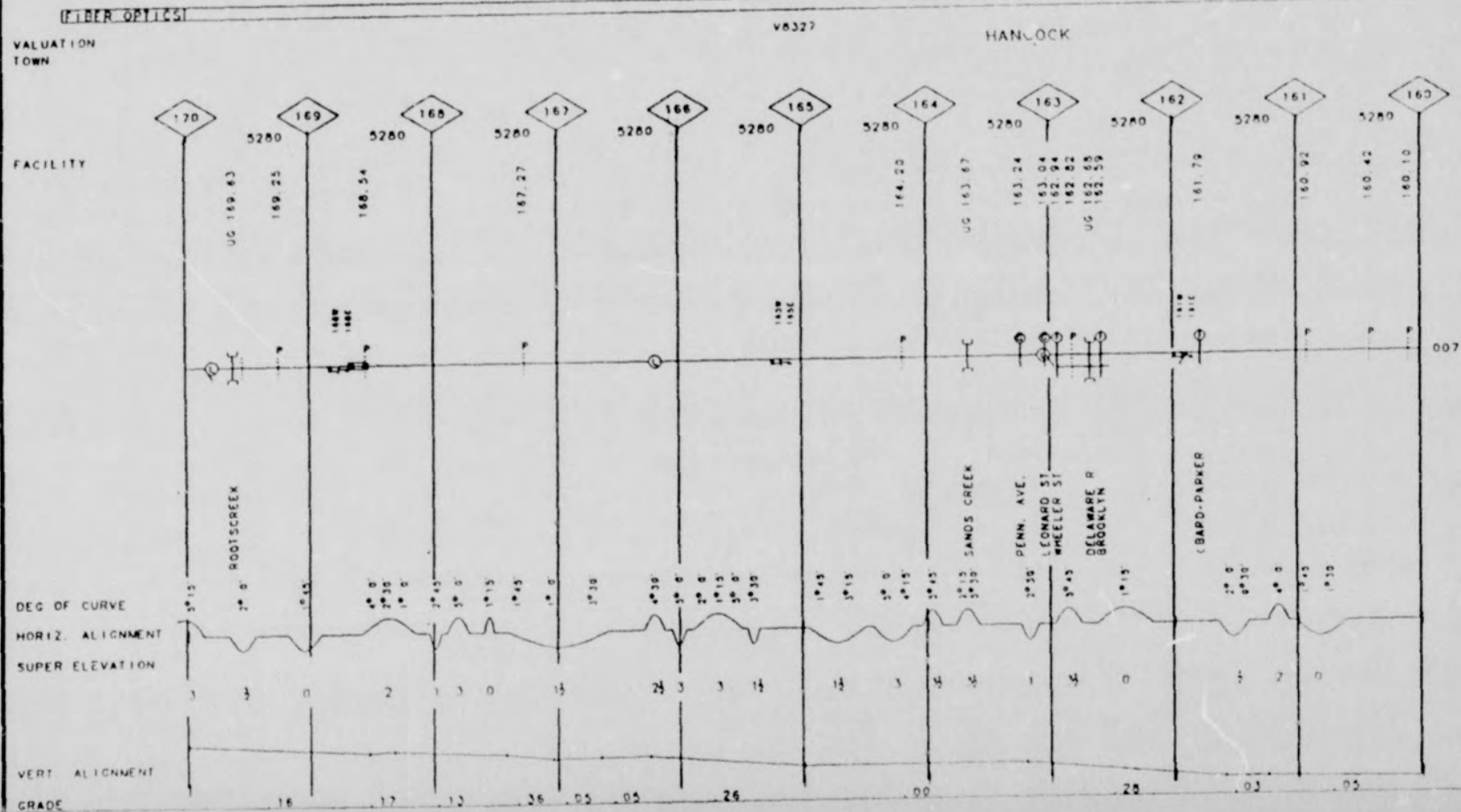
24



REV	DATE	DESCRIPTION	AMOUNT
01/01/94		MP 170.00-MP	180.00

GRINDING	8.5	8.5	8.5	9.5	8.5	9.5	8.5	9.5
SURFACING								
FILES								
UNDERCUTTING	31-40	31-34	32-50	31-62	30-31	31-37	31-45	
RAIL CLEAN								
YONKERS (MUT)								
TY SPEED								

007

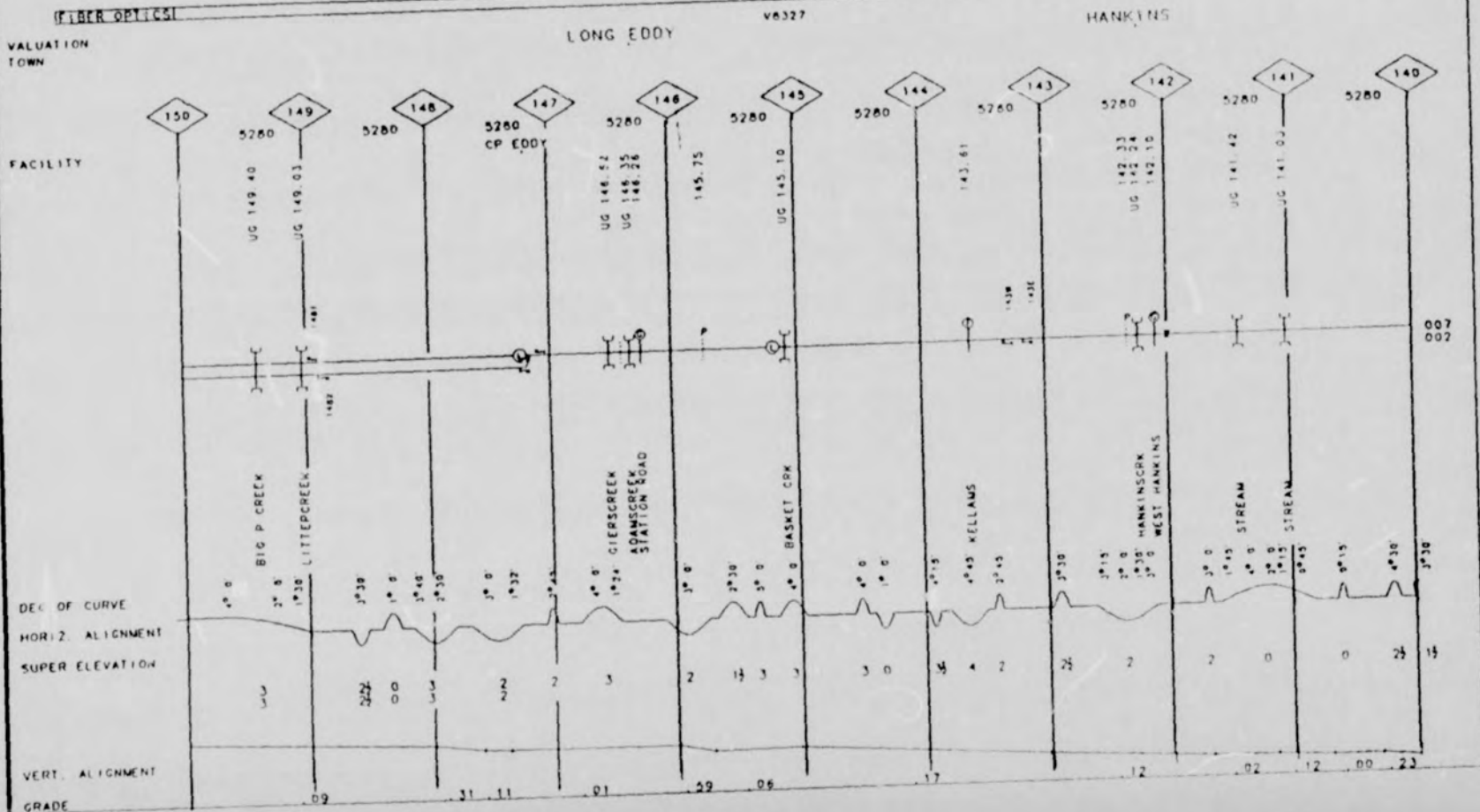


GRINDING			93		88(1)
SURFACING			91		
FILES			91		
UNDERCUTTING					
RAI			3187		
RAI CLEAN			255		
TONNAGE(MGT)			5.6		
LY SPEED			15		48

GRADE

GRINDING	705(1)	001	007	83	93	81	83	83	007
SURFACING	81								
TIES									
UNDERCUTTING									
RAIL	32-55	130-33	31-34	32-88	31-47	31-54	31-45		
RAIL CLEAN	3.5	255							
TORNADE (MGT)	3.5	40	1351	7.1	40		35		
T SPEED	40								

GRINDING	68(1)	68(1)							002
SURFACING	81								
TIES									
UNDERCUTTING									
RAIL	31-44	132-49	130-32	132-48					
RAIL CLEAN	3.5	255							
TORNADE (MGT)	3.5	40							
T SPEED	40								



92

GRINDING	92	83	81	69(1)	82
SURFACING					
TIES					
UNDERCUTTING					
DATE	31-16	31-17	31-44	31-45	31-46
HAL CLEAN					
YONNAGE(MCY)	905			84	
TT SPEED	35		40		35

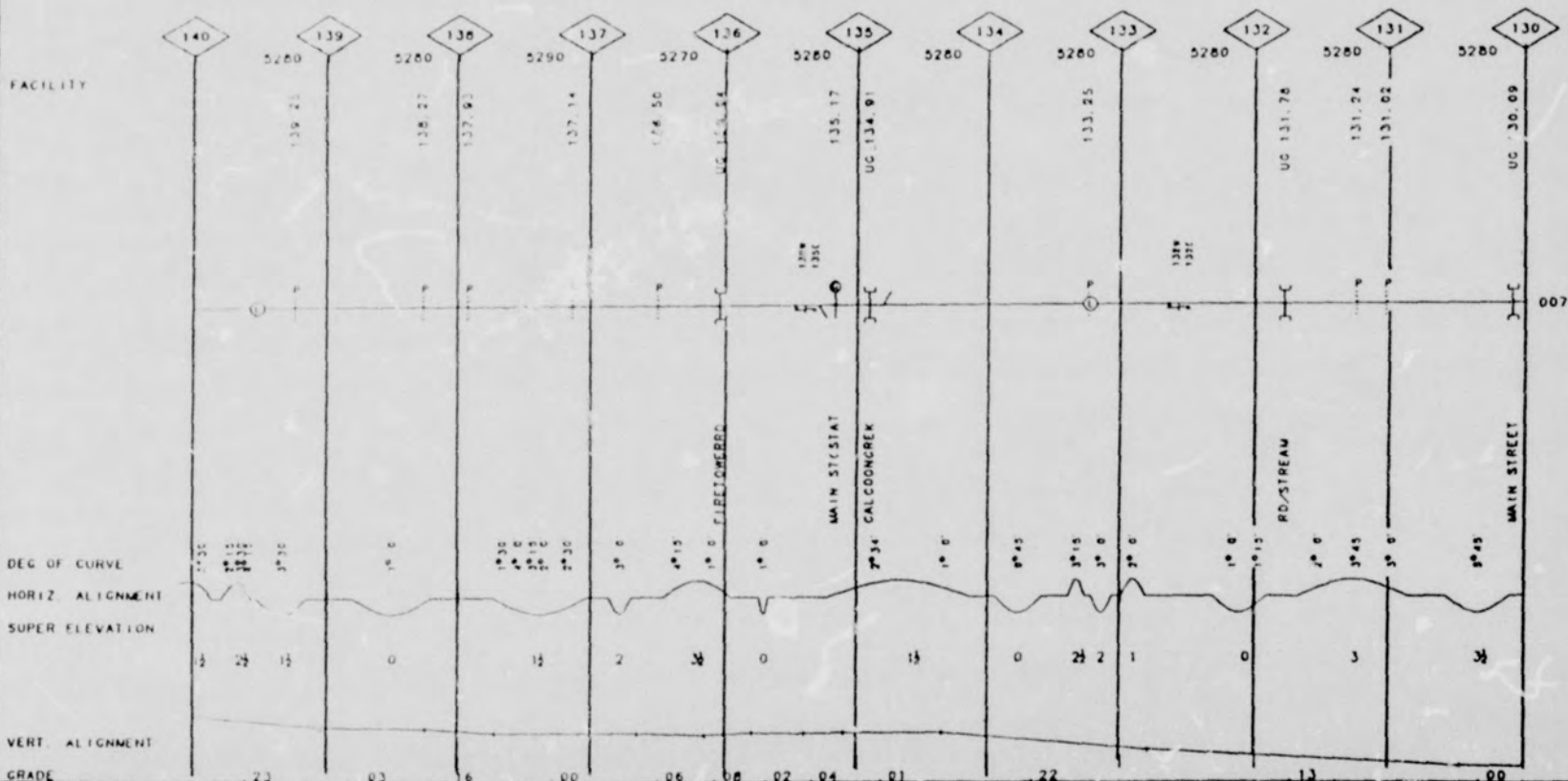
007

FIBER OPTICS

VALUATION
TOWN

V0327
CALLICOON

COCHECTON



007

30-6302 SOUTHERN TIER LINE

REV 01/01/94

MP 130.00-MP 140.00

NY 99

100 NY

MP 120.00-MP 130.00

REV. 01/01/94

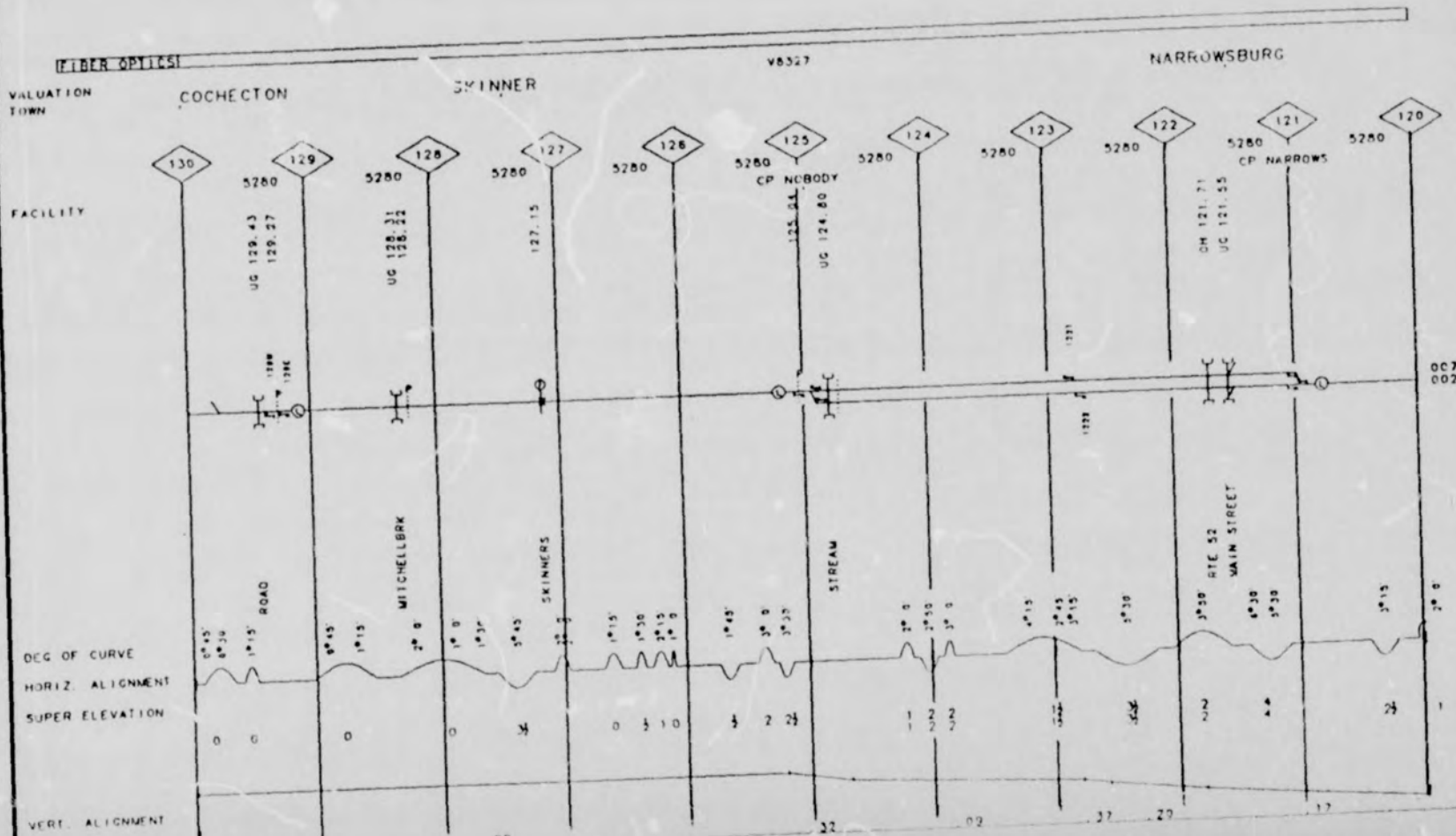
JO-6302 SOUTHERN TIER LINE

GRINDING	007	88(1)	25	88(1)	III	88(1)	81	88(1)	001
SURFACING									
TIES									
UNDERCUTTING	51-38	51-39	51-44	51-38	51-38	51-38	51-38	51-38	51-47
RAIL									
RAIL CLEAN									
TORNADE (WGT)									
T SPEED	35			40			35	35	

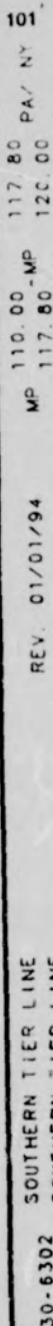
007

GRINDING	002	88(1)	81	88(1)	007
SURFACING					
TIES					
UNDERCUTTING	51-40	51-65	51-62	51-34	51-34
RAIL					
RAIL CLEAN					
TORNADE (WGT)					
T SPEED	40	35	35	40	

002



007
002

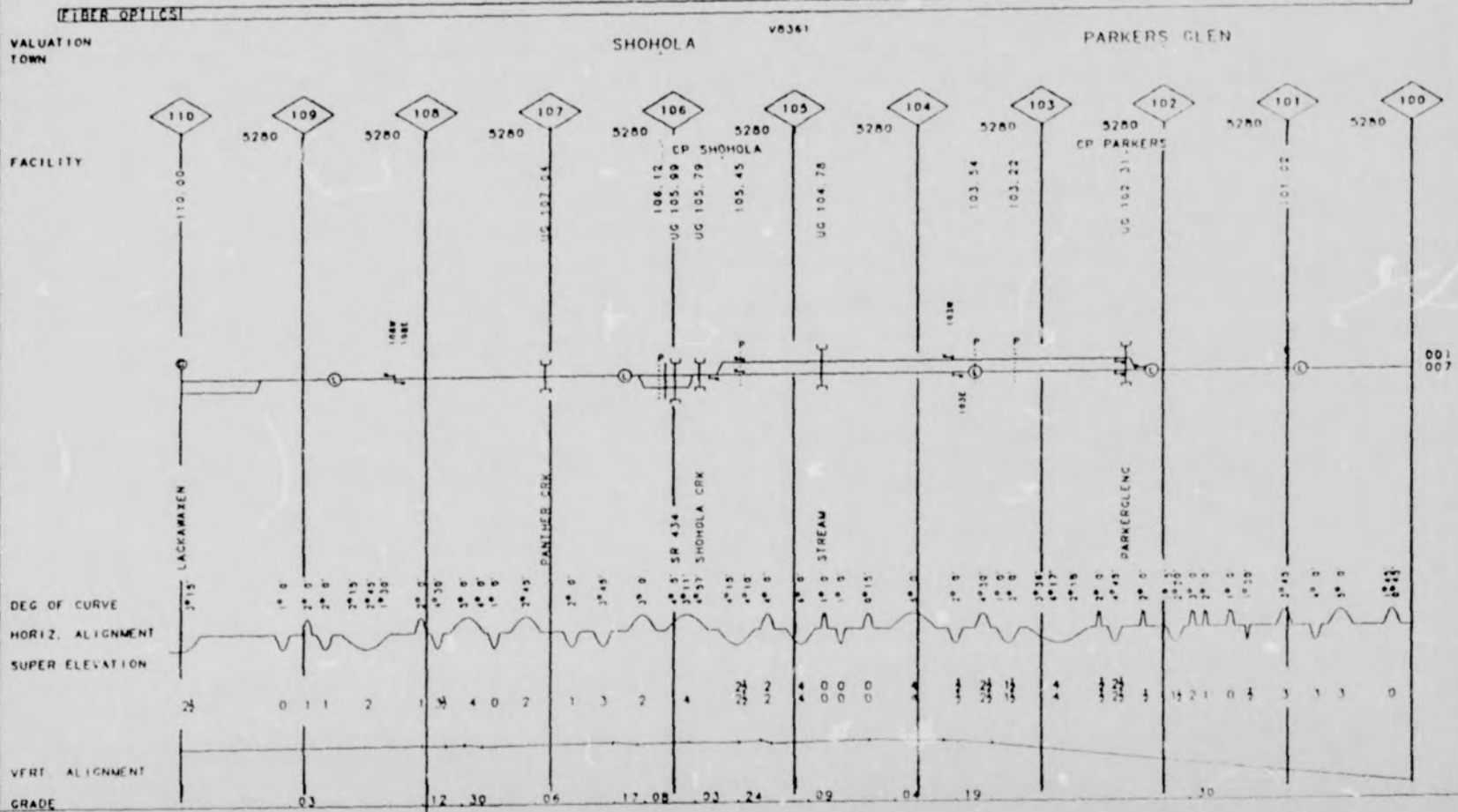


GRINDING	69(1)	89	69(1)
SURFACING		89	
TIES		89	
UNDERCUTTING	32-31	31-38	31-42
RAIL CLEAN		7.2	
TORNADO (MOT)		3.2	
T SPEED		3.5	

GRINDING	69(1)	93	69(1)	007	002	79(1)	89	93	002	007	93
SURFACING		89					89				89
TIES		89					89				89
UNDERCUTTING	32-50	31F87	32F88	32-70	31F35	32-75	31-34	31-34	31F87		
RAIL CLEAN		7.2				4.0	6.9				7.2
TORNADO (MOT)		3.5				3.5					3.5
T SPEED	40	35	40						35	40	35

001

007



STB

FD

33388

10-21-97

D

182786

4/4

[illegible]

GRINDING	I		52	
SURFACING			82	
FILE				
UNDERCUTTING				
FILE	2IF	I	2IF	I 2IF
RAIL CLEAN				
YORKACCTCUT			4.0	
T. SPEED			40/40	

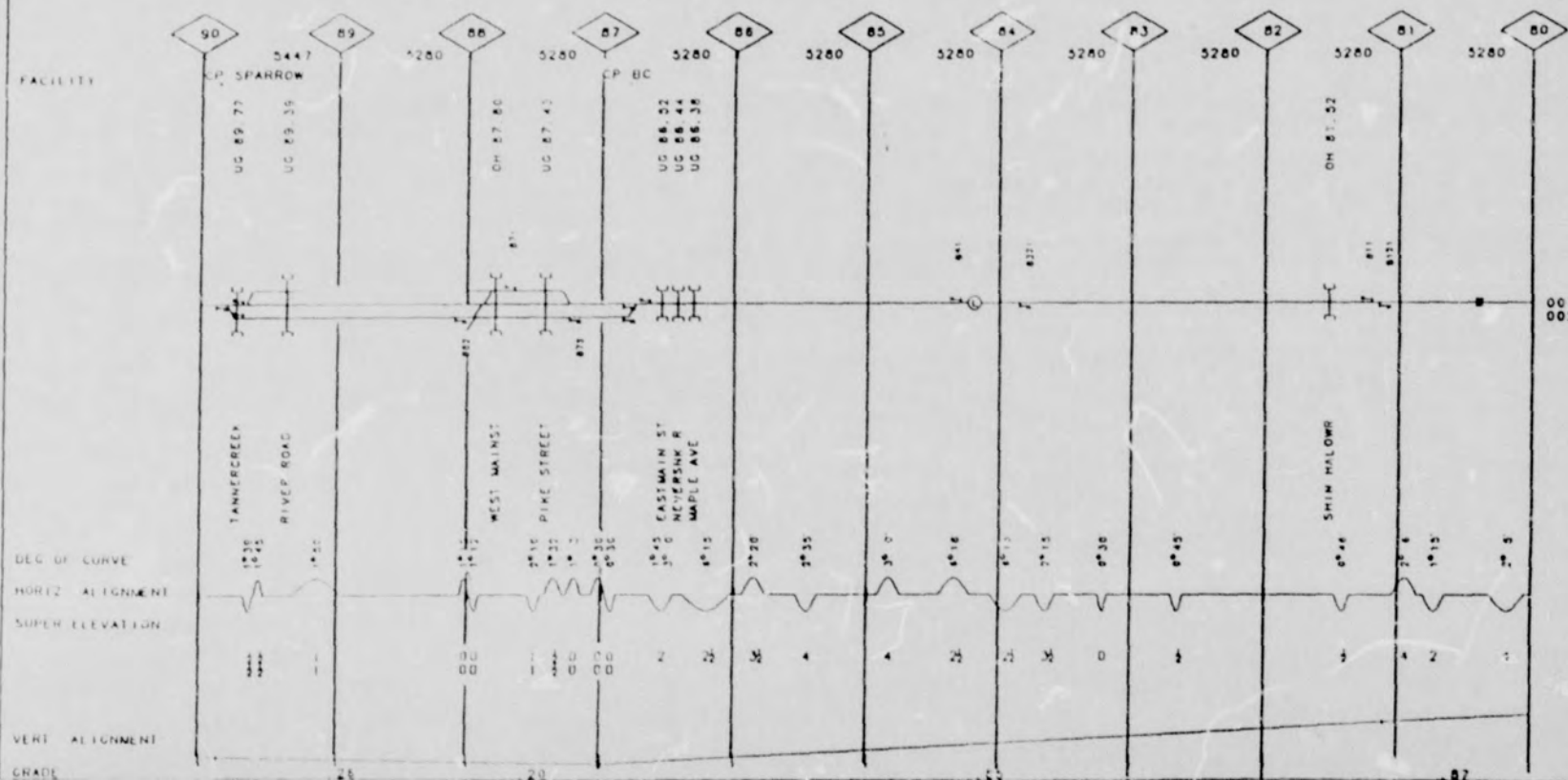
FIBER OPTICS

VALUATION
TOWN

SPARROWBUSH

PORT JERVIS

V0343



CRITICING	84	88	93	007	NCS	84	88	85.13	NCS
SURFACING									
TIES									
UNDERCUTTING									
RAIL	32-55	32-56	32-57	32-58	32-59	32-60	32-61	32-62	32-63
RAIL CLEAN									
TORNADE (MGT)	80/40	7.8	155/40	40/40				80/40	
T SPEED									

CRITICING	84	88	93	007	NCS	84	88	85.13	NCS
SURFACING									
TIES									
UNDERCUTTING									
RAIL	32-52	31-41	32-48	32-51					
RAIL CLEAN									
TORNADE (MGT)	80/40	7.8	155/40	40/40				80/40	
T SPEED									

VALUATION
TOWN

E. GRAHAM

V8323

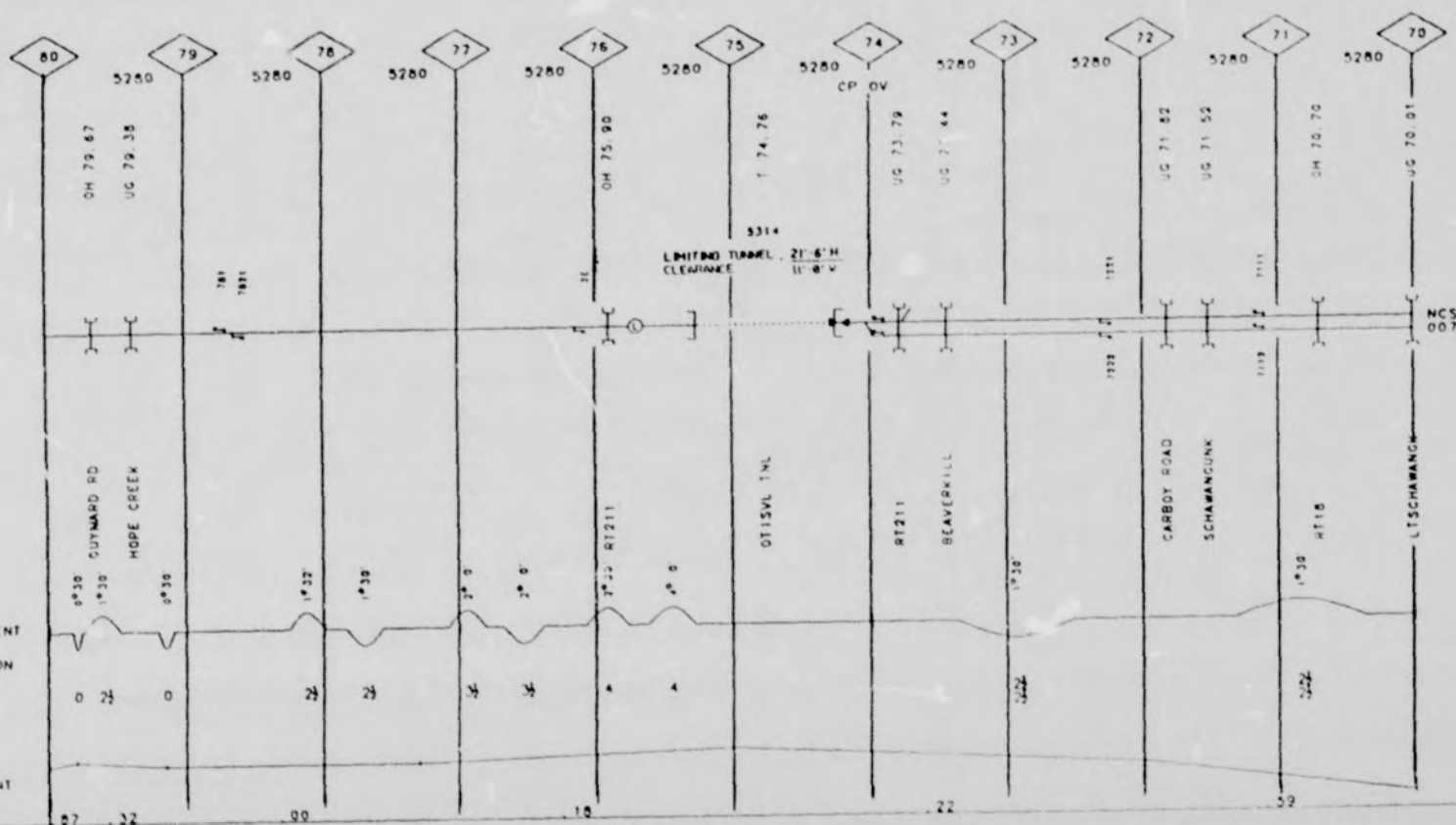
OTISVILLE

FACILITY

DEG OF CURVE
HORIZ. ALIGNMENT
SUPER ELEVATION

VERT. ALIGNMENT

GRADE



GRINDING	62(1)
SURFACING	66
TYPE	66
UNDERCUTTING	
RAIL	1
RAIL CLEAN	3.3
TONNAGE(MGT)	60/40
TY SPEED	

NCS

GRINDING	62(1)	70(1)	62
SURFACING	66	70	66
TYPE	66	70	66
UNDERCUTTING			
RAIL	1 32-52	12-45	
RAIL CLEAN	3.4	7.6	3.3
TONNAGE(MGT)	60/40	10	
TY SPEED			

007

FIBER OPTICS

V6323

VALUATION
TOWN

HOWELL 5

FACILITY

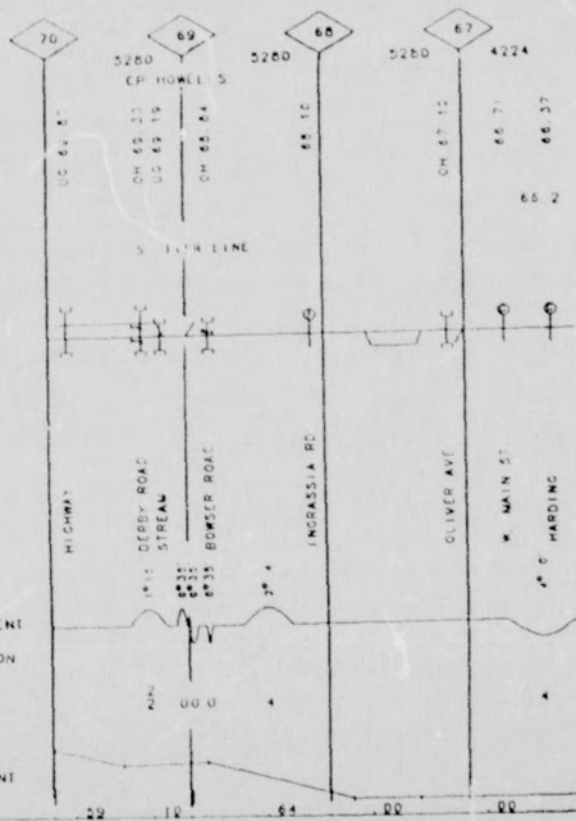
DEG OF CURVE

HORIZ ALIGNMENT

SUPER ELEVATION

VERT. ALIGNMENT

GRADE



NCS
007

107

NY

68.90
70.00

-MP

66.20
68.90

REV. 01/01/94

MIDDLETOWN I. T.
SOUTHERN TIER LINE

30-6102

GRINDING	35.32			83				83
SURFACING				88				
TIES				88				
UNDERCUTTING								
RAIL CLEAN	32.53	32		32.58	32.57		32.80	
FORNAGE(MGT)				8.7				
LY SPREAD				80/40			79/80/50	

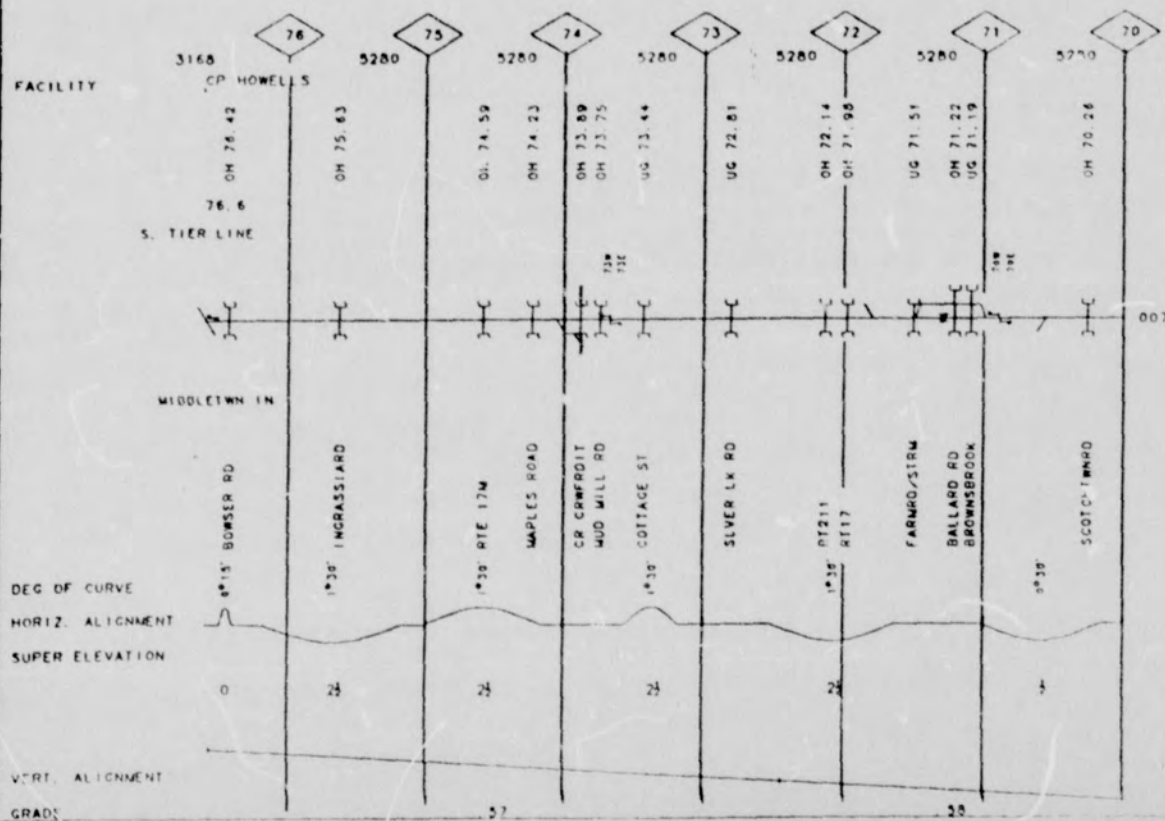
007

FILED COPY 151

VALUATION
TOWN

FOUR STORY JCT. V8322

RED ONION

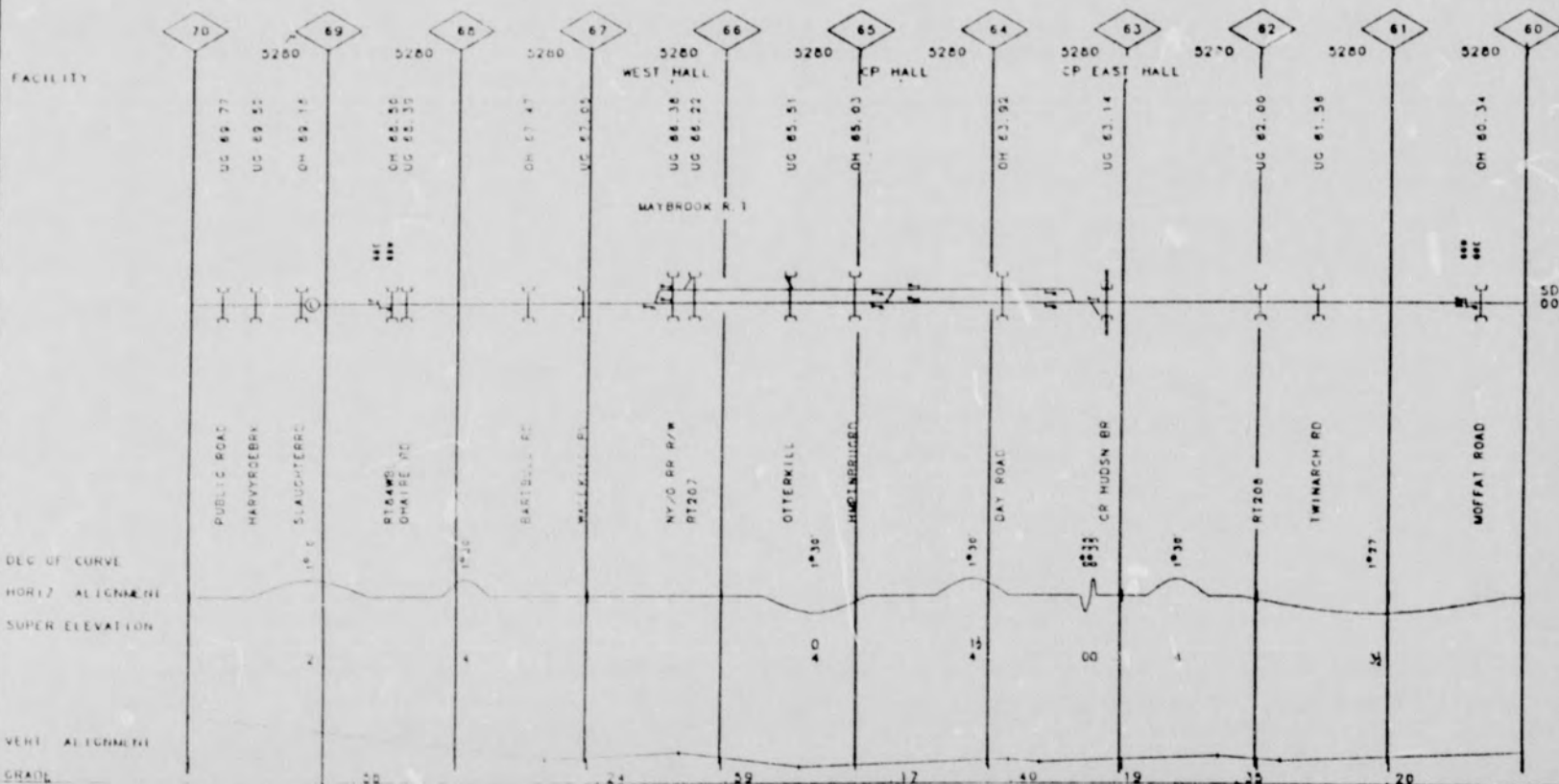


[illegible]

007

V0322

GRADE

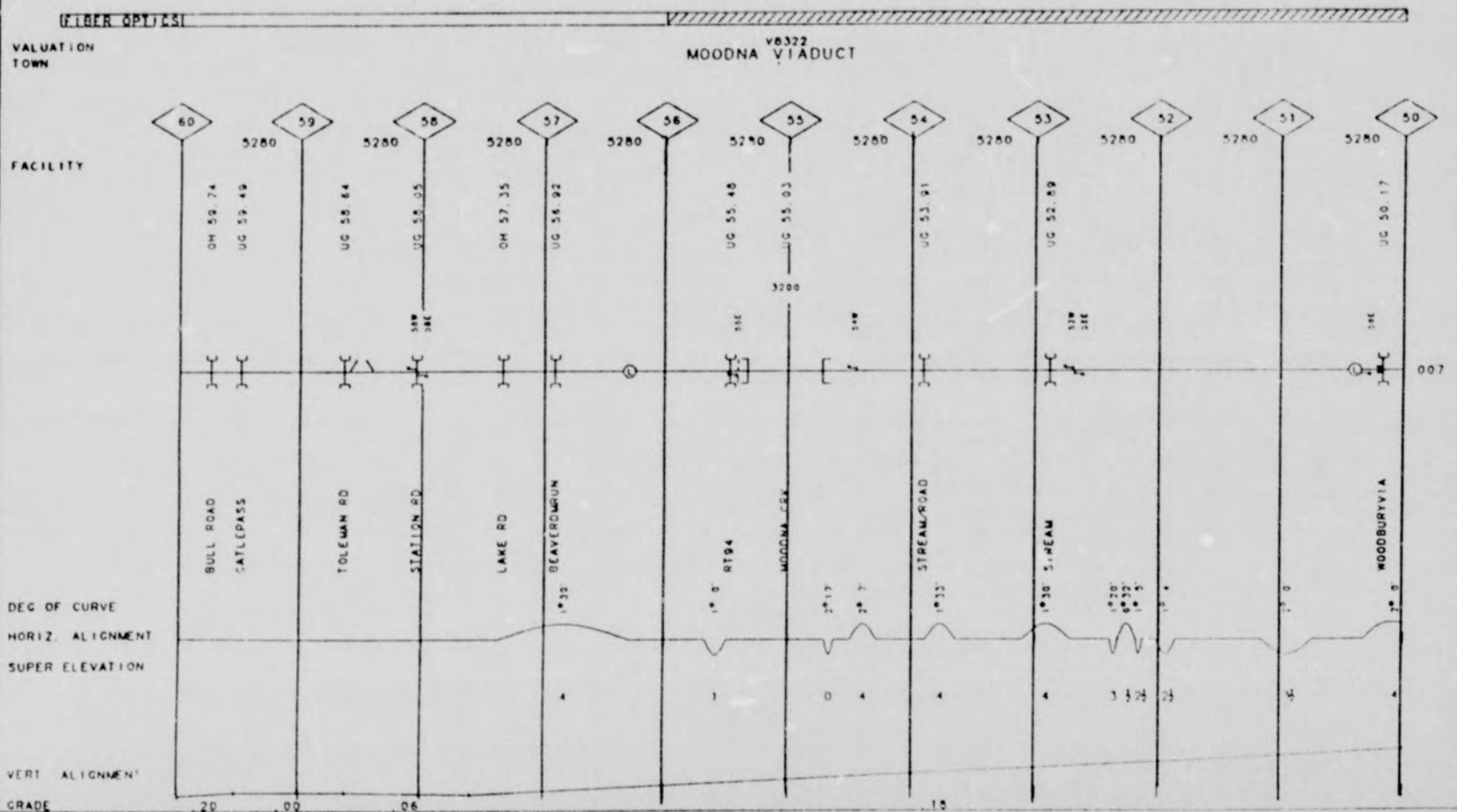
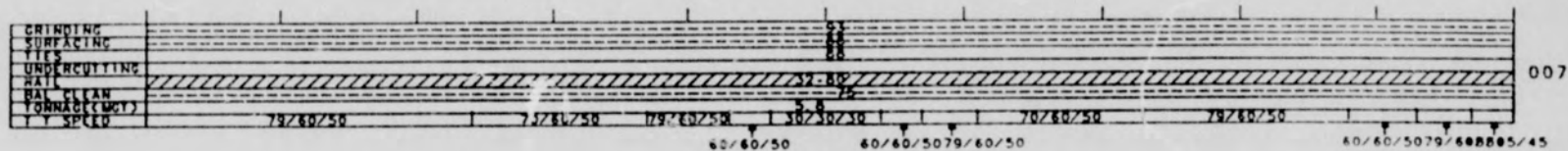
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30-6103 SOUTHERN TIER LINE

REV 01/01/94

MP 60.00 - MP 70.00

109



LABOR IMPACT EXHIBIT

EFFECTS ON APPLICANT CARRIERS' EMPLOYEES*

49 CFR 1180.6(a)(2)(v)

Based on 1996/97 head count**

(Applicant Carriers)

<u>Current Location</u>	<u>Classification</u>	<u>Jobs Transferred To</u>	<u>Jobs Abolished</u>	<u>Jobs Created</u>	<u>Year</u>
LYNCHBURG	VA Engineers			3	2
MACON	GA Engineers			4	1
MACON	GA Engineers			6	2
MACON	GA Engineers			2	3
MANASSAS	VA Engineers			1	1
MERIDIAN	MS Engineers			3	1
MERIDIAN	MS Engineers			8	2
MERIDIAN	MS Engineers			2	3
MOBERLY	MO Engineers			7	1
MOBERLY	MO Engineers			10	2
MOBERLY	MO Engineers			3	3
MONTGOMERY	AL Engineers		3		1
NASHVILLE	TN Engineers			3	1
NEW CASTLE	PA Engineers			5	1
OAKDALE	TN Engineers			1	1
OAKISLAND	NJ Engineers			8	1
PENSACOLA	FL Engineers			3	1
PERU	IN Engineers			4	1
PERU	IN Engineers			7	2
PERU	IN Engineers			2	3
PHILADELPHIA	PA Engineers		1		1
PHILADELPHIA YARD	PA Engineers			1	1
PORT READING	NJ Engineers			1	1
PORTSMOUTH	OH Engineers			1	1
PORTSMOUTH	OH Engineers			2	2
PORTSMOUTH	OH Engineers			1	3
PRINCETON	IN Engineers			2	1
PTJERVIS	NY Engineers			1	1
PTJERVIS	NY Engineers			3	2
PTJERVIS	NY Engineers			2	3
RALEIGH	NC Engineers		6		1
RENOVO	PA Engineers		2		1
ROANOKE	VA Engineers			8	1
ROANOKE	VA Engineers			12	2
ROANOKE	VA Engineers			4	3
SELKIRK ROAD EAST	NY Engineers			8	1
SELMA	AL Engineers		4		1
SHEFFIELD	AL Engineers		2		1
SHENNANDOAH	VA Engineers			5	1
SHENNANDOAH	VA Engineers			7	2
SHENNANDOAH	VA Engineers			3	3
ST. THOMAS	ONT Engineers			1	1
ST. THOMAS	ONT Engineers			2	2
TOLEDO	OH Engineers		70		1
VALDOSTA	GA Engineers			1	1
VALDOSTA	GA Engineers			2	2
WASHINGTON	IN Engineers		3		1
WILLARD	OH Engineers			21	1
		119	242	429	

ATLANTA	GA	Laborers/Firemen and Oilers	10	Altoona, PA	1
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LABOR IMPACT EXHIBIT

EFFECTS ON APPLICANT CARRIERS' EMPLOYEES*

49 CFR 1180.6(a)(2)(v)

Based on 1996/97 head count**

(Applicant Carriers)

Current Location	Classification	Jobs Transferred To	Jobs Abolished	Jobs Created	Year
WORCESTER	MA Maintenance of Way	95	19 584	0	2
ABRAMS	PA Nonagreement		1		1
ALBANY	NY Nonagreement		1		1
ALQUIPPA	PA Nonagreement		1		1
ALLENTOWN	PA Nonagreement		1		1
ALTOONA	PA Nonagreement	2 Roanoke, VA			1
ATLANTA	GA Nonagreement		1		1
ATLANTA	GA Nonagreement		1		2
ATLANTA	GA Nonagreement		5		3
ATLANTA	GA Nonagreement	21 Altoona, PA			1
BETHLEHEM	PA Nonagreement		10		1
BOSTON	MA Nonagreement		1		1
CAMPBELL HALL	NY Nonagreement		1		1
CANTON	OH Nonagreement		1		2
CANTON	OH Nonagreement		1		3
CHATTANOOGA	TN Nonagreement		17		1
CHICAGO	IL Nonagreement		1		1
CLEVELAND	OH Nonagreement		1		2
CLEVELAND	OH Nonagreement		1		1
COLUMBUS	OH Nonagreement		2		2
COLUMBUS	OH Nonagreement		1		1
COLUMBUS	OH Nonagreement	1 Atlanta, GA			1
COLUMBUS	OH Nonagreement	1 Philadelphia, PA			2
CONWAY, PA	PA Nonagreement		1		1
DEARBORN	MI Nonagreement		44		1
DEARBORN	MI Nonagreement	8 Atlanta, GA			1
DEARBORN	MI Nonagreement	7 Jacksonville, FL			1
E ST LOUIS	IL Nonagreement		1		1
EASTON	PA Nonagreement		1		1
EDISON	NJ Nonagreement		5		1
ELKHART	IN Nonagreement		6		1
ELMIRA	NY Nonagreement		1		1
ENOLA	PA Nonagreement		3		1
ENOLA	PA Nonagreement		1		2
ENOLA	PA Nonagreement		2		3
ENOLA	PA Nonagreement	9 to be determined			3
GREENFIELD	IN Nonagreement		2		1
GREENTREE	PA Nonagreement		16		1
HAMMOND	IN Nonagreement		1		1
HARRISBURG	PA Nonagreement		6		1
HARRISBURG	PA Nonagreement	2 Atlanta, GA			1
HOUSTON	TX Nonagreement		4		1
HOUSTON	TX Nonagreement		1		3
HUNTINGDON	PA Nonagreement		4		1
HUNTINGTON	WV Nonagreement			4	1
INDIANAPOLIS	IN Nonagreement		5		1
JACKSONVILLE	FL Nonagreement			4	1
JUNIATA	PA Nonagreement	1 Atlanta, GA			1
LANSING	IL Nonagreement		1		1

Position
does not ext.

43

LABOR IMPACT EXHIBIT

EFFECTS ON APPLICANT CARRIERS' EMPLOYEES*

49 CFR 1180.6(a)(2)(v)

Based on 1996/97 head count.**

(Applicant Carriers)

Current Location	Classification	Jobs Transferred To	Jobs Abolished	Jobs Created	Year
BIRMINGHAM	AL Trainmen		4		1
BLUEFIELD	WV Trainmen			1	1
BLUEFIELD	WV Trainmen			2	2
BLUEFIELD	WV Trainmen			1	3
BLUEFIELD	WV Trainmen			1	1
BRUNSWICK	GA Trainmen			15	1
BUFFALO	NY Trainmen			17	1
BUFFALO LINES E&W	NY Trainmen				1
BURNS HARBOR	IN Trainmen	2 Chicago, IL			1
CHARLESTON	SC Trainmen		1		1
CHICAGO	IL Trainmen		52		1
CINCINNATI	OH Trainmen		15		1
CLEVELAND	OH Trainmen		36	20	1
CLEVELAND	OH Trainmen	8 Willard, OH			1
COLUMBIA	SC Trainmen		1		1
COLUMBUS	GA Trainmen		9		1
COLUMBUS	OH Trainmen		10	8	1
CONNEAUT	OH Trainmen	10 Buffalo, NY			1
CONWAY	PA Trainmen		4		1
CORNING	NY Trainmen			4	1
CORNING	NY Trainmen			6	2
CORNING	NY Trainmen			3	3
CRESTLINE	OH Trainmen	44 Willard, OH			1
CREWE	VA Trainmen			2	1
CREWE	VA Trainmen			4	2
CREWE	VA Trainmen			1	3
CREWE	VA Trainmen			10	1
CUMBERLAND	MD Trainmen				2
DANVILLE	IL Trainmen	11 Terre Haute, IN			3
DANVILLE	IL Trainmen	13 Terre Haute, IN			1
DANVILLE	KY Trainmen		5		1
DECATUR	IL Trainmen			17	2
DECATUR	IL Trainmen			27	3
DECATUR	IL Trainmen			11	1
DETROIT	MI Trainmen			26	1
DETROIT (YARD)	MI Trainmen			10	1
ELKHART (WEST)	IN Trainmen		7		1
ELMORE	WV Trainmen			1	1
ELMORE	WV Trainmen			2	2
ENOLA	PA Trainmen		8		1
ETOWAH	TN Trainmen			3	1
EVANSVILLE	IN Trainmen	13 Terre Haute, IN			2
EVANSVILLE	IN Trainmen	11 Terre Haute, IN			3
FAIRLANE	OH Trainmen		2		1
FT. WAYNE	IN Trainmen			5	2
FT. WAYNE	IN Trainmen			8	3
FT. WAYNE	IN Trainmen			3	1
GRAND RAPIDS	MI Trainmen		8		1
GREENVILLE	SC Trainmen			2	1
GREENVILLE	SC Trainmen			3	2
GREENVILLE	SC Trainmen			1	3
GREENWICH	PA Trainmen			8	1
HAGERSTOWN	MD Trainmen		3		1

LABOR IMPACT EXHIBIT

APPLICANT CARRIERS' EMPLOYEES*

49 CFR 1180.6(a)(2)(v)

based on 1996/97 head count**

(Applicant Carriers)

ation	Jobs Transferred To	Jobs Abolished	Jobs Created	Year
1		6	1	1
1			1	1
1			1	2
1			1	3
1			3	1
1			1	1
1			2	2
1			1	3
1		4		1
1		3		1
1		8		1
1		13		1
1			2	1
1			3	2
1			4	1
1			6	2
1			2	3
1			1	1
1			3	1
1			6	2
1			2	3
1			6	1
1			10	2
1			4	3
1		3		1
1			3	1
1			5	1
1			1	1
1			22	1
1			3	1
1			4	1
1			7	2
1			2	3
1		2		1
1			2	1
1			3	1
1			1	1
1			2	2
1			1	3
1			2	1
1			1	1
1			3	2
1			2	3
1		6		1
1		2		1
1			8	1
1			12	2
1			4	3
1			14	1
1		4		1
1		2		1



American Train Dispatchers Department of

Brotherhood of Locomotive Engineers

AFL-CIO and RLEA
CONRAIL System Committee



September 24, 1997

Mr. John F. Collins
BLE N.Y. State Chairman
54 Agassiz Circle
Buffalo, New York 14214

Dear Mr. Collins,

In reference to the grassroots meeting held Wednesday, September 17, 1997 in Albany, New York and your request for an affidavit from the attending representatives as to the impact that the acquisition of Conrail by the CSXT and NS will have on each representative's members and New York State, the following applies to the members of the American Train Dispatchers Department of the BLE that currently work in New York State.

First, I would like to say that impact is not the word to use when it comes to the effect that this acquisition will have on this profession. **Exile** more appropriately describes our plight.

The CSXT has proposed to the Surface Transportation Board that they plan to consolidate the Albany train dispatchers and their dispatching center located in Jacksonville, Fla..

The Norfolk Southern has said that it will, immediately upon approval from the STB, relocate the Albany dispatchers that they acquire (approximately 12) along with dispatchers presently employed in the Mount Laurel, New Jersey office into Harrisburg, Pennsylvania.

The Albany Division CATDF (computer assisted train dispatching facility) is located in Albany County in Selkirk, New York. We maintain a roster of 94 train dispatchers that dispatch trains (both freight and Amtrak) and coordinate track maintenance with the MoFW equipment and personnel, along with emergency situations (fire, police and rescue) from Boston, Massachusetts to Albany, New York; from Albany, New York west through Utica, Syracuse, Rochester, Niagara Falls and Buffalo, New York to Erie, Pennsylvania via Conrail's Chicago Line. We also control movement from Albany, New York to Poughkeepsie, New York on the Hudson Line, and the entire Southern Tier of New York, along with the territory from Syracuse north to Montreal.

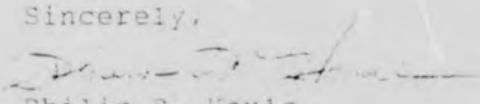
Representing Rail Traffic Controllers

The average yearly wage for a train dispatcher is \$46,800. Multiplied by 94 is \$4,399,200 of yearly income that New York State will lose. This reflects only the dispatchers and does not include the 10 salaried management positions that are associated with the dispatchers, the 20 clerical and 20 janitorial/building maintenance workers that will be directly affected. Does New York State wish to exile approximately **5 million dollars** of taxable income yearly to Florida and Pennsylvania? Please note that these positions would be gone completely from New York, they will not be able to fill these positions from the ranks of the unemployed. They're gone completely.

There are severe ramifications regarding safety, experience, training and maintaining qualifications (road trips for physical characteristics) associated to controlling territories from remote dispatching centers. Not to mention that these companies have their own, individual, book of rules to abide by, unlike NORAC that presently cover the northern railroads. The CSX and Union Pacific are under scrutiny from the FRA at this moment, relating to problems with safety, hours of service violations, and train accidents which are becoming abundant in these consolidated offices.

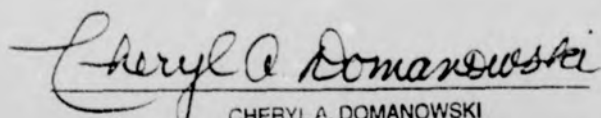
I believe that New York State Governor Pataki, and the politicians, business leaders, and community leaders are going to come to realize the term "railroaded" after the CSX and NS are done wining and dining them to get their support and quick approval pushed by the Surface Transportation Board. The wine is a 1997 vintage paperwork that leaves a taste of competition. The dining consists of reduced costs to shippers and consumers and a big line of Bull. Dessert is a New York City "stack" cake, served with southern hospitality. When these same officials smile approval after being stuffed, and then are sent home with their heads spinning of grandeur, I wonder who they are going to be pointing their finger at when the aftermath of digesting results in continued vomiting?

Sincerely,


Philip R. Houle
ATDD/ELE Vice General Chairman-East
60 Magnolia Circle
Ravena, New York 12143

Philip R. Houle appeared before me and swore that the statement filed herein is based upon his education training and experience in the railroad industry and as a union officer. He further declared under the penalties of perjury that the foregoing is true and correct.

Sworn to before me this 29th
day of September, 1997.



CHERYL A. DOMANOWSKI
Notary Public, State of New York
Qualified in Erie County
My Commission Expires May 6, 1998.

2 meetings air 2 views on Conrail

Proponents tout deal at RPI; at Desmond, unions discuss ways to block it

By **PAUL ZIELBAUER**
and **ALAN MOORSE**
Staff writers

Proponents of the purchase and division of Conrail by CSX Transportation Inc. and Norfolk Southern Corp. spoke of its potential benefits to the Capital Region Wednesday, as union leaders at another meeting discussed how to block the deal.

Executives of CSX and Norfolk Southern told local business leaders and representatives of regional shipping companies the \$10.2 billion Conrail acquisition would allow railroads to take a bite out of a shipping industry dominated by trucks.

"This is a market that is ripe for us to come into," said Alexander Jordan,

CONRAIL

a spokesman for Norfolk Southern, at the meeting at Rensselaer Polytechnic Institute in Troy.

CSX executive Michael Brimmer said the merger could eventually reduce the number of trucks on the road along the East Coast by 10 percent.

Trucks haul 86 percent of the country's freight, compared with the 11 percent transported by rail and 3 percent over waterways, according to CSX. Brimmer said the additional Conrail tracks will compete with long-haul truck routes into upstate New York.

But in the short term, he said, "We're not going to take a significant amount of trucks off the highway."

The meeting was sponsored by the

Capital District Transportation Committee, a forum for discussion of regional transportation issues.

CSX, based in Jacksonville, Fla., and Norfolk Southern, with headquarters in Norfolk, Va., hammered out the acquisition of Conrail in April but must obtain approval from the federal Surface Transportation Board, which has until June to decide.

Because CSX tracks already run into the heart of manufacturing regions in the Southwest, railroad executives said Wednesday the merger would open the Capital Region to industrial development from southern companies.

Brimmer said CSX would spend \$27 million for Conrail computer system upgrades and rail yard improvements, and CDTC Planning Director Jack Reilly outlined plans for new freight and passenger facilities in Rensselaer.

Please see **CONRAIL 4** ▶

ALBANY, N.Y.
TIMES UNION

THURSDAY, SEPT. 18, 1997

CONRAIL: Takeover deal is the talk of 2 area meetings

▼ CONTINUED FROM E1

While the merger would not create a significant number of new jobs here, the railroads said, it would cut the shipping cost for an array of products, ranging from auto parts to potatoes, to local retailers from nationwide suppliers.

"I think we're going to see some major change," said Mike Smith, president of Finger Lakes Railway in Geneva.

Meeting at the Desmond hotel in Colome, rail union leaders discussed strategies for blocking the purchase and division of Conrail, which they said could lead only to job cuts, higher prices, and worse. Similar union meetings are being held in all states where Conrail does business.

Gathering under the auspices of the AFL-CIO Transportation and Trades Department, union representatives from across New York

state characterized the deal as a job killer that could decrease system safety and customer service while disrupting communities.

"The Conrail deal is a bad one for everyone but the corporate deal makers and Wall Street financiers," said John Collins, Buffalo-based representative of the Brotherhood of Locomotive Engineers, who coordinated the meeting.

The unions hope to build support among their members, government officials and rail customers in part to push the Surface Transportation Board to include community impacts in its consideration of the deal's potential effects, Collins said.

"We feel the STB has to look at the effect of moving hundreds of families on the Albany area," he

said.

The unions believe that CSX, which has said it will locate a regional headquarters at Selkirk, will move the roughly 100 dispatchers there to its dispatching center in Jacksonville. They also fear that Norfolk Southern and CSX will collaborate in daily business as they have in purchase negotiations, potentially squeezing customers and workers to build their bottom lines, Collins said.

"We don't think they can afford their merger," Collins said.

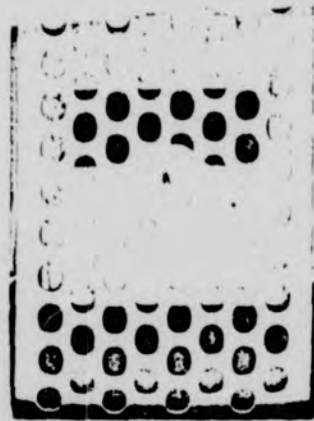
The unions would like to see assurances in writing that some of the rosy predictions CSX and Norfolk Southern have made about customer service will be brought to fruition, Collins said.

"If the Surface Transportation Board doesn't set conditions for the shippers, there won't be any," he said.

Several union representatives said they have been talking with shippers in their areas about the service they receive from Conrail now and how it could change after the sale.

To air their concerns and make discussions public, the unions are seeking support for congressional hearings on the transaction, Collins said.

Meanwhile, they are writing letters and calling elected officials, contacting state transportation and agencies and corresponding with union leaders in other states.



REVIEW OF THE UP RAILROAD ACCIDENT IN FT. WORTH, TEXAS

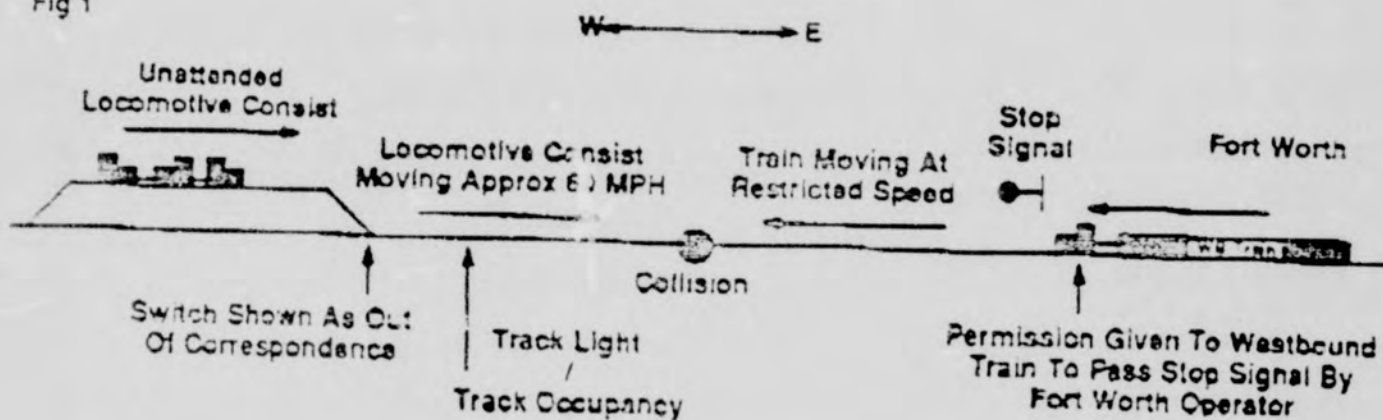
Territory where the accident occurred:

- A. UP trackage near Ft. Worth, Texas
- B. Single main track
- C. In CTC Territory (NORAC ABS 261 Territory)
- D. Timetable Direction - East/West

Circumstances Surrounding the Accident:

A recent fatal head-on collision between a UP freight train and an unattended runaway UP locomotive consist occurred near Fort Worth, Texas on August 20, 1997. The UP Train Dispatcher noticed on his computer screen that a siding switch was out of correspondence and that the main track segment east of the switch indicated track occupancy. Suspecting that a locomotive consist, that was tied up on the siding might be the cause of this circuit activity, he radioed the locomotive consist in an attempt to contact a crew member. After three attempts with no response, he contacted a signal maintainer. In the meantime, a UP control operator at Ft. Worth authorized a westbound freight train to pass a Stop Signal and proceed onto the main track at Restricted Speed.

Fig 1



Collision

The unattended locomotive consist had rolled out of the east end of the siding and onto the main track, and struck the westbound freight train at a speed of approximately 60 MPH. The engineer and an engineer pilot were killed and the conductor seriously injured.

STB

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SLOVER & LOFTUS

ATTORNEYS AT LAW

1224 SEVENTEENTH STREET, N. W.

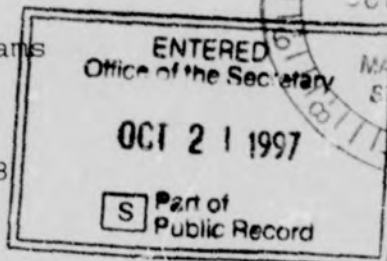
WASHINGTON, D. C. 20036

WILLIAM L. SLOVER
 C. MICHAEL LOFTUS
 DONALD G. AVERY
 JOHN H. LE SEUR
 KELVIN J. DOWD
 ROBERT D. ROSENBERG
 CHRISTOPHER A. MILLS
 FRANK J. PERGOLIZZI
 ANDREW B. KOLESAR III

October 21, 1997

BY HAND DELIVERY

The Honorable Vernon A. Williams
 Secretary
 Surface Transportation Board
 Case Control Branch
 ATTN: STB Finance Docket 33388
 1111 K Street, N.W.
 Washington, D.C. 20423-0001



202 347-7170

Re: Finance Docket No. 33388, CSX Corporation
 and CSX Transportation Inc., Norfolk Southern
 Corporation and Norfolk Southern Railway Company
 -- Control and Operating Leases/Agreements --
Conrail Inc. and Consolidated Rail Corporation

Dear Secretary Williams:

Enclosed for filing under seal in the above-referenced proceeding, please find a separately packaged original and twenty-five (25) copies of the HIGHLY CONFIDENTIAL VERSION of the "Comments of Centerior Energy Corporation on the Proposed Acquisition and Division of Conrail" (CEC-5). In accordance with the Board's order, we have enclosed a Wordperfect 5.1 diskette containing this filing.

Also enclosed for filing please find an original and twenty-five (25) copies of the REDACTED, PUBLIC VERSION of the "Comments of Centerior Energy Corporation on the Proposed Acquisition and Division of Conrail" (CEC-6).

We have included an extra copy of each of these filings. Kindly indicate receipt by time-stamping these copies and returning them with our messenger.

Sincerely,

Frank J. Pergolizzi
 Frank J. Pergolizzi
 An Attorney for Centerior
 Energy Corporation

Enclosures

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CEC-06

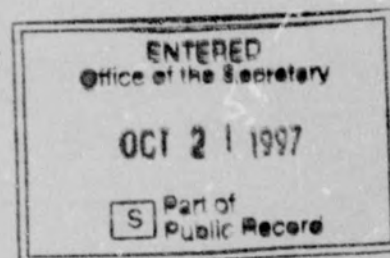
BEFORE THE
SURFACE TRANSPORTATION BOARD

CSX CORPORATION AND CSX
TRANSPORTATION, INC., NORFOLK
SOUTHERN CORPORATION AND NORFOLK
SOUTHERN RAILWAY COMPANY --
CONTROL AND OPERATING LEASES/
AGREEMENTS -- CONRAIL INC. AND
CONSOLIDATED RAIL CORPORATION

Finance Docket No. 33388

COMMENTS OF CENTERIOR ENERGY CORPORATION
ON THE PROPOSED ACQUISITION AND DIVISION OF CONRAIL

REDACTED, PUBLIC VERSION



CENTERIOR ENERGY CORPORATION
6200 Oak Tree Boulevard
Independence, OH 44131

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: October 21, 1997

By: C. Michael Loftus
Frank J. Pergolizzi
Andrew B. Kolesar III
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

Attorneys and Practitioners

CEC-06

BEFORE THE
SURFACE TRANSPORTATION BOARD

CSX CORPORATION AND CSX	)	
TRANSPORTATION, INC., NORFOLK	)	
SOUTHERN CORPORATION AND NORFOLK	)	
SOUTHERN RAILWAY COMPANY	)	Finance Docket No. 33388
CONTROL AND OPERATING LEASES/	)	
AGREEMENTS -- CONRAIL INC. AND	)	
CONSOLIDATED RAIL CORPORATION	)	

COMMENTS OF CENTERIOR ENERGY CORPORATION
ON THE PROPOSED ACQUISITION AND DIVISION OF CONRAIL

REDACTED, PUBLIC VERSION

CENTERIOR ENERGY CORPORATION
6200 Oak Tree Boulevard
Independence, OH 44131

OF COUNSEL:

Slover & Loftus
1224 Seventeenth Street, N.W.
Washington, D.C. 20036

Dated: October 21, 1997

By: C. Michael Loftus
Frank J. Pergolizzi
Andrew B. Kolesar III
1224 Seventeenth Street, N.W.
Washington, D.C. 20036
(202) 347-7170

Attorneys and Practitioners

BEFORE THE
SURFACE TRANSPORTATION BOARD

CSX CORPORATION AND CSX	)	
TRANSPORTATION, INC., NORFOLK	)	
SOUTHERN CORPORATION AND NORFOLK	)	
SOUTHERN RAILWAY COMPANY --	)	
CONTROL AND OPERATING LEASES/	)	
AGREEMENTS -- CONRAIL INC. AND	)	
CONSOLIDATED RAIL CORPORATION	)	
	)	

Finance Docket No. 33388

COMMENTS OF CENTERIOR ENERGY CORPORATION
ON THE PROPOSED ACQUISITION AND DIVISION OF CONRAIL

Centerior Energy Corporation ("Centerior"), in accordance with the procedural orders entered herein by the Surface Transportation Board ("Board"), hereby submits these Comments in response to the Application filed by CSX Corporation and CSX Transportation, Inc. (jointly, "CSX"); Norfolk Southern Corporation and Norfolk Southern Railway Company (jointly, "NS"); and Conrail, Inc. and Consolidated Rail Corporation (jointly, "Conrail") (hereinafter, collectively, "Applicants"). In the Application, CSX and NS seek the Board's approval, pursuant to 49 U.S.C. §§ 11323-11326, for the acquisition and control of Conrail, and for the division, use and operation of Conrail assets between CSX and NS.

Centerior opposes the proposed Application. However, if the Board ultimately approves the Application, Centerior requests that it be conditioned, as explained below.

IDENTITY AND INTEREST

Centerior is an investor-owned electric utility based in Cleveland, Ohio. Centerior generates, transmits, and distributes electricity through two operating subsidiaries, (i) The Cleveland Electric Illuminating Company ("CEI"), and (ii) The Toledo Edison Company ("TE"). Through these two operating subsidiaries, Centerior serves more than one million customers across a 4,200 square-mile service territory in Northeast and Northwest Ohio.

SUMMARY OF POSITION

The proposed acquisition will harm Centerior in three (3) specific ways. First, the transaction will eliminate an existing single-line transportation route between southeastern Ohio coal origins and Centerior's three (3) Cleveland, Ohio area coal-fired generating stations. This routing is presently utilized by Conrail to move approximately 2 million tons of Ohio coal to these stations. Elimination of the single-line routing will enable CSX, as Centerior's new destination monopolist, to force Centerior to use other CSX origin coals that will provide longer hauls, and higher revenues, to CSX. Second, the transaction will impede Centerior's competitive position relative to other electric generating stations in the market for off-system energy sales. Specifically, the transaction will provide new (or in one instance improved), two-carrier rail service from

origin to destination for a number of utilities against which Centerior must compete for sales of electricity. The ability to remain competitive for these sales is essential to the continued viability of these plants. Finally, the transaction will harm Centerior by putting it at risk to absorb a share of the tremendous acquisition premium that CSX and NS have paid to acquire the Conrail assets. This premium will neither be easily absorbed by the carriers nor easily recovered from new, post-merger traffic. To the contrary, Centerior expects that, ultimately, it will be high-volume, exclusively served traffic at destination -- such as Centerior's coal traffic -- which will finance the acquisition debt through the Applicants' rail rates to exclusively served shippers.

Accordingly, as explained herein, Centerior urges the Board to deny approval of the proposed acquisition, or alternatively, to impose protective conditions to protect Centerior from competitive harm. Those conditions should include:

1. NS trackage rights over the line of CSX between the Lake Shore Generating Station and "CP 124" located east of Ashtabula, Ohio, including rights to enter the above line through the Buffalo Connecting Track and Cleveland Connecting Track, for the limited purposes of transporting loaded and empty trains of coal to and from Centerior's Ashtabula, Eastlake and Lake Shore Generating Stations.
2. Quantify the amount of the acquisition premium and further direct Applicants to exclude that amount from their net

investment bases for regulatory costing purposes.

In support of its position, Centerior presents the accompanying Verified Statements of Mr. Michael A. Kovach and Mr. Frank S. Harris II, as well as the attached argument of counsel.

CSX CORPORATION AND CSX
TRANSPORTATION, INC., NORFOLK
SOUTHERN CORPORATION AND NORFOLK
SOUTHERN RAILWAY COMPANY --
CONTROL AND OPERATING LEASES/
AGREEMENTS -- CONRAIL INC. AND
CONSOLIDATED RAIL CORPORATION

Finance Docket No. 33388

I.

My name is Michael A. Kovach. I am the Manager of Fuel Planning & Supply Section of the Centerior Energy Corporation. My business address is 6200 Oak Tree Boulevard, Independence, OH 44131.

In my capacity as Manager of Fuel Planning & Supply, I have primary supervisory responsibility for all aspects of the procurement and transportation of coal used by Centerior in the generation of electricity for both jurisdictional and wholesale power transactions. I am also a principal participant in the fuels planning process for each of Centerior's generation facilities. As a result, I am familiar with source options, transportation arrangements, utilization plans, and other key elements of Centerior's utility fuel profile.

My duties as Manager of Fuel Planning & Supply also include responsibility for procurement of nuclear fuel, natural

gas, and fuel oil. In addition, I am responsible for SO₂ emission allowance trading.

Prior to taking my current position in September 1996, I served as Manager of Resource Planning in Centerior's Strategic Planning Department. My duties included responsibility for production costing, load and revenue forecasting, analysis of wholesale power transactions and environmental compliance planning.

The purpose of this Verified Statement is to describe the supply options and transportation arrangements that Centerior relies on in meeting its generation requirements. I will also explain how Centerior's supply and transportation options will be adversely affected by Norfolk Southern and CSX Transportation's proposed division of Conrail's assets. As I explain below, this division will adversely impact Centerior in at least three critical respects. The proposed Conrail division will: (1) eliminate Centerior's currently-available single-line haul from southeastern Ohio coal origins to Centerior's Ashtabula and Eastlake generating stations; (2) significantly enhance the competitive position of a number of Centerior's competitors, thereby harming Centerior in its ability to compete for off-system sales; and (3) expose Centerior to pass-through of a portion of the huge premium that CSX and NS will pay to acquire the Conrail assets.

A. The Centerior System.

Centerior is an investor-owned electric utility based in Cleveland, Ohio. Centerior's strategic business groups generate, transmit and distribute electricity through two operating subsidiaries, The Cleveland Electric Illuminating Company ("CEI") and The Toledo Edison Company ("TE"). Through these two operating subsidiaries, Centerior serves more than one (1) million customers across a 4,200 square-mile service area in Northeast and Northwest Ohio. A map depicting the Centerior service territory is attached hereto as Exhibit MAK-01.

Centerior's operating subsidiaries operate power stations that together have the net demonstrated generating capacity to produce approximately 6,000 megawatts. This generation includes nuclear, coal, and limited hydro and oil. Centerior operates five (5) coal-fired generating stations in the State of Ohio. These stations include: (1) the 332 megawatt Ashtabula Station, located in Ashtabula, Ohio; (2) the 1,262 megawatt Eastlake Station, located in Eastlake, Ohio; (3) the 249 megawatt Lake Shore Station, located in Cleveland, Ohio; (4) the 721 megawatt Avon Lake Station, located in Avon Lake, Ohio; and (5) the 648 megawatt Bayshore Station, located in Oregon, Ohio.¹

¹Centerior is also a part owner of the coal-fired Bruce Mansfield generating station located near Shippingport, Pennsylvania. This station is operated by Ohio Edison, which also is responsible for the station's fuel and transportation procurement.

1. Existing Rail Transportation Service.

Centerior's five coal-fired stations together burned approximately 6.2 million tons of coal in 1996. This coal was predominantly shipped by railroad, although limited amounts of coal have also been received via truck.

Centerior's Avon Lake and Bayshore Stations are exclusively served by NS at destination, and post-acquisition will remain subject to exclusive destination service by NS.

Centerior's Ashtabula Station has two units, Ashtabula 5 and Ashtabula C. Ashtabula 5 is a 244 megawatt coal unit that is exclusively served by Conrail at destination. This unit burns approximately 500,000 tons of coal annually. Ashtabula C is a 88 megawatt coal unit that does not have rail access. Ashtabula C, however, receives limited quantities of coal (approximately 250,000 tons in 1996) via truck.

The Eastlake and Lake Shore Stations at present are exclusively served by Conrail, and post-acquisition will be subject to exclusive destination service by CSX.

2. Current Coal Supply.

Approximately two-thirds of the 6.2 million tons of coal that Centerior burned in 1996 was purchased pursuant to long-term coal supply agreements. The remaining coal was purchased under various short-term, or spot, arrangements with various suppliers located in Ohio, Pennsylvania, West Virginia and Kentucky.

Centerior's principal contract coal supplier has historically been the Ohio Valley Coal Company and its Powhatan No. 6 Mine, located near Alledonia, Ohio. In 1996, approximately 1.2 million tons of coal were purchased from Ohio Valley. Our Ohio Valley contract expired in September of 1997.

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In addition to the Ohio Valley contract, Centerior also has a coal supply agreement with Cyprus Amax Minerals Company that runs through December 1998. Centerior purchases approximately 600,000 tons per year under this agreement from various Cyprus Amax eastern mines, and an additional 400,000 tons per year from its western mines. Recently, the coal supplied under the Cyprus Amax contract has been supplied from its Emerald Mine in the Pittsburgh No. 8 Seam (also known as the "MGA region") and its Belle Ayr Mine in the Powder River Basin.

A summary of our coal supply arrangements for the coal-fired units is as follows:

(a) Ashtabula.

In 1996, Ohio Valley supplied approximately 660,000 tons, or 88% of the coal burned at Ashtabula station. The remainder of the coal burned at Ashtabula was high-sulfur spot coal supplied from other Ohio origins.

In 1997, Ohio Valley is expected to supply approximately 460,000 tons, or 88% of the coal burned at Ashtabula station. The remainder of the coal is expected to be supplied from other high-sulfur Ohio origins.

(b) Eastlake.

Eastlake's 1996 coal burn consisted of approximately 280,000 contract tons from Cyprus Amax's Emerald Mine (1.7% sulfur content), and approximately 660,000 contract tons of Ohio Valley coal. The Ohio Valley coal is a high-sulfur product (i.e., approximately 4.0%) that must be blended with medium-sulfur coals or combined with emissions allowances to meet environmental requirements. The remaining 1,560,000 tons of coal burned at Eastlake in 1996 was primarily low-sulfur (1.6% sulfur) spot coal, originating on the MGA.

In 1997, contract tonnage shipments of approximately 630,000 tons from Ohio Valley and 700,000 tons from Cyprus Amax are expected. The remaining approximately 970,000 tons will be purchased on the spot market from origins in Ohio (2.7% sulfur content), Pennsylvania (1.7% sulfur content) and West Virginia (2.3% sulfur content).

(c) Lake Shore.

In 1996, the Lake Shore plant was in cold-standby, except for a limited time during June through August for wholesale power sales during which approximately 64,000 tons of coal was burned. Centerior is considering various options that would return Lake Shore to service, including the possibility of burning western coals. A primary driving factor in this decision, however, will be the accessibility of the Lake Shore station to competitive rail transportation options, options that as noted above will not exist under the proposed Conrail division.

(d) Avon Lake.

Avon Lake's 1996 coal burn consisted of approximately 1,100,000 contract tons from Ashland's Mingo Logan Mine (0.7% sulfur content) and 200,000 contract tons from Massey's Sidney Mine (0.7% sulfur content). The remaining approximately 400,000 tons of coal was purchased on the spot market from origins in Ohio (2.3% sulfur content), Kentucky (1.11% sulfur content) and West Virginia (.7% sulfur content).

Centerior will burn approximately 1,800,000 tons of coal at Avon Lake in 1997, with the principal sources being 1,000,000 contract tons from Ashland Coal Company and 180,000 contract tons from A.T. Massey. The remaining tonnage will be purchased on the spot market from origins in Ohio (2.5% sulfur

content), Pennsylvania (1.0% sulfur content), Kentucky (1.0% sulfur content) and Wyoming (0.5% sulfur content).

(e) Bayshore.

Bayshore burned approximately 1,200,000 tons of coal in 1996, including approximately 700,000 contract tons from Massey's Sprouse Creek Mine. An additional 500,000 tons were purchased on the spot market from origins in Kentucky (1.0% sulfur content) and Wyoming (0.4% sulfur content).

In 1997, Centerior expects to burn approximately 1,600,000 tons at Bayshore. This coal will include approximately 400,000 tons from Cyprus Amax's Belle Ayr Mine (0.5% sulfur content). The remaining tonnage will be purchased on the spot market from origins in West Virginia (1.0% sulfur content) and Wyoming (0.5% sulfur content).

B. Dispatch of Centerior System.

II.

IMPACTS OF THE PROPOSED CONRAIL DIVISION

As noted above, Centerior has three principal concerns relating to the proposed division of Conrail. First, the transaction will result in the elimination of the existing single-line option that presently exists on Conrail for movements from southeastern Ohio coal mines to Centerior's Ashtabula, Eastlake and Lake Shore stations. Second, the transaction impairs the competitiveness of Centerior as compared to utility shippers who will be in position to take advantage of joint access at both origin and destination. Third, the substantial acquisition premium that CSX and NS have paid for the Conrail assets raises the serious concern that CSX and NS will attempt to recoup this investment by increasing rail rates to exclusively served shippers like Centerior. I address each of these concerns in the sections that follow.

A. Centerior Will Lose A Viable Single-Line Option.

Centerior currently has the ability to transport southeastern Ohio and MGA mine origin coal to its Ashtabula and Eastlake stations via Conrail single-line hauls. Currently, MGA coal is routed via Conrail over the Youngstown Line, then east to Ashtabula over the Chicago Line, or west to Eastlake or Lake Shore via the Chicago Line. Conrail currently routes coal from southeastern Ohio through Alliance and Cleveland, Ohio, and then east to Lake Shore, Eastlake or Ashtabula Stations.

In the post-acquisition era, CSX will operate the Chicago Line, on which the Ashtabula, Eastlake and Lake Shore plants are located. NS will acquire the Youngstown and River Lines, which extend from the southeastern Ohio coal origins to Ashtabula Harbor. NS will also acquire the Cleveland Line that runs between the city of Cleveland and connects with the River Line. NS access to the city of Cleveland, however, ends at Collinwood Yard, and does not include the ability to serve our Ashtabula, Eastlake and Lake Shore³ Stations. Thus, any movements from southeastern Ohio origins to these stations will have to move in a joint-line haul.

Centerior agrees with CSX and NS that single-line service is generally preferable. Some of the reasons for the

³The Lake Shore station is actually located just to the west of Collinwood Yard, but NS' trackage rights to Collinwood do not presently permit it to serve Lake Shore.

superiority of single-line service were explained by CSX in the Control Application:

Single-line service will be more efficient because it will eliminate delays inherent in interchanges. Interchanging railroads must coordinate locomotives, cars, crew availability, inspections, and track time. Eliminating interchange handling will significantly reduce transit times for coal shipments. Reducing or eliminating interchange handling also will reduce the likelihood of frozen coal during the winter.

V.S. Sharp at Vol. 2A, pp. 355-356.

Another concern over the loss of single-line service is that CSX will have the ability to control the pricing on any joint-line movement from Ohio origins, so as to assure that Centerior will select the CSX served MGA origin coals. The MGA coals (as well as other potential CSX coal sources) will provide CSX with a longer haul, and higher rail rates than we would expect to pay for single-line service from the closer Ohio origins. In addition, it is our understanding that the interchange point for a joint-line movement from these origins would likely be Collinwood Yard. As such, CSX's involvement would be only a few miles in a joint-line movement (approximately 10.1 miles to Eastlake and 49.2 miles to Ashtabula), as compared to its approximately 223.6 miles to Ashtabula and 256.5 miles to Eastlake from MGA origins. Centerior fears that given this circumstance, CSX has no incentive to offer reasonable joint-line rates when it has the greater incentive to obtain revenues (without sharing them with NS) on a far longer MGA haul.

CSX has suggested that Centerior will nevertheless benefit from the transaction because of increased single-line access to other CSX origins. This misses the point. Most of these origins are farther away than either M&A or southeastern Ohio origins. Thus, the longer distance would generate greater revenue for CSX and greater cost for Centerior and their customers.

The only way to protect Centerior from the loss of single-line service is to permit NS joint access to Centerior's Cleveland area stations. We are unaware of any operational constraints that would stand in the way of granting NS trackage rights to serve the Centerior stations. Centerior's trains will move over the CSX Chicago Line regardless of who is actually providing the service. Centerior is aware that CSX and NS have granted each other trackage rights over various parts of the line segments that would be necessary to move coal in a single-line haul from southeastern Ohio origins. NS has trackage rights over CSX in the Cleveland area that extend eastward over the Chicago Line to Collinwood Yard. If these rights were extended 10.1 miles farther east, NS would be able to continue the single-line haul from southeastern Ohio origins to Eastlake and if extended 49.2 miles east NS could continue single-line service to Ashtabula. CSX has already granted NS trackage rights to pass Lake Shore on its way to Collinwood Yard. The requested trackage rights would thus only require that NS be allowed to stop at Lake Shore.

The end result of CSX/NS not allowing joint access to Centerior's Cleveland area plants is that they have decided amongst themselves that Centerior will have to purchase its future coal supply for these stations from mines exclusively served by CSX. As a result, Centerior will effectively be foreclosed from purchasing coal from its longest-term supplier, the Ohio Valley Coal Company, and other Ohio origins that are currently served by Conrail.

While Centerior recently has been informed that Ohio Valley has reached an agreement with the Applicants, this agreement has not been provided to Centerior. Centerior is not a party to that agreement and has no way of knowing whether its terms are sufficient to preserve the existing single-line option. In addition, even if the Ohio Valley agreement satisfies Ohio Valley's concerns, it does nothing for the other Ohio coal producers that could supply coal to Centerior via the existing single-line Conrail route.

Accordingly, the Board should recognize the fundamental unfairness of the Conrail division and its elimination of the single-line option from southeastern Ohio mines -- including the Ohio Valley Powhatan No. 6 Mine and other mines located on the same line. As explained above, Centerior's principal coal supplies for its Cleveland area plants have historically come from southeastern Ohio and MGA origins. These coals are particularly well-suited for use in blended form at Eastlake. Eliminating the southeastern Ohio element will significantly

alter Centerior's fuel choices -- simply to satisfy the economic whims of CSX and NS.

B. Centerior Will Be Competitively Disadvantaged By The Conrail Division.

Perhaps the most concerning aspect of the proposed acquisition to Centerior, is that CSX/NS have set forth a plan that will significantly benefit certain utilities, while at the same time choosing to deny other utilities these same benefits. Centerior falls into the latter category. As explained below, and in the accompanying Verified Statement of Mr. Frank S. Harris II, this arbitrary allocation of benefits by CSX/NS will have a significantly adverse impact on Centerior.

Centerior participates for off-system sales in two National Electric Reliability Council ("NERC") regions, the East Central Area Reliability ("ECAR") and the Pennsylvania-New Jersey-Maryland Interconnection Grid ("PJM"). As CSX witness Sansom noted in his Verified Statement in support of the Railroad Control Application, electric energy is sold on an hourly basis on the grid, and is priced largely on the basis of each utility's variable costs of producing that energy. V.S. Sansom at Vol. 3A, pp. 319. Delivered fuel cost is the single largest component of these variable costs, representing approximately 75% of the cost of generating electricity. Id. As a result, those utilities that are able to obtain the lowest delivered prices for their

fuel supply will have a significant advantage in competing for these energy sales.

For example, one of Centerior's major competitors for off-system sales in ECAR is the Detroit Edison Company. Currently, Detroit Edison is served at its Trenton Channel station by Conrail, and at its River Rouge station by Conrail and the Grand Trunk Western Railroad. If the Conrail division is approved, both plants will be located in the Detroit Shared Assets Area, and will have joint CSX and NS destination service. In addition, Detroit Edison will have the ability to take full advantage of the joint use agreement relating to MGA coal origins. As a result, it appears that it will be well-positioned to obtain highly competitive rail transportation and coal supply prices. The Detroit Shared Assets Area is an area that is virtually adjacent to Centerior's service territory and is an area in which Centerior will directly compete for energy sales to many large industrial consumers such as the automobile industry.

Similarly, a number of Centerior's competitors for off-system sales in PJM will also have enhanced competitive transportation and supply options in the post-acquisition era. These facilities include PECO Energy Company's ("PECO") Eddystone generating station located near Eddystone, Pennsylvania; Atlantic City Electric's Deepwater and England generating stations, located near Deepwater and Marmora, New Jersey respectively; and Vineland Electric Department's Howard Down generating station, located near Vineland, New Jersey. Each of these generating

stations will be located in the South Jersey/Philadelphia Shared Assets Area. As with the Detroit Edison stations, these utilities will have their competitive position enhanced by virtue of obtaining joint access at destination and being placed in position to take full advantage of the joint use agreement relating to MGA.

By contrast, Centerior will be served exclusively at each of its five coal-fired generating stations. As a result, Centerior will not experience any of the benefits of joint rail access to MGA. In fact, Centerior is concerned that service from this region will actually deteriorate as a result of the merger. CSX will no longer route Centerior's coal through the Shire Oaks facility, a staging facility which Conrail has used to route all of its MGA coal. Instead, CSX has indicated to Centerior that its coal will be routed through the Newell Yard, a yard which, according to CSX, is currently in need of substantial upgrading to handle the traffic that CSX intends to move from the MGA. While CSX hopes to have this upgrade completed by the consummation of the transaction, Centerior is concerned that the current level of service from Conrail will degrade.

Of course, the above concerns will not be faced by our competitors, principally Detroit Edison and PECO. These utilities will have the option of using CSX, or continuing to route coal via NS through the Shire Oaks facility, a facility that unlike Newell Yard is of proven quality. As the shipping community has learned from the recent, ongoing troubles of the

Union Pacific in its efforts to assimilate the Southern Pacific, these concerns should not be taken lightly.

The above competitiveness concerns are significant to Centerior. We believe that the only way for the Board to prevent Centerior from being competitively disadvantaged is to arm Centerior with some form of joint access at its plants that will maintain its competitive position. For this reason, Centerior believes the Board should impose a condition granting trackage rights to enable NS to serve Centerior's Ashtabula, Eastlake and Lake Shore plants in the Cleveland area. In requesting this protection, Centerior is not opposing joint service to utilities located in Shared Assets Areas or to the joint use agreement relating to MGA. We simply want to assure that Centerior's competitive position is not diminished in the process.

III.

CENTERIOR WILL BE HARMED BY THE ACQUISITION PREMIUM

Another serious concern to Centerior is the risk that it will bear part of the burdens of the enormous premium that CSX and NS will pay for the Conrail assets. As noted above, the Centerior plants are exclusively served by either NS or CSX. While Centerior is currently subject to exclusive service by Conrail at Ashtabula, Eastlake and Lake Shore, and NS at Avon Lake and Bayshore, neither carrier is presently faced with the need to recover a huge premium. Both CSX and NS will be under greater pressure than Conrail is presently to maximize earnings

on coal traffic because of the premium they are paying to acquire the Conrail assets.

Centerior is deeply concerned that absent rail competition at our coal-fired generating stations, we will be prime candidates for CSX and NS to pass through this premium in the form of higher rates. One way to protect Centerior from the risks associated with the premium is to grant the NS trackage rights that I discuss above. Such trackage rights would provide a competitive check on CSX or NS attempts to raise rates to our exclusively served stations in order to recover part of the acquisition premium. Centerior's only other recourse may be to pursue rate protection from the Board under its maximum rate guidelines. Mr. Harris will be explaining why this remedy may also be impaired if the Board does not take action to protect Centerior.

CONCLUSION

For these reasons, and all of the reasons discussed above, Centerior asks that the Board impose the following conditions:

1. Grant NS trackage rights over the line of CSX between Centerior's Lake Shore generating station in Cleveland and "CP 124" located east of Ashtabula, including rights to enter the above line through the Buffalo Connecting Track and Cleveland Connecting Track, for the limited purposes of transporting loaded and empty trains of coal to and from Centerior's

Ashtabula, Eastlake and Lake Shore generating stations.

2. Impose a condition that would assure that the acquisition premium would not adversely affect regulatory rate-making. This condition would only apply in the event that Centerior were to institute a rate proceeding before the STB.

Unless the Board imposes the above conditions, Centerior will suffer serious competitive harm from the Conrail division. Centerior respectfully requests that the Board impose the above conditions to protect it from that harm.

Centerior Energy Generating Stations



VERIFICATION

STATE OF OHIO)
) ss:
COUNTY OF CUYAHOGA)

MICHAEL A. KOVACH, being duly sworn, deposes and says that he has read the foregoing Verified Statement, knows the contents thereof, and that the same are true as stated.

Michael A. Kovach
Michael A. Kovach

Subscribed and sworn to before me this 17th day of October, 1997.

Mary E. Schubert
MARY E. SCHUBERT, NOTARY PUBLIC
CUYAHOGA COUNTY, STATE OF OHIO
MY COMMISSION EXPIRES AUG. 18, 2001

PUBLIC VERSION

**BEFORE THE
SURFACE TRANSPORTATION BOARD**

Finance Docket No. 33388

CSX CORPORATION AND CSX TRANSPORTATION, INC.,
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
--CONTROL AND OPERATING LEASES/AGREEMENTS--
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION

Verified Statement
of
Frank S. Harris II
Vice President
L. E. Peabody & Associates, Inc.

On Behalf of
Centerior Energy Corporation

Due Date: October 21, 1997

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LIST OF APPENDICES AND EXHIBITS

EXHIBIT NO.	DESCRIPTION
(1)	(2)
Appendix A	Summary of Qualifications and Experience
1	Schematic of Routes of Movement to Centerior Power Plants
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3	Development of Premium Paid for Conrail Assets
4	Impact of Conrail Premium on Variable Cost and Jurisdictional Threshold for Average CSXT Coal Movement
5	Impact of Conrail Premium on Variable Cost and Jurisdictional Threshold for Average NS Coal Movement

I. INTRODUCTION

My name is Frank S. Harris II. I am a Vice President with the firm of L.E. Peabody & Associates, Inc., with offices located at 1501 Duke Street, Suite 200, Alexandria, Virginia 22304.

I have been continuously involved in matters relating to railroad economics, costs and operations for over 35 years. During that period I have served as an expert witness and provided economic analyses in numerous proceedings before the Interstate Commerce Commission ("ICC") and its successor organization the Surface Transportation Board ("STB"). My experience includes participation in a number of major merger proceedings dating from the 1960's to the present. I have also presented evidence and provided consultation in the series of crucial regulatory rule making proceedings which began some 25 years ago and have culminated in the rules and procedures currently employed by the STB. My practice has concentrated on coal transportation and supply, and has included representation of both carrier and shipper interests. A summary of my qualifications and experience is included as Appendix A to this statement.

I have been requested by the Centerior Energy Corporation ("Centerior") to analyze and comment on the Railroad Control Application filed by CSX Transportation, Inc. ("CSXT") and Norfolk Southern Railway Company ("NS") before the STB in Finance Docket No. 33388. My specific assignment is to evaluate the effects which displacement of Consolidated Rail Corporation ("Conrail") by CSXT and NS service, as advocated in the Application, will have on Centerior's ability to preserve and maintain the level of competitively priced rail coal transportation which it currently experiences.

My analyses are based on my overall reading of the Application with emphasis on the testimony of Applicant witnesses Robert L. Sansom and Raymond L. Sharp. I have also reviewed workpapers supporting the Applicants' submission, Applicants' responses to interrogatories and document requests and the depositions of various participants in this proceeding.

Details relating to Centerior's coal movements and coal supply requirements were provided to me by Centerior Witness Michael A. Kovach. Mr. Kovach's concurrently filed statement explains Centerior's position with respect to coal supply and transportation options in meeting its generation requirements.

My testimony addresses the impacts which the proposed Conrail division, if implemented, would have upon the competitiveness of Centerior's Ashtabula, Eastlake, and Lake Shore coal-fired generating stations. A schematic depicting the post-acquisition lines serving these Centerior destinations is included as Exhibit __ (FSH-1) to this statement.

The results of my analyses are summarized in the remainder of this statement under the following headings:

- II. Findings and Conclusions.
- III. Competitive Advantages Purported in the Application Will Not Accrue to Centerior's Benefit.
- IV. The Acquiring Carriers Could Extract Monopoly Rents from Centerior Under the Proposed Acquisition Plan.
- V. Centerior's Ability to Compete in Deregulated Electric Power Markets Would Be Diminished Under the Proposed Acquisition Plan.
- VI. The Applicants' Need to Service the Acquisition Premium Would Impair Centerior's Ability to Obtain Competitive Coal Rates.

II. FINDINGS AND CONCLUSIONS

Based on my review of the Railroad Control Application filed by CSXT, NS and Conrail, as well as the workpapers, depositions and Applicants' responses to discovery, my findings are as follows:

1. The Applicants' entire rationale and justification for the STB's approval of the Application rests on the assertions that the proposed acquisition would: a. be pro-competitive with respect to shippers; and, b. improve service to shippers. While these justifications may, or may not, apply to some shippers, they do not apply to Centerior's rail coal shipments.
2. According to the Applicants, the primary manifestation of "improved service" will be an increase in single-line movements, which in turn translate to lower delivered costs and improved traffic cycle times. Centerior will, in fact, lose its Conrail single line service from eastern Ohio, if the terms of the Application are implemented. Conrail single-line service from the Monanhegela ("MGA") area will be displaced by single line service by CSXT, who, by other terms of the Application, would exclusively own the former Conrail Chicago line on which three of Centerior's coal fired generating stations are located.
3. Whereas Conrail, because of its dual single line routes to the Cleveland area stations, was relatively indifferent to the relative volumes flowing from respective origins in east Ohio and the MGA, CSXT, with its monopoly over Centerior's Cleveland area destinations, would self-evidently seek to drive that portion of Centerior's coal supplies to its own origins.
4. As is shown in the memorandum attached to this statement as Exhibit __ (FSH-2),
5. Several utilities which either compete or may compete with Centerior for off-system electricity sales will, under terms of the Application, receive the benefit of increased single-line service and destination service which increases from one carrier to two carriers. Because delivered fuel costs constitute the major cost in the production of electricity, these competing utilities will actually realize the major advantages predicted by the Applicants. Centerior, however, would suffer deprivation of its competitive position because of loss of single-line service and loss of practicable access to the eastern Ohio coal fields.

6. Unless adequate protective conditions are imposed, Centerior's future rail delivery of coal will be exclusively controlled by CSXT at its Ashtabula, Eastlake and Lake Shore stations and NS at its Bayshore and Avon Lake stations. Because of the premium paid as the result of the bidding war for Conrail, both carriers must compensate for a pay-down burden in excess of in order to survive. The money to pay down this premium must be derived from shippers. Centerior provides a classic example, because of the exclusive CSXT or NS destination service at each of its stations, of a potential major source for the pay-down of the premium.

**III. COMPETITIVE ADVANTAGES PURPORTED IN THE
APPLICATION WILL NOT ACCRUE TO CENTERIOR'S BENEFIT**

The major justifications for STB approval of the subject Application are the promotion of increased rail competition in the areas currently served by Conrail and the introduction of increased economies of operation projected to be caused by an increase in single line movements. As is outlined in the testimony of Centerior Witness Michael Kovach, under the terms set forth in the Application, Centerior will in fact be deprived of crucial single line coal service while simultaneously seeing its ability to obtain coal economically from eastern Ohio origins jeopardized. Additionally, under the terms of the Application, Centerior could easily find itself in a position where it could be "whip sawed" by CSXT or NS in the respective carriers inevitable efforts to maximize profits. Compounding these difficulties is the fact that indeed, some electric utilities will benefit, as extolled in the Application, from single line service or new or improved dual rail competition at origin and/or destination. Unfortunately, several of those utilities that would benefit from these features of the Application are now, and will continue to be, in competition with Centerior for the off-system sale of electricity.

Also of major concern to Centerior is the unprecedented expenditure and debt which CSXT and NS have sustained in the purchase of Conrail. This expenditure and debt includes a massive premium which both parties must pay as the result of each party's "ante-up" game which attended the long battle to determine who would acquire Conrail's lines. As I discuss subsequently, the reduction of this premium must be made by the shippers which CSXT and NS serve, and in particular those that are exclusively served at either origin or destination to one or the other of the acquiring carriers. It should be noted here that Conrail, the carrier currently

providing exclusive service to Centerior's generating stations has no such premium burden to collect through inflation of rates.

Given these circumstances, Centerior will not be able to avail itself of the advantages which the Applicant carriers allege as justification for the acquisition. Rather, the conditions which Centerior faces in the event of approval of the Application are, in practically every respect, antithetical to those claims which the Applicants have alleged in order to rationalize the acquisition.

To exemplify Centerior's potential post-acquisition position and to contrast its loss of competitive leverage with those competitive advantages which are predicted in the Application, I analyze below three of the "five benefits" which CSXT Witness Robert L. Sansom claims will "result in significant benefits to the electric generating industry." (V.S. Sansom, pages 315-316).

**A. CENTERIOR WILL NOT BENEFIT FROM
A REDUCTION OF SHARE OF FIRMS
WITH SOLE SOURCE DELIVERY**

Alleged Benefit

"The transaction reduces the share of firms with sole source delivery of fuel and coal to electric generators within the electric power pools presently served by Conrail." Sansom V.S., at 315.

Comments

Under the Application, Centerior would continue to be served by one carrier at its Ashtabula, Eastlake and Lake Shore Generating stations. Therefore, Centerior would obviously not be availed of the advantage of dual source delivery which the terms of the Application would bestow on several competing utilities. In Centerior's situation, the change of identity of the

delivering carrier is more than just a new set of initials. The exchange of CSXT destination service for Conrail destination service allows for a tightening of the destination monopoly because of CSXT's ability to leverage its position through selectively adjusting its divisions of revenue in order to choke out undesirable coal origins. Thus, although Centerior may suffer a monopoly at destination, whether or not the Chicago Line is controlled by Conrail or CSXT, the monopoly imposed by CSXT becomes far more anti-competitive because of CSXT's ability and natural proclivity to attempt to control Centerior's coal sources. The harm that will result from monopoly power is discussed in detail in Section IV of this statement.

**B. CENTERIOR WILL NOT BENEFIT
FROM AN INCREASE IN
SINGLE-LINE HAULS**

Alleged Benefit

"The transaction results in more efficient single-line hauls for Northeastern and Mid-Atlantic power plants that currently rely on inefficient, interline rail hauls to purchase low sulfur centralized Appalachia coal to meet environmental and other requirements." Sansom V.S., at 315.

Comments

Given the factors discussed in Section IV of this Verified Statement, it is evident that Centerior will not be in position to reap the benefits of the purported increase in single-line hauls. In fact, Centerior will suffer the loss of an important single-line haul that is currently used by Conrail to deliver significant quantities of coal to its Ashtabula and East Lake stations. Accordingly, rather than preserving its pre-acquisition competitive status quo with regard to single-line options, Centerior will be competitively disadvantaged by the loss of a reliable low-cost single-line source.

**C. CENTERIOR WILL NOT
BENEFIT FROM THE MGA
JOINT USE AGREEMENT**

Alleged Benefit

"The transaction gives producers of coal located on the lines of the former Monongahela Railroad, ("MGA coal") direct access to two origin carriers (NS and CSX). For coal consuming utilities, the proposed acquisition opens up the option of lower cost MGA deliveries to existing CSX and NS served destinations and to six new competitively served CSX and NS destinations. Also, MGA coal can be blended with Powder River Basin ("PRB") coal to compete with straight Central Appalachian coal for compliance with the CAA January 1, 2000 requirements." Sansom V.S., at 316.

Comments

The MGA Joint Use Agreement provides certain utilities with significantly enhanced product competition for MGA coals. In particular, this agreement benefits utilities that presently have joint destination access, or will have such access as a result of the Conrail division.

On the contrary, exclusively served utilities, like Centerior, will obtain no discernible benefit from this rail competition at origin. Centerior's choices in purchasing MGA coal for use at its Cleveland area stations will be limited to CSXT.

In addition, as Centerior Witness Kovach explains, the CSXT facilities through which MGA coal will be routed (i.e., Newell Yard) are presently inferior to the facilities on the line used by Conrail (i.e., Shire Oaks) currently and that will be used by NS in the post-acquisition period. While CSXT has plans to upgrade Newell Yard, the Board should not take lightly concerns that service may diminish for Conrail customers following the division. In particular, Centerior, as a shipper with only one MGA transportation option, runs the risk that if service problems arise

in MGA those shippers without the ability to divert to the competing carrier may not receive priority at places like Newell Yard.

**IV. THE ACQUIRING CARRIERS COULD EXTRACT MONOPOLY RENTS
FROM CENTERIOR UNDER THE PROPOSED ACQUISITION PLAN**

CSXT's intent to use its potential monopoly power at Centerior's Cleveland area destinations
is clearly manifested in

**V. CENTERIOR'S ABILITY TO COMPETE IN DEREGULATED
ELECTRIC POWER MARKETS WOULD BE DIMINISHED
UNDER THE PROPOSED ACQUISITION PLAN**

Given recent regulatory developments in the electric utility industry it is now increasingly important for utilities to, at a minimum, maintain their competitive position. This is particularly true for units, like Centerior's Ashtabula and Eastlake stations, that are used to meet peaking and intermediate demand. Kovach V.S. It is also true for units that are currently out of service but remain available for generation, such as Centerior's Lake Shore station. As the effects of deregulation of power markets continue to emerge, there will be increased competition for off-system sales of electricity.

Applicants themselves recognize that the single greatest driver in the ability to compete for energy sales is delivered fuel cost. As CSXT Witness Sansom notes, delivered fuel costs account for about 75% of the variable cost of operating a plant. Sansom V.S., at 319. This is particularly true of economy energy sales, which transactions are made on the grid based on intense head-to-head competition.

The division of Conrail, if approved without protective conditions, will diminish Centerior's current competitive position at its Cleveland area stations. As Witness Kovach explains, Centerior competes directly for energy sales with a number of utilities that will be obtaining new, or improved, rail access at their generation stations. Specifically, the following utilities will experience a change in their rail service at destination as a result of the Conrail division:

<u>Utility</u> (1)	<u>Station</u> (2)	<u>Current Access</u> (3)
Detroit Edison	River Rouge	Conrail, GTW ^{1/}
Detroit Edison	Trenton Channel	Conrail
PECO	Eddystone	Conrail
Atlantic Electric	Deepwater	Conrail
Atlantic Electric	England	Conrail
Vineland	Howard Down	Conrail

After the acquisition, the Detroit Edison plants will be located in the Detroit Shared Assets Area and will be jointly served by NS and CSXT. The PECO, Atlantic Electric and Vineland plants will be located in the South Jersey/Philadelphia Shared Assets Area and will also be jointly served by NS and CSXT.

These utilities are in a position to realize a dual benefit from the transaction. Not only should they experience greater competition for rail transportation rates resulting from dual access, they will enjoy the added benefits described in the Application, including: increased access to a single-line hauls, and direct head-to-head rail competition in the MGA region. As I discuss above, Centerior will not enjoy any of these benefits.

Utilities so situated in joint access areas would be in position to reap the benefits of this transaction in the form of lower delivered fuel costs. These lower delivered fuel costs will, in turn, enable them to be more competitive for off-system energy sales. It is simply incorrect to suggest that utilities outside of these joint access areas are not being harmed. Those utilities left

^{1/} While this station has joint destination service today, GTW does not have the ability to provide single-line service from eastern coal origins, including MGA. This, of course, will change with NS and CSXT destination service.

out of the party are deprived of the relatively level playing field on which they currently compete for off-system energy sales.

It bears emphasis that the remedy sought by Centerior to address the adverse impact on its competitive position, NS trackage rights over the CSXT Line between the Lake Shore to Ashtabula station is limited in scope. However, it should be understood that compensation for such traffic rights should be set at the cost of service level and adjustment based on the changes in STB's Rail Cost Adjustment Factor, including consideration of productivity. The Applicants have provided significant access to each other throughout metropolitan Cleveland and surrounding areas. NS has trackage rights over CSXT lines within Cleveland and extending to Collinwood Yard. These rights enable them to pass, though not serve, the Lake Shore station. CSXT has trackage rights that enable it to move coal via the Youngstown Line north to Ashtabula Harbor. NS will own this line and has explained that it intends to move coal via this line to the Ashtabula Harbor. Again, NS however, is not allowed to make a left turn to make deliveries to Eastlake, or a right turn to make deliveries to Ashtabula.

As the above demonstrates, there can be no question that in dividing Conrail's assets in the Cleveland area, the Applicants consciously and deliberately decided to carve up the lines so that there would be joint access to many significant areas in and around Cleveland, but that Centerior's Cleveland area generating stations would be in the sole control of CSXT. In so doing, they ignored the significant potential competitive harm that Centerior will suffer from having to compete with utilities that were given improved access, while at the same time Centerior loses a principal single-line, cost-competitive supply source (i.e., eastern Ohio coals).

**VI. THE APPLICANTS' NEED TO SERVICE THE ACQUISITION
PREMIUM WOULD IMPAIR CENTERIOR'S ABILITY
TO OBTAIN COMPETITIVE RAIL COAL RATES**

As discussed below, the substantial premium which CSXT and NS are committed to pay for Conrail will increase future revenue adequacy and jurisdictional threshold determinations in the event that Centerior seeks recourse before the STB for rates imposed either singly or jointly by CSXT and NS in the calculation of a carrier's net investment base. Given that each of Centerior's five coal fired generating stations would be served exclusively by either NS or CSXT, Centerior is a prime candidate to finance the acquisition through higher rail rates.

Following is a summary of findings relating to the potential future effects of the premium.

1. CSXT/NS are paying a significant premium for Conrail that will adversely affect future revenue adequacy and jurisdictional threshold calculations.
2. Table 1 below summarizes the CSXT/NS premium for both revenue adequacy and jurisdictional threshold purposes.

Table 1 CSXT and NS Premium to Acquire Conrail (\$ in Billions)		
<u>Item</u>	<u>For Revenue Adequacy Purposes</u>	<u>For Jurisdictional Threshold Purposes</u>
(1)	(2)	(3)
1. CSXT		
2. NS		
3. Total		

3. I have included CSXT's portion of the Conrail premium into a CSXT/Conrail URCS formula and calculated the variable cost of providing service for the average CSXT coal train movement based on the characteristics of a typical eastern utility coal train identified by CSXT's Witness Sharp. I compared the results to CSXT's cost of providing service for the average coal train without the premium. Table 2, Column (2) summarizes my results on both the variable cost and jurisdictional threshold calculations.
4. I performed the same analysis using a combined NS/Conrail URCS formula and NS' portion of the Conrail premium. Table 2, Column (3) summarizes the results of this analysis.

Table 2 Impact of Conrail Premium on Variable Costs and Jurisdictional Threshold		
Item (1)	CSXT Amount Per Ton (2)	NS Amount Per Ton (3)
1. <u>Variable Cost Per Ton</u>		
a. Without the Conrail Premium		
b. With the Conrail Premium		
c. % Increase		
2. <u>Jurisdictional Threshold Per Ton</u>		
a. Without the Conrail Premium		
b. With the Conrail Premium		
c. % Increase		
Source: Exhibit (FSH-3) for CSXT and Exhibit (FSH-4) for NS.		

By including the premium CSXT is paying for Conrail in CSXT's URCS formula, both the variable cost of providing service and the resulting jurisdictional threshold associated with the average CSXT coal train movement will increase by Similarly, by including the premium NS is paying, the variable cost of service and resulting jurisdictional threshold for a comparable NS movement would increase by

5. When the Conrail premium is included with NS and CSXT revenue adequacy calculations based on existing STB procedures, the NS' and CSXT's return on investment are adversely impacted because they are artificially reduced as summarized in Table 3 below.

Table 3
**Impact of Including Conrail
and Conrail Premium on STB's 1996
Revenue Adequacy Findings for NS and CSXT**

Item (1)	Amount (2)
1. STB's 1996 Cost of Capital Rate	11.9%
2. STB's 1996 Revenue Adequacy Finding For NS	13.0%
3. STB's 1996 Revenue Adequacy Finding For CSXT	8.9%
4. 1996 Revenue Adequacy Calculations Assuming ^{1/}	
a. NS and 58% of Conrail and Conrail Premium	
b. CSXT and 42% of Conrail and Conrail Premium	

^{1/} Source: Exhibit (FSH-5), Columns (8) and (9).

NS' return on investment will be reduced by (i.e., from 13.0% to) and CSXT's return on investment will be reduced by (i.e., from 8.9% to) if both Conrail and the Conrail premium are included in the STB's revenue adequacy calculations.

6. The adverse impact on the jurisdictional threshold and revenue adequacy calculations of including the Conrail premium can be avoided. Specifically, the "status quo" can be achieved by including the difference between either the appraised value or the acquisition cost and the pre-acquisition historical book value of Conrail into property Account 80 -- Other Elements of Investment. Following the existing STB revenue adequacy procedures, debits placed in Account 80 will be excluded from revenue adequacy calculations. Also monies placed into Account 80 for regulatory costing purposes will not impact the railroads' variable unit costs based on existing URCS procedures. This remedy easily can be implemented by the carriers, with no additional accounting or administrative burden.

Centerior requests that the adjustment above be incorporated in any future rate proceeding before the STB involving CSXT and NS, and that the future use of the adjustment should be a condition of acquisition approval.

FRANK S. HARRIS II**SUMMARY OF QUALIFICATIONS AND EXPERIENCE****PROFESSIONAL EXPERIENCE:**

L. E. Peabody & Associates, Inc. (1991) -- Mr. Harris has been continuously engaged in the cost and economic analysis of railroad and other modes of transportation for both regulatory and internal management application for over thirty-five (35) years. He has appeared as an expert witness in proceedings before the Interstate Commerce Commission and numerous state regulatory agencies.

Mr. Harris' experience includes and incorporates the many changes that have occurred in transportation economics, regulation and operations over the past thirty (30) years. Mr. Harris' specific experience includes: Development of railroad, trucking, pipeline and urban transportation costing models for general application; Compilation of data bases of unit coal train rates with access capability based on shipper name, origin and destination points, length of haul, BTU content, and level and mode of competition; Design and implementation of tariff rate forecasting model to interface with existing tariff rate data base; Statistical analysis of the effects of inter- and intra-modal competition on railroad profit margins; Drafting of rate and service provisions of long-term railroad transportation contracts for electric utility companies; Participation in contract negotiations between railroads and shippers; Present-value comparison of potential freight bills over contract lives under alternate rate and rate escalation proposals; Development of rate escalation formulas for inclusion in railroad transportation contracts; Design and implementation of a maintenance of way scheduling system which establishes schedules and capital budgeting programs and analyzes the effect that these expenditures have on operating factors, numbers of train accidents, and costs for Class I railroads; consulting Project Manager for the United States Railway Association's rail terminal capacity studies; Lead cost witness in proceedings involving pipeline rate increases, justifications for such increases and analyses of variable throughput effects and equity ownership investment loss impacts, Cost development for application in rate disputes involving coal and grain unit trains, with specific emphasis upon incremental plant investment projections for high volume operations; Participation in major rail mergers spanning three decades; Preparation of reports dealing with cost theory for the U.S. Department of Transportation relating to rail regulatory legislation introduced in 1973 and 1976; and, Spur line and alternative route construction for purposes of competitive access.

Previous Related Experience -- From 1963 to 1969, Mr. Harris was employed by the Marketing and Planning Division of the Southern Railway System. As Senior Cost Analyst, his primary responsibility was the development of cost data for presentation before state and Federal regulatory bodies. In 1969, Mr. Harris joined a Washington D.C. transportation consulting firm and was appointed vice president of the firm in 1971. In 1976, he joined the firm of Snavelly, King & Associates, Inc., which became Snavelly, King, Harris & Associates, Inc. in 1978, when Mr. Harris became a partner in the firm. Mr. Harris founded his own company in 1981 and in 1985 formed Harris, Goldstein Associates, Inc.

EDUCATION:

Mr. Harris attended Duke University and the American University receiving a BS in Business Administration in 1962 and has taken graduate courses in economics at the American University.

Schematic of Routes of Movement to Centerior Power Plants

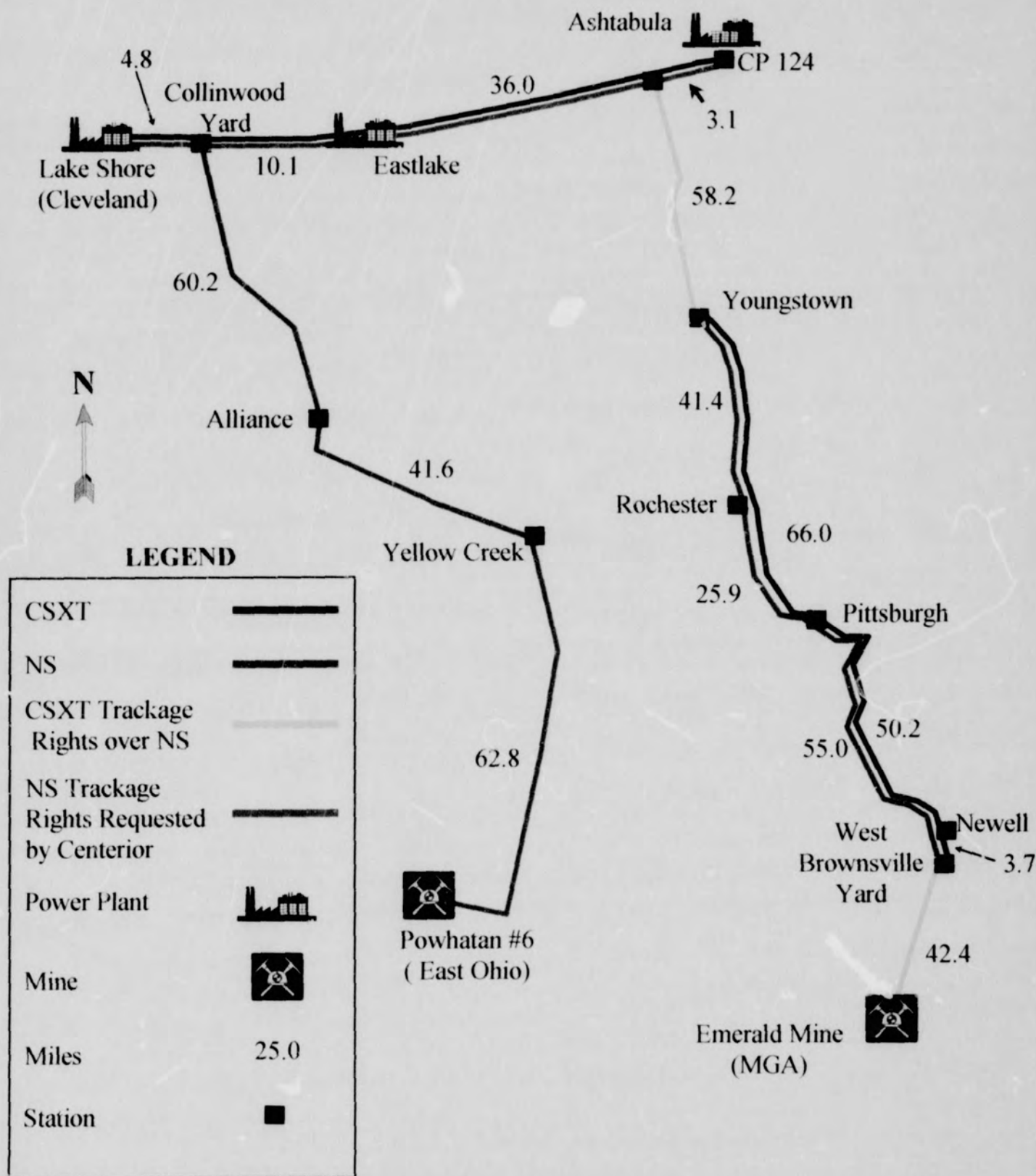


Exhibit __ (FSH-2)

Development of Premium Paid for Conrail Assets 1/

Item (1)	Amount (Millions) (2)
Revenue Adequacy Premium	
1. Total Cost to CSX/NS of Conrail Shares Acquired	2/
2. Book Value of Conrail Shares	2/
3. Value of Eliminated Accumulated Depreciation and Asset Disposition	3/
4. Premium for Revenue Adequacy Purposes	4/
Regulatory Costing Premium	
5. Appraised Value of Conrail Assets	2/
6. Gross Book Value of Conrail Assets	2/,3/
7. Premium for Regulatory Costing Purposes	5/
Premium Deferred Taxes	
8. Deferred Taxes associated with Fair Value	6/

1/ The Conrail Premium is measured on two bases, an Acquisition basis for Revenue Adequacy Purposes and an Appraisal basis for Regulatory Costing and Jurisdictional Threshold Purposes.

2/ Whitehurst Deposition Exhibit No. 1.

3/ Conrail's 1995 Form 10-K Page 45, Asset Disposition equals \$285 million and Accumulated Depreciation equals \$2,102 million.

4/ Line 1 - Line 2 + Line 3.

5/ Line 5 - Line 6.

6/ Whitehurst Deposition Exhibit No. 1 identifies CSX's portion of deferred taxes. By dividing this amount by CSX's share of Conrail, total deferred taxes are calculated. Deferred taxes reduce the investment base for both revenue adequacy and regulatory costing.

Note: The Revenue Adequacy Premium is based on Acquisition Cost. The Railroad Accounting Principles Board ("RAPB") adopted GAAP costs as the basis for valuing the railroads assets for Revenue Adequacy Purposes. The RAPB defined GAAP costs as "The value of the resources forgone by the entity to acquire the assets. GAAP cost, as applied in business combinations, is acquisition cost except in a "pooling of interests." GAAP cost is the net book values of the pooling entities."

Note: The Regulatory Costing Premium is based on Appraisal Cost. Recent railroad mergers have used appraised value or fair market value in adjusting the acquired assets of the purchased railroad. The last two mergers (i.e. BNSF and UP/CNW) used appraised value in adjusting the property accounts of the acquired railroads.

**Impact of Conrail Premium on Variable Cost and Jurisdictional Threshold
For Average CSX Coal Movement**

A. Movement Assumptions For Costing

	Source
1. Line Haul Miles	Sharp Deposition Page No. 306
2. Car Train	Sharp Deposition Page No. 292
3. Tons Net Load Per Car	Sharp Deposition Page No. 292
4. Railcar is Owned and Provided by CSX	Sharp Deposition Page No. 296
5. Ex Parte No. 270 (Sub 4) Unit Train Adjustments	STB Methodology
6. CSXT's Premium Equals \$ Billion - Exhibit_(FSH-3) \$ Billion times CSX share of Conrail	Whitehurst Exhibit -1, CRC 1995 10-K and Klick Electronic Workpapers

B. Variable Cost and Jurisdictional Threshold

Item (1)	Source (2)	1995 CSXT W/CRC Portion of Premium (3)
Without Premium		
7. Variable Cost Per Ton	Phase III URCS	
8. Jurisdictional Threshold Per Ton	Line 7 x 1.80	
With Premium		
9. Variable Cost Per Ton	Phase III URCS	
10. Jurisdictional Threshold Per Ton	Line 9 x 1.80	
Increase		
11. Increase In Variable Cost or Jurisdictional Threshold	(Line 9 + Line 7) or (Line 10 + Line 8)	

Impact of Conrail Premium on Variable Cost and Jurisdictional Threshold For Average NS Coal Movement

A. Movement Assumptions For Costing

	Source
1. Lineal Miles	Sharp Deposition Page No. 306
2. Car Train	Sharp Deposition Page No. 292
3. Tons Net Load Per Car	Sharp Deposition Page No. 292
4. Railcar is Owned and Provided by NS	Sharp Deposition Page No. 296
5. Ex Parte No. 270 (Sub 4) Unit Train Adjustments	TB Methodology
6. NS's Premium Equals \$ Billion - Exhibit_(FSH-3) \$ Billion times NS share of Conrail	Whitehurst Exhibit -1, CRC 1995 10-K and Klick Electronic Workpapers

B. Variable Cost and Jurisdictional Threshold

**1995
NS
W/CRC
Portion of Premium
(3)**

Item (1)	Source (2)	
Without Premium		
7. Variable Cost Per Ton	Phase III URCS	
8. Jurisdictional Threshold Per Ton	Line 7 x 1.80	
With Premium		
9. Variable Cost Per Ton	Phase III URCS	
10. Jurisdictional Threshold Per Ton	Line 9 x 1.80	
Increase		
11. Increase In Variable Cost or Jurisdictional Threshold	(Line 9 + Line 7) or (Line 10 + Line 8)	

VERIFICATION

COMMONWEALTH OF VIRGINIA)
)
CITY OF ALEXANDRIA)

FRANK S. HARRIS II, being duly sworn, deposes and says that he has read the foregoing statement, knows the contents thereof and that the same are true as stated.

Frank S Harris II

Sworn to and subscribed
before me this 20 day
of October, 1997.

Witness my hand and official seal.

Jean M. Katten
expire 12/31/98

CSX CORPORATION AND CSX
TRANSPORTATION, INC., NORFOLK
SOUTHERN CORPORATION AND NORFOLK
SOUTHERN RAILWAY COMPANY --
CONTROL AND OPERATING LEASES/
AGREEMENTS -- CONRAIL INC. AND
CONSOLIDATED RAIL CORPORATION

Finance Docket No. 33388

I.

Centerior Energy Corporation ("Centerior") respectfully submits that unless protective conditions are imposed, the proposed acquisition and division of Conrail's assets between CSX and NS should not be approved. Specifically, Centerior believes that two protective conditions are essential to assure that it is not adversely impacted by the proposed acquisition: (1) the Board should grant trackage rights to NS over CSX's line between the Lake Shore Generating Station and "CP 124" located east of Ashtabula, Ohio, including rights to enter the above line through the Buffalo Connecting Track and Cleveland Connecting Track, for the limited purposes of transporting loaded and empty trains of coal to and from Centerior's Ashtabula, Eastlake and Lake Shore Generating Stations; and (2) the Board should require a quantification of the acquisition premium and require Applicants to

exclude that amount from their net investment bases for regulatory costing purposes.

As explained below, the requested conditions will remedy the adverse impacts associated with Applicants' arbitrary division of the Conrail assets and selective imposition of benefits on certain shippers, while denying those same benefits to competing shippers. In particular, these conditions will protect Centerior from: (1) the loss of single-line transportation service from southeastern Ohio coal origins; (2) the harm associated with providing joint access at both destination and origin for a number of Centerior's competitors for off-system sales of electricity; and (3) the risk that the substantial acquisition premium will result in unjust rate increases for exclusively served shippers, as Centerior will be at all five of its coal-fired generating stations.

II.

THE APPLICABLE LEGAL STANDARD

Pursuant to the ICC Termination Act of 1995, Pub. L. No. 104-88, 109 Stat. 803 (1995) ("ICCTA"), the proposed Conrail division is subject to review and approval by the Board.¹ The applicable statutory provisions governing the Board's approval of rail consolidations are set forth at the ICCTA, 49 U.S.C. §§

¹The ICCTA abolished the ICC effective January 1, 1996, and transferred its essential functions (including its authority over railroad merger applications) to the Board, which is an independent agency within the Department of Transportation.

11321-27. These provisions, which recodified the standards that governed rail consolidations under the prior Interstate Commerce Act, require consideration of the following factors:

- (1) the effect of the proposed transaction on the adequacy of transportation to the public;
- (2) the effect on the public interest of including, or failing to include, other rail carriers in the area involved in the proposed transaction;
- (3) the total fixed charges that result from the proposed transaction;
- (4) the interest of rail carrier employees affected by the proposed transaction; and
- (5) whether the proposed transaction would have an adverse effect on competition among rail carriers in the affected region or in the national rail system.

49 U.S.C. § 11324(b).²

Moreover, as the Board has explained, the "single and essential standard of approval" for merger transactions is the public interest standard set forth at § 11324(b)(1) and (2). See Finance Docket No. 32760, Union Pacific Corporation, Union Pacific Railroad Company, and Missouri Pacific Railroad Company -- Control and Merger -- Southern Pacific Rail Corporation, Southern Pacific Transportation Company, St. Louis Southwestern Railway Company, SPCSL Corp., and the Denver and Rio Grande Western Railroad Company, at 98 (Decision served August 12, 1996) ("UP/SP

²The only requirement added by the Termination Act is § 11324(b)(5).

Merger").³ To determine whether a merger is in the public interest, the Board balances the claimed economic and operational benefits of the merger against any potential competitive harm.

The Board looks to various criteria to determine whether markets served by the merging carriers will suffer competitive harm. These factors include: the effectiveness of intramodal competition (predominantly trucking); loss of potential rail routings; the number of market participants; and the participants' respective market shares. See UP/SP Merger at 100.

The National Rail Transportation Policy ("N RTP") provides additional guidance for the Board. See Finance Docket No. 32133, Union Pacific Corp., Union Pacific R.R. Co. and Missouri Pacific R.R. Co. -- Control -- Chicago and North Western Transp. Co. and Chicago and North Western Railway Co., at 53-54 (Decision served February 21, 1995), cert. denied, 451 U.S. 1017 (1981) ("UP/CNW"), citing, Norfolk Southern Corp. - Control - Norfolk & W. Ry. Co., 366 I.C.C. 171, 190 (1982). For example, the N RTP directs the Board, inter alia, to:

- * [A]llow to the maximum extent possible, competition and the demand for services to establish reasonable rates for transportation by rail;"
- * "[M]aintain reasonable rates where there is an absence of effective competition and where rail rates

³Citing, Missouri-Kansas-Texas R. Co. v. United States, 632 F.2d 392, 385 (5th Cir. 1980), cert. denied, 451 U.S. 1017 (1981); Penn-Central Merger and N&W Inclusion Cases, 389 U.S. 486, 498-99 (1968).

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provide revenues which exceed the amount necessary to maintain the rail system and to attract capital;"

- * "[P]rohibit predatory pricing and practices, to avoid undue concentrations of market power, and to prohibit unlawful discrimination;" and to
- * "[E]nsure the availability of accurate cost information in regulatory proceedings, while minimizing the burden on rail carriers of developing and maintaining the capability of providing such information."

See 49 U.S.C. § 10101(1), (6), (12) and (13).

The Board's general policy statement governing mergers also emphasizes the importance of competition:

... [T]he [Board] does not favor consolidations that substantially reduce the transport alternatives available to shippers unless there are substantial and demonstrable benefits to the transaction that cannot be achieved in a less anticompetitive fashion. Our analysis of the competitive impacts of a consolidation is especially critical in light of the Congressionally mandated commitment to give railroads greater freedom to price without unreasonable regulatory interference.

49 C.F.R. § 1180.1(a) (emphasis added).

Finally, the Board has broad authority to facilitate the public interest by imposing conditions on rail consolidations. See Union Pacific -- Control -- Missouri Pacific; Western Pacific, 366 I.C.C. 459, 562-64 (1982), aff'd sub nom. Southern Pacific Transp. Co. v. I.C.C., 736 F.2d 708 (D.C. Cir. 1984), cert. denied, 469 U.S. 1208 (1985) ("UP/MP/WP"); Santa Fe South-

ern Pacific Corp. -- Control -- Southern Pacific Transp. Co., 2 I.C.C.2d 709, 807-08 (1986). Such conditions may include a requirement that one carrier grant to a rival trackage rights and access to necessary facilities. 49 U.S.C. § 11324(c).⁴

The criteria for imposing conditions to remedy anticompetitive effects of a proposed merger were described as follows in the BNSF Merger decision:

[W]e will not impose conditions unless we find that the consolidation may produce effects harmful to the public interest (such as a significant reduction of competition in an affected market), and the conditions will ameliorate or eliminate the harmful effects, will be operationally feasible, and will produce public benefits (through reduction or elimination of the possible harm) outweighing any reduction to the public benefits of produced by the merger.

BNSF Merger, at 55-56, citing UP/MP/WP, 366 I.C.C. at 562-565.

Proponents of conditions have also been required to show that the requested condition addresses the adverse effects of the transaction and is narrowly tailored to remedy those effects. UP/SP Merger, at 145, citing UP/CNW, slip op. at 97; Milwaukee -- Reorganization -- Acquisition by GTC, 2 I.C.C.2d 427, 455 (1985). As will be shown below, Centerior's requested conditions satisfy all of these criteria.

⁴For example, the Board might require that the merged entity grant trackage rights to one or more other railroads over portions of the new combined railroad, in order to maintain competition. This remedy was employed extensively in both the UP/SP Merger and in Finance Docket No. 32549, Burlington Northern Inc. -- Control and Merger -- Santa Fe Pacific Corp., (Decision served August 23, 1995 ("BNSF Merger").

III.

THE ELIMINATION OF THE SINGLE-LINE OHIO COAL ROUTE WILL SUBSTANTIALLY LIMIT CENTERIOR'S SOURCE OPTIONS

As Mr. Michael A. Kovach explains in his accompanying Verified Statement ("Kovach V.S."), Centerior relies on Ohio coals as a substantial source to meet its generation requirements. Kovach V.S., at 4-8. In fact, during 1996, Centerior moved approximately 1.2 million contract tons from Ohio Valley Coal Company's Powhatan No. 6 mine located near Alledonia, Ohio. Id. at 5. This coal was transported via Conrail's single-line route over the River Line, through Cleveland and then east to Ashtabula and Eastlake stations. Id. at 10.

If the proposed transaction is approved, Centerior will be unable to move its Ohio coal via the existing Conrail single-line routing. Instead, Centerior's Ohio coal movements will become interline movements, originating on NS and terminating on CSX. (Maps depicting the location of Centerior's Cleveland area stations and the proposed divisions of the Conrail lines and various rights associated therewith are attached hereto as Exhibits ____ (MAK-1) and (FSH-1)). Specifically, if the acquisition is approved, CSX will operate the Chicago Line, on which the Ashtabula, Eastlake and Lake Shore stations are located. NS will acquire the Youngstown and River Lines, which extend from the southeastern Ohio coal origins to Ashtabula Harbor. NS will also acquire the Cleveland Line, which connects with the River Line

near Yellow Creek. Thus, any movements from southeastern Ohio origins will have to move in a joint-line haul.

There are three fundamental principles of railroad operations/pricing which confirm that the transformation of the single-line Ohio route to a joint-line route will impede Centerior's ability to continue to rely on Ohio coal:

- * Single-line service is preferable to interline service;
- * A carrier with control over a given destination will refuse to "short-haul" itself; and
- * Carriers prefer to maximize profits.

As applied to Centerior's situation, these three principles indicate that Centerior will no longer enjoy access to southeastern Ohio coals on an economical basis.

(A) Loss of Single-Line Service

The transformation of Centerior's southeastern Ohio single-line routing to a joint-line routing presents a situation that has not been frequently observed in prior Commission or Board cases. There is ample precedent (and ample support from the Applicants themselves), however, to confirm that this transformation is a loss that will be harmful to Centerior.

Specifically, Commission and Board cases have historically characterized the creation of single-line service as a net public benefit. In fact, the Commission frequently has afforded great weight to the argument (chiefly advanced by the merging

railroads) that the transformation of interline service into single-line service is among the most important public benefits of railroad consolidation. For example, in its UP/SP Merger decision, the Board reasoned as follows:

More Efficient Routes/Single-Line Service. In prior mergers, the ICC placed substantial weight on evidence that a proposal presented "opportunities for significantly improved routings." See, e.g., NS Control, 366 I.C.C. at 173, 175, 196-200. The ICC also consistently recognized the substantial public benefits that can be derived through creating new single-line services. CS. Control, 363 I.C.C. at 553.

Id. at 113. Moreover, in its BNSF Merger decision, the Commission noted that:

Single-line service is important to shipper logistics strategies. Interchange between railroads can be costly. A single-line railroad route is becoming more important for carriers wanting to compete for service sensitive freight. As a result of the new single-line service capability of the combined BN/Santa Fe, shippers will likely see decreases in working capital requirements as base inventories shrink due to improved transit times, and as safety stocks of inventory are reduced because the combined system can eliminate the uncertainty of interchange. The transaction costs shippers incur in initial rate negotiations, in arranging equipment supply, in tracking shipments, and in billing and payment procedures, will likely be reduced.

Id. at 65; see also Norfolk Southern Corp. -- Control -- Norfolk & Western Ry. and Southern Ry., 366 I.C.C. 173, 194 n.41 (1982) ("The Rail Services Planning Office Rail Merger Study, Final

Report, February 1, 1978 found, at page 31, that shippers chose single over multiple railroad service more than 90 percent of the time. One study found that single-line service may be the most important factor to a shipper."); CSX Corp. -- Control -- Chessie and Seaboard C.L.I., 363 I.C.C. 518, 553 (1980) ("It is generally thought that single-line service has many advantages over joint-line service for both shippers and carriers."). This precedent clearly supports a claim that the loss of single-line service should be regarded as a net detriment.

There was at least one instance in the Commission's history of reviewing rail consolidations in which a proposal was advanced that would have destroyed existing single-line service. Specifically, in Burlington Northern, Inc. -- Control -- Green Bay and Western Railroad Co., 354 I.C.C. 458 (1977), the Commission considered two competing offers to acquire control over the Green Bay and Western Railroad ("GBW"). The first (and ultimately, the successful) offer contemplated BN's acquisition of GBW as a complete entity, with relatively limited control to be exercised by BN. The second offer, on the other hand, was made by: (i) Soo Lines Railroad Company; (ii) the Chicago, Milwaukee, St. Paul and Pacific Railroad Company; and (iii) Chicago and North Western Transportation Company ("the Three Lines"). The Three Lines' proposal called for the dissolution of GBW, the abandonment of significant portions of its track, and the division of its remaining lines among the three railroads.

Among a variety of reasons provided for rejecting the Three Lines' proposal, the Commission emphasized the degradation in service quality that would occur where existing GBW movements (of overhead or interline traffic) would be converted into movements requiring exchanges between several separate trains (just to complete the GBW's portion of the movement). In explaining its ultimate decision to reject the Three Lines' proposal, the Commission commented that:

. . . the substitute service proposed by the three lines entails substantial increases in transit time due to circuitous routings and need for exchanging cars between as many as five intermediate trains; and we find that shippers accustomed to GBW's service are likely to experience a sharp decline in both frequency and quality of service under the three lines' proposal. (footnote omitted).

Id. at 502.

It is also highly noteworthy that NS and CSX have touted the importance of increased single-line service as a major benefit that would result from their proposed division of Conrail. For example, CSX's Chairman, President and Chief Executive Officer Mr. John W. Snow, notes:

One of the major benefits of this transaction will be the dramatic increase in the single-line routes available to shippers throughout the East. The inherent superiority of single-line service over interline service has long been recognized in the railroad industry. It translates into enhanced operating efficiencies, reduced costs, reduced transit times, and less handling of freight.

Verified Statement of John W. Snow ("Snow V.S."), at 9 (App., Vol. 1 at 311) (emphasis added); see also Verified Statement of Mr. Darius W. Gaskins, Jr. ("The advantages of single-line rail service to customers have long been recognized.") at 14 (App., Vol. 1 at 102); Verified Statement of Mr. Raymond L. Sharp ("Sharp V.S.") at 8-9 (App., Vol. 2A at 355-56).⁵

Although the Application lacks any specific reference to Centerior's loss of single-line service from southeastern Ohio origins, the Application does reflect an awareness that the elimination of single-line service, in general, constitutes an adverse effect of the transaction. In particular, NE's Vice President - Strategic Planning, Mr. James W. McClellan, indicates in his Verified Statement that "the division of CR, which is absolutely essential for creating two balanced competitive systems, inevitably will cause some traffic now flowing in single system service on CR to become two carrier movements" Verified Statement of James W. McClellan at 47 (App., Vol 1 at 549). Mr. McClellan adds that:

The needs of each customer impacted by the loss of single system CR service will be

⁵"Single-line service will be more efficient because it will eliminate delays inherent in interchanges. Interchanging railroads must coordinate locomotives, cars, crew availability, inspections, and track time. Eliminating interchange handling will significantly reduce transit times for coal shipments. Reducing or eliminating interchange handling also will reduce the likelihood of frozen coal during the winter. Single-line service also will improve operational communications over the expanded CSXT coal network, thereby increasing CSXT's responsiveness to customer needs. With the elimination of joint-line moves, accountability to customers will also improve." Id.

addressed specifically in the months ahead in order to minimize adverse effects to the greatest extent possible.

Id. at 50 (App., Vol. 1 at 550). The Applicants, however, have not "addressed" the needs of Centerior to avoid adverse effects of the transaction.

In light of the broad recognition of the superiority of single-line service,⁶ Centerior will be adversely impacted at Ashtabula, Eastlake and Lake Shore by the loss of single-line service from southeastern Ohio coal origins.

(B) Creation of a New Short-Haul Problem

The second reason that the control transaction will hinder Centerior's supply choices is that the transaction will create a new short-haul problem for CSX. At the present time, Conrail is able to provide origin-to-destination service to Centerior from both southeastern Ohio and the MGA region. Because Conrail enjoys a long-haul on both the Powhatan No. 6 and MGA sources (and therefore is not in a position where it might dramatically reduce its own profits), Conrail has been indifferent to Centerior's supply choice. See Verified Statement of

⁶It bears noting that in the western mergers coal shipper interests argued that the benefits of single-line service were overstated, at least with regard to coal traffic, by the consolidating carriers. In support of these claims, shippers noted the relative efficiencies of western interline coal movements including run-through power arrangements. Generally, the same cannot be said about eastern movements which will typically involve the need to break down trains in order to permit interchanges and operations through major urban areas, such as Cleveland.

Frank S. Harris III ("Harris V.S."), at 12. Given the structure of the control transaction, as discussed supra, however, the current movement from OVCC to Centerior's Ashtabula and Eastlake stations will become an interline movement in which CSX will only participate to a very limited extent (approximately 49.2 miles for movements to Ashtabula, and only 10.1 miles for movements to Eastlake). See Kovach V.S., at 11.

One of the fundamental principles of railroad pricing is that a destination monopolist will not voluntarily (and under the Board's interpretation of the law, need not) "short-haul" itself. See, e.g., Docket Nos. 41242 et al., Central Power & Light Co. v. Southern Pacific Transp. Co., at 7 (Decision served December 31, 1996), petitions for review pending, Docket Nos. 91-1081 et al., MidAmerican Energy Company v. STB, (8th Cir.); Deposition of Mr. Raymond L. Sharp (dated August 21, 1997) at 170-72 (acknowledging that carriers with exclusive access to a given destination have the ability to dictate the use of their long-hauls); Deposition of Mr. John H. Williams (dated August 12, 1997) at 381 (agreeing that railroads prefer not to short-haul themselves).⁷ In other words, a carrier with exclusive access to a utility plant will price its services from different origins/interchanges in such a manner as to dictate the utility's use of whichever transportation option will provide greatest profit to the subject carrier. CSX therefore will instead favor

⁷Centerior has included relevant excerpts from the cited Deposition transcripts in the Appendix to these Comments.

its new MGA origins, for which it will be able to earn a much greater profit, at Centerior's expense. Harris V.S., at 11-13.⁸

While the Applicants do not specifically discuss the fact that Centerior will lose its single-line service from Ohio origins, including Ohio Valley coal, they attempt to justify this loss by noting that Centerior will enjoy CSX single-line service from the MGA origins,⁹ and other more distant CSX controlled origins, after the transaction. As explained by CSX's witness Sharp:

Today, Conrail delivers coal in single-line service directly to Centerior Energy Corporation's Eastlake plant and the Ashtabula plant located near Cleveland. These coal movements include both Ohio and MGA coal and coal from southwest Pennsylvania. After Board approval, CSXT will offer single-line service from multiple coal sources, including MGA coal, to Centerior. More importantly, Centerior will benefit from the improved access to CSXT's vast low sulfur coal that is now available to it only via joint-line service.

⁸Of course, CSX may quote joint rates with NS for movements from Powhatan No. 6, but CSX's division of such rates will be such that CSX will earn at least as much as it would earn on a long-haul movement. Id. at 8. This heightened division, coupled with NS's need to at least recover its costs, would undoubtedly make Powhatan No. 6 coal far too expensive on a delivered cost basis.

⁹Conrail currently moves MGA coal via a single-line haul. Kovach V.S., at 10. Thus, there is no added benefit to Centerior that arises from the future single-line CSX service from MGA. Harris V.S., at 8-9. In fact, there are some operational concerns relating to routing of CSX single-line movements through Newell Yard that did not exist on the Conrail routing and will not exist on the NS MGA routing that will be unavailable to Centerior. Kovach V.S., at 16; Harris V.S., at 10.

Sharp V.S., at 13 (App., Vol. 2A at 360). Mr. Sharp's comments are unavailing. As explained by Mr. Kovach (Kovach V.S., at 13-14), Centerior depends upon its ability to utilize coal from both Ohio and MGA sources to satisfy its coal needs. The mere continuation of one supply option, and addition of CSX origins that will provide CSX with longer hauls, is not an appropriate substitute for the elimination of a major supply source.

C. The Requested Trackage Rights Condition.

Centerior is requesting that the Board remedy the above concerns by imposing trackage rights over CSX's line between Collinwood Yard and Ashtabula station that would enable NS to transport coal trains to and from Centerior's Ashtabula, Eastlake and Lake Shore stations. This remedy will ameliorate the harmful effects of the transaction as it relates to the loss of single-line service from Ohio coal origins. The loss of this option not

only harms Centerior, but also adversely impacts the Ohio coal mining industry.¹⁰

Furthermore, the Applicants have admitted that trackage rights of the limited nature requested by Centerior are indeed "operationally feasible," as required by Board precedent. In particular, the principal witness responsible for developing the NS Operating Plan, Mr. D. Michael Mohan, testified that he was unaware of any operational constraints that would preclude Centerior's proposed trackage rights solution:

Q. Without getting into whether such trackage rights would or should be granted, is there any operational reason why NS could not operate Centerior coal trains from mines in Southeastern Ohio such as Powhatan No. 6 to Collinwood and, thence, over trackage rights over the Conrail lines being acquired by CSX to the Centerior plants?

A. It's not provided for by the agreement. I'm not aware of any operational reason why it couldn't be done.

Deposition of D. Michael Mohan (dated September 17, 1997) at 302.

Moreover, the arbitrariness of the Applicants' decisions concerning joint access rights in the Cleveland area

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further supports the request that NS' rights be extended in the narrow form requested herein. For example, CSX will have trackage rights over the Youngstown Line, and thus would be in position to continue Centerior's single-line route if it just had been given access to NS' River Line. Likewise, NS can originate the southeastern Ohio movements on its River Line and take one of two routes: (1) it can proceed through Cleveland and move as far as Collinwood Yard -- and accordingly, come short of Ashtabula (by 49.1 miles) and Eastlake (by 10.1 miles);¹¹ or (2) it can proceed over the River and Youngstown Lines as far as Ashtabula - and accordingly, come short of Ashtabula by 3.1 miles to the east, and Eastlake by 36.0 miles to the west. See Exhibit __ (FSH-1). Again, a modest extension of rights already existing would enable NS to serve the Cleveland area stations.

Such an extension of the rights agreed to by the Applicants would also be consistent with 49 C.F.R. § 1180.1(a). As noted supra, reductions in transportation alternatives should only be allowed where "there are substantial and demonstrable benefits that cannot be achieved in a less anticompetitive fashion." Id. This is certainly not the case in the Cleveland area. The reduction in Centerior's transportation alternatives easily can be remedied by extending the trackage rights NS will

¹¹NS can also use this route to pass the Lake Shore Station (which lies 4.8 miles west of Collinwood Yard), but cannot serve the plant under the limited trackage rights that it will receive from CSX.

enjoy over CSX to Collinwood Yard and would not disrupt the purported benefits of the transaction. Harris V.S., at 16.

As the foregoing demonstrates, the Applicants clearly carved up the Conrail assets in a fashion that assured that Centerior would be exclusively in the hands of CSX. The Applicants easily could have extended the joint access rights in the Cleveland area to accommodate Centerior without disrupting the operations of their respective systems.

IV.

THE TRANSACTION IMPROPERLY TILTS THE COMPETITIVE BALANCE OF THE ELECTRIC POWER MARKET IN FAVOR OF CENTERIOR'S COMPETITORS

In addition to harming Centerior directly in the foregoing manner, the transaction will also harm Centerior in an indirect fashion through the enhancement of the competitive position of Centerior's rival utilities. Specifically, the transaction will afford certain Conrail-served utilities access to dual-carrier service from origin to destination. See Harris V.S., at 14-15; Kovach V.S., at 14-17. Since Centerior and these utilities compete for off-system sales, and since these utilities will be able to generate electricity in a less costly manner (due to this new or improved dual access), Centerior's ability to make off-system sales will be prejudiced. Harris V.S., at 14-16; Kovach V.S., at 15.¹²

¹²Significantly, Centerior does not oppose the increased competition that the Applicants have afforded to these other utilities. To the contrary, Centerior fully supports the introduction of competition into the eastern rail market. Centerior,

The adverse competitive impacts of this transaction stand in stark contrast to the picture painted by the Applicants in explaining the purported benefits of the transaction to utility shippers. The Applicants have emphasized the creation of new competition as one of the chief public benefits of the proposed transaction. See, e.g., Snow V.S., at 6 (App., Vol. 1 at 308) ("This transaction thus increases the level of competition between railroads, giving many shippers a true choice between two competing Class I railroads, each of which is willing to exert every effort to win business away from its rival.").¹³

This certainly will not be the case with respect to Centerior. Harris V.S., at 14-16. As Mr. Harris explains, Centerior will not only not share in the benefits of enhanced competition, but will be directly harmed by the Applicants' decisions concerning which utilities to favor with the ability to take full advantage of joint access. Id.

however, does not believe that the Applicants should be permitted to disrupt the competitive balance that currently exists by depriving Centerior of a similar benefit.

¹³Id. at 14 (App., Vol. 1 at 316) ("I feel confident that this transaction is the beginning of a new era of competitive rail service."); Verified Statement of Mr. David R. Goode ("Goode V.S."), at 1 (App., Vol. 1 at 323) ("This transaction is by far the most pro-competitive railroad restructuring in history. It will create two new Northeast/Southeast rail systems that will do their utmost to best each other in the marketplace every day. This will bring about a blossoming of rail competition, the likes of which the Northeast has not experienced in decades."); id. at 10 (App. Vol. 1 at 332) ("What sets this transaction apart from all previous railroad consolidations is, of course, the extraordinary amount of new railroad competition that it will bring to the areas served by the carriers involved.").

The Applicants' recognize that they are indeed benefiting some at the expense of others. They have attempted to cavalierly dismiss this fact by suggesting that they could not include everyone in joint-access areas. See Goode V.S., at 12 (App. Vol. 1 at 334) ("Some companies that will not be gaining direct service from an additional railroad may not be happy that some other companies will be. . . . It is simply not possible to structure a transaction that would satisfy everyone and still provide the competition, efficiency and other benefits of this transaction."). The fact remains, however, that utilities that are in competition with the utilities that will benefit most from this acquisition will no longer be playing on a level field. The Board should take action to prevent such harm by granting joint access to Centerior's plants, a step that will not hinder the transaction in any way.

Accordingly, Centerior submits that the appropriate remedy to prevent the above harm is to grant Centerior's request for narrow trackage rights to enable NS to serve Ashtabula, Eastlake and Lake Shore. This condition provides an appropriate remedy to the loss of competition in the market for energy sales in ECAR and PJM that will result if Centerior is forced to play on an otherwise unlevel playing field. As noted above, the requested trackage rights are operationally feasible, are narrowly-tailored, and would redress the harm to Centerior's competitive position that will be caused if the transaction is approved.

V.

**THE TRANSACTION IS NOT IN THE PUBLIC
INTEREST BECAUSE THE ACQUISITION PREMIUM
EXPOSES CENTERIOR TO HIGHER FUTURE RAIL RATES**

Finally, the proposed transaction is anti-competitive due to the multi-billion dollar premium that CSX and NS have agreed to pay for the acquisition of Conrail. In this regard, Witness Harris indicates that the Conrail acquisition premium amounts to some billion for the Board's revenue adequacy purposes, and some million for jurisdictional threshold purposes. Harris V.S., at 17. While the testimony submitted by CSX paints a picture of an easy recovery of this added "investment," Centerior suspects that CSX will attempt to recoup its premium investment through increasing rates paid by exclusively served shippers.

The Applicants' principal line of defense to the premium threat has been that increased competition will dissuade them from increasing rates out of fear of loss of the business to its respective competitor. This defense, of course, is meaningless in the context of shippers that are exclusively served by one railroad. As recognized by CSX witness Sansom at his deposition, the premium poses a significant threat to the ability of exclusively served shippers to obtain rate review and relief under the Board's maximum rate guidelines. See Deposition of Dr. Robert L. Sansom (dated August 27, 1997) at 133-35.

The Application fails to satisfactorily address the concern that a large share of the burden of recovering the

Eastern carriers' (and their debtholders') investment in Conrail ultimately will be borne by exclusively served coal and other demand inelastic traffic. Even if the carriers' actual earnings from intermodal diversions, etc. do not fall so far short of their projections as to prompt direct rate increases, upward pressure on coal and other bulk commodity rates is threatened by (1) a dampening of any competitive ardor on the part of NS and CSX as each concentrates on maximizing revenues from its traffic base as it exists after the transaction; and (2) higher reported unit costs due to acquisition premium amortization, which in turn would raise the variable cost threshold for STB jurisdiction over rates.

As Witness Harris observes, the impact of this premium on exclusively served shippers like Centerior will be extreme. Specifically, Mr. Harris determined through an analysis of the variable costs of a typical eastern movement that the acquisition premium would increase the jurisdictional threshold for the Board's rate reasonableness analysis by fifteen percent (15%) for CSX and twenty-four percent (24%) for NS. See Harris V.S., at 18. In addition, if the Board does not act to exclude the acquisition premium from Applicants' net investment bases, the Board's Return on Investment calculation would be artificially reduced (from 8.9% to for CSX in 1996, for example). Id. at 19.

Centerior expects that if new revenues fall short of the very rigorous levels assumed by NS and CSX (in particular),

the Applicants will turn to their exclusively served rail traffic (like Centerior) to extract higher rail rates in an effort to finance the premium. Exclusively served shippers are thus at great risk of footing a bill for Applicants' "Wall Street" war. Centerior, and other exclusively served shippers, should not properly or fairly be accountable for the burden of a risk that Applicants have voluntarily undertaken. Under the law and economic policy, exclusively served shippers should be protected from having to guarantee that Applicants receive a positive return on the premium.

Consequently, Centerior requests that, if the proposed acquisition and division of Conrail assets is approved by the Board, the Board impose the following conditions upon Applicants, pursuant to 49 U.S.C. § 11344(c):

- * Quantify the amount of the acquisition premium and further direct Applicants to exclude that amount from their net investment bases for regulatory costing purposes.

Likewise, the exclusion of the premium from Applicants' net investment bases for regulatory costing purposes will eliminate the harmful effects of the consolidation by protecting exclusively served shippers from future railroad pricing abuses. The requested condition is narrowly tailored and will only benefit exclusively served coal shippers who are able to demonstrate, in a regulatory context, that the rates charged by a given railroad are unreasonable. In that regard, the exclusively

served shipper would have to prove that a subject railroad's rates exceed the Board's 180% revenue to variable cost ratio.

Finally, exclusion of the premium will produce public benefits which outweigh any reduction to the public benefits produced by the consolidation. Exclusively served shippers will only benefit from the requested condition if they prove a market dominance case against a given carrier. In other words, if an exclusively served shipper does not prove that case, the condition requested herein is irrelevant.¹⁴ Exclusion of the premium from Applicants' investment bases thus has absolutely no effect on the public benefits that Applicants believe will be achieved by the proposed transaction.

VI.

CONCLUSION

For all of the foregoing reasons, the Application will have substantial adverse competitive effects on Centerior. If the Board decides to grant the Application, it should condition this approval on the imposition of the following conditions:

1. Grant NS trackage rights over the line of CSX between the Lake Shore Generating Station and "CP 124" located east of Ashtabula, Ohio, including rights to enter the above line through the Buffalo Connecting Track and Cleveland Connect-

¹⁴Moreover, the Board need not determine whether market dominance exists with regard to particular exclusively served shippers, including Centerior, in the context of this proceeding. Rather, that determination is more properly resolved when, and if, an exclusively served shipper institutes a maximum rate proceeding.

ing Track, for the limited purposes of transporting loaded and empty trains of coal to and from Centerior's Ashtabula, Eastlake and Lake Shore generating stations.

2. Quantify the amount of the acquisition premium and direct Applicants to exclude that amount from their net investment bases for regulatory costing purposes.

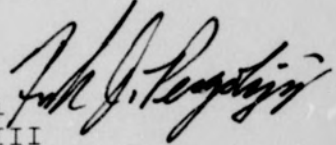
Respectfully submitted,

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Dated: October 21, 1997

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Attorneys and Practitioners

APPENDIX

1 BEFORE THE
2 SURFACE TRANSPORTATION BOARD
3 Finance Docket No. 33388
4 CSX CORPORATION AND CSX TRANSPORTATION, INC.
5 NORFOLK SOUTHERN CORPORATION AND
6 NORFOLK SOUTHERN RAILWAY COMPANY
7 -- CONTROL AND OPERATING LEASES/AGREEMENTS --
8 CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION
9 RAILROAD CONTROL APPLICATION
10 HIGHLY CONFIDENTIAL

11 Washington, D.C.
12 Thursday, August 21, 1997

13 Deposition of RAYMOND L. SHARP, a
14 witness herein, called for examination by counsel
15 for the Parties in the above-entitled matter,
16 pursuant to agreement, the witness being duly
17 sworn by JAN A. WILLIAMS, a Notary Public in and
18 for the District of Columbia, taken at the
19 offices of Arnold & Porter, 555 Twelfth Street,
20 N.W., Washington, D.C., 20004-1202, at
21 10:00 a.m., Thursday, August 21, 1997, and the
22 proceedings being taken down by Stenotype by
23 JAN A. WILLIAMS, RPR, and transcribed under her
24 direction.

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1 customers?

2 A. Because they could substantially not
3 access those Conrail served Midwest and Northeast
4 destinations because of joint-line pricing
5 putting those customers out of their reach.

6 Q. So it's important for a producer to
7 have single-line access to its customer base if
8 its competitors have single-line access to the
9 customer; is that a fair conclusion from your
10 statement?

11 A. I don't know if that's a fair
12 conclusion from my statement. I didn't say
13 that. I said what I said in my statement.

14 Q. What is it about joint-line pricing
15 that could put CSX served mines currently out of
16 reach of Conrail customers?

17 A. The fact that Conrail serves the
18 destination and also serves coal producing
19 origins and has the ability and the practice of
20 pricing single-line movements more -- pricing
21 single-line movements lower than Conrail's
22 participation in joint-line movements resulting
23 in a lower single-line rate for the most part
24 than is applicable on a joint-line move for
25 similar distances.

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1 Q. So in essence Conrail will prefer in
2 terms of its rate policies routes where it can
3 provide single-line service over providing
4 joint-line service; is that a fair summary of
5 what you said?

6 A. That's a fair summary of my
7 impression. As far as what they actually do,
8 you'll have to ask Conrail.

9 Q. Do you have any experience with
10 Conrail?

11 A. Lots.

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1 BEFORE THE
2 SURFACE TRANSPORTATION BOARD
3 Finance Docket No. 33388
4 CSX CORPORATION AND CSX TRANSPORTATION, INC.
5 NORFOLK SOUTHERN CORPORATION AND
6 NORFOLK SOUTHERN RAILWAY COMPANY
7 -- CONTROL AND OPERATING LEASES/AGREEMENTS --
8 CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION
9 RAILROAD CONTROL APPLICATION

10 HIGHLY CONFIDENTIAL

11 Washington, D.C.

12 Tuesday, August 12, 1997

13 Continued deposition of JOHN H.
14 WILLIAMS, a witness herein, called for
15 examination by counsel for the Parties in the
16 above-entitled matter, pursuant to agreement, the
17 witness being previously duly sworn, taken at the
18 offices of Zuckert, Scoutt & Rasenberger, L.L.P.,
19 Suite 700, 888 Seventeenth Street, N.W.,
20 Washington, D.C., 20006-3939, at 10:15 a.m.,
21 Tuesday, August 12, 1997, and the proceedings
22 being taken down by Stenotype by JAN A. WILLIAMS,
23 RPR, and transcribed under her direction.

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1 A. Yes.

2 Q. Length of haul, could that affect it as
3 well?

4 A. Well, I think the contract and the
5 terms of the contract would be the governing
6 factors.

7 Q. Okay. I just have some questions now
8 on your diversion analysis. And again, to put
9 that analysis in context, I want to see if we
10 could come to some agreement on some other
11 preferences that exist in the industry. Would
12 you agree with me that there's a shipper
13 preference to get as low a rate as possible for
14 reliable railroad service?

15 A. Yes.

16 Q. Okay. Would you agree with me that
17 there's a railroad preference not to short haul
18 itself?

19 A. Yes.

20 Q. Would you agree with me that shippers
21 prefer to avoid routes that -- and perhaps this
22 is a preference that's common to shippers and
23 railroads, prefer to avoid routes that suffer
24 from traffic congestion?

25 A. Yes.

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9 RAILROAD CONTROL APPLICATION
10 HIGHLY CONFIDENTIAL

11 Washington, D.C.

12 Wednesday, September 17, 1997

13 Continued deposition of D. MICHAEL
14 MOHAN, a witness herein, called for examination
15 by counsel for the Parties in the above-entitled
16 matter, pursuant to agreement, the witness being
17 previously duly sworn, taken at the offices of
18 Zuckert, Scoutt & Rasenberger, L.L.P., Suite 700,
19 888 Seventeenth Street, N.W., Washington, D.C.,
20 20006-3939, at 9:05 a.m., Wednesday, September
21 17, 1997, and the proceedings being taken down by
22 Stenotype by JAN A. WILLIAMS, RPR, and
23 transcribed under her direction.

24

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ALDERSON REPORTING COMPANY, INC.

(202)289-2260 (800) FOR DEPO
1111 14th ST., N.W., 4th FLOOR / WASHINGTON, D.C., 20005

1 reason that they couldn't.

2 Q. Without getting into whether such
3 trackage rights would or should be granted, is
4 there any operational reason why NS could not
5 operate Centerior coal trains from mines in
6 Southeastern Ohio such as Powhatan No. 6 to
7 Collinwood and, thence, over trackage rights over
8 the Conrail lines being acquired by CSX to the
9 Centerior plants?

10 A. It's not provided for by the
11 agreement. I'm not aware of any operational
12 reason it couldn't be done.

13 Q. Is there any operational reason again
14 why NS could not operate such Centerior coal
15 trains over the lines it will acquire from the
16 Powhatan No. 6 mine in Southeastern Ohio to
17 Ashtabula via Youngstown and thence via trackage
18 rights over the Conrail lines being acquired by
19 CSX?

20 A. Same answer. The agreement doesn't
21 provide for it. I'm unaware of any operational
22 reason that one could not.

23 Q. Is there any operational reason why CSX
24 could not be granted trackage rights over the
25 lines being acquired by NS between the mines in

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BEFORE THE
SURFACE TRANSPORTATION BOARD
Finance Docket No. 33388
CSX CORPORATION AND CSX TRANSPORTATION, INC.
NORFOLK SOUTHERN CORPORATION AND
NORFOLK SOUTHERN RAILWAY COMPANY
-- CONTROL AND OPERATING LEASES/AGREEMENTS --
CONRAIL INC. AND CONSOLIDATED RAIL CORPORATION
RAILROAD CONTROL APPLICATION

HIGHLY CONFIDENTIAL

Washington, D.C.

Wednesday, August 27, 1997

Deposition of ROBERT L. SANSOM, a
witness herein, called for examination by counsel
for the Parties in the above-entitled matter,
pursuant to agreement, the witness being duly
sworn by JAN A. WILLIAMS, a Notary Public in and
for the District of Columbia, taken at the
offices of Arnold & Porter, 555 Twelfth Street,
N.W., Washington, D.C., 20004-1202, at
10:05 a.m., Wednesday, August 27, 1997, and the
proceedings being taken down by Stenotype by
JAN A. WILLIAMS, RPR, and transcribed under her
direction.

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1 A. I haven't examined the question of
2 market dominance with regard to the exclusive
3 deliveries.

4 Q. What about with regard to the premium?

5 A. Well, I think that's the same answer.

6 Q. Now, let me see if we can get at it
7 this way, you mentioned the subject to regulatory
8 constraints, you used that phrase. What's your
9 understanding of the regulatory constraints on
10 pricing movements to market dominant shippers?

11 A. Well I understand there's a procedure
12 whereby a shipper that is subject to exclusive
13 deliveries can attempt to establish that the
14 railroad serving it has market dominance. And,
15 if they do establish that, then it's subject to
16 certain limits which are basically a multiple of
17 variable costs.

18 Q. Okay. And do you have an understanding
19 of whether an acquisition premium would be
20 included in the net investment base used to
21 calculate those variable costs?

22 A. No, I haven't looked at that.

23 Q. Hypothetically, if you assume that the
24 acquisition costs are included in the net
25 investment base used to calculate variable costs,

1 would you agree with me that the premium could
2 result in higher rates to market dominant
3 shippers?

4 A. If the market premium or the premium is
5 included in the variable cost, then I think in
6 your set of hypotheticals, that market dominant
7 carrier premium included in the variable cost,
8 subject to the regulatory constraint, the answer
9 would be yes.

10 Q. And that would be because it would
11 affect the jurisdictional threshold?

12 A. Yes.

13 Q. That's one reason?

14 A. If your hypothetical is right. I'm not
15 prepared to admit that the premium would be
16 included.

17 Q. I'm asking you to assume it.

18 A. Okay.

19 Q. So it would affect the jurisdictional
20 threshold which would mean that market dominant
21 shippers could potentially face a higher hurdle
22 in order to have their rates reviewed, correct?

23 A. Under your set of assumptions.

24 Q. And then would it also under the same
25 assumptions affect the stand-alone rate that

1 would be prescribed -- strike that.

2 Would it also affect the board's.
3 calculation of the maximum reasonable rate under
4 the STB standards?

5 A. Under your set of assumptions, my
6 understanding is it would.

7 Q. Let's switch back to Centerior.
8 Earlier I put on the record a comment about your
9 representation of Centerior in the past. Could
10 you detail what that representation has been?

11 A. I served as an expert in a dispute
12 between -- on behalf of Centerior in a dispute
13 between Centerior and Ohio Valley Coal Company.

14 Q. In what context was that dispute?

15 A. That was a contractual dispute over the
16 terms of the coal supply agreement between Ohio
17 Valley and Centerior.

18 Q. What time frame was that?

19 A. Three years ago roughly.

20 Q. Okay. Was Mr. Schwartz also involved
21 in matters relating to Ohio Valley?

22 A. Yes.

23 Q. Has he represented them or has your
24 firm represented Centerior in other matters?

25 A. I think we've done studies for

CERTIFICATE OF SERVICE

I certify that I have this 21st day of October, 1997,
served Highly Confidential copies of the foregoing Comments by
hand upon Applicants' counsel:

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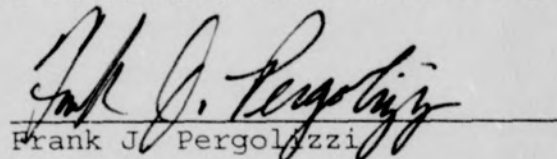
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I further certify that copies of the Redacted, Public
Version of the foregoing Comments were served by first class
mail, postage prepaid on:

The Hon. Rodney E. Slater
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The Hon. Janet Reno
Att'y Gen. of the United States
U.S. Dept. of Justice
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and upon all other parties of record in Finance Docket No. 33388.


Frank J. Pergolizzi