

STB

FD-33388

7-26-01

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NS-85

BEFORE THE  
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388

ENTERED  
Office of the Secretary

JUL 27 2001

Part of  
Public Record



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

---

**NORFOLK SOUTHERN'S MOTION FOR LEAVE TO FILE A REPLY**

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Norfolk Southern Corporation and Norfolk Southern Railway Company (together, "NS") request leave to file the accompanying reply (NS-86) to respond briefly to certain assertions of fact contained in the Reply of Various Unions and the Commonwealth of Pennsylvania to Norfolk Southern Corporation's Response to Decision No. 186 filed on July 16, 2001 ("Petitioners' July 16, 2001 Reply"). NS does not seek leave to restate any of the arguments made in previous NS pleadings or to reply to petitioners' various arguments, erroneous as we submit them to be.<sup>1</sup> NS wishes only to reply to certain assertions of fact in

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<sup>1</sup> As NS submits this solely for the purpose of correcting the factual record, NS further does not seek leave for an exception to the Board's regulations in order to address the new arguments raised by the National Industrial Transportation League and others submitted for the first time in reply to NS' Response to the Decision No. 186.



Petitioners' July 16, 2001 Reply that are incorrect and that have not been addressed in previous pleadings.

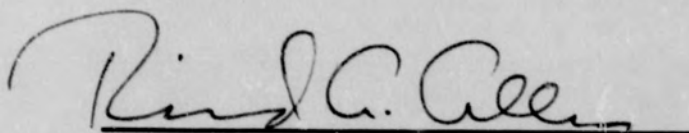
The factual assertions we wish to address relate primarily to two matters. The first is the amount of insourcing work performed and available at the Hollidaysburg Car Shops ("Shops") after Split Date. Petitioners' July 16, 2001 Reply includes, as Exhibit 35, a Declaration of Joseph H. Letcher that discusses this matter at length. As shown in the Joint Verified Statement of David L. Veron and Michael A. Ricciardi, attached to NS-86, most of Mr. Letcher's statement is wrong. In connection with his discussion of insourcing work, Mr. Letcher also erroneously asserts that NS' management "backed out of" a tentative reduced wage agreement for new hires at the Shops. The verified statement of Mr. Anthony J. Licate, NS Director, Labor Relations, attached to NS-86, demonstrates that that assertion is incorrect.

The second matter pertains to the profitability of the Shops. Because petitioners' initial petition and their supporting witness Thomas Lutton erroneously asserted that the Shops were profitable, NS' reply to that petition (NS-79) included a verified statement of Robert Belvin showing that, conservatively estimated, the Shops incurred net losses in 2000 of almost \$7 million. Petitioners' July 16, 2001 Reply disputes those calculations and asserts that NS appears to have included certain costs twice. The supplemental verified statement of Mr. Belvin, attached to NS-86, shows that these contentions are also wrong.

NS requests permission to file the accompanying reply to the assertions in order to provide the Board a complete factual record on these issues. The factual assertions to which

NS wishes to respond were made for the first time in Petitioners' July 16, 2001 Reply (despite earlier opportunities to do so), and NS thus had no previous opportunity to respond to them.

Respectfully submitted,



Richard A. Allen  
Scott M. Zimmerman  
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RASENBERGER, LLP**  
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**NORFOLK SOUTHERN  
CORPORATION**  
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Norfolk, Virginia 23510-2191  
(757) 629-2838

*Attorneys for Norfolk Southern Corporation  
and Norfolk Southern Railway Company*

July 27 , 2001

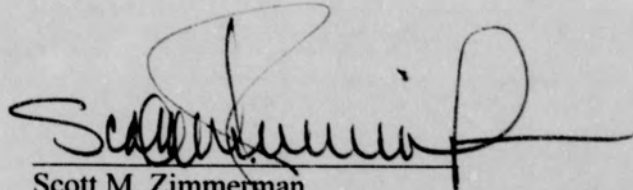
# **CERTIFICATE OF SERVICE**

I certify that on July 27, 2001, a true copy of NS-85, Norfolk Southern's Motion for Leave to File a Reply was served by hand delivery upon:

Richard S. Edelman  
O'Donnell, Schwartz & Anderson, P.C.  
1900 L Street, N.W.  
Suite 707  
Washington, D.C. 20036

Scott N. Stone  
Patton Boggs, LLP  
2550 M Street, N.W.  
Washington, D.C. 20037

I further certify that the foregoing pleading has been served on July 27, 2001 by first class U.S. Mail, postage prepaid, or more expeditious means, upon all other known parties of record in Finance Docket No. 33388 or will be so served by the next business day, July 30, 2001.



Scott M. Zimmerman



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BEFORE THE  
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388



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

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

The various Unions<sup>1</sup> and the Commonwealth of Pennsylvania, who filed a joint petition for enforcement, reopening or other relief in this proceeding with respect to NS' planned repudiation of the representations and commitments it made regarding the former Conrail Hollidaysburg Car Shop ("HCS"), hereby petition the Board for leave to file a response to the reply of Norfolk Southern Corp. ("NS") to the Joint Petition.

In support of this Petition the Unions and Pennsylvania note at the time they filed their Joint Petition on March 28, 2001, NS had expressly refused to provide the Unions with an explanation of the intended closure, beyond the vague and conclusory information in NS' press release on the subject. Now, however, NS has explained its position to the Board in its April 17, 2001 reply and the thirteen exhibits to the reply. The Unions and the Commonwealth believe that the assertions made by NSR require a response because they submit that NS's reply provides

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R.S

new assertions of fact that the Petitioners believe are either incorrect or incomplete. Among other things NS has actually contended that it made no representations or commitments about retention and continued operation of the HCS, and it has relied on certain financial information not accessible to the Petitioners. With respect to the former contention, Petitioners have recently received information in connection with hearings before the Pennsylvania House of Representatives Transportation Committee, including a videotape of comments by NS CEO David Goode in Altoona, PA on "Day One", and testimony of an NS Resident Vice President in 1997, that Petitioners assert further demonstrate that NS made commitments regarding the HCS. With respect to the latter contention, Petitioners have reviewed NS' assertions regarding alleged economic factors in NS' decisionmaking. They have gathered information relating to that point that Petitioners assert demonstrates that, even if economic circumstances at the HCS could justify NS' decision to close the HCS, there has not been a significant change in economic circumstances at the HCS since the time that NS made its commitments.

Petitioners also seek to supply the Board with copies of testimony of NS' current Resident Vice President before the Pennsylvania House of Representatives Transportation Committee about NS' decision to close the HCS, and correspondence from NSR to three unions about the HCS closing-- none of that information was available at the time that the Unions and the Commonwealth filed their Joint Petition.

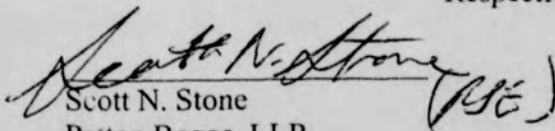
The Unions and the Commonwealth believe that the additional information that they seek to submit to the Board is highly relevant to the Board's consideration of the Joint Petition and should be available to the Board before it makes its decision. The Unions and the Commonwealth further submit that their submission of a response to NS' reply is appropriate

because, despite the Unions' express requests, NS had not provided them with any attempted justifications or data to support its action prior to their filing of the Joint Petition.

Petitioners also believe that NS will not be prejudiced by the submission of this response since it is predicated on statements and speeches made by its own officers, letters that NSR wrote to three of the Unions and data from NSR's own shop. Furthermore, Petitioners state that if NS believes that it has a need to respond to the additional evidence submitted by the Unions and the Commonwealth, they will not object to NSR's submission of a response addressed to the additional evidence filed within a time period similar to the time elapsed between the filing of NSR's Reply and Petitioners' Response.


Petitioners respectfully submit that their Joint Petition raises important questions about the Board's Order regarding the CSX/NS-Conrail transaction, the Board's preference for voluntary resolution of issues between applicants and interested parties in major consolidations, the efficacy of Board Oversight Orders and the ability of the Board to hold applicants in major rail consolidations accountable for the commitments that they make in seeking and obtaining STB approval of their transactions. For these reasons, the Unions and the Commonwealth of Pennsylvania respectfully request that they be granted leave to file a response to the Reply to their Joint Petition that was filed by NS.

Respectfully submitted,



Scott N. Stone  
Patton Boggs, LLP  
2550 M Street, N.W.  
Washington, D.C. 20037

Counsel for the Commonwealth of  
Pennsylvania  
May 9, 2001



Richard S. Edelman  
O'DONNELL, SCHWARTZ  
& ANDERSON, P.C.  
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Washington, DC 20036  
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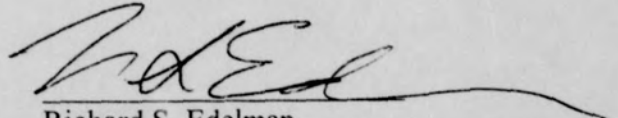
Counsel for the Unions

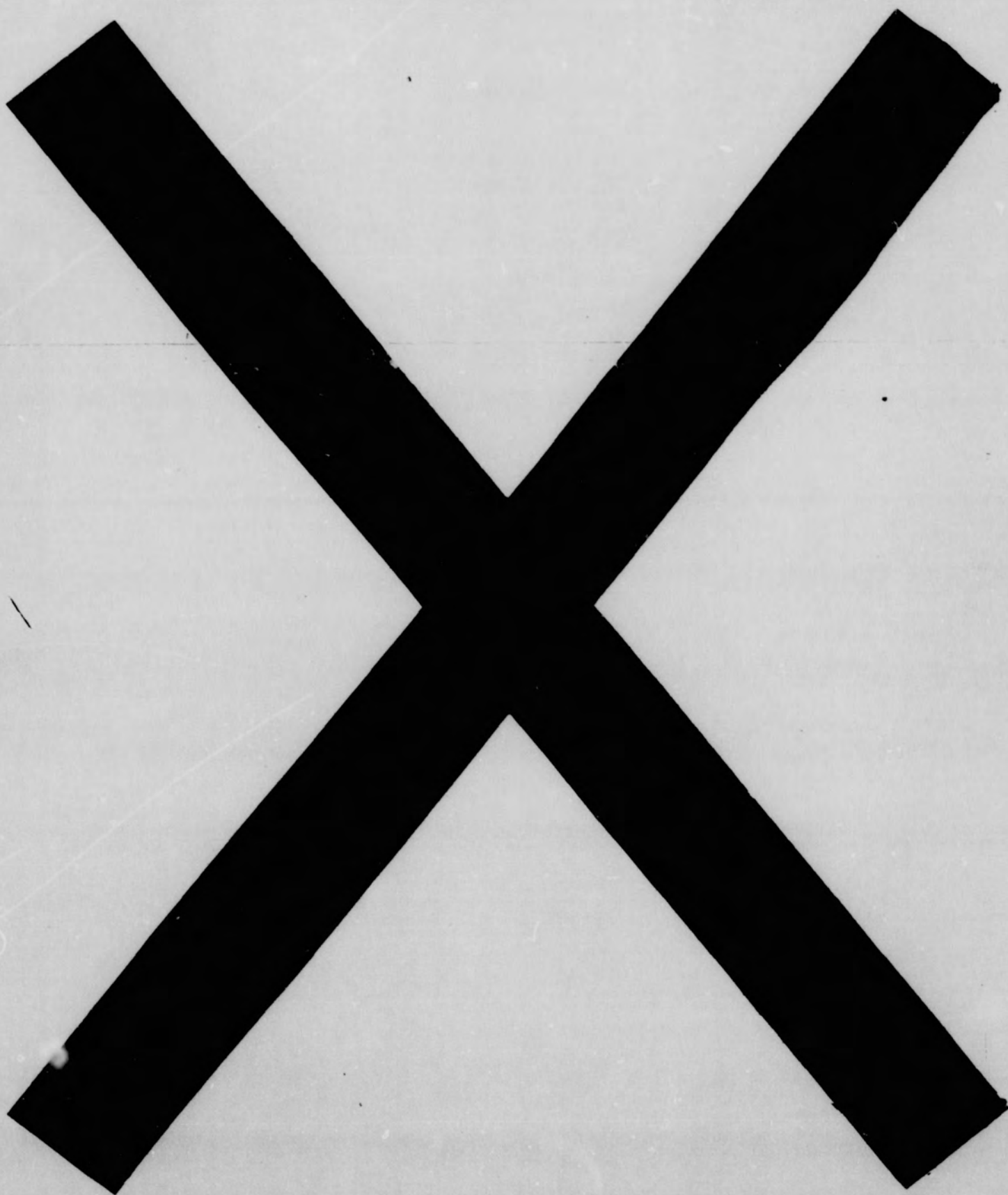


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I hereby certify that I have caused to be mailed copies of the foregoing Response of Various Unions and the Commonwealth of Pennsylvania To Norfolk Southern's Reply to Joint Petition for Enforcement of Order, or Alternatively to Reopen for Order Directing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

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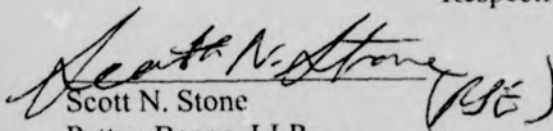


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May 9, 2001



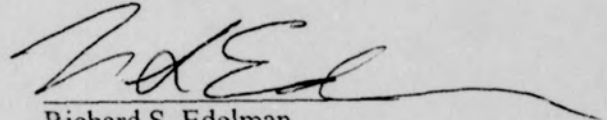
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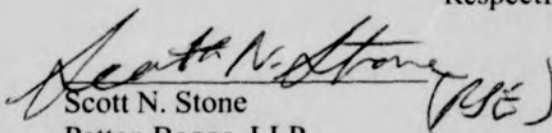
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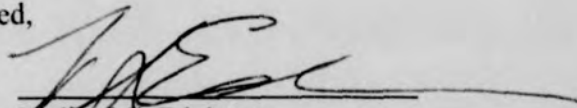
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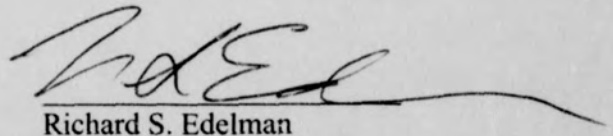
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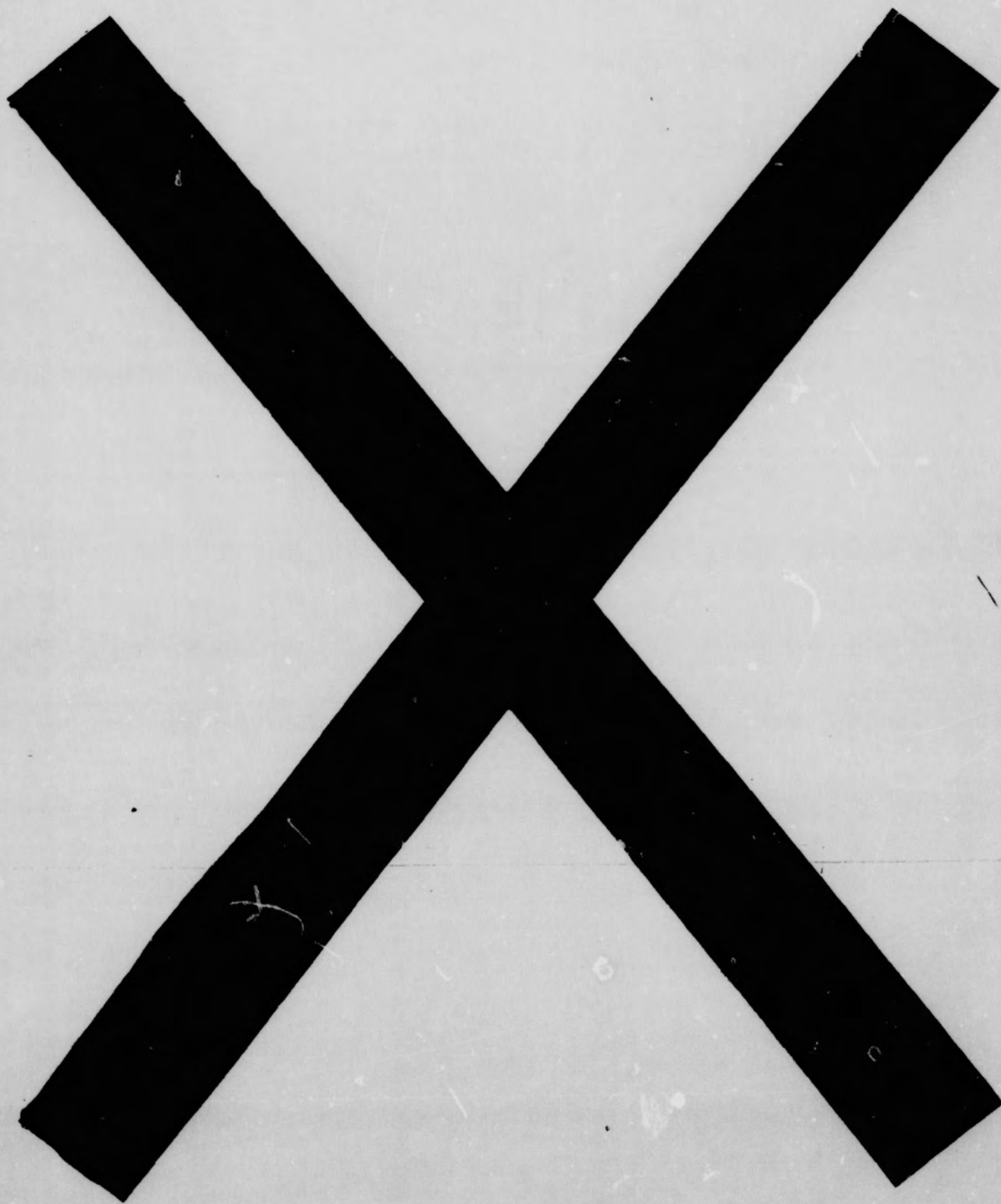
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Richard S. Edelman





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# ARNOLD & PORTER

Mary Gabrielle Sprague  
Mary\_Gay\_Sprague@aporter.com

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202.942.5999 Fax

555 Twelfth Street, NW  
Washington, DC 20004-1206

May 3, 2001

**BY HAND DELIVERY – Original and 25 Copies**

The Honorable Vernon A. Williams  
Secretary, Surface Transportation Board  
Mercury Building, Room 700  
1925 K Street, N.W.  
Washington, D.C. 20423



**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 is the Settlement Agreement Between the Four City Consortium and CSX Transportation, Inc., dated January 31, 2001. CSX and the Four City Consortium request that the Board adopt the terms of this Agreement as a condition of the Board's approval of the Conrail Transaction. Specifically, CSX and the Four City Consortium request that the Board amend Decision No. 89 (as amended by Decisions No. 96 and 114) by adding this Agreement to the list of Negotiated Agreements entered into by CSX set forth in Decision No. 89 at Appendix Q, Environmental Condition No. 51 (page 420).

This Agreement supplements the October 26, 1998 Settlement Agreement between the Four City Consortium and CSX, which was the subject of the Board's Decision No. 114 (served Feb. 5, 1999). Accordingly, Item 10 of the CSX subsection of Environmental Condition No. 51 of Appendix Q of Decision No. 89 should be amended as follows:

10. The Cities of East Chicago, Hammond, Gary, and Whiting, IN (also known as the Four City Consortium or the Four Cities), agreements dated October 26, 1998 and January 31, 2001.

This Settlement Agreement is submitted to the Board with the concurrence of the Four City Consortium, as noted below.

**ENTERED  
Office of the Secretary**

**MAY 04 2001**

**Part of  
Public Record**



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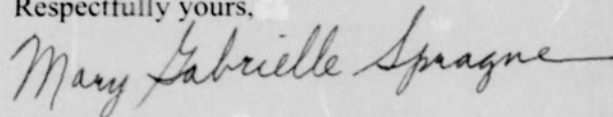
# ARNOLD & PORTER

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The Honorable Vernon A. Williams  
May 3, 2001  
Page 2

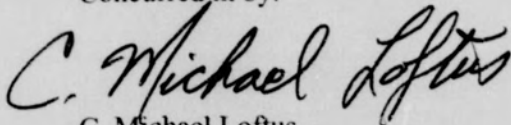
Thank you for your assistance in this matter. Please contact me (202-942-5773) or  
C. Michael Loftus, (202-347-7170) if you have any questions.

Respectfully yours,



Mary Gabrielle Sprague  
Counsel for CSX Corporation and  
CSX Transportation, Inc.

Concurred in by:



C. Michael Loftus  
Slover & Loftus  
Counsel for the Four City Consortium

Enclosure

cc: Victoria Rutson, SEA

**Settlement Agreement Between  
the Four City Consortium and CSX Transportation, Inc.**

The following is a Settlement Agreement between the Cities of East Chicago, Hammond, Gary, and Whiting, Indiana (the "Four City Consortium" or "Consortium") and CSX Transportation, Inc. ("CSX"), collectively referred to herein as the "Parties".

The purpose of this Settlement Agreement is to address certain outstanding operational and environmental impact issues resulting from CSX's operations in the Four Cities' area, facilitate the upgrading of certain area rail lines to promote the maximum use of grade separated rail corridors, provide for additional investment for a grade crossing separation project in East Chicago, facilitate the purchase and transfer of certain CSX property to the City of Hammond, and address certain traffic violation citations issued by the Cities for railroad blockages of area at-grade highway/rail crossings.

This Settlement Agreement supplements environmental conditions impacting the Four City Consortium imposed by the Surface Transportation Board ("STB" or "Board") in Finance Docket No. 33388 in 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, (Decision No. 89 served July 23, 1998), as modified by the Board in Decision No. 114 (served Feb. 5, 1999) adopting the October 26, 1998 Settlement Agreement between the Consortium and CSX. The parties agree to abide by all requirements outlined in Decision Nos. 89 and 114, except to the extent that they have or may agree to modify the requirements of those decisions. It is understood that by entering into this Agreement, the Four City Consortium does not waive its right to petition the Board for relief during the oversight period governing the proceeding, or its right to petition for reopening thereafter, should the Consortium determine that such action is necessary.

Promptly upon execution of this Agreement, the parties will notify the STB of the Settlement. The parties will provide the STB with a copy of this Agreement and will request that the Board adopt its terms as a condition to its approval of the Conrail control transaction.

**I. IHB Corridor Improvements and Operations**

The Parties recognize that mutual benefits can be derived from routing CSX trains from the Baltimore & Ohio Chicago Terminal Railroad Company ("BOCT") line to the parallel grade-separated route consisting of the CSX Porter Branch and the Indiana Harbor Belt ("IHB") via Toleston, IN and Calumet Park, IL. The Four Cities would benefit from reduced train traffic on the BOCT line and resulting safety and environmental improvements. CSX benefits from enhanced operating flexibility in the region. Both parties recognize that the enhanced capacity on the Porter Branch/IHB line would give CSX an increased opportunity to route even more trains over the line. The parties also recognize that other railroads operate trains over the IHB line and capacity can be impacted by the total number of trains operating over the line at any given time.

To these ends, the Parties agree as follows:

- A. CSX shall reroute trains from the BOCT line to the Porter Branch/IHB line consistent with sound economic and operating practices, as outlined below. This rerouting of trains shall occur as soon as practicable. The parties initial objective is for CSX to reroute a minimum of five (5) trains per day on a average daily basis over the Porter Branch/IHB line following the completion of double tracking of the Porter Branch between Lake Station and Virginia Street. The parties longer term objective is that additional trains above and beyond the five trains could also be rerouted by CSX to the extent economically and operationally feasible as further capital improvements are made to the Porter Branch and IHB line.
- B. The Parties recognize that to achieve optimal use of the Porter Branch/IHB line will require (i) certain necessary capital improvements to be made to the Porter Branch/IHB line including the double tracking of the Lake Station-Virginia Street segment of the Porter Branch which CSX is currently planning on constructing, and (ii) certain cooperative agreement(s) with IHB with respect to CSX's use of its facilities. CSX shall use reasonable discretion to undertake and complete any necessary operational and infrastructure improvements to CSX lines and any necessary trackage arrangements with IHB to meet the requirements and objectives of I.A. as economically and operationally practicable.
- C. CSX shall report to the Consortium in writing on a quarterly basis the specific actions it has and is taking to comply with I.A., at least until such time as CSX has completed all improvements/agreements necessary for complete compliance with the requirements and objectives of I.A.
- D. CSX and the Consortium will cooperate in seeking from state and federal sources all available public funding for any additional capital investments that may be necessary to achieve the rerouting of the maximum amount of rail traffic possible from the BOCT line to the Porter Branch and the IHB line. CSX and the Consortium will also cooperate and provide reasonable and appropriate expertise and assistance in conducting a review of the appropriate corridors to determine and implement any additional operational and/or structural improvements that may be necessary to improve traffic flow and further mitigate the safety and environmental impacts of CSX's operations in the Four Cities.
- E. The parties recognize that CSX is only a 25.5% owner of the IHB line, and that higher usage could result in higher payments to the other owners of the line. Therefore, the parties recognize that economic consequences of the higher usage will be one factor that CSX can consider in determining the number of trains to operate

over the line. The present intention of CSX, however, is that additional number of trains can operate over the IHB line and still provide a mutual benefit to both parties.

## II. Railroad Avenue Grade Separation Project

CSX will continue its cooperation with the City of East Chicago in constructing a grade-separated truck route over the BOCT line at Railroad Avenue. CSX will contribute by 2002 an additional \$812,500 toward construction costs, above and beyond the \$187,500 already committed to the project, for a total of \$1 million toward project costs so long as the project has been approved and otherwise funded by the appropriate governmental authorities. The at-grade highway/rail crossing at Railroad Avenue will be closed upon completion of the grade separation project. In addition, the City of East Chicago shall earnestly consider the permanent closure of Todd Avenue following completion of the Railroad Avenue grade separation.

## III. Monon Yard Sale

The parties agree to enter into a mutually agreeable process for the conveyance of the Monon Yard, a 40-acre tract of land in Hammond owned by CSX, to the City of Hammond. That process shall entail the following:

- A. The parties shall promptly establish an approach/ mechanism whereby the fair market value of the Monon Yard may be determined, through independent appraisal or otherwise.
- B. Once an appropriate valuation of the Monon Yard is made, the parties agree to negotiate in good faith toward mutually agreeable terms (price and other terms) for the conveyance of the Monon Yard from CSX to the City of Hammond and the parties agree to obtain promptly any appropriate judicial or other approval necessary to effectuate the conveyance of the property.

## IV. Whiting Access Road

CSX will continue to cooperate and assist the City of Whiting with efforts to construct a public access road behind the Globe Roofing Materials building that will benefit the City by diverting truck traffic away from residential neighborhoods.

## V. Citations for Blocked Crossings

- A. Each of the Four Cities agrees that it will immediately dismiss any and all pending citations issued to CSX trains for blocking at-grade highway/rail crossings. CSX and each of the Four Cities shall file any and all necessary joint stipulations or other motions with the appropriate courts to secure appropriate orders of dismissal, without costs assessed against CSX, for any and all pending citations issued to CSX trains. For the purposes of this agreement, "pending citations" includes all citations



issued to CSX trains, or issued to other railroads when they should have been issued to CSX, including citations issued under the state statute, for blocking at-grade highway/rail crossings when the blocking occurred on any date on or before the date of this agreement.

- B. Each party shall be responsible for its own costs and attorney's fees relating to the pending citations issued to CSX trains.
- C. CSX agrees to cooperate with the Consortium in developing methods of operation and appropriate infrastructure improvements as necessary to help promote highway safety and provide for the orderly, predictable, and safe movement of all vehicular, rail, and pedestrian traffic, especially at those at-grade highway/rail crossings identified by the Consortium as problematic from a safety and environmental perspective. Such actions might entail, but are not limited to, policies requiring trains that must stop to be stopped short of critical crossings, separating trains at critical crossings, rerouting trains, and/or consolidating area rail lines to the extent safe and practicable.
- V. The parties recognize and agree that, by entering into this agreement, (1) CSX does not waive or abandon any arguments in existing or future proceedings, disputes, cases, litigation, or otherwise, based on facts that are known or unknown, that local or state laws are unconstitutional as preempted by federal law or violate the Commerce Clause, and (2) the members of the consortium do not waive any rights to enforce any local or state laws and to defend their constitutionality.
- VI. The terms and conditions of this settlement agreement shall be in effect through the duration of the STB oversight process in Finance Docket 33388, unless otherwise agreed upon by the parties.

In witness whereof, the parties have caused this agreement to be executed by their duly authorized representatives on this date, JAN 31, 2000.

**CSX Transportation**

By: John W. Snow  
John W. Snow  
Chairman, CEO, and President, CSX Corporation

**The Four Cities Consortium**

By: Robert Pastrick  
The Honorable Robert Pastrick  
Mayor, City of East Chicago

By: Scott King  
The Honorable Scott King  
Mayor, City of Gary

By: Duane Dedelow  
The Honorable Duane Dedelow  
Mayor, City of Hammond

By: Robert Bercik  
The Honorable Robert Bercik  
Mayor, City of Whiting

**CERTIFICATION OF CLERK**

As legal custodian I hereby certify that the above and foregoing is a true and complete copy of the original on file with this office in the cause stated thereon.

Witness my hand and the seal of the court this

27th day of February, 2021

By: Debra N. Carter  
Clerk of the Last Circuit and Superior Courts

By: Cynthia Malasovsky  
Deputy Clerk

By: Debra N. Carter  
Deputy Clerk

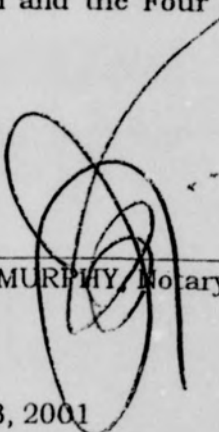
STATE OF INDIANA )

COUNTY OF LAKE )

**VERIFICATION**

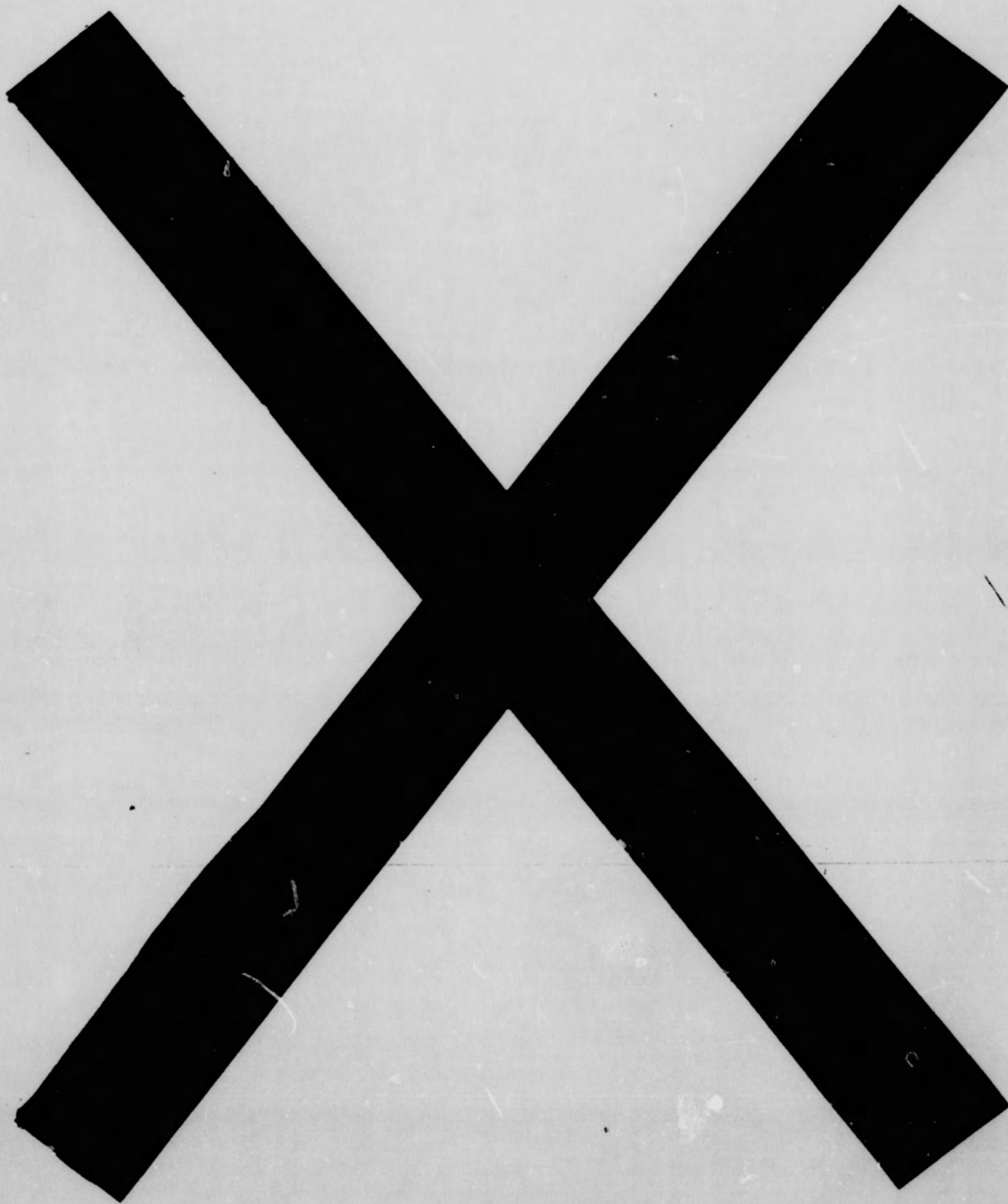
I, J. Justin Murphy, a Notary Public in and for the above-mentioned state and county, hereby declare that on the 30<sup>th</sup> day of January, 2001, The Honorable Robert Pastrick, Mayor of the City of East Chicago, Indiana, The Honorable Duane Dedelow, Mayor of the City of Hammond, Indiana, and The Honorable Robert Bercik, Mayor of the City of Whiting, Indiana, personally appeared before me and executed the foregoing Settlement Agreement between CSX Corporation and the Four Cities Consortium.

I further verify that The Honorable Scott King, Mayor of the City of Gary, Indiana, did also appear before me and execute in my presence the Settlement Agreement between CSX Corporation and the Four Cities Consortium on the 26<sup>th</sup> day of February, 2001.

  
\_\_\_\_\_  
J. JUSTIN MURPHY, Notary Public

My Commission Expires: November 13, 2001

My County of Residence: Lake





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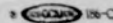
**FILING FEE WAIVED**  
*O'Donnell, Schwartz & Anderson, P.C.*  
*Counselors at Law*

*1300 L Street, N.W., Suite 707*

*Washington, D. C. 20036-5023*

(202) 898-1824

FAX (202) 429-6928



March 28, 2001

**ENTERED**  
**Office of the Secretary**

**MAR 29 2001**

**Part of**  
**Public Record**

JOHN F. O'DONNELL  
(1907-1993)

RICHARD S. EDELMAN\*  
OF COUNSEL

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MELINDA K. HOLMES°°  
HOUEIDA SAAD°°  
MURSHED LAHEED°°°

\*ALSO NY BAR  
\*\*ALSO PA AND MS BAR  
\*\*\*ALSO ME BAR  
°ALSO VA BAR  
°°ALSO PA BAR  
°°°MA BAR ONLY

**By Hand Delivery**

Vernon Williams  
Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423-0001

Re: STB F.D. No. 33388

Dear Mr. Williams:

Enclosed please find an original and ten copies of a Petition for Enforcement of Order, or Alternatively to Reopen for Order Directing Compliance with Commitments, or Alternatively for Relief Not Otherwise Provided-for filed by the Transport Workers Union of America, National Council of Firemen and Oilers/SEIU, International Association of Machinists and Aerospace Workers, International Brotherhood of Boilermakers and Blacksmiths, International Brotherhood of Electrical Workers and Sheet Metal Workers International Association, as well as the Commonwealth of Pennsylvania, in the above-referenced matter. Also enclosed is a copy of the petition on a 3 1/2 inch floppy disk in WordPerfect format.

**FILED**

**MAR 28 2001**

**SURFACE  
TRANSPORTATION BOARD**

Sincerely,

O'Donnell, Schwartz & Anderson, P.C.

By

Richard S. Edelman

Enclosures

ENTERED  
Office of the Secretary

MAR 29 2001

Part of  
Public Record

# FILING FEE WAIVED

BEFORE THE  
SURFACE TRANSPORTATION BOARD

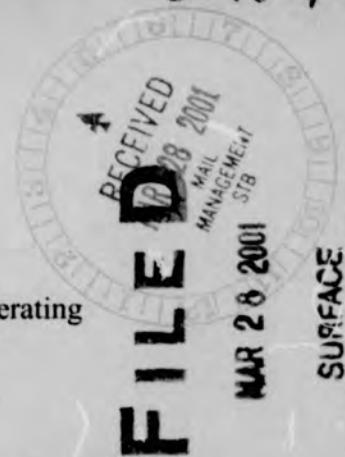
Finance Docket No. 33388

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

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

It is time for the Board to hold applicants in major rail consolidations accountable for the solemnly undertaken commitments that they make in seeking and obtaining STB approval of their transactions. It is time for the Board to hold these applicants responsible for following through with the representations they make to the Board and affected parties when they seek STB approval of consolidations. It is time for the Board to hold applicants to the promises that they make through the sworn statements and testimony of their officers and representatives in STB proceedings and before Congress.

Specifically, it is time for the Board to reopen its Decision No. 89 (served July 23, 1998) in this proceeding that authorized Norfolk Southern Corp., Norfolk Southern Ry. Co. ("NSR") and CSX Corp., CSX Transportation ("CSXT") to acquire control of Conrail Inc. and the Consolidated Rail Corp. ("Conrail") (hereinafter "Decision No. 89") in order to direct NSR to comply with its commitments and representations by its officers and representatives, from Chairman and Chief Executive Officer David R. Goode on down, in sworn testimony, that NSR



1) would retain and keep open the "excellent" Conrail car shops at Hollidaysburg, PA that is "known for [its] capabilities and craftsmanship of [its] employees" and 2) would invest \$4 million in those shops. Recently, notwithstanding the many, repeated, unequivocal commitments and representations by NSR that it would retain the Hollidaysburg shops and invest \$4 million in those shops, NSR announced that NSR would close those shops, after failing to make the promised investment, and that NSR would transfer work from those shops to other shops. NSR made this announcement despite the express order of the Board in Decision No. 89 that "Applicants must adhere to all of the representations they made during the course of this proceeding, whether or not such representations are specifically referenced in this decision". *Id.* at 176.

The time has certainly come for the Board to demonstrate that applicants in major rail consolidations may not make commitments in order to gain STB approval and then renege on those promises. The time has surely come for the Board to make it clear that its order binding an applicant to its representations is not just an empty gesture, but a meaningful order that the agency will enforce. The time has necessarily come for the Board to tell NSR that it must do what it promised with respect to the Hollidaysburg shops.

Given NSR's recent repudiation of its commitments, the Transport Workers Union of America ("TWU") and the National Council of Firemen and Oilers/SEIU ("NCFO"), International Association of Machinists and Aerospace Workers ("IAM"), International Brotherhood of Boilermakers and Blacksmiths ("IBB") International Brotherhood of Electrical Workers ("IBEW") and Sheet Metal Workers International Association ("SMWIA") (collectively referred to herein as "Unions"), as well as the Commonwealth of Pennsylvania, hereby petition the Board pursuant to 49 C.F.R. §1115.4 and/or §1117 for an Order reopening this proceeding



and directing NSR to adhere to the representations it made regarding the Hollidaysburg shop. The Unions submit that NSR has violated the terms of the Board's Order in Decision No. 89; that there are "substantially changed circumstances" (*i.e.* NSR's recent repudiation of its commitments) that require that the Board reopen this case and hold that NSR may not renege; and that the Board also has jurisdiction to issue an order directing NSR to comply with its commitments, because the Unions' members will be adversely affected by NSR's planned actions so that they are therefore entitled to relief.

### **STATEMENT OF FACTS**

#### **A. Summary**

As the Board well knows, Decision No. 89 was the culmination of proceedings that started when CSX sought to unilaterally acquire control of Conrail and NSR tried to thwart the CSXT bid and to acquire Conrail on its own. Decision No. 89 at 176. In the competition for Conrail, NSR made numerous commitments to obtain support for its bid. In particular, NSR committed that it would retain the Hollidaysburg shops. It argued that CSXT would abandon or substantially diminish the shops in favor of CSXT's existing shop at Cumberland, MD. NSR sought support from Pennsylvania officials and communities, members of Congress and Conrail employees by arguing that NSR would preserve the Hollidaysburg car shop and the Juniata locomotive shop in Altoona, Pennsylvania.

After the competition led to stalemate and CSXT and NSR later combined to acquire and divide Conrail, but before the Applicants' submission of the Application, NSR's representations about preservation of the Hollidaysburg shops continued. NSR CEO David Goode testified before a Subcommittee of the Senate Committee on Appropriations and gave assurances that NSR would keep the shop and in fact would need it.

The Application itself contained several direct commitments to retain the shops and expressly stated that NSR would invest \$4 million in the shop. Additionally, the implementing agreements negotiated with various shop craft unions were predicated on NSR's retention of the Hollidaysburg Shops and consolidation of the program car work at those shops. Indeed, when the carriers served their notice for a *New York Dock* implementing agreement covering the Carmen craft, NSR confirmed that it would be consolidating certain mechanical work at Hollidaysburg, asserted that those plans were an integral part of the Transaction, and that they justified the overriding of the Conrail collective bargaining agreement covering Carmen. However, NSR never made the \$4 million investment in improvements for the Hollidaysburg shops, and now it plans to close the Hollidaysburg shops. In a recent notice, NSR said the closure would take place on or about September 1, 2001.

**B. NSR's Commitments Regarding the Shop While It Was Competing For Conrail**

On October 24, 1996, the *Philadelphia Inquirer*, reported that NS had "Launch[ed] a Hostile Bid For Conrail" that was described as an effort to counter CSX's attempt to acquire control of Conrail by making a "hostile takeover assault" backed by a publicity campaign attacking the CSX transaction and promoting the alleged benefits of the NS transaction. The article referred to a letter to the Conrail Board by NSR CEO Goode which, among other things, stated that "Conrail's locomotive and car repair shops which makeup the lion's share of the economy of Altoona, Pa. would grow under Norfolk Southern. Unions' Ex.1. Also on October 24, 1996, the *Washington Post* reported : Norfolk Southern had made it clear that "Conrail's locomotive and car shops in and near Altoona, PA "would thrive after a Norfolk Southern merger". Unions' Ex.2. On November 2, 1996 the *Pittsburgh Post Gazette* reported that NS officials had approached Congressman Bud Shuster of Pennsylvania, then Chairman of the



House Transportation and Infrastructure Committee, generally assuring him that "they would keep the Altoona-area shops intact"; Congressman Shuster was quoted as saying that "There have been strong verbal assurances that the shops will remain... at least at the current level".

Unions' Ex.3. Then, as the competition between CSX and NS heated-up, NS began direct appeals to the public and Conrail employees attempting to win support for its bid. In those advertisements, NS asserted that an NS acquisition would be more advantageous to employees than a CSX acquisition, citing, among other things, NS' commitment to retain the Hollidaysburg Shops, and geographic considerations which indicated that CSXT would not need the shops but NSR would need them. On November 18, 1996, NS placed an advertisement in the *New York Times* addressed "To Conrail Constituencies" and titled "You Don't Have to Be a Conrail Shareholder to Benefit from Norfolk Southern's Offer", "A Norfolk Southern/Conrail Combination Will Be Better for All of Conrail's Constituencies". In that advertisement, NS asserted. "Norfolk Southern is committed to continuing to operate Conrail's Hollidaysburg Car Shop and its Juniata Locomotive Shop at Altoona, and will promote employment there.... What has CSX promised? Nothing. And, don't forget that CSX's locomotive shops at Cumberland, Maryland are less than 70 miles from Conrail's Altoona and Hollidaysburg shops." Unions' Ex.4. Additionally, an *Associated Press* report on December 6, 1996 described an advertisement placed by NS in the *Philadelphia Inquirer* and the *Pittsburgh Post Gazette* and in other papers that ran a headline "Where Will Conrail Employees Be If Competition Dies?" NS Vice President-Public Relations Robert C. Fort was quoted as saying "We think we have a clear message to Conrail employees, that they have a much better future in the Norfolk Southern". According to the *AP*, the advertisement stated that "Conrail's major Hollidaysburg and Altoona shops are within just 70 miles of CSX's facilities in Cumberland, Md. Redundancies like these could add

up to lost jobs...Norfolk Southern's system extends and complements Conrail's system, rather than duplicating it". Unions' Ex.5.

### **C. Senate Appropriations Committee Hearings**

On March 20, 1997, a Subcommittee of the Senate Committee on Appropriations held hearings on the then recently announced joint CSX/NS acquisition of control and division of Conrail. One witness at the hearing was NSR CEO David Goode who testified that NSR would retain the Hollidaysburg shop and indeed would expand it. An exchange between Mr. Goode and Senator Arlen Specter went as follows:

Senator Specter. OK. Moving east to the Altoona shops, the locomotive repair shops, and Hollidaysburg, again, Mr. Goode, what would your expectation be there as to the employment situation?

Mr. Goode. Well, we have looked, as you know, earlier this week at those shops, we had some knowledge of them earlier than that. John and I had a very good tour of the shops, they are excellent facilities. Since Norfolk Southern will be the likely beneficiary of the lines and of those shops, we do not have nearby shop facilities, as CSX did in Cumberland, so we are in a position of not only being able to give assurances that we will keep those shops and keep them operating, we are going to need them.

Hearing Report at 49, Unions' Ex. 6.

### **D. The CSX/NS Application And Other NSR Statements Regarding The Hollidaysburg Shop In The STB Proceedings**

The actual application and supporting documents filed by CSX and NS with this Board contained repeated clear statements by NSR that it would retain the Hollidaysburg and Juniata shops and that work for the shops would probably increase. Moreover, NSR expressly stated that it would invest \$4 million in the Hollidaysburg shops alone.

The sworn statement of Mr. Goode characterized the Hollidaysburg shops as "excellent", and stated that NSR would use the Hollidaysburg shop and that NSR would maximize utilization

of the shop by "in-sourcing". Mr. Goode stated:

This transaction also will permit NS to look carefully at its existing shops and other facilities as well as those on the Conrail properties NS will operate and to use each facility for the maximum efficiency and advantage to the combined operation. For example, Conrail has excellent locomotive and car repair facilities at Altoona/Hollidaysburg, Pennsylvania, while NS's comparable facilities are in Roanoke, Virginia. As explained in the Operating Plan and the Verified Statement of D. Michael Mohan, important efficiencies can be gained by concentrating different types of mechanical work at each location. To facilitate this effort, the truck and wheel work now performed by NS at Pegram Shop in Atlanta and by Conrail at Altoona will be centralized at Altoona, with the transition to be completed by the end of Year 1 after the Closing Date. So-called "insourcing" provides another opportunity to maximize utilization of the system shop at Altoona/Hollidaysburg and Roanoke. Fortunately for our insourcing plans, CSX plans to use NS's services at Altoona/Hollidaysburg for at least a portion of its Conrail car and locomotive fleets.

Verified Statement of David Goode p. 16 App. Vol. 1 p. 338. Unions' Ex.7.

NSR's Operating Plan witness Michael D. Mohan's sworn statement also referred to the "excellent facilities of Conrail" at Hollidaysburg, and stated that NSR would consolidate car program work at that shop. Mr. Mohan stated:

This transaction offers substantial opportunities to improve efficiency and fully utilize the excellent facilities of Conrail and NS in the Altoona/Hollidaysburg, PA and Roanoke, VA areas, respectively. Following the consolidation, NS intends to seek the efficiencies and other benefits of specialization at each of these facilities. . . . After the consolidation, the Conrail shop at Hollidaysburg will absorb most car program work, with Roanoke Shops - Car concentrating on new car construction and rebodging. Program car repair operations at Macedonia, OH, Decatur, IL and Williamson, WV will be eliminated.

Verified Statement of Michael Mohan p. 50 App. Vol. 3B at 62. Unions' Ex. 8.

NSR's Operating Plan was even more clear and specific. The Operating Plan clearly and unconditionally stated that NSR would invest \$4 million in the Hollidaysburg shop. The Operating Plan reported that:

In order to implement the mechanical plan, the following facility improvements will be undertaken. Capital expenditures required for these improvements are approximately \$102,000,000. . . .



Hollidaysburg, PA

Material handling improvements at car shop.  
Capital investment required \$4,000,000.

NSR Operating Plan p. 219 App. Vol. 3B p. 287. Unions' Ex.9. With respect to NSR's plans for the shop, the Operating plan stated that:

Recognizing the shop capacity NS gains as a result of the addition of Conrail facilities, as well as the advantages of a stable work force, NS anticipates performing car and locomotive repairs and overhaul for other rail carriers and other prospective customers. Because CSX will use approximately 42% of the former Conrail car and locomotive fleets, the transaction agreement provides for the terms under which CSX will be one of NS' insourcing customers. Facilities which will provide these services are in Altoona, PA (including the nearby Hollidaysburg Car Shop) and Roanoke, VA. These facilities are known for their capabilities and the craftsmanship of their employees.

NSR Operating Plan p. 253 App. Vol. 3B at 253. Unions' Ex.9. Elsewhere in its Operating Plan, NSR said:

Hollidaysburg will absorb most car program work with Roanoke Shop-Car concentrating on new car construction and rebodging. Extensive fabrication equipment at Roanoke will be used in lieu of kits furnished to Hollidaysburg by car suppliers, thereby saving an average of \$3 million annually. Program car repairs at Macedonia, OH on Conrail and Decatur, IL, and Williamson, WV on NS will be eliminated.

NSR Operating Plan p. 258 App. Vol. 3B p. 326. Unions' Ex.9. Thus, the Application in this proceeding contained several clear and specific commitments by NSR to invest in and retain the Hollidaysburg shops. Moreover, the foregoing demonstrates that these commitments were not conditional, contingent or limited in time.<sup>1</sup>

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<sup>1</sup> NSR has apparently been asserting that its commitment to Hollidaysburg was only for three years from the date of Board approval of the Transaction. However, there is no three year limitation in any of the statements cited and quoted above, nor is there a three year limitation in any other discussion of the Hollidaysburg shops or of NSR's plans for the Mechanical Department. The Application did (Volume 1 pp. 11-12) refer to a minimum three year period for CSXT to send cars to Hollidaysburg, but that was not a limitation on how long NSR would operate the shops, but only as to how long CSXT would send cars to the shops ("CSXT will use [the Hollidaysburg and Juniata shops] for locomotive repair and other work for at least three years") (*id.* at 12 n.3, emphasis added). Moreover, the three year period was from the "Closing

NSR's public statements contemporaneous with the filing of the Application echoed the assurances given in the Application with respect to Hollidaysburg. In a piece entitled "The New Norfolk Southern The Best Choice For Pennsylvania", NSR stated: "Because Conrail and Norfolk Southern operations do not overlap in Pennsylvania, most Conrail operating employees can count on working for Norfolk Southern or CSXT. Norfolk Southern is committed to operate Conrail's Hollidaysburg car shop and Juniata locomotive shop and will promote employment there". Unions' Ex.10. And an NSR "Fact Sheet" for Pennsylvania, under the heading "Economic Development", NSR cited "Estimated \$4 million in capital improvements at Hollidaysburg shop". Unions' Ex.11.

In accordance with the representations in its Operating Plan, NSR's Safety Integration Plan relied upon retention of the Hollidaysburg shops as supporting its claims that safety would not be adversely affected by the Transaction; indeed NSR represented that it would maintain the existing work force level at Hollidaysburg. NSR's SIP stated:

NS will maintain a stable staff of MP&E employees within the facilities allocated to NS. Figure 4, following, details the current number of employees at each such location. In view of NS' intent to maintain stable MP&E staffing, this figure also represents the currently projected Day 1 staffing. [Figure 4 indicated 436 carmen]

NSR Safety Integration Plan pp. 116 and 118. Unions' Ex.12.

NSR's response to discovery requests on behalf of several of the Unions reiterated that NSR planned to retain the Hollidaysburg shops. In response to the "Allied Rail Unions" Interrogatory No. 127 inquiring as to whether NSR planned any shop closing other than the Pegram, Ft. Wayne and Enola shops, NSR responded: "Applicants have not determined whether any other locomotive or car shops or facilities, other than the ones specified in the Operating

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Date" not the "Control Date". *Id.*



Plan, will be closed". Unions' Ex.13. In response to the "Allied Rail Unions'" Interrogatory No. 151 which asked the Applicants to "identify all project shops on the present Conrail system which will be closed or consolidated with another shop as a result of the Transaction", the Applicants answered "For NS: See the Application, including Applicants 1996/1997 Labor Impact Ex. ; Volume 3B (p. 326); and the response to ARU Interrogatory No. 127.". Unions' Ex. 14. Additionally, in the depositions of the Applicants' Labor Relations Vice Presidents, NS Vice President Labor Relations Robert Spenski repeatedly said that work would be "consolidated into" Hollidaysburg. Spenski/Peifer Deposition Transcript at 80, 86-87. Unions' Ex.15.

#### **E. The Board's Decision On The Transaction**

In Decision No. 89, the Board approved the CSX/NS acquisition of control and division of Conrail subject to certain conditions and an express directive that "Applicants must adhere to all of the representations they made during the course of this proceeding, whether or not such representations are specifically referenced in this decision". Decision No. 89 at 176, emphasis added.

#### **F. NSR's Position Under The New York Dock Conditions**

On August 31, 1998 CSXT, NSR and Conrail served a *New York Dock* notice on TWU and the Brotherhood Railway Carmen/TCU ("BRC") pursuant to *Decision No. 89*.<sup>2</sup> In their notice, the Carriers proposed to divide Conrail's Carmen among CSXT, NSR and residual Conrail and place all acquired Conrail facilities and lines to be operated by NSR under an NSR collective bargaining agreement. Declaration of Thomas D. Lutton. Unions' Ex. 16 ¶3. The Carriers' proposal as to the Carmen craft, and the Carriers' description of NSR's plans for

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<sup>2</sup> TWU and BRC both represented Carmen employed by Conrail; BRC represented CSXT and NSR Carmen. Award at 2.

consolidation of heavy repair and program car work at Hollidaysburg under an NSR collective bargaining agreement were consistent with implementing agreements that were entered with others of the Unions covering the other Shop Crafts. *See e.g.* Declaration of George J. Francisco, Jr. Unions' Ex.17 ¶3.

The Carriers and BRC and TWU negotiated a tentative agreement for an implementing arrangement which was not accepted by TWU because it failed ratification by TWU's members. In an arbitration held six months after the effective date of *Decision No. 89*, NSR affirmed that it would retain the Hollidaysburg shops, but it insisted on applying an NSR collective bargaining agreement to the shops. In one of the Carriers' pre-hearing submissions NSR stated:

NSR intends to change its heavy car repair operations to make the best use of its existing and allocated facilities. Conrail's Hollidaysburg car shop, which currently performs program repair, freight car reclamation, and new car fabrication for Conrail's fleet of 46,500 cars, will be operated exclusively by NSR. To maximize efficiency in the performance of heavy car repair after Day One, NSR will (i) consolidate most program car repair work for the integrated NSR car fleet at Hollidaysburg; (ii) consolidate freight car reclamation work at its car shop in Roanoke; and (iii) perform most rebodging, new car construction, and component fabrication work for the expanded system at Roanoke -- including the fabrication of component parts to support the program car repair work at Hollidaysburg. Vittur Decl. ¶38.

NSR Portion of Carriers' pre-hearing submission in *New York Dock* arbitration p. 9. Unions' Ex. 18.

#### **G. Implementation Of The Transaction And The Hollidaysburg Shops**

NSR's initial implementation of the Transaction with respect to the Hollidaysburg shops was consistent with the representations NSR made in the Application, before the Senate Appropriations Committee and in the *New York Dock* arbitration: NSR retained the shops, and program work was consolidated at that facility. Moreover NSR did perform "in-sourced" work on cars belonging to other entities, including the following work in calendar year 2000 earning

the amounts indicated: CSX Box Car work--\$1.2 million; 1<sup>st</sup> Union rail car work-- \$4.5 million; Greenbrier project-- \$2 million, GATX projects--\$50,000. The Unions believe that these projects produced a net profit for NSR, perhaps as much as \$1 million. Lutton Declaration. Unions' Ex. 16, ¶4. However, NSR did not make the capital investment in the Hollidaysburg shops that it had promised. Lutton Declaration, ¶5; Francisco Declaration ¶¶4, 5.<sup>3</sup>

At the current time, NSR continues to do "in-sourced" work as follows GATX-- modification of 156 woodchip cars; GATX-- modification of 300 covered hopper cars to become cement cars; CSX-- work on 125 Box Cars (\$1 million); CSX-- modification of 200 hopper Cars--(\$9.6 million). Lutton Declaration ¶6.

Despite the volume of work being performed at the Hollidaysburg shops, despite the profits earned by the shops and despite the promises made by NSR to the STB and others, NSR announced in November of 2000 that it was planning to close the Hollidaysburg shops. Instead, NSR would transfer the work to other NSR facilities. According to NSR this move was necessary because there was not enough business to keep the shops open. *See Pittsburgh Gazette and Associated Press* articles. Unions' Ex.19. But as the Unions have noted, there was plenty of work in the shops, and the shops turned a profit in 2000. Lutton Declaration ¶7.

After opposition by the Unions, and the expressions of concern of Congressman Bud Shuster who scheduled hearings on the matter, noting that he had been given personal

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<sup>3</sup> See also *CSX Corp et al and Norfolk Souther Corp. et al -Control and Operating Lease Agreements-Conrail, Inc. and Consolidated Rail Corp.[General Oversight]* F.D. No. 33388(Sub- No. 91) Decision No. 5 (Served February 1, 2001) referring to concerns expressed by Pennsylvania officials that NSR had not lived-up to its commitments regarding capital investments in Pennsylvania including as to the Hollidaysburg Shops (*id.* at 94), NSR's Reply referring only to investments made at certain locations excluding Hollidaysburg (*id.* at 96) and CSXT's Reply affirming that it had sent rail cars to Hollidaysburg as it had committed, and reaffirming that commitment through 2002 (*id.* at 97).

assurances by NSR that the Hollidaysburg shops would be retained, NSR CEO David Goode wrote to Congressman Shuster advising that NSR would not proceed with the planned closure of the Hollidaysburg shops, but noting that he could not say what the future would bring. Lutton Declaration ¶¶8-9 and Lutton Ex. C. Apparently, Mr. Goode decided what the future would bring a mere several weeks later when it became clear that Congressman Shuster would resign from the House of Representatives in January of 2001.

On February 20, 2001, NSR announced that it would close the Hollidaysburg Shops, stating that "Changing economic conditions and excess capacity throughout the freight car repair industry have reduced our workload to the extent that we cannot support continued operations at the shop", and that "Consolidating our work at fewer locations is part of making Norfolk Southern a more efficient company as we go forward". NSR February 21 and 22, 2001 Press releases. Unions' Ex.20. Contemporaneous with its press release, NSR again gave notice to the Unions that it would "coordinate certain Mechanical Department work" by transferring work from Hollidaysburg to other shops. Lutton Declaration ¶13. Unions' Ex.21. The notice did not say the shops were being closed, but it did state that all 275 of the jobs then existing at the shops were being eliminated, with only 142 new jobs created at other NSR facilities. Lutton Declaration ¶13. Under NSR's plan, it would eliminate 2 IBB jobs, 221 Carmen jobs, 20 electrical worker jobs, 11 NCFO jobs, 16 machinist jobs and 5 sheet metal worker jobs. Of the 142 new jobs there would be 1 IBB job, 115 Carmen jobs, 9 electrical worker jobs, 6 NCFO jobs, 9 machinist jobs and 3 sheet metal worker jobs. Unions' Ex. 21.

The purported justifications for NSR's new plan in its press release were odd since the Hollidaysburg shops currently have work that could keep the shops busy through the end of the year; indeed NSR just sent 200 CSXT cars back to CSXT--this was work that the Shops were



ready to perform. Furthermore, the Hollidaysburg shops actually had commitments for several projects that would have kept the shops working well into 2002, including: a conversion of 250 gondola cars for Bombardier (\$4.5 million); a 200 covered hopper car order for Johnstown America (\$5 million); 1000 container car covers for Greenbrier (\$1 million); 2000 flat and tank cars for the Department of Defense (\$8 million); warranty work on 400 gondola cars for First Union (\$800,000); and refurbishment of 20 cars for the Finger Lakes Railroad. (\$380,000). Lutton Declaration. Unions' Ex.16 ¶12.

NSR's assertions in the press release were also strange because the claim that consolidating work at its pre-transaction locations would make NSR a more efficient company are at odds with the claims made in its application to this agency, its submissions in the *New York Dock* arbitration and the supporting sworn declarations of NSR officers and consultants in both proceedings who contended that consolidation of program work at Hollidaysburg was consistent with the promotion of efficiencies, indeed that consolidation was noted as the sort of efficiency to be gained by the Transaction. In any event, what NSR was going to do was contrary to the commitments repeatedly made by NSR in the Application that were not then conditioned on any contingencies.

TWU and BRC met with NSR on March 15, 2001 at which time TWU asked NSR to explain why it was now closing the Hollidaysburg shops, and other questions. NSR said that it had no obligation to explain its actions. However, NSR agreed to provide additional information to the Unions, and the conference was continued to April 17, 2001. Lutton Declaration ¶14.

At this time, NSR is still moving forward with its plans. NSR is now in the process of moving out of the yard at Hollidaysburg some 200 cars that the shops were to have worked-on for CSXT. Moreover, NSR apparently believes that it has no duty to comply with the



commitments it made about retaining the shops or investing money in the shops. Lutton Declaration ¶14.

### ARGUMENT

The Unions respectfully submits that the foregoing clearly demonstrates that the Board should enforce its Order in Decision No. 89, or reopen that decision in order to direct NSR to comply with the commitments and representations that it made in its Application, and that were repeatedly made by its officers and representatives in sworn testimony to this Agency, with respect to the Hollidaysburg shops.

The Unions have shown that NSR represented to the Board, and to others, that it would retain and keep open the Hollidaysburg shops, and that it would invest \$4 million in those shops. Moreover, the Unions have shown that NSR committed to retain the shops from the very beginning of its campaign to acquire control of Conrail, through proceedings before this Agency and through its *New York Dock* arbitration with TWU and BRC. The Unions have also shown that NSR made those commitments in soliciting support from Pennsylvania Governor Ridge, Senator Specter and Congressman Shuster, from communities in Pennsylvania and from Conrail workers. Those commitments were clearly and publicly stated in everything from newspaper advertisements to Senate hearings to filings before this Board. In particular, NSR committed to retain the Hollidaysburg shops in the application and sworn testimony of its officers in this proceeding in which it obtained the ability to control those shops. NSR's plan to retain and to invest \$4 million in the shops was presented as part of the Operating Plan; NSR's intention to retain and use the shops was repeated several times and was cited as a fundamental part of the new mechanical operation, and was described as indicative of the efficiencies that would flow from the Transaction.

Part of the Order of this Board in approving the CSX/NS-Conrail Transaction was that "Applicants must adhere to all of the representations they made during the course of this proceeding, whether or not such representations are specifically referenced in this decision". Decision No. 89 at 176. However, NSR is preparing to renege on its commitments regarding the Hollidaysburg shops despite the representations that it made to the Board and despite the terms of the Board's Order. The Unions respectfully submit that the Board must follow-through with its Order and require NSR to comply with the commitments and representations it made. If compliance is not mandated, it will undermine the validity of the entire Order, since CSX and NSR would have obtained the approval they sought based on commitments that were incorporated in the Board's Order, but CSX and NSR would be free to simply ignore their solemn undertakings. The Board should therefore enforce its order or reopen its Order and direct NSR to invest the promised \$4 million in the Hollidaysburg shops and to retain those shops.

NSR may respond by arguing that it should not be required to comply with its commitments because "times are different", current circumstances are not what was anticipated, that economic conditions have worsened and NSR has encountered financial difficulties following its implementation of the Transaction. Any such argument should be rejected.

First, it must be recognized that NSR received a substantial benefit, something that it campaigned aggressively for, when the Board approved the CSX/NS-Conrail Transaction. As the Unions' statement of facts and Exhibits clearly demonstrate, NSR was facing complete acquisition of Conrail by its competitor CSXT, and NSR deployed an all-out drive to effect its own acquisition of Conrail which led to the joint application with CSXT. During its campaign for its own acquisition of Conrail, and then in support of the joint application, NSR made and repeated its commitments about retaining and investing in the Hollidaysburg shops. And NSR

made those commitments directly in the Application and Operating Plan submitted to the Board. The Board's approval of the Transaction was premised on the Application, Operating Plan and the representations made by the Applicants as is reflected in the part of the Board's Order binding NSR to its representations. In short, NSR got what it wanted based in part on the representations it made, and it should not be allowed to avoid its commitments after obtaining the approval it sought because those obligations it undertook are no longer deemed desirable.

Second, the Board's Order holding the Applicants to their representations was not vague, nor did it leave the Applicants with discretion as to which commitments they would honor or for how long.

Third, the representations made by NSR were not conditional, contingent or time limited. NSR did not say that the Hollidaysburg shops would be retained so long as a certain amount of in-sourced work was available. Nor did NSR say that program car work would be consolidated at the Hollidaysburg shops for so long as that comports with NSR's plans, so long as that seems efficient to NSR or so long as overall levels of traffic remain at certain levels. And the commitment was not limited to a period of years.

As is noted above, NSR has apparently been asserting that its commitment to Hollidaysburg was only for three years from the date of Board approval of the Transaction. But there is no such limitation on the commitment in Mr. Goode's sworn Statement, Mr. Mohan's sworn Statement or the Operating Plan. To the extent that NSR can cite some three year commitment regarding Hollidaysburg it may be referring to a statement in the Application regarding a commitment of CSXT to send cars to Hollidaysburg for at least three years. Application Vol. 1 at 11-12. However, as is explained above, that was not a limitation on how long NSR would operate the shops, and no such limitation could be inferred from the language

used (*id.* at 12 n.3,) since it clearly related only to how long CSXT would send cars to the shops-- "CSXT will use [the Hollidaysburg and Juniata shops] for locomotive repair and other work for at least three years". Moreover, the three year period was from the "Closing Date" not the "Control Date", and the period was at least three years (*id.*), (consequently even if there was a three year limitation as NSR is apparently suggesting, that time would not have run by September 1 of this year). In any event, that part of the Application, did not say that NSR's retention of the Hollidaysburg shops was dependent on CSXT continuing to provide cars to the Shops; and the sworn statements of Mr. Goode and Mr. Mohan did not suggest that retention of the shops and the promised \$4 million investment depended on work from CSXT, or was certain only for the period for which CSXT was obliged to send cars.

It must also be noted that the lack of any condition or contingency to NSR's commitment about the Hollidaysburg shops, regarding CSXT or generally, is further supported by NSR's "Fact Sheet" and its appeal to Pennsylvania officials and constituencies that were issued at the same time as the Application. When NSR was seeking support for the Transaction NSR stated that it was "committed to operate Conrail's Hollidaysburg car shop and Juniata locomotive shop, and will promote employment there", and NSR advertised "Economic Development" projects including "\$4 million in capital improvements" for the shops. There was no time limitation or equivocation when NSR was looking to garner endorsements and to deter opposition. Simply put, the supposed three year limit on the NSR commitment does not exist.

Fourth, although NSR's reasons for repudiating a commitment are irrelevant, it must be noted that the assertions that closing the shop is necessary because of a lack of work and to increase efficiency are without substance. The Unions have shown that the shops had significant amounts of work in 2000, and did not lose money in 2000; that the Shops currently have work,



and are actually turning away work because of the planned closing; and that there were substantial projects already lined up for work into 2002. The Unions have also shown that NSR's current assertions as to efficiencies to be obtained by transferring the work are inconsistent with NSR's assertion that efficiency interests militated in favor of consolidating work at Hollidaysburg.

Fifth, NSR's reliance on "changing economic conditions" and NSR's own financial circumstances is necessarily unavailing. Ordinarily it would be simply untenable for NSR to argue that it could make certain representations in seeking STB approval of a transaction, but could ignore those representations if the future was not as NSR hoped it would be, but here the Board expressly bound NSR to its representations. NSR can not unilaterally decide that it is no longer bound by commitments that were relied upon by the Board, State and local governments and other parties in connection with NSR's effort to obtain approval of the Transaction, and that were incorporated into the Board's decision approving the Transaction. Indeed, as is noted above, if the Board were to allow NSR to renege on its representations regarding the Hollidaysburg shops, a whole host of other representations by the Applicants would be rendered ineffective.

Another problem with the changed economic circumstances defense is that it suggests material misrepresentations in the Application. If the commitments made by NSR, and its plans that would benefit certain parties, or mitigate the impact of the Transaction on other parties, were contingent on rosy economic conditions, NSR should have disclosed that in its Application. NSR did not state or even suggest that its plans were contingent on there being no pause in growth, or no slowdown. Of course, if NSR had said that it would be able to follow through on its commitments only so long as the economic growth of recent years continued, other parties and the Board would have viewed the Application differently. NSR should not now be allowed to

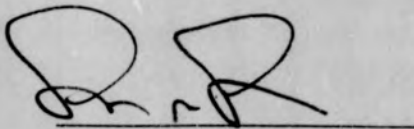


state that its representations depended on undisclosed conditions. Additionally, to the extent that the changed circumstances involve losses suffered by NSR in connection with the many problems it had in implementing the Transaction, that too can not be a basis for NSR to repudiate its commitments. Certainly, NSR should not be freed of its obligations because of the consequences of its own incompetence.

The Unions wish to emphasize that in discussing NSR's proffered explanations for its actions, the Unions do not acknowledge that NSR's justifications, even if true, would permit NSR to ignore its representations to the Board and to other parties. But, the Unions have discussed NSR's explanations to show that not only are they invalid as bases for repudiation of NSR's commitments, but also to show that they are wholly without merit.

#### CONCLUSION

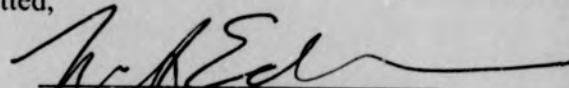
For the foregoing reasons, the Unions and the Commonwealth of Pennsylvania respectfully submit that the Board should direct NSR to adhere to the representations it made regarding the Hollidaysburg shops; specifically that NSR must make the \$4 million in capital improvements that it promised, and that NSR must retain and continue to operate the shops as it repeatedly represented it would.



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March 28, 2001

Respectfully submitted,



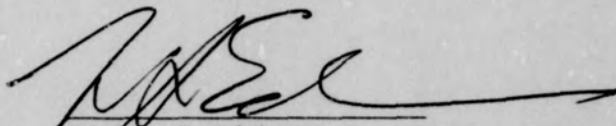
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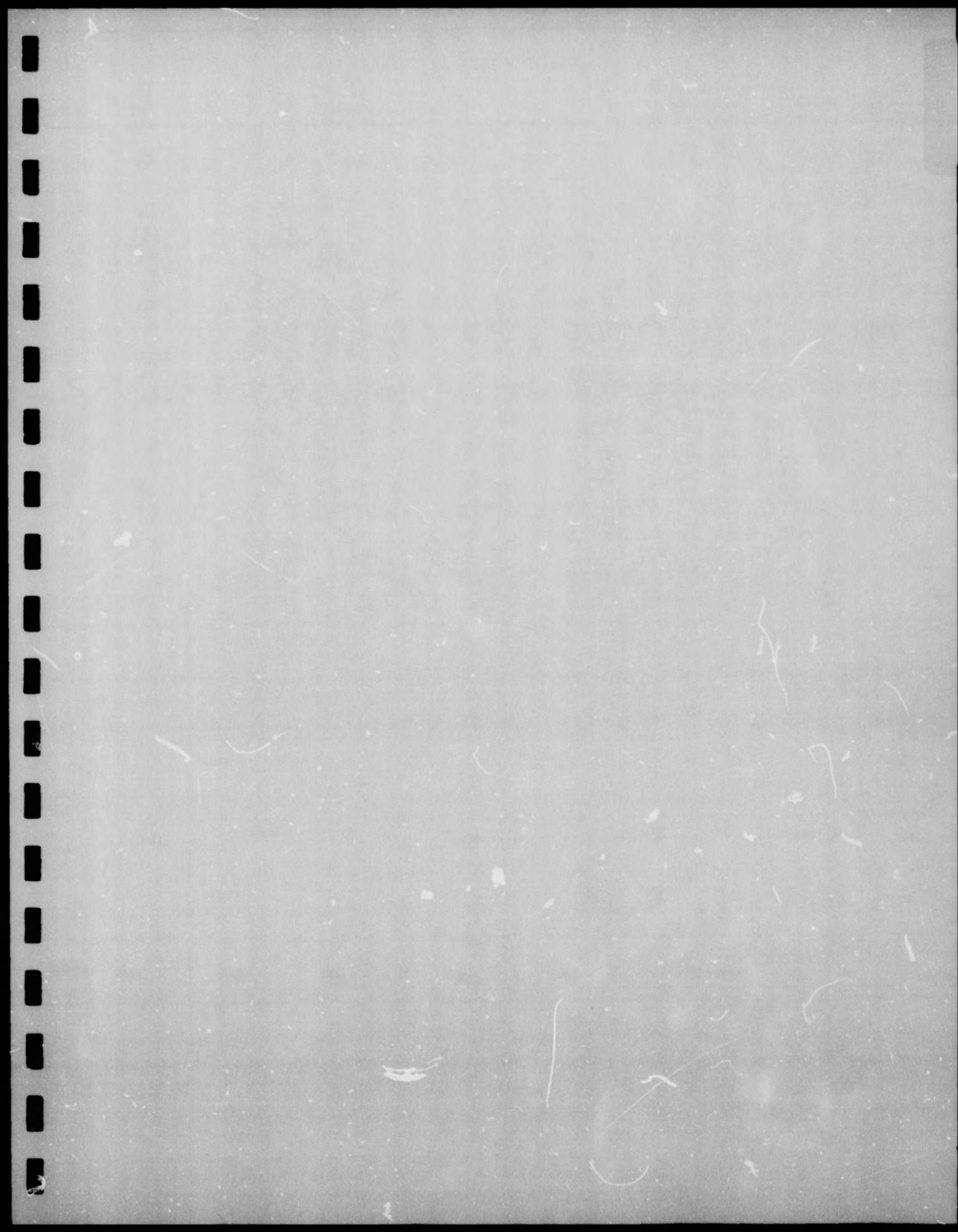
Counsel for the Unions

**CERTIFICATE OF SERVICE**

I hereby certify that I have caused to be mailed copies of the foregoing Petition for Enforcement of Order, or Alternatively to Reopen for Order Directing Compliance with Commitments, Or Alternatively for Relief Not Otherwise Provided-for by First Class Mail upon the persons listed on the current official service list in Finance Docket No. 33388. Because of the length of the service list in this proceeding representatives of the Applicants and as many other parties as possible were served by mail on March 28, 2001, other parties will be served on March 29, 2001.

3/28/01  
Date

  
Richard S. Edelman







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THE PHILADELPHIA INQUIRER

October 24, 1996, Thursday

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LENGTH: 1290 words

HEADLINE: NORFOLK SOUTHERN CORP. LAUNCHES HOSTILE BID FOR CONRAIL

BYLINE: By Henry J. Holcomb

BODY:

Saying it "would consider" moving its corporate headquarters to Philadelphia, the Norfolk Southern Corp. Wednesday launched a hostile takeover assault on Conrail.

The attack, described by one rail executive as as a "deft defensive move," puts Philadelphia in a powerful position in a high-stakes bidding war over which company -- Norfolk Southern or its arch-rival, CSX Corp -- will dominate rail service east of the Mississippi River.

The Philadelphia region -- which has suffered from poor rail service for decades as the old Penn Central collapsed and Conrail's struggled to rise from its ruins -- could negotiate several key steps toward a stronger economy.

It could, industry sources say, win a complex array of rail service improvements that would strengthen its seaport and make scores of industrial sites more attractive.

It could also capture the corporate headquarters of major player in the nation's increasingly important transportation and distribution industries.

Norfolk Southern said its offer is worth \$9 billion, \$100-per-share in cash -- \$11.49 per share, or 13 percent, better than the \$8.4 billion cash-and-stock deal Conrail struck last week with CSX Corp.

"This transaction would be much more in the interest of shippers and the public," Norfolk Southern Chairman David R. Goode said in an interview. "CSX and Conrail would constitute a very dominant market position. A Norfolk Southern-Conrail combination ... would be more balanced, make it much easier to provide true competitive rail service for shippers and serve the public interest."

CSX disagreed.

It said the fine print in Norfolk Southern's hostile offer includes delays in cash payments that reduce the value to Conrail shareholders to "less than \$90 per



share," and less than \$8 billion overall.

Wall Street apparently missed that fine print or disagreed with the analysis. Conrail shares shot up \$10.875 to \$95.625, in trading on the New York Stock Exchange after the Norfolk Southern announcement.

Conrail, meanwhile, released a statement to its shareholders saying that "they need not take any action at this time" and urging them to await a response from the company's board, which was said to be reviewing the offer.

The Conrail board, the statement added, has "already carefully considered the relative merits of a merger with Norfolk Southern rather than CSX and ... unanimously determined that a merger with CSX was in the best interests of Conrail and its constituencies."

A CSX statement said that "by every measure, the CSX-Conrail merger is superior in economic, operational and public policy terms."

Norfolk Southern backed its offer with a harshly worded federal court lawsuit that charges, among other things, that Conrail directors violated their duty by refusing to consider a rival offer.

The lawsuit seeks to dissolve so-called "poison pills" and remove other barriers Conrail has erected to block a hostile take-over. It also seeks to force Conrail to turn over all the financial and operational data it has shared with CSX.

The Norfolk Southern offer was presented in a letter from Goode, its chairman, to the Conrail board.

He said that in late September and on Oct. 4 -- before the CSX and Conrail talks commenced -- he tried to persuade Conrail Chairman David M. LeVan to accept an offer.

"Despite knowing our long-term interest in joining Conrail with Norfolk Southern, your chairman ignored our long-standing offer to submit a business combination proposal to you."

Norfolk Southern disclosed for the first time how hard it has tried to acquire Conrail, going back to the bitter 1984-1986 fight when Norfolk Southern won the backing of Elizabeth Dole, then transportation secretary in the Reagan administration, to purchase Conrail from the federal government.

Congress eventually balked and Conrail was sold to the public in what was, at the time, the nation's largest ever initial stock offering.

Norfolk Southern said it tried again in 1994 and negotiated with James A. Hagen, who was then Conrail chairman. Those talks failed because the two parties could not agree on a price and LeVan, who was then second-in-command, and others in senior management wanted to remain independent.

In 1995, Norfolk Southern said, "at CSX's insistence, NS covertly worked with CSX during the summer and fall to develop an NS acquisition scenario whereby NS would acquire Conrail and divest up to 3,600 miles of Conrail track to CSX."

Norfolk Southern has apparently learned from those past efforts.

In the past, Philadelphia interests have worried that a Norfolk Southerntake-over of Conrail would cost the region thousands of jobs and yet another high-profile corporate headquarters.

To counter such fears, Goode said he would spend tomorrow calling on Philadelphia leaders. He also said he would seriously consider moving here if this deal is approved.

He predicted that Norfolk Southern, widely considered to be the nation's best-run railroad, could produce so much growth from the merger that few Conrail jobs would be lost. Conrail's management team, he said, would have a brighter future with Norfolk Southern than with CSX.

He also said that Conrail's locomotive and car repair shops, which make up the lion's share of the economy of Altoona, Pa., would grow under Norfolk Southern.

CSX last week promised to move its corporate headquarters from Richmond, Va., to Philadelphia and hinted that its rail unit headquarters, now in Jacksonville, Fla., might come here as well. It also predicted that the Altoona shops would play a major role in the CSX-Conrail future.

Charles M. Vincent, a Philadelphia-based rail analyst for PNC Institutional Investment, said the Norfolk Southern move opens a bidding war for Conrail. He said it is now a "two-horse race," but that one of the western railroads might join the fray, perhaps in partnership with CSX or Norfolk Southern.

"CSX probably has most to gain, but that is a very close call. Both companies could get a lot of savings from a merger with Conrail," Vincent said.

He said it is also a very close call on which railroad would gain the most revenue from the merger. Figuring out how much each would gain "involves speculation" on how much business can be taken away from trucks.

On the other hand, several analysts said Wednesday that Norfolk Southern would clearly be hurt more than CSX if it loses the emerging fight.

Anthony Hatch, a rail analyst for NatWest Securities in New York, said Norfolk Southern had, at least initially, promised broader negotiations with shippers and local communities than CSX, going beyond what is required by federal law.

Norfolk Southern said that J.P. Morgan and Merrill Lynch & Co. have each promised to lend the company \$2 billion, for a total of \$4 billion, and have agreed to arrange for an additional \$5 billion in loans later.

CSX said Monday that four banks had agreed to finance its proposal -- NationsBank, BankAmerica, the Bank of Nova Scotia and Chase Manhattan Bank.

The outcome of the battle will rest, in part, on how much shareholders value CSX stock.

Norfolk Southern has remained focused on running a railroad, and its numbers

are the best in the rail industry.

But the CSX rail unit has improved dramatically, and the parent company has been the first to branch out into virtually all segments of the transportation

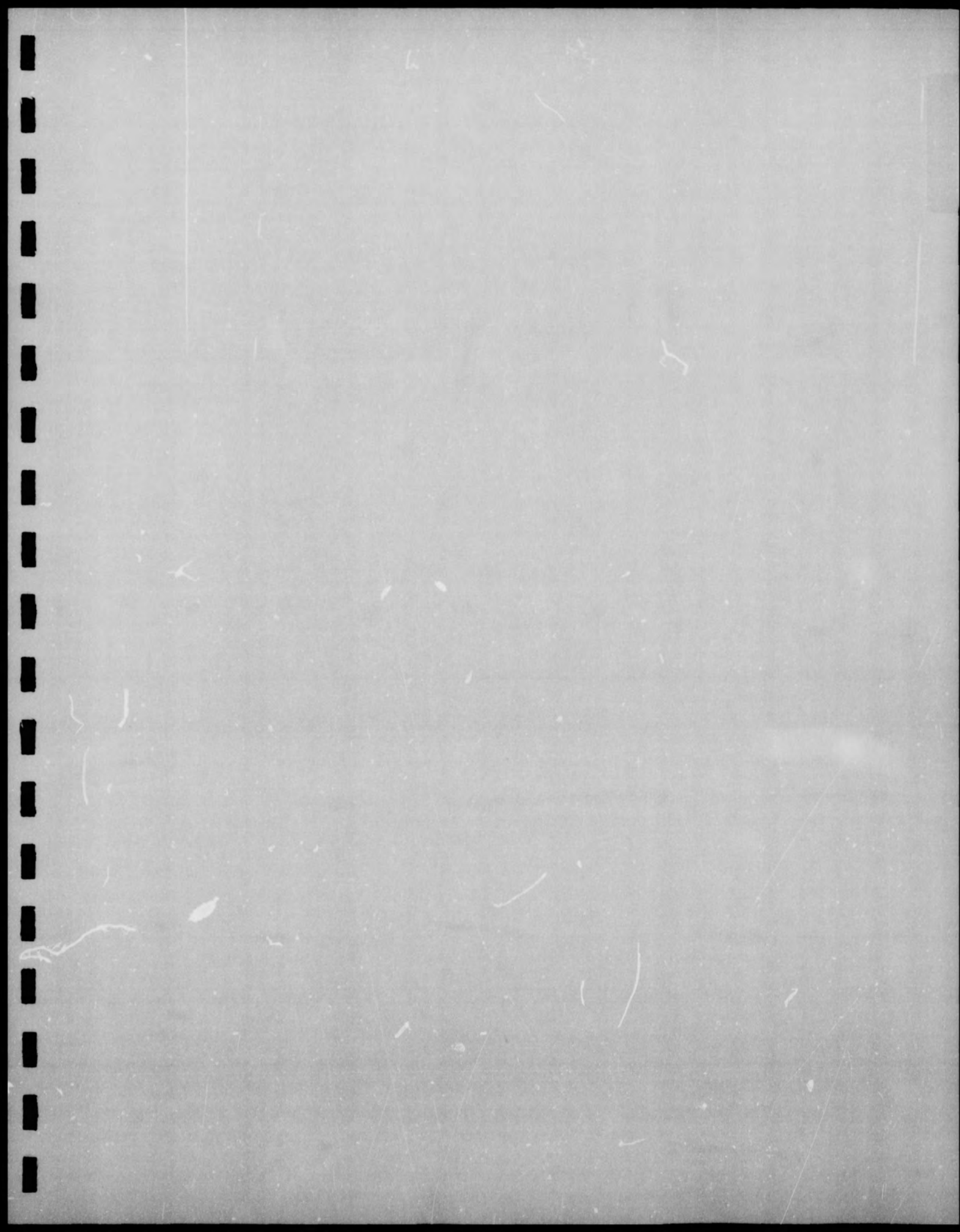
and logistics industries. This hurt the value of its stock initially, but in recent years its value has doubled as its non-traditional investments have begun to pay off.

"We've had a vision for at least a decade that's far ahead of where the transportation industry has been," a CSX executive said Wednesday. "That vision recognizes that the customer no longer cares how its stuff gets there-- as long as it gets there when they want it and safely."

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October 24, 1996, Thursday, Final Edition

SECTION: FINANCIAL; Pg. E01

LENGTH: 942 words

HEADLINE: Norfolk Southern Tops CSX's Bid for Conrail; \$9.1 Billion Offer Is Likely to Start a Messy Battle

BYLINE: Don Phillips, Washington Post Staff Writer

DATELINE: NEW YORK, Oct. 23

BODY:

Norfolk Southern Corp. today challenged CSX Corp. for the purchase of the Northeastern railroad Conrail Inc., opening a multibillion-dollar bidding war for the profitable freight carrier.

Norfolk Southern Chairman David Goode announced a \$ 100-a-share cash offer for Conrail -- a total of \$ 9.1 billion -- trumping CSX's offer last week of \$ 92.50 a share in cash and CSX stock.

Norfolk Southern of Norfolk and CSX of Richmond want to use Conrail to form a strong freight link between North and South, partly with an eye to capturing shipments moving on Interstates 95, 85 and 81 through the Washington region.

East-West rail freight traffic has grown rapidly because of the use of truck trailers shipped on flatcars. But on North-South routes, freight has remained on highways because of the inability of railroads to exchange freight efficiently. Wherever two railroads meet, through freight trains are inevitably delayed for reasons that seem to defy explanation.

Federal regulators are unlikely to allow either Norfolk Southern or CSX to dominate eastern railroading. The battle, although likely to be messy, appears to be the final step in forming two giant railroads east of the Mississippi River, perhaps with Conrail's lines being divided between Norfolk Southern and CSX.

The Norfolk Southern bid drove Conrail shares up \$ 10.87 1/2 to \$ 95.62 1/2. Norfolk Southern also filed a federal lawsuit asking the U.S. District Court for the Eastern District of Pennsylvania to void any Conrail agreements that would block a Norfolk Southern proxy fight to replace all Conrail board members. The suit also alleges securities laws violations by Conrail and CSX board members, and asks the court to void other parts of the CSX-Conrail merger agreement, and to effectively block provisions of Pennsylvania's anti-takeover law.

The Norfolk-based railroad also began a lobbying campaign aimed at winning the support of Congress, especially the key Pennsylvania delegation.

The Washington Post, October 24, 1996

"We're very much in this to win," Goode told a meeting of financial analysts and reporters here.

CSX said the Norfolk Southern bid does not provide the same long-term value as the CSX proposal. Conrail issued a statement advising shareholders to stand by for further communications from its board, which it said already had considered the merits of a Norfolk Southern merger before accepting the CSX bid.

All three top executives involved in the fray -- Goode, CSX Chairman John Snow and Conrail Chairman David LeVan -- have promised to allow "competitive access" by other railroads. Both CSX and Norfolk Southern blanket the South and Midwest, and a link with Conrail in the Northeast would create market dominance unless other railroads were allowed to operate into Conrail territory.

Norfolk Southern pledged even greater access than CSX said it would allow. CSX said last week it would allow Norfolk Southern or some other railroad to operate over its tracks to guarantee that any shipper served by two railroads today would get two-railroad service after the merger. However, Snow and LeVan said they would not allow any more access to the New York area, which now is served only by Conrail.

Goode said today that Norfolk Southern would allow other railroads into New York. And he hinted that he might be willing to sell parts of Conrail to CSX. He offered the Conrail board a carrot-and-stick choice, promising them positions on the Norfolk Southern board and a better deal for their shareholders at the same time his suit accused the board of mistreating its own shareholders to complete the CSX deal.

Goode said that based on the price of CSX stock on Tuesday, the Norfolk Southern offer is now worth \$ 11.49 a share more than the CSX offer. He said the Norfolk Southern plan also is superior because it has fewer potential anti-competitive problems. CSX replied that the hostile Norfolk Southern bid would face delays that would diminish its value to about \$ 90 a share, less than the CSX bid.

Whatever the outcome, Conrail clearly has become the prime example of a federal bailout that worked. The line was formed on April 1, 1976, from the lines of bankrupt eastern railroads, including the Penn Central. As recently as a decade ago, Norfolk Southern offered \$ 1.2 billion for Conrail.

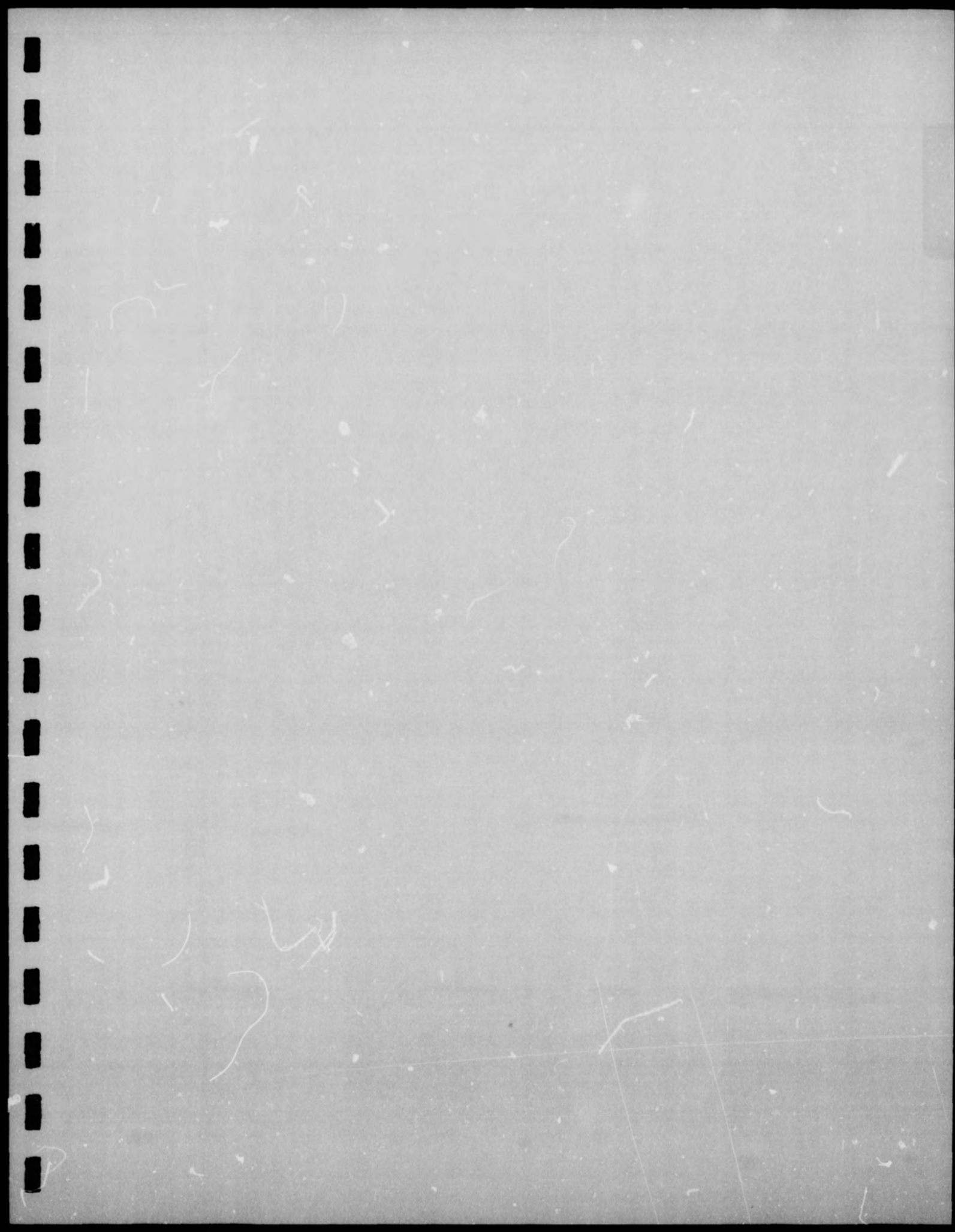
"We clearly have come a long way from the days of a bankrupt railroad," said Rep. Bud Shuster (R-Pa.), chairman of the House Committee on Transportation and Infrastructure. Shuster, who called a Nov. 19 hearing to explore the CSX acquisition, today held open the possibility of congressional intervention if he and his committee don't like what they see, saying "it's nice to be wanted, but of course the fine print is what counts."

Shuster and other committee members were angered that CSX did not inform them in advance of its announcement last week. Norfolk Southern did not make the same mistake, making numerous pre-announcement calls to members of Congress, union officials and shippers. Norfolk Southern also made it clear privately that Conrail's locomotive and freight car shops in and near Altoona, Pa. -- Shuster's district -- would thrive after a Norfolk Southern merger.

Norfolk Southern also announced today that its third-quarter earnings increased 10 percent, to \$ 202.3 million (\$ 1.61 per share), compared with \$ 183.9 million (\$ 1.40) in the comparable quarter in 1995. Revenue rose 2 percent, to \$ 1.21 billion from \$ 1.18 billion. For the first nine months, the railroad's earnings rose 6 percent, to \$ 569.9 million (\$ 4.49 a share) from \$ 535.8 million (\$ 4.07) a year ago. Revenue rose 2 percent, to \$ 3.6 billion.

GRAPHIC: Illustration, The Washington Post, COMPARING THE DEALS (This graphic was not available)

LOAD-DATE: October 24, 1996





UNION'S EXHIBIT



3RD STORY of Level 1 printed in FULL format.

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Pittsburgh Post-Gazette

November 2, 1996, Saturday, SOONER EDITION

SECTION: BUSINESS, Pg. C-5

LENGTH: 421 words

HEADLINE: BUD SHUSTER VOWS TO FIGHT TO PROTECT RAILROAD JOBS

BYLINE: TOM GIBB

DATELINE: ALTOONA

BODY:

U.S. Rep. Bud Shuster says he'll play guard dog to Conrail's Altoona-area shops, launching a "bloody, bruising legislative battle" if need be to protect the 1,300 jobs in a merger between Conrail and either of two Eastern railroads.

The 12-term Altoona congressman is chairman of the House Transportation and Infrastructure Committee, the job he has held for two years and from where he has protected the shops in national rail legislation.

Although the recently created Surface Transportation Board, not Shuster's committee, would be called on to approve Conrail's merger with either CSX Corp. or Norfolk Southern Corp., the process is not "immune from politics," said Ed Wytkind, executive director of the AFL-CIO's Transportation Trades Department.

"The way the game's played, the Surface Transportation Board's authority flows from Shuster's committee, and what the parties involved don't want is Shuster showing up to testify against the merger," said United Transportation Union lobbyist James Brunkenhoefer.

Observers say the clout extends beyond the merger, to the threat Shuster could turn heavy-handed as issues involving Conrail and any merger partner turn up before the Transportation Committee.

Spokesmen for CSX and Norfolk Southern both say company officials have approached Shuster, offering generally worded assurances that they would keep the Altoona-area shops intact.

"There have been strong verbal reassurances that the shops will remain . . . at least at the current level," Shuster said. "That's nice, but it's not enough . . . I'm waiting to read the fine print in their operating plans."

The shops Shuster is guarding are Conrail's Juniata Locomotive Shop in Altoona and the Hollidaysburg Car Shops, eight miles away - the largest repair centers in Conrail's 12-state system. Together they employ 1,300 people.

Pittsburgh Post-Gazette, November 2, 1996

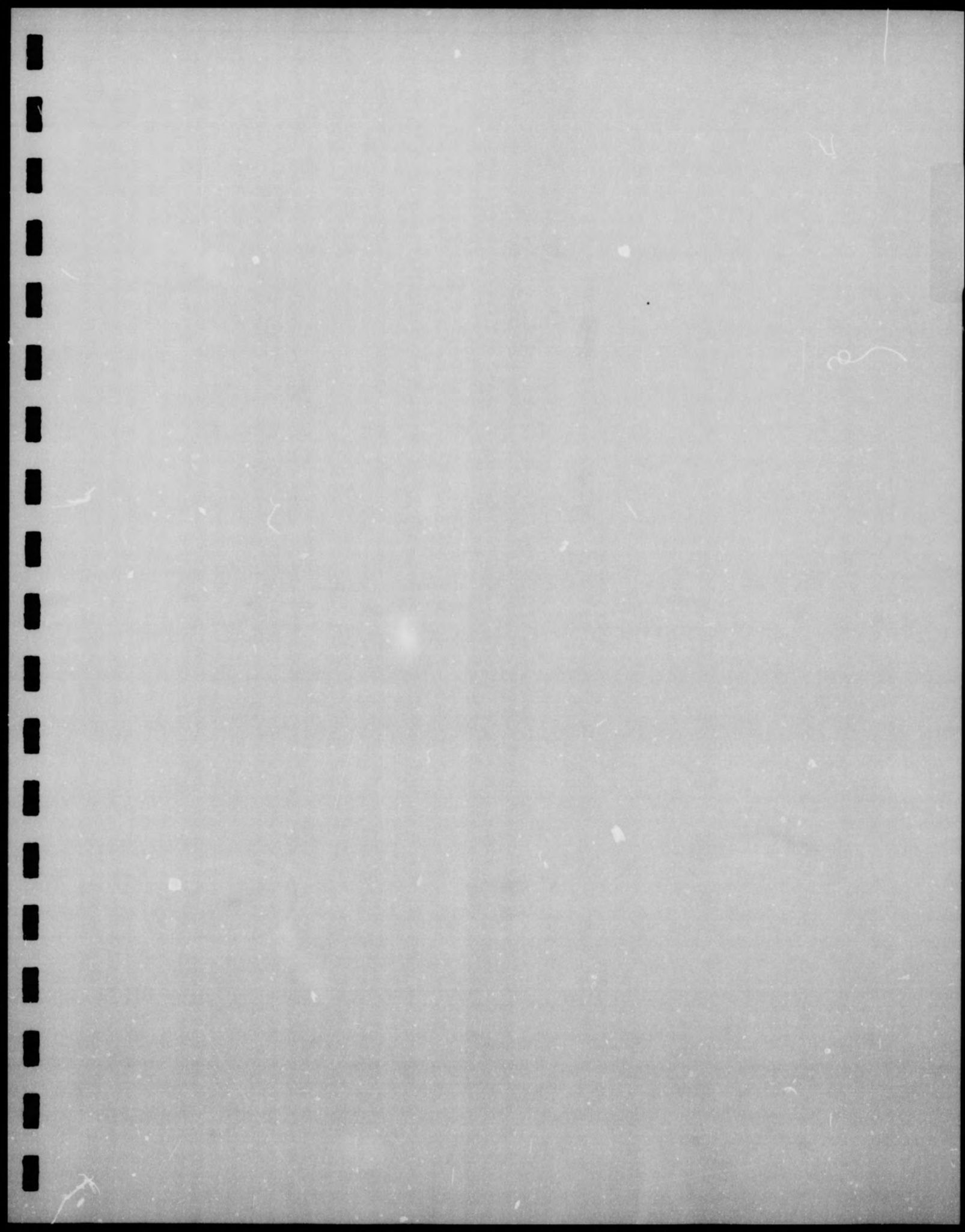
As Conrail has grown leaner, though, it has reduced demand on the shops and made them more efficient. Even with work brought in from outside, Conrail spokesman Rudy Husband said the shops run at only 35 percent capacity.

CSX and Norfolk Southern do not operate their own counterpart shops at anything near capacity either.

"So you say, 'Doesn't one of the shops have to be closed?' " Shuster said. "The answer I get is, 'No, no. It's through growth that these shops will grow.' "

For CSX and Norfolk Southern officials looking for a benchmark, Shuster said he wants the Altoona shops operating at 70 to 80 percent capacity within three years.

LOAD-DATE: November 5, 1996









## TO CONRAIL CONSTITUENCIES:

# You Don't Have to Be a Conrail Shareholder to Benefit from Norfolk Southern's Offer

## A Norfolk Southern/Conrail Combination Will Be Better for All of Conrail's Constituencies

### Better for Pennsylvania and Philadelphia:

**PHILADELPHIA JOBS:** Norfolk Southern is committed to maintaining a major operating presence in Philadelphia. Don't be fooled by CSX's offer to keep Conrail headquarters in Philadelphia.

CSX's headquarters in Richmond, VA employs under 200 people, and a Philadelphia headquarters under CSX ownership would require no more jobs and perhaps fewer. CSX has made no guarantees regarding the other Philadelphia-based Conrail jobs — they could go to Jacksonville, Florida, where CSX's operations are centralized. If Conrail will negotiate, Norfolk Southern will consider Philadelphia as a site for a real headquarters.

**PHILADELPHIA NAVY BASE:** Norfolk Southern has made public plans for a multimodal rail-highway facility at the dormant Philadelphia Navy Base. Norfolk Southern's CEO, David R. Goode, already discussed this opportunity with Philadelphia's Mayor Rendell.

**ALTOONA AND HOLLIDAYSBURG SHOPS:** Norfolk Southern is committed to continuing to operate Conrail's Hollidaysburg Car Shop and its Juniata Locomotive Shop at Altoona, and will promote employment there. Norfolk Southern will aggressively pursue work from other equipment owners to increase the work handled by these two shops.

What has CSX promised? Nothing. And, don't forget that CSX's locomotive shops at Cumberland, Maryland, are less than 70 miles from Conrail's Altoona and Hollidaysburg shops.

### Better for Shippers:

**EFFICIENT AND SAFE:** Norfolk Southern is the safest, most efficient major railroad in the country. That means service you can trust at a competitive price.

**BALANCED COMPETITION:** A Norfolk Southern/Conrail merger will promote balanced competition, and a choice of rail carriers.

A CSX/Conrail merger would perpetuate the rail monopoly in New York and extend that Class I rail monopoly into a new "no-competition zone" extending from eastern Ohio to the Atlantic coast.

**INNOVATION:** Norfolk Southern created the innovative Triple Crown intermodal network, which pioneered RoadRailer® technology, and invested in the Northeast to raise clearances for efficient double-stack intermodal service. Auto

companies trust Norfolk Southern to help redefine their distribution systems, and Conrail customers can enjoy the benefits of these innovations. CSX promised new intermodal service, but their main routes to the Northeast won't even clear double-stack railcars — Norfolk Southern's routes already do.

### Better for Employees:

**COMPLEMENTARY FIT:** Norfolk Southern's tracks and facilities extend and complement Conrail's, with minimal overlap — resulting in maximum opportunity for maintaining employment.

On the other hand, CSX and Conrail are parallel from Ohio to Philadelphia and elsewhere, too. For example, Conrail and CSX would control almost all rail transportation to the vital Pittsburgh industrial center.

**SAFETY:** Norfolk Southern has been certified as the safest major railroad in the country for the past seven years. Behind these statistics are safer working conditions and dedicated employees with fewer injuries. For Norfolk Southern, the safety of our employees and our communities is our number one priority.

**HEALTHY PENSION FUNDS:** Norfolk Southern and Conrail can both boast overfunded pension funds, ensuring peace of mind for retirees. CSX's claim to fame is its recent recognition as one of the "Top 50 Companies with the Largest Underfunded Pension Liability". CSX could merge its anemic fund with Conrail's, thereby using money accumulated for Conrail employees to fund CSX's promises to its own employees.

### Better for Shareholders:

**MORE CASH:** Norfolk Southern is offering \$110 cash per share for 100% of Conrail's shares. This is significantly greater than CSX's cash/stock offer, which has a blended value of \$93.42.\*

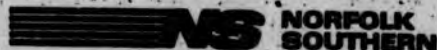
**NO EQUITY RISK:** Norfolk Southern will pay cash for 100% of Conrail's shares. CSX's offer forces shareholders to bear a continued equity risk for 60% of Conrail shares.

**NO REGULATORY RISK:** Norfolk Southern will assume the risks of regulatory delay; Conrail shareholders won't have to. CSX would make Conrail shareholders carry the entire risk of regulatory delay or disapproval on the 60% back-end of Conrail shares.

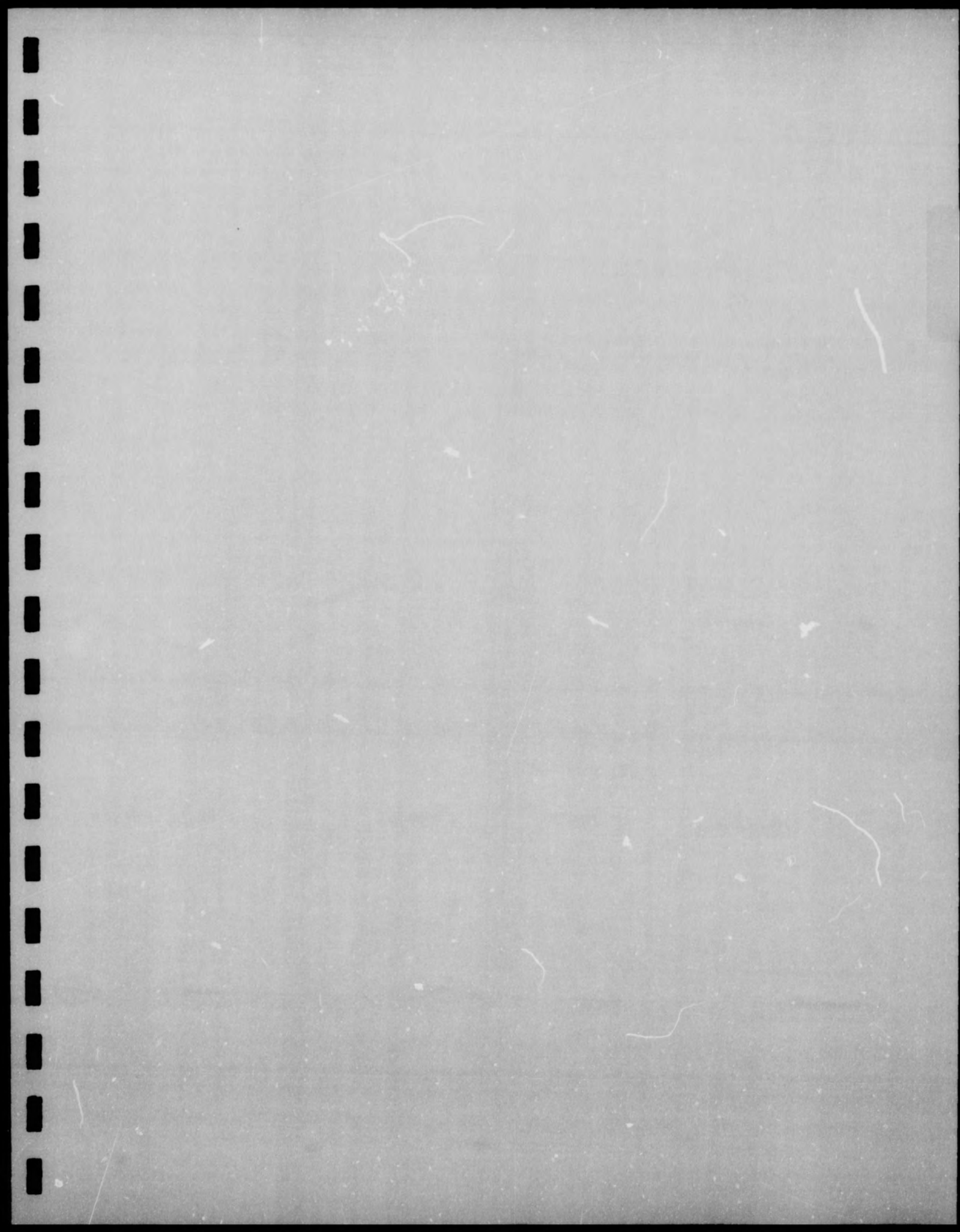
### When and How Has Conrail Weighed These Benefits?

- Conrail refuses to talk to Norfolk Southern
- Conrail refuses to let constituencies consider a Norfolk Southern transaction
- Conrail is blocking all its constituencies from considering a Norfolk Southern merger

Please join the many Conrail constituencies who support the Norfolk Southern Board



Important: If you have any questions, please call our solicitor, Georgetown & Company Inc. toll free at 1-800-223-2064. Banks and brokers call 212-440-9800.



UNION'S EXHIBIT



1ST STORY of Level 1 printed in FULL format.

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The Legal Intelligencer

December 6, 1996 Friday

SECTION: BUSINESS LAW; Norfolk; Pg. 9

LENGTH: 638 words

HEADLINE: Norfolk Southern Appeals to Conrail Employees in Merger Fight

BYLINE: By Erich Smith, Associated Press

BODY:

Norfolk Southern Corp. is seeking the support of a new group of Conrail shareholders in its campaign to buy the railroad -- Conrail employees who own stock.

Norfolk Southern, which is trying to block Conrail's announced

plans to merge with CSX Corp., took out full-page newspaper ads Wednesday suggesting that overlapping Conrail and CSX routes could mean lost jobs and that a Conrail-CSX merger could harm Conrail pensions.

"Where Will Conrail Employees Be If Competition Dies?" the ad headline read in The Philadelphia Inquirer and the Pittsburgh Post-Gazette. NS Vice President-Public Relations Robert C. Fort said the railroad placed similar ads in about a dozen newspapers.

"We think we have a clear message to Conrail employees, that they have a much better future in the Norfolk Southern," he said.

Conrail's senior vice president for law, Bruce Wilson, denounced the ads as "misinformation." The railroad also issued a statement from chairman, president and chief executive David M. LeVan.

"At each stage of this transaction, we have considered and worked hard to protect your interests," LeVan said in a message to Conrail employees.

Conrail announced Oct. 15 that it would merge with Richmond, Va.-based CSX, in a cash-and-stock deal. A week later, Norfolk, Va.-based Norfolk Southern offered to buy all Conrail stock for cash.

Norfolk Southern's offer is worth \$ 110 per share. CSX is offering \$ 110 per share for 40 percent of Conrail stock, and CSX stock for the rest.

At stake is control of a railroad that would make either suitor the No. 3 freight line in the United States, with command over lines in the heavily populated eastern half of the country.



Lawyers for the railroads have been battling in court, as Norfolk Southern fought unsuccessfully to block the Conrail-CSX merger from going forward. CSX was able to take the first step -- buying 19.9 percent of the Conrail's shares -- last month.

The next fight comes Dec. 23, when Conrail shareholders vote on whether to allow CSX to purchase 20 percent more.

In that meeting, CSX and Conrail executives together will have just over 20 percent of shares to vote. Conrail employees have 10 percent. Analysts have said they are likely to vote for the merger.

But Fort said Norfolk Southern's ad campaign and other messages to Conrail employees were meant to show how an NS-Conrail merger would benefit them.

"We've had response from Conrail employees all along," to Norfolk's merger plan, Fort said, "And we're gratified by that support. Many of them are shareholders, and they have as much interest as anyone in the outcome."

The Norfolk Southern ads feature a map showing 60 communities in Pennsylvania, Ohio and other states with major rail service only from CSX and Conrail.

"Conrail's major Hollidaysburg and Altoona shops are within just 70 miles of CSX's facilities in Cumberland, Md. Redundancies like these could add up to lost jobs," the ad said.

"Norfolk Southern's system extends and complements Conrail's system, rather than duplicating it," the ad said.

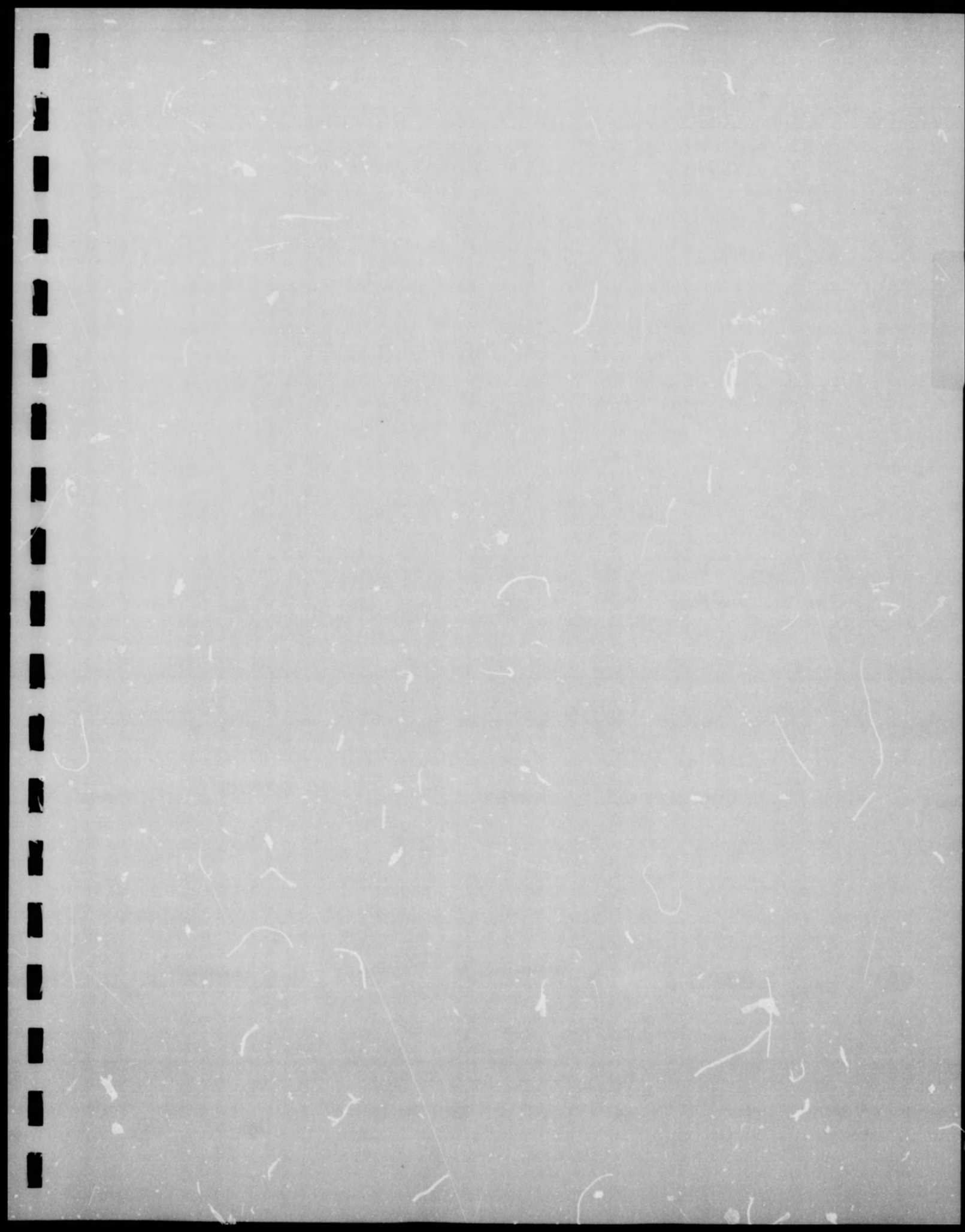
Wilson said information presented in the map was "kind of misleading." In Monongahela, Pa., for example, CSX and Conrail tracks are on opposite sides of the river. In other Pennsylvania locations, he said, CSX and Conrail are the only major railroads "because Norfolk Southern pulled out."

On the pension question, NS said that it and Conrail both have overfunded, healthy pension funds while CSX was cited a year ago by the Pension Benefit Guaranty Corp. as one of the "top 50 companies with the largest underfunded pension liability."

Wilson said that, if the Conrail and CSX pensions were combined after a merger, the pension program would still be "comfortably overfunded."

CSX spokesman Vance Richardson did not return calls to his office for comment.

LOAD-DATE: December 10, 1996







# CONRAIL MERGER IMPLICATIONS

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HEARING  
BEFORE A  
SUBCOMMITTEE OF THE  
COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE  
ONE HUNDRED FIFTH CONGRESS  
FIRST SESSION  
SPECIAL HEARING

Printed for the use of the Committee on Appropriations



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## CONRAIL MERGER IMPLICATIONS

THURSDAY, MARCH 20, 1997

U.S. SENATE,  
SUBCOMMITTEE ON TRANSPORTATION  
AND RELATED AGENCIES,  
COMMITTEE ON APPROPRIATIONS,  
*Washington, DC.*

The subcommittee met at 10:05 a.m., in room SD-192, Dirksen Senate Office Building, Hon. Richard C. Shelby (chairman) presiding.

Present: Senators Shelby, Specter, Lautenberg, and Mikulski.  
Also present: Senator Warner.

### PANEL 1

### NONDEPARTMENTAL WITNESSES

#### STATEMENT OF HON. PARRIS GLENDENING, GOVERNOR, STATE OF MARYLAND

#### OPENING REMARKS OF SENATOR SHELBY

Senator SHELBY. The committee will come to order.

At today's hearing we will explore some of the issues likely to be raised by the proposed acquisition of the Consolidated Rail Corporation, better known as Conrail, by the CSX Corp. and the Norfolk Southern Corp.

I scheduled this hearing at the request of Senator Specter, who has strong concerns about the possible impact of this proposal on the Commonwealth of Pennsylvania. Several other States represented on this subcommittee might be affected as well, such as my State of Alabama, Maryland, Missouri, North Carolina, West Virginia, and so forth, and I expect that our ranking member, Senator Lautenberg, will discuss his views on the proposal's possible implications for New Jersey.

Congress created Conrail in 1973, following the bankruptcies of seven private railroads. The Federal Government began operating Conrail on April 1, 1976, and invested over \$7 billion in taxpayers' funds to cover Conrail's capital and operating needs.

In 1986, Congress voted to authorize a public stock offering of the Federal Government's holdings of Conrail stock.

Ten years ago, in the spring of 1987, Conrail was privatized in a process that produced \$1.95 billion for the Federal Government, \$1.65 billion from a stock sale, and \$300 million from the Conrail excess cash.

(predecessor railroads of the Norfolk Southern and CSX, respectively). The Department advocated this approach because it wanted shippers to have a choice between the two carriers. Unable to overcome some of the objections from rail labor and the carriers' own reluctance to proceed, a backup plan proposed by the United States Railway Association (USRA) for the creation of a single "Big Conrail" was adopted. That outcome was reluctantly agreed to by Secretary Coleman and the Congress.

Given this historical perspective and the clear signals we were getting from shippers, other railroads and public officials demanding a private sector solution that created competitive balance in the region, we tried to persuade Conrail to agree to a reasonable set of concessions to Norfolk Southern. While we remained committed to our friendly merger of equals until the end, we could not overcome Conrail's insistence on retaining virtually all of its system. As a result, we failed to produce a solution that could gain support from shippers or public officials.

Norfolk Southern's February 24 proposal to us and Conrail calling for a roughly equal division of the Conrail system forced resolution of the issue and resulted in amendment of our merger agreement with Conrail. Currently, we are in negotiations with Norfolk Southern which I am confident will produce two strong railroads.

I would like to be able to provide this Subcommittee today with very specific information about that transaction. However, such details must await the successful conclusion of these negotiations. Today, I can tell you—the result of the amended agreement with Conrail is a major victory for a number of important constituencies. Conrail shareholders will receive \$115/share in cash and, although we do not yet have a final division or operating plan, it is clear that shippers throughout the East will benefit from much better service over a balanced rail system, and the driving public will benefit from fewer trucks on already overcrowded highways.

While I am optimistic that this transaction holds great potential for economic growth and expanded employment opportunities for the first time in the rail industry, I must be candid and acknowledge that initially there will be some job loss. Once we complete our negotiations with Norfolk Southern, we will file a joint application with the Surface Transportation Board which will provide a detailed operating plan. This plan, among other things, will specify the impact on jobs. It goes without saying that we are attempting to minimize job loss. It is important to keep in mind that under federal law any worker who is unable to continue working will be eligible for up to six years of labor protection or a generous stay and severance package which is provided for under the amended merger agreement. In addition, many of Conrail's employees participate in an ESOP which would be a benefit in addition to the stay and severance package.

As we take advantage of the business opportunities presented by this pro-growth transaction, CSX will not lose sight of our fundamental commitment to safety. Over the last eight years, we have dramatically improved our safety record. Today we are first in the industry in train accident prevention and Norfolk Southern is first in personal injury prevention.

We hope to conclude our negotiations with Norfolk Southern and file a joint application with the Surface Transportation Board by the end of May or early June. Mr. Chairman, we believe that an historic opportunity exists to bring to the Northeast precisely the competition that was sought—but never achieved—twenty years ago. This transaction will maintain competition where it exists today and introduce competition into key areas that have not seen competition in three decades. We plan to work with interested parties in the coming days so this application will enjoy widespread support. I am confident that it will obtain approval by the Surface Transportation Board. I will, of course, keep this Subcommittee informed as our negotiations proceed.

I am happy to answer any questions that you may have.

#### STATEMENT OF DAVID GOODE, CHAIRMAN AND CEO, NORFOLK SOUTHERN CORP.

Senator SHELBY. Mr. Goode.

Mr. GOODE. Thank you, Senator Shelby.

My filed statement does have some information about Norfolk Southern, but in the interest of time, I will leave the advertisements for those to read, and turn to the proposals.

As has been said earlier, right now Norfolk Southern and CSX are working hard on a lot of details of a historic proposal for a major restructuring of rail transportation in the East.

We have groups, as has been alluded to earlier, working with the States and public officials. We hope that we can wrap all of this together, so that we can get a proposal to the Surface Transportation Board by June, and seek approval as rapidly as possible, because we want the benefits of this transaction, which we believe will be very competitive and good news for all of the region, to be available as quickly as possible.

Our systems will provide the benefits of long-haul, single-line rail transportation service for shippers throughout the region, and will make the economy more efficient and competitive, and while we have been focusing a lot on the Northeast and the area served by Conrail, it is very important to recall throughout this that the benefits of that kind of service will benefit people all through the area that Norfolk Southern and CSX serve, which includes all of the country east of the Mississippi, and, indeed, in our cooperation with the Western railroads, this is going to mean that the benefits of the better service presented by this proposal are going to redound to the benefit of shippers, really, throughout the United States.

As has been said several times, the devil is in the details, and John and I are discovering a lot of devils as we negotiate. We are good friends, we have competed head to head for many years, our companies, and John and I have long histories in our two companies, and we have done that for a long time, and I think it has been a benefit to both of our companies, and to the shipping public, to have us as friendly, but hard, and decisive competitors.

This is a very positive development. It is going to yield significant public benefits, and Senator Specter, I will wait and let you ask me that question, rather than presuming the—

Mr. GOODE. Would you like me to? Perhaps as a preliminary statement, I would be happy to address the reasoning behind the contract that we have entered into with PP&L, which they announced the day before yesterday, or a couple of days ago.

We believe that that  
tively, we are intereste  
moving some coal to Pl

I have every confidence  
but it is a good illustration  
can redound from this.

Thank you very much

Senator SHELBY. This will be made part of the [The statement follows.]

## PREPARATION

Mr. Chairman, members of the Committee, Chairman, President and Chief Executive Officer, I am pleased to be here today with Conrail and CSX.

I would like to begin by to have requested, I will address action. Before I am through I the proposed plan for Contra good for the country.

Norfolk Southern Corporation, highly successful railroads, I be surprised to learn that N In fact, the Pennsylvania R Norfolk and Western.

Today, Norfolk Southern States. We own more than 14 east. We haul anything that auto parts, grain, paper, and tainers—what's known as in kind of transportation (for ex-

One of Norfolk Southern's safety record among the nation's railroads. In its annual report, the magazine ranked the railroad "the second year in a row the best railroad." We were ranked 4

Let me turn now to Norfolk. There is no question it has got to where we are today. V defines the way we conduct business out the myriad details of the map will look like and how the example, will step into Connecticut our reach north to the number of new north-south streets with Philadelphia, Baltimore

We plan to file an application with the Board. If the Board approves the plan, details will become available and we will return and give you an update on how this transaction will be handled by which Conrail operates.

There will be a blossoming not experienced in decades. In a competitive framework. Railroads when they connect the markets.



I am happy, if it is seen as a positive thing for the State of Pennsylvania, and the customers of PP&L, and I am happy that they are happy about it, but Norfolk Southern enters into transactions for the purpose of making a fair return for our shareholders.

We believe that that is best done by serving our customers effectively, we are interested in doing business, and we are happy to be moving some coal to PP&L, and I hope it is profitable.

I have every confidence that it is a profitable transaction for us, but it is a good illustration, perhaps, of some of the benefits that can redound from this.

Thank you very much.

#### PREPARED STATEMENT

Senator SHELBY. Thank you, Mr. Goode. Your written statement will be made part of the record.

[The statement follows:]

#### PREPARED STATEMENT OF DAVID R. GOODE

Mr. Chairman, members of the Subcommittee, my name is David R. Goode. I am Chairman, President and Chief Executive Officer of Norfolk Southern Corporation. I am pleased to be here today to discuss various aspects of our proposed acquisition of Conrail with CSX.

I would like to begin by telling you a little about Norfolk Southern. Then, as you have requested, I will address some of the issues you have raised about this transaction. Before I am through I hope to convey Norfolk Southern's firm conviction that the proposed plan for Conrail will be good for customers, good for employees and good for the country.

Norfolk Southern Corporation was created in 1982 through the combination of two highly successful railroads, Norfolk and Western and Southern. Some of you may be surprised to learn that Norfolk Southern has deep bloodlines in the Northeast. In fact, the Pennsylvania Railroad, one of Conrail's predecessors, once controlled Norfolk and Western.

Today, Norfolk Southern is the fourth largest freight railroad in the United States. We own more than 14,000 miles of track throughout the Midwest and Southeast. We haul anything that moves by rail, primarily coal, chemicals, automobiles, auto parts, grain, paper, and construction materials. We also move trailers and containers—what's known as intermodal freight because it moves by more than one kind of transportation (for example, trains and trucks).

One of Norfolk Southern's proudest accomplishments has been to achieve the best safety record among the nation's larger railroads for seven years in a row, an unprecedented feat. In its annual corporate reputations survey, Fortune magazine for the second year in a row recently named Norfolk Southern "America's most admired railroad." We were ranked 41st, in the top 10 percent of all companies surveyed.

Let me turn now to Norfolk Southern's and CSX's proposal to restructure Conrail. There is no question it has been a tough fight. Norfolk Southern battled hard to get to where we are today. We fought fairly, honestly and with the integrity that defines the way we conduct business. Right now, we are meeting with CSX to work out the myriad details of the restructuring. We have a basic agreement on what the map will look like and how the transaction will be structured. Norfolk Southern, for example, will step into Conrail's shoes most places in Pennsylvania. We will also extend our reach north to the Port of New York and New Jersey and introduce a number of new north-south services that will link the metropolitan New York area with Philadelphia, Baltimore and the Southeast.

We plan to file an application with the Surface Transportation Board in June. If the Board approves the plan, the restructuring will take place in 1998. Many more details will become available once we file with the STB and we will be happy to return and give you an update. In the meantime, I can tell you in general terms how this transaction will benefit customers, employees, and the communities in which Conrail operates.

There will be a blossoming of competition, the likes of which the Northeast has not experienced in decades. It is not difficult to foresee the advantages of the new competitive framework. Railroads are network businesses, and they are most useful when they connect the markets their customers want to reach. Our restructuring



plan will create two far-flung transportation networks, each serving virtually all major markets east of the Mississippi River. Each will link domestic manufacturing centers with consumer markets, and also with Atlantic coast ports, which will speed the flow of goods from United States origins to overseas destinations. Similarly, the proposed restructuring will lessen transit times for products moving among the United States, Canada, and Mexico. This will help make a broad base of American businesses more competitive internationally, and will reduce costs to consumers.

But don't take our word for it. Just this week Pennsylvania Power & Light said the restructuring "would reintroduce competition to rail service in the Northeast, benefit electricity consumers in Pennsylvania and lower the cost of transporting coal to PP&L power plants." There is no question the transaction will have a direct benefit for customers like PP&L. But that is not all: it will have a ripple effect throughout the Northeast's economy that will extend to consumers of electricity, among others.

The impact of the transaction on economic development should also be extremely positive. When Norfolk Southern enters new markets, our world-class industrial development team accompanies it. To give you an idea of what we can do, in 1996 alone, Norfolk Southern helped locate 73 new industries on its lines, and helped 32 other industries to expand. Eight of the last 11 automobile assembly plants built in the United States were constructed on the Norfolk Southern system. There is every reason to be confident similar success stories can occur throughout the Northeast.

We are already beginning to think about some of the projects we will undertake to improve the Conrail lines we will acquire. We expect that the lion's share of the east-west freight trains we will operate will utilize the old Pennsylvania Railroad mainline across the state of Pennsylvania. However, we will also acquire, and intend to upgrade, the former Erie-Lackawanna between northern New Jersey and Buffalo, the line known as the Southern Tier. Conrail has operated the Southern Tier as a secondary mainline for secondary trains. But the dynamics of Norfolk Southern and the portion of Conrail we will acquire will cast the Southern Tier in a new role: it will be our main link between northern New Jersey and Buffalo. It will also serve as Norfolk Southern's key route between New England and the West.

In closing, Norfolk Southern and CSX are working hard to nail down the details of the Conrail restructuring. Unfortunately, we may not have answers yet to some of your questions. Even now, however, I can say with complete confidence that the opportunity before us—an historic opportunity, to restore competitive rail transportation to the Northeast—will yield very substantial public benefits.

Again, thank you for inviting me. I will be happy to answer your questions.

**STATEMENT OF TIM O'TOOLE, SENIOR VICE PRESIDENT, LAW AND GOVERNMENT AFFAIRS, CONSOLIDATED RAIL CORP. (CONRAIL)**

Senator SHELBY. Mr. O'Toole.

Mr. O'TOOLE. Thank you, Senator.

My comments will be very brief. As you say, I serve as Conrail senior vice president for law, but throughout the term of this transaction, I occupy the position of Conrail's chief financial officer.

Under the terms of our amended agreement with CSX, our shareholders will receive no later than June 2, through CSX's tender offer, \$115 in cash for all the remaining shares of our common and ESOP stock. All the Conrail stock, as you know, acquired by CSX, will be placed in a voting trust, pending the outcome of the STB's proceedings.

The amended merger agreement enables CSX to negotiate with Norfolk Southern on a division of our assets, as you pointed out, and although Conrail will cooperate fully to ensure an orderly transition, we are not party to the current discussions between CSX and NS, therefore, I really am not in the position to comment on the public policy ramifications of those discussions.

I would only note, especially for Senator Specter's interest, as he has pointed to it, that the amended merger agreement with CSX states that it is CSX's intention that following the control date, Conrail's locomotive shops at Altoona, PA, Conrail's Sam Rea car

shops at Hollidaysburg and a major operating tained.

In conclusion, Conrail for the Conrail system cumstances, as they deing the best possible tra

Thank you. I would b

Senator SHELBY. The ment will be made part [The statement follow

**PREPARED**

My name is Timothy O'Toole, Law and Government Affairs Financial Officer.

Under the terms of Conrail's merger agreement, Conrail shareholders will receive no cash per Conrail share for preferred stock. All the Conrail stock will be placed in a trust pending the outcome of the STB's proceedings.

The amended merger agreement between Conrail and CSX ensures an orderly transition of Conrail's assets to CSX and NS. Therefore, I refer to the discussions.

The amended merger agreement provides that following the control date, Conrail's assets, including its Pennsylvania; Green's Sam Rea car shop; Pittsburgh service center; and headquarters of the surviving Conrail, will be transferred to CSX.

In conclusion, Conrail's Board of Directors will ensure the Conrail system to remain intact and we believe we succeeded in representing the rail's constituents.

I would be pleased to answer your questions.

**POSITIVE**

Senator SHELBY. Mr. O'Toole, to be big positive side and you would not have then joined by Norfolk Southern and some negotiations of minutes, tell us again acquisition for both companies.

Mr. SNOW. Senator, the price we are paying for the Conrail system.

Senator SHELBY. The price we are paying for the Conrail system. Mr. SNOW. We have a board of directors for our shareholder Levan, and their board from the point of view of the transaction.

If the transaction is approved by the shareholders and the one answer, and that is

Mr. O'Toole, we appreciate you being here, and I talked to Mr. David Levan, CEO of Conrail, he said he could not be here, because of a prior commitment, and a funeral this afternoon, and we may need to call him, too, but we will wait to see what the events are there.

Let me move west to east. We have talked about shippers, and about competition, and I would like to be as specific as I can, realizing that much of this has to be worked out, but moving west to east from Pittsburgh, and focusing on one of the issues in Mayor Murphy's letter today, you have in the Pittsburgh area 1,700 employees divided among the national customer service center in North Fayette Township and the Conrail railyard in the Greentree division headquarters. To what extent will those operations be maintained? I think that will be your question, Mr. Goode.

Mr. GOODE. Yes; I think, again, while we are still working it out, I think it is likely that we will be getting Conrail's operations in the Pittsburgh area, and we are happy to do that.

It will clearly be our intention that Pittsburgh will continue to be the major operating center that it is now. The yards and the yardworkers, I think, will certainly be something that we would anticipate continuing. We are looking hard at the service center.

Senator SPECTER. Will you keep the service—

Mr. GOODE. I had one conversation with Mayor Murphy, and we have talked about, I know how important the service center is. We have not yet, frankly, made a decision whether the service center will be able to serve for the entire system or not, but we are looking at that, and clearly we will have a major presence in Pittsburgh.

Senator SPECTER. Mr. Goode, if you undertake to make any significant changes there, would you be willing to let the subcommittee know?

Mr. GOODE. Absolutely.

Senator SPECTER. OK. Moving east to the Altoona shops, the locomotive repair shops, and Hollidaysburg, again, Mr. Goode, what would your expectation be there as to the employment situation?

Mr. GOODE. Well, we have looked, as you know, earlier this week at those shops, we had some knowledge of them earlier than that. John and I had a very good tour of the shops, they are excellent facilities.

Since Norfolk Southern will be the likely beneficiary of the lines and of those shops, we do not have nearby shop facilities, as CSX did in Cumberland, so we are in a position of not only being able to give assurances that we will keep those shops and keep them operating, we are going to need them.

I have talked with, as we toured, the folks in the shop some about looking at ways to expand the work that is going on in those shops.

I may even be negotiating with Mr. Snow, perhaps, on some of his work, but certainly we would anticipate that our operating plan would include not only using those shops in the way that they are used now, but in seeking ways to find additional business for them, and it will be important that we enter into good implementing agreements with labor, so that we can have a strong competitive product and do that.

Senator SPECTER. OK. That answer will be well received in Blair County. Thank you.

Moving on into the Harrisburg and Enola area, the Harrisburg intermodal terminal, you and I have discussed, Mr. Goode.

Mr. GOODE. Yes.

Senator SPECTER. The likelihood of expanded operation, because of the new configuration of Norfolk Southern, could you confirm that and amplify it a bit?

Mr. GOODE. I would be glad to. As you and I have discussed, and as we have discussed with the Governor's transportation department, Mr. Mallory, and others, Norfolk Southern's, we would anticipate that our major north-south intermodal route will be the route where we connect with Conrail now at Hagerstown, and go north to Harrisburg, and into the New York area that way, so that we move along what I think of as the Interstate 81 corridor, with a lot of intermodal traffic.

There will be major expansions in the intermodal business, if we are successful in getting that business, which I certainly anticipate we will be, and I think that will clearly auger for more intermodal development in the Harrisburg area.

Senator SPECTER. Well, time does not permit going into all of Pennsylvania's 67 counties, where Conrail now has employees, or the 18 counties having more than 100 Conrail employees as residents, but I would appreciate your commitment to keep the subcommittee informed as to any significant changes in that employment picture.

Now, as to the Philadelphia location, this would involve Mr. Snow, as well as you, Mr. Goode. Both of the railroads, Norfolk Southern and CSX, will have major operations in Philadelphia, is that correct, Mr. Snow?

Mr. SNOW. Well, we contemplate certainly having on the CSX side, on behalf of CSX, major operations in Philadelphia, yes.

Senator SPECTER. Mr. Goode, Norfolk Southern will have major operations as well.

Mr. GOODE. That is also our—we see Philadelphia as a major business center for the railroad, and also we would—our plan, while we have not formulated it completely yet, envisions that we will have a significant general presence in the Philadelphia area.

Senator SPECTER. When you say a significant general presence, will that include some sort of a regional headquarters?

Mr. GOODE. I would think—I do not know whether regional headquarters is the right way to characterize it.

Senator SPECTER. Well, leave out the word regional.

Mr. GOODE. I was going to leave out the other word.

Senator SPECTER. But you will not.

Mr. GOODE. But I will not. No; very seriously, we will certainly have a major operational presence and a major marketing presence, and Philadelphia will be the center of activities for us, and we certainly will have significant continuing operations there, in terms of people in offices, in addition to what I think will be significant growth, in terms of the intermodal activities and the other on-the-ground workers.

Senator SPECTER. Now, Mr. Snow, I am sure you can top that description, as to the extent of CSX's operation in Philadelphia.

Mr. SNOW. We privately and put a major presence.

We will need to manage the runs from Philadelphia and across to Boston need for us.

The details of of the discussion talked about, and

Senator SPECTER. The overtime, and we can just do the regional headquarters.

Mr. SNOW. I would quarters. We call a management group Chicago to Atlanta team that has close center. That is the

I think we will in Philadelphia would operation. As I say, review these matters.

Senator SPECTER. you, Mr. Snow, you, expanded service to the

Mr. SNOW. I think merger. We will both ways that give us this, more efficiently great crossings and enable us to access operations more effectively today, at all, as you intermodal facility of

Senator SPECTER. servicing the Philadelphia

Mr. SNOW. No whether we even have talk with the mayor way for both of our ing—we are paying doing it, because we of Philadelphia is on We think it can be done

Senator SPECTER. expanded service of ties, in looking for the likelihood, at least be more employees in operation, whatever quarters has today,



Mr. SNOW. Well, Mr. Goode always tops me, but I have told you privately and publicly, and in my letter to you, that we will have a major presence there.

We will need to have a major presence there in order to be able to manage the part of the railroad that looks like will be taking runs from Philadelphia, and north, to New York, and up Albany, and across to Boston, and so on, Montreal. So there will be a real need for us.

The details of that are, of course, not worked out yet. It is part of the discussion with the working group that Mayor Rendell talked about, and Secretary Mallory.

Senator SPECTER. Would you expect—I am going to go into a little overtime, and I will give Senator Mikulski more time, too, so we can just do this on one round. Would you expect to have a regional headquarters in Philadelphia?

Mr. SNOW. I would expect a division headquarters, regional headquarters. We call our management groups corridors or line segment management groups, and that is to take a big part of the railroad, Chicago to Atlanta, and put it under a major management field team that has close connections with the Jacksonville operation center. That is the new way we are operating.

I think we will need that sort of management arrangement, and Philadelphia would be a natural place to headquarter that major operation. As I say, part of the purpose of the working group is to review these matters.

Senator SPECTER. From the conversations that I have had with you, Mr. Snow, you expect to give better service to the port or expanded service to the Port of Philadelphia.

Mr. SNOW. I think that is one of the truly major benefits of this merger. We will both be in the port, we will both be in, I hope in ways that give us access, and we are talking to the mayor about this, more efficiently, more effectively, maybe with some closings of great crossings and great separation, and other things, that will enable us to access the port more effectively, and tie intermodal operations more effectively with port operations, which is not the case today, at all, as you know, with the potential for new world-class intermodal facility of some kind in the Philadelphia Port area.

Senator SPECTER. Would you anticipate Norfolk Southern as well servicing the Philadelphia Port?

Mr. SNOW. No question. We will undoubtedly be discussing whether we even have some sort of sharing, and we will want to talk with the mayor about how to make that investment in the best way for both of our operations in the city, but, again, we are looking—we are paying a lot of money for this property, and we are doing it, because we are going to generate business, and the Port of Philadelphia is one way, along with the other ports, to do that. We think it can be done.

Senator SPECTER. Well, as you men describe the activities with expanded service of the Port of Philadelphia, and intermodal facilities, in looking for expanded business, there seems to be a decisive likelihood, at least as you have described it today, that there may be more employees in Philadelphia, and the combined headquarters operation, whatever you call it, may exceed what the Conrail headquarters has today, is that a possibility, Mr. Snow?



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Mr. SNOW. Senator, I am not quite sure what the numbers are, in terms of the headquarters staff today. Mr. O'Toole would have that. It is something on the order of 1,300 people, something like that—

Mr. O'TOOLE. In the nonagreement ranks.

Mr. SNOW. In the nonagreement ranks, yes. I think there will be—

Senator SPECTER. Did you say in the nonagreement, Mr. O'Toole?

Mr. SNOW. In the nonagreement ranks. One thousand three hundred or so is my recollection. I think it is safe to say that there will be a significant reduction in that number. What we are talking about here is replacement jobs in one form or another, as we grow the business, put in intermodal yards, compete more effectively.

Senator SPECTER. Those replacement jobs might grow to or exceed that number.

Mr. SNOW. Potentially, sure. Potentially. I do not think day one, but I think potentially, yes.

Senator SPECTER. Mr. Goode, same question, do you think there is a likelihood that the combined operations, as you have described them, expanded on the port, intermodal, et cetera, might lead to a greater presence of the two railroads in Philadelphia than is present today with Conrail?

Mr. GOODE. I do not know—I just do not know what the numbers are going to be in the future, but we are making a major bet here, both companies are. We are making a major bet on behalf of both of our companies, on growth in this business. We are looking to the future.

This is not an investment that is based upon cost savings, and that sort of thing, it is based upon growth and the expectations that we can make the business grow in the future.

If we do that, that is going to mean jobs. That is the commitment that we are making, and we are making it, because we believe it is a good business commitment to make.

Senator SPECTER. Senator Mikulski.

Senator MIKULSKI. Thank you, Senator Specter.

First of all, I want to thank you for your leadership in making sure that this hearing happened. It has been an excellent conversation. I have a few questions. The entire Maryland delegation is meeting with our mayor of Baltimore.

We are all worried about our cities, and I know you, and I know your wife Joan, a former city council lady, are very deeply concerned, so I am going to ask my questions, and I wonder when Ms. Morgan testifies if I could just ask her three quick questions after that.

Senator SPECTER. Certainly, Senator Mikulski.

Senator MIKULSKI. Thank you very much.

First of all, Mr. Goode, I do not know you, and I am looking forward to getting to know you.

Mr. GOODE. We will get better acquainted.

Senator MIKULSKI. I know that Norfolk Southern has a great reputation for both service and competitive rates. I do know Mr. Snow, and I do know Conrail, because before I became a U.S. Senator, I was on the Energy and Commerce Committee, where we essentially created the Conrail railroad system, and worked hands-

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on with Liddy Dole to make sure we had a railroad system, and also that it was not cherry picked over the years with piecemeal selloffs that would leave shippers and commuters vulnerable. So we look forward to it.

Now, let me get specifically to my question. The very excellent question of Senator Specter about the Port of Philadelphia is what I have, and here is the fear. When all of these mergers became discussed, and you started your bidding wars, and all the things you did as tycoons, we in Baltimore were doing shooters of Mylanta, because here is what we were concerned about, exactly that.

You are Mr. Norfolk, Conrail is Mr. Philadelphia, and then there is the great market of New York/New Jersey. We were concerned that whatever the arrangements were would be a leapfrogging over Baltimore, that essentially for the Port of Baltimore, there would be a leapfrogging out of Norfolk, a great competitor, into either Philadelphia or New York, and we would either become a great barge port, we would become a great pond, and quite frankly, I love my inner harbor, and I helped to save that area, but when we have to choose between quiche and cargo, I will go with cargo any day of the week, because of the kinds of jobs it has.

Now, my question to you is: Are you, with all these wonderful promises you just gave Senator Specter, intermodal this, and headquarters that, and we are sure going to be generating business, are you two, in these routes, do you envision leapfrogging over Baltimore, or is it in your thinking that Baltimore would be a major anchor to what you envision in terms of railroad service?

My question is really for you, sir, and for Mr. Snow.

Mr. GOODE. Let me try it first, Senator—

Senator MIKULSKI. Remember, I am the cargo Senator, not the quiche Senator. [Laughter.]

Mr. GOODE. Well, first let me say that I do look forward to getting better acquainted with you, and I assure you that my consumption of Mylanta during the last 6 months will be the equal of anybody's in this.

Our commitment on behalf of Norfolk Southern, we make a commitment to the ports we serve, because it is a good business commitment.

There is no question that—sometimes I think that railroads are extensions, are just the natural extensions of the ports, and vice-versa. We are in the business of getting that intermodal freight and other freight off the ships and moving it inland, and vice versa, and we pride ourselves on the development of it. We are proud of what we have done—

Senator MIKULSKI. Good. What does it mean, though?

Mr. GOODE. What we will do for the Port of Baltimore and the Ports of Philadelphia and New York is what we have done for Norfolk, make sure that there is good rail transportation service available out of that port.

We will provide the service to move those goods. We cannot develop the ports, I mean the ports themselves need to develop themselves, and there is a lot of competition.

What we want to do is be a first-class rail transportation provider to all of the ports in the eastern part of the country, and compete with—

Senator MIKULSKI. Do you see major rail service continuing and adding competition for Baltimore, or is it your long-range intention to eventually leapfrog over us?

Mr. GOODE. Absolutely not. Absolutely the former, rather than the latter. We are going to be in the port, we are going to be providing first-class rail transportation for the port.

Senator MIKULSKI. Mr. Snow.

Mr. SNOW. Well, I regret to hear that, but it is obviously going to happen, and where it does happen, I can say, Senator Mikulski, good things happen for shippers, rates come down, service gets better, there is more traffic, there is more economic development.

We are going to get better in Baltimore, I think, because Norfolk Southern is there with the whole network that they have to serve the port from, and you and I will continue our discussions about improvement to the port with the port authority people and the Governor on double-stacking, which, as you know, is something we think will have to come to the port for us to be as competitive in serving the port as we need to be.

Senator MIKULSKI. Well, thank you.

Mr. Chairman, I just have a question also about these railroad jobs in western Maryland and that—

Senator SPECTER. Proceed, Senator Mikulski, if you need a little extra time, by all means.

Senator MIKULSKI. Thank you. Let us go to western Maryland, both Cumberland, the railroad yards in western Maryland, as well as I know there has been some talk about intermodal facility in Hagerstown.

Mr. Snow, Mr. Barlett said that he got a commitment from you about jobs in western Maryland. Could you tell us what really is the commitment to jobs in the CSX Railroad there?

Mr. SNOW. Well, I have been talking to you and to House Speaker Cass Taylor for 6 months now about western Maryland, and know well your concerns on that subject.

To be candid, the original proposal presented some risks to Cumberland, because the Altoona and Hollidaysburg shops are, as the crow flies, not very far. I think it would have meant some reductions or rationalizations at one place or the other. That was almost inevitable.

One of the virtues of the merger, as it has evolved, or mergers, as they have evolved, is that threat to each of those facilities has been, in effect, eliminated, and we are, as I said to the employees of the shops in Cumberland just 2 days ago, when I was there, I think you can count on these shops continuing to operate for the next 150 years, because the threat has been removed.

If anything, we are going to see growth in jobs, as I told the mayor and told the speaker, and the county commissioners who were there, you are going to see growth in jobs here, because we are dead earnest about growing the business.

The Cumberland facilities are critical to us now. They are even more critical now than they were before. And added to that is the fact that single-line service on the coal, moving out of that region, and you know we have the headquarters for the coal unit for northern West Virginia and western Maryland, which generates a lot of coal, that unit is headquartered there in Cumberland.

With the situation, who you know we are going to Maryland coal territory, and in better results.

It is a growth there, there are to be repaired.

Senator Mikulski, you kind of over Mr. Snow.

Senator Mikulski, interested. This.

Mr. Goode, plan to take their bringing Biden and R Mikulski.

Mr. GOODE and it is important that service, those areas, and others in and improving.

I might just Senator Mikulski.

Mr. GOODE a lot more from do not know but it is certain.

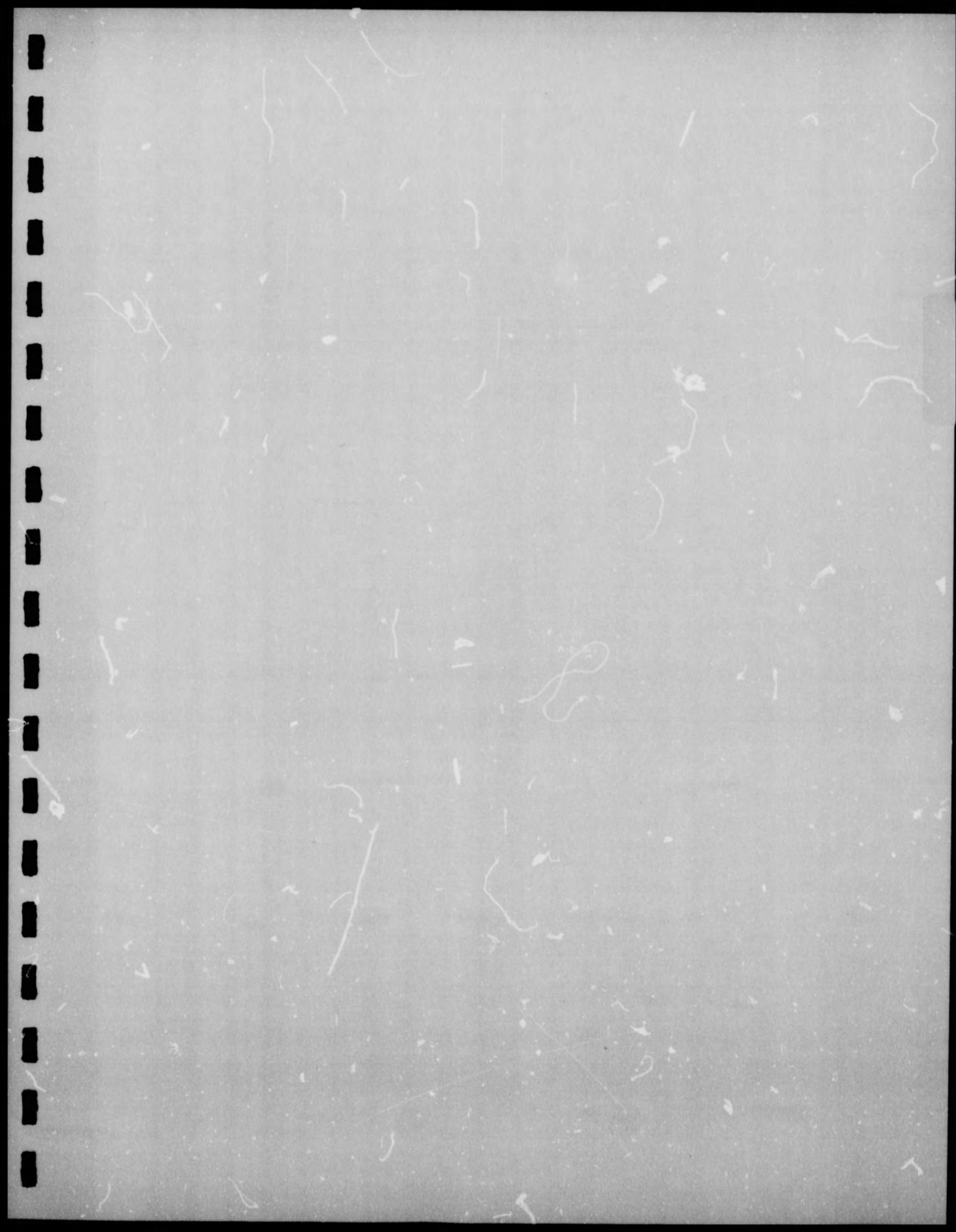
Senator Mikulski to know about.

Mr. Chairman continue this railway industry keenly interested I would like bucket of but to do it, or of those of us in of what is apt to modernize this is the state great.

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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**

**VOLUME 1 OF 8**

SUPPORTING INFORMATION, SUMMARY OF BENEFITS,  
EXHIBITS 1, 8, 10-11 AND 16-19, STATEMENTS OF APPLICANTS'  
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SECTION 1180.6(a)(1)(ii)

PROPOSED TIME SCHEDULE

As described above, CSX and NS now hold indirectly 100% of CRR's common stock after a series of tender offers, followed by a second-step merger consummated on June 2, 1997, in which CRR was the surviving corporation. All of the CRR common stock acquired by CSX and NS in the tender offers and the merger has been placed in the CSX/NS Voting Trust to avoid any unauthorized control pending Board action.

CSX and NS will exercise joint control over Conrail from the effective date of a Board order approving this Application and authorizing control (the "Control Date"). The Transaction Agreement provides that the transfer of assets to NYC and to PRR by CRC to effect the division of the operation and use of Conrail's assets will occur on the "Closing Date"-- the third business day following satisfaction of certain conditions precedent, including the effectiveness of a final Board order and, where necessary, sufficient labor implementing agreements.

The Transaction Agreement contemplates that certain CRC facilities currently used for the benefit of the entire Conrail system will, during a transition period following the Closing Date, be operated for the joint benefit of CSX and NS. Conrail's Philadelphia headquarters (operated by CSX), information technology center in Philadelphia (operated by CSX), car shop at Hollidaysburg, PA (operated by NS) and Juniata locomotive shop at Altoona, PA (operated



by NS) will initially be operated for the joint benefit of CSX and NS for a specified period.<sup>3</sup> Certain system support operations, such as Conrail's customer service center in Pittsburgh, PA, crew management facility in Dearborn, MI, and system maintenance-of-way equipment center in Canton, OH, among others, will be retained by Conrail and will be operated for the joint benefit of CSX and NS for a short period.

#### SECTION 1180.6(a)(1)(iii)

##### PURPOSE

The purpose of the proposed transaction is to create two strong rail networks of broad and comparable scope that will compete vigorously to provide efficient service throughout the eastern United States.

Better Service: By integrating certain Conrail routes and facilities into their existing rail networks, CSX and NS will be able to provide better service to their existing customers. They will also use their improved service to attract new customers. The creation of new single-line routes and the coordination of Conrail assets with existing CSX and NS assets will allow both rail systems to provide faster and more responsive service. Equipment utilization will improve. Loss and damage claims will decline. Customers will incur reduced costs.

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<sup>3</sup> This transition period is not to exceed 24 months following the Closing Date in all cases except with regard to the information technology center, for which the period is not to exceed six months (or, at the option of NS, 12 months) following the Closing Date, and the Hollidaysburg and Juniata shops, which CSX will use for locomotive repair and other work for at least three years. After the transition period, these facilities will serve the party to whom they have been allocated.

## VERIFIED STATEMENT

OF

DAVID R. GOODE

### I. QUALIFICATIONS

My name is David R. Goode. I am Chairman of the Board, President and Chief Executive Officer of Norfolk Southern Corporation and of its subsidiary Norfolk Southern Railway Company (collectively "NS"). I began my railroad career when I joined the Norfolk and Western Railway Company as a tax attorney in 1965. After the merger of the Norfolk and Western and the Southern Railway Company in 1982, I became Norfolk Southern Corporation's Assistant Vice President - Taxation. I became Vice President - Taxation in 1985, Executive Vice President - Administration in 1991, President also in 1991 and Chairman and Chief Executive Officer in 1992.

### II. KEY POINTS

I am providing this statement to give an overview of the transaction by which NS and CSX Corporation and CSX Transportation Inc. (collectively "CSX") propose to acquire control of Conrail Inc. and Consolidated Rail Corporation (collectively "Conrail") and of the tremendous benefits that we believe it will provide to the public and to the companies involved.

I would like to stress the following key points:

- 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.

planned capital improvements) is perhaps the best evidence of our confidence in the market opportunities the transaction offers to us.

**D. Other Benefits**

The transaction offers other important benefits to the parties and the public as well.

Foremost among these are environmental benefits. As noted, we estimate that NS's portion of the transaction alone will take at least 10 million tons of freight off the highways and put them on the rails. This will result not only in substantial cost savings to the shippers (as Professor Corsi explains) but also in 600,000 fewer truck trips every year, mainly on congested eastern and midwestern highways like Interstates 70, 80, 81, 85 and 95, and associated increases in highway safety. Since trucks consume more than three times as much fuel on average as railroads to move a ton of freight the same distance, the shift of freight from the highways to the rails will also reduce fuel consumption and air pollution.

The environmental benefits will be especially dramatic in some communities. In Erie, Pennsylvania, for example, the transaction will permit the removal of a busy NS line that literally runs down a city street, and which long has been a contentious issue between the community and the railroad. The traffic will be rerouted to a new line to be constructed on the existing Conrail right-of-way, which passes through the city largely grade separated. Many other communities will experience similar benefits, which are described in detail in the Environmental Report filed with our application.

At the same time, the Conrail transaction will cause an insignificant loss of direct rail service. Because the NS and Conrail systems have very little overlap, we anticipate minimal abandonments -- approximately 50 miles -- and those will be of lines having little or no local traffic and where the overhead traffic can be routed more efficiently over other lines.

This transaction also will permit NS to look carefully at its existing shops and other facilities as well as those on the Conrail properties NS will operate and to use each facility for the maximum efficiency and advantage to the combined operation. For example, Conrail has excellent locomotive and car repair facilities at Altoona/Hollidaysburg, Pennsylvania, while NS's comparable facilities are in Roanoke, Virginia. As explained in the Operating Plan and the Verified Statement of D. Michael Mohan, important efficiencies can be gained by concentrating different types of mechanical work at each location. To facilitate this effort, the truck and wheel work now performed by NS at Pegram Shop in Atlanta and by Conrail at Altoona will be centralized at Altoona, with the transition to be completed by the end of Year 1 after the Closing Date.

So-called "insourcing" provides another opportunity to maximize utilization of the system shops at Altoona/Hollidaysburg and Roanoke. Fortunately for our insourcing plans, CSX plans to use NS's services at Altoona/Hollidaysburg for at least a portion of its Conrail car and locomotive fleets.

## VI. CONCLUSION

We firmly believe that the very significant efficiency gains that this transaction will bring to both the expanded NS and CSX operations and the new competition it will introduce will help a wide spectrum of American industries to be more competitive in their global markets and will greatly promote economic growth throughout the eastern United States.

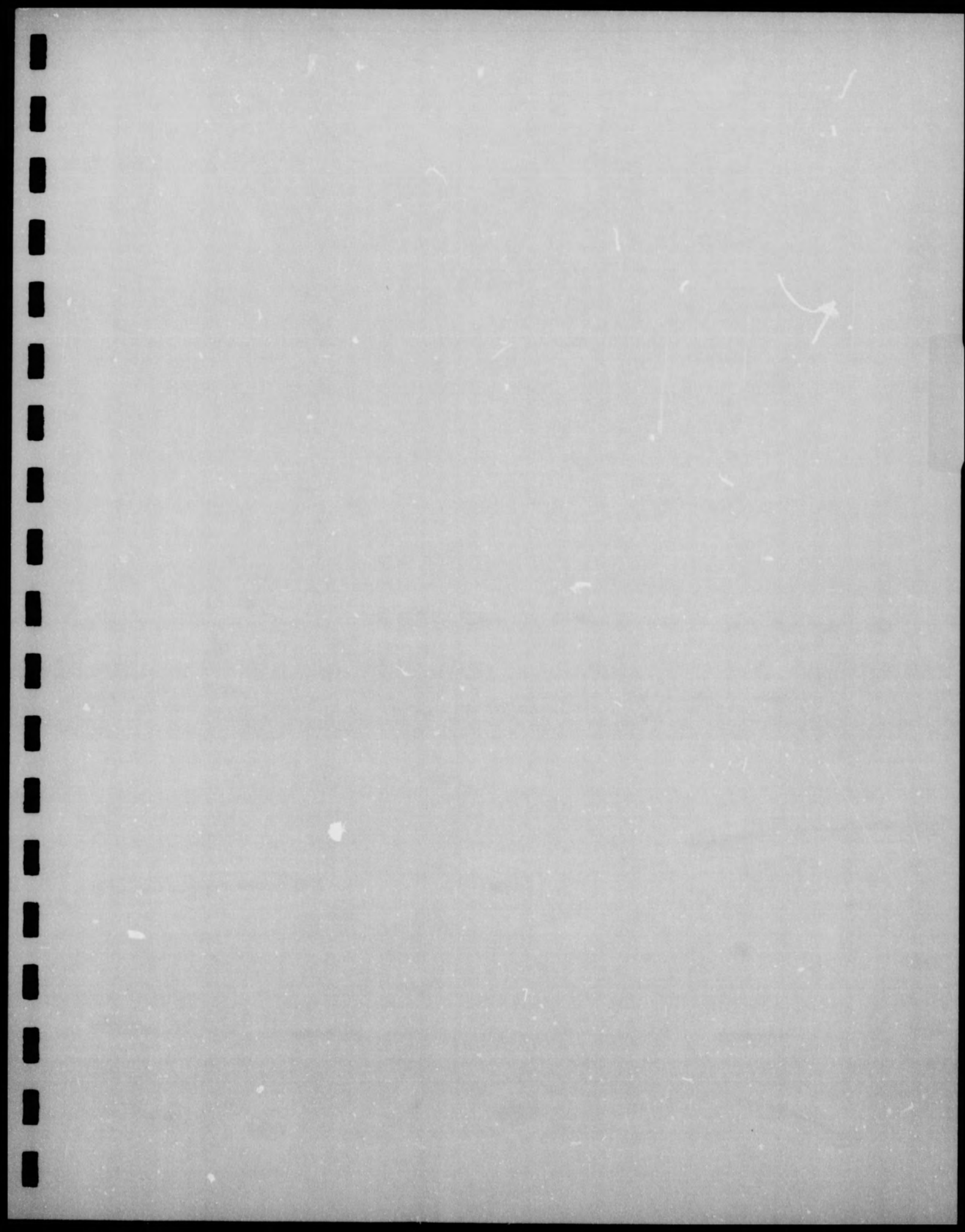
The efficiency gains will directly benefit rail freight customers, and will enable the applicants to provide much-improved rail service to customers throughout the United States.

The competition that will be continued in the Southeast and Midwest and which will be



restored in the Northeast will result in improved rail transportation service at reasonable prices.

The route to this proceeding has been long and arduous. This transaction, however, gives the Surface Transportation Board the opportunity to succeed where others have failed: to consider and approve the restoration of rail competition in the Northeast.







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**

**VOLUME 3B OF 8**

NS OPERATING PLAN, LABOR IMPACT EXHIBIT,  
DENSITY CHARTS AND SUPPORTING STATEMENTS  
(EXHIBITS 13 AND 14)

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components now assembled by outside vendors for Conrail.

The engineering organization will adopt the same division and regional structure explained above for the Transportation Department. The headquarters for the engineering organization will be in Atlanta, GA.

**E. Locomotive and Car Repair Facilities Coordination**

This transaction offers substantial opportunities to improve efficiency and fully utilize the excellent facilities of Conrail and NS in the Altoona/Hollidaysburg, PA and Roanoke, VA areas, respectively. Following the consolidation, NS intends to seek the efficiencies and other benefits of specialization at each of these facilities. For example, heavy locomotive and component rebuild activities will be concentrated: General Motors (EMD) locomotives at Altoona's Juniata locomotive facility, and General Electric (GE) locomotive overhaul and component rebuild at Roanoke Shops - Locomotive. In addition truck and wheel work done by NS at Pegram Shop in Atlanta and by Conrail at Altoona will be centralized at Altoona. NS will invest approximately \$60 million at Altoona for tooling to accommodate this increased truck and wheel work.

NS also intends to implement a "home shop" program for its 92-day locomotive inspection procedures, in which all locomotives will be assigned to a particular maintenance base. In conjunction with this initiative, it will invest \$30 million for a locomotive shop for running repairs/inspections at a point to be determined between Enola Yard, PA and Conway Yard, PA (including those end points).

After the consolidation, the Conrail shop at Hollidaysburg will absorb most car program work, with Roanoke Shops - Car concentrating on new car construction and rebodging. Program car repair operations at Macedonia, OH, Decatur, IL and Williamson, WV will be eliminated.

The Company will actively pursue "insourcing" opportunities in order to utilize fully its

shop capacity, particularly in the Altoona/Hollidaysburg area. "Insourcing" in this context is the practice of using company employees and facilities to perform maintenance, equipment rebuilds, and rehabilitation and/or component work for outside customers. The effect of insourcing is to more fully utilize company resources. Initially, NS's major insourcing customer for cars and locomotives will be CSX, for its portion of the Conrail fleet.

One system wheelshop will be selected for closure, either Coster Shop in Knoxville, TN or the wheelshop, that is part of the larger shop complex, in Hollidaysburg.

Mechanical department headquarters for the consolidated system will be Roanoke, VA. Numerous other initiatives explained in the Operating Plan will also be pursued.

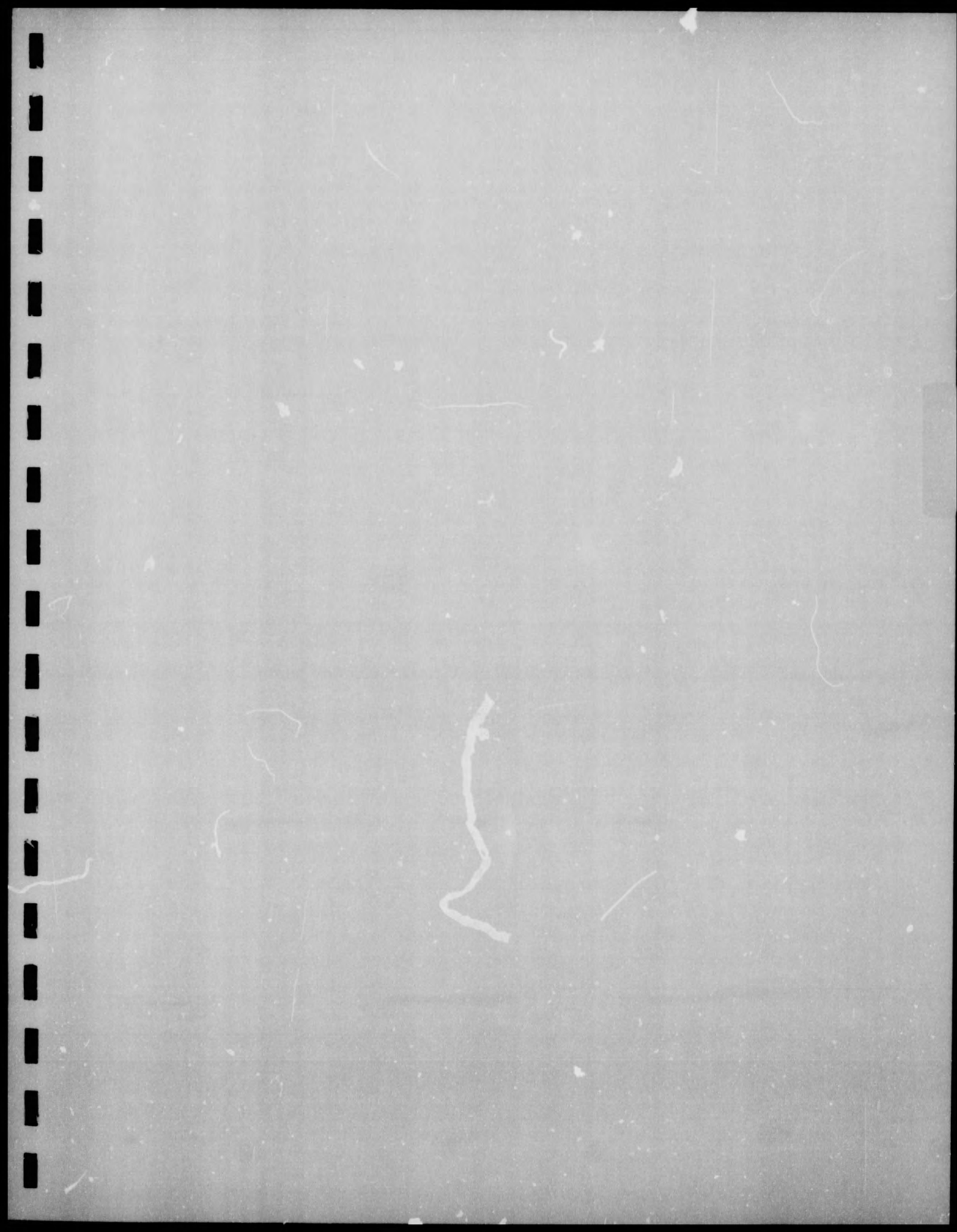
#### **F. Equipment Requirements and Utilization**

From a utilization standpoint, the expanded NS system provides significant opportunities to improve utilization of both locomotives and rolling stock. On a consolidated basis, 268 fewer road locomotives will be required. This will result in capital investment avoidance of nearly \$161 million, and an annual operating savings of \$41.6 million.

Further, 22 yard and local service locomotives will be released as a result of the consolidation. This reduction in yard locomotives would further reduce annual operating expense by \$1.2 million.

The reduction of 290 locomotives in total also represents a one-time potential salvage benefit of \$29 million.

The efficiencies produced by the consolidation will allow traffic to be handled with approximately 1,500 fewer rail cars per year, representing a replacement value of \$99.5 million and a reduction in annual operating expense of \$10 million. Further, the re-routing of traffic to more efficient consolidated routes would reduce annual car miles by some 59.2 million.







# NORFOLK SOUTHERN/CONRAIL SYSTEM LINES

## OPERATING PLAN

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### 7.1.7 Mechanical Facilities

In order to implement the mechanical plan, the following facility improvements will be undertaken. Capital expenditures required for these improvements are approximately \$102,000,000.

- Locomotive Shops

Improve and modernize current facilities along the Pennsylvania mainline to handle heavier workload. For purposes of the application, the principal shop investment is assumed to be at Conway Yard, pending a thorough evaluation of alternative sites.

Capital investment required \$30,000,000.

- Conway and Elkhart Car Shop

Improve current facilities.

Capital investment required \$3,000,000.

- Altoona, PA

Improvements to handle system locomotive truck overhaul and intermediate wheel replacement.

Capital investment required \$60,000,000.

Miscellaneous improvements at Juniata Locomotive Shop.

Capital investment required \$3,000,000.

- Hollidaysburg, PA

Material handling improvements at car shop.

Capital investment required \$4,000,000.

- Roanoke, VA

Shaffer's Crossing Shop improvements.

Capital investment required \$1,500,000.

## 7.2 Retirements and Avoided Capital Expenditures

The abandonment, sale and/or downgrading of various lines due to the proposed transaction will allow NS Post-Acquisition to avoid planned line maintenance expenditures on a number of lines. Retirements, if implemented, will also create one time salvage benefits as indicated below.

Line Segment to be Abandoned	Normalized Maintenance Expenditures Avoided (Annually)	Estimated Net Salvage Value (One time benefit)
NS Toledo -- Maumee, OH	\$134,780	\$ 646,017
NS Toledo -- Maumee River Bridge, OH	\$ 58,000	\$ 20,436
NS Dillon -- Michigan City, IN	\$397,340	\$ 742,931
NS South Bend -- Dillon, IN	\$258,970	\$1,186,464
<b>Totals</b>	<b>\$849,090</b>	<b>\$2,595,848</b>

## **11.0 COORDINATION OF EQUIPMENT MAINTENANCE**

### **11.1 Introduction**

NS maintains a substantially larger car and locomotive fleet than the car and locomotive fleet being acquired from Conrail. Accordingly, NS' current Mechanical Department activity is substantially larger than the activity of the Conrail system being acquired. Therefore, in general, NS will simply extend the current NS managerial organization, standards, policies and procedures to the properties being acquired. The following describes many of the intended changes.

### **11.2 Common Point Repair facilities**

The impact of the NS' expanded operations on mechanical personnel at major common points is discussed in detail in Section 4.3. From a mechanical perspective, work being separately performed at all common points where both Conrail and NS forces are currently employed such as but not limited to those discussed in Section 4.3 will be consolidated after the acquisition. These consolidations will strengthen NS' competitiveness by maximizing the utilization of resources and eliminating costs associated with redundant facilities.

### **11.3 Insourcing Contracts**

Recognizing the shop capacity NS gains as a result of the addition of Conrail facilities, as well as the advantages of a stable work force, NS anticipates performing car and locomotive repairs and overhaul for other rail carriers and other prospective

customers. Because CSX will use approximately 42% of the former Conrail car and locomotive fleets, the transaction agreement provides for the terms under which CSX will be one of NS' insourcing customers. Facilities which will provide these services are in Altoona, PA (including the nearby Hollidaysburg Car Shop) and Roanoke, VA. These facilities are known for their capabilities and the craftsmanship of their employees. To the extent facilities in Altoona and Roanoke have particular strengths in locomotive and car work that make insourcing more competitive or marketable, NS plans to utilize all four shops (Juniata Locomotive Works, Hollidaysburg Car Shop, Roanoke Shops-Locomotive and Roanoke Shops-Car) for insourcing operations.

NS has maintained a buffer fleet of approximately 100 locomotives to meet seasonal needs. At times, NS leases these locomotives to other carriers with a call-back provision. Maintenance on these units is limited largely to work performed by the lessee. Given the capabilities of Altoona, NS sees opportunities to expand the lease fleet using the repair capacity at the Juniata Locomotive Works. NS anticipates maintaining locomotives suitable for lease at Altoona to meet surges in NS' business and to accommodate the requirements of other carriers. NS believes this practice will increase shop workload.

#### **11.4 Locomotive Heavy Repair Facilities**

Juniata Locomotive Works is the heavy repair shop for Conrail at Altoona. Norfolk Southern performs similar functions at its Roanoke Shops-Locomotive and at Pegram Shop in Atlanta.

Following implementation, the shop at Altoona will become the primary system



shop for General Motors (EMD) locomotive overhaul and component rebuild. Roanoke Shops-Locomotive will become the primary system shop for General Electric (GE) locomotive overhaul and component rebuild. This does not preclude the overhaul, rebuild, or remanufacture of General Electric or other manufacturers' locomotives or components at Altoona nor of General Motors or other manufacturers' locomotives at Roanoke for purposes of insourcing or for other needs. However, Improved efficiencies will result from specialization at these shops.

Presently, NS overhauls locomotive trucks at a fixed interval at Pegram Shop in Atlanta. Pegram also provides most intermediate wheel replacement work for locomotives which experience thin rim wheels between truck overhauls.

After implementation, Pegram Shop will close and truck overhaul will be transferred to Altoona. Additional capital of approximately \$60 million will be required for tooling to accommodate increased truck and wheel work at Altoona, as shown in Section 7.1.7. Intermediate wheel replacement work on NS locomotives will also be performed at the Chattanooga Diesel Shop and the Shaffers Crossing Locomotive Shop. Capital improvements at the Shaffers Crossing Locomotive Shop will be necessary to facilitate the replacement of wheels between truck overhaul, as discussed in Section 7.1.7.

The cleaning and testing of air brake valves is currently performed at Altoona (Conrail), Chattanooga (NS) and by contractors. NS will perform air brake work at Altoona and with contractors. During the first year of combined operations, NS will evaluate cost, quality and control issues pertinent to the rebuilding of air brake

equipment.

NS will consolidate wreck repair for heavily damaged locomotives at Altoona. Minor damage, such as caused by grade crossing accidents, will continue to be repaired at outlying points. Machine shop equipment at Roanoke Shops-Locomotive will be retained for support of the car shop, facility and special project work.

Currently, NS operates paint facilities at Chattanooga and Roanoke for locomotives and cars respectively. Conrail facilities at Altoona paint locomotives and the Hollidaysburg shop paints cars. Under a combined system, all paint shops would initially remain open. During the first 24 months, Chattanooga would continue to paint locomotives as NS transitions the fleet to a single paint scheme. At the expiration of this period, NS will consolidate locomotive painting in Altoona and make the Chattanooga facility available for other corporate uses.

At present, NS rebuilds EMD and GE turbochargers at Roanoke Shops. Conrail unit exchanges EMD turbochargers with suppliers while rebuilding GE turbochargers at Altoona. NS will transfer turbocharger work to Roanoke Shops after consolidation, supplementing in-house remanufacturing with the products of suppliers as external customers and internal demand requires. This change will save \$1 million annually.

Today, NS and Conrail maintain machine shops at Roanoke and Altoona respectively to support shop operations and to provide limited manufacturing of parts. To the extent machine tool operations are performed to support system operation or special project work, machining and associated fabrication will be performed at Roanoke.

Given the unique repair/build capabilities of the Altoona/Hollidaysburg and

Roanoke facilities, NS will pursue opportunities to lower costs through in-house repair and remanufacture. Individual cost studies of components will be performed to evaluate the repair versus buy choices, recognizing the margins of suppliers associated with purchasing often offer an opportunity for savings. Specific repair activity to be evaluated will include injector rebuild, roller bearing repair, axle manufacturing, foundry work, cleansing, oiling, testing and stenciling of car air brake equipment, bolster/side frame reclamation and other tasks. Also, the greater volume of maintenance and repair work associated with the expanded NS systems combined fleet will help maximize shop capacity utilization and reduce per unit repair costs.

At the end of the third year following the acquisition, productivity improvements will reduce the total average variable maintenance expense for the Conrail locomotives operated by NS by approximately \$8.3 million per year. These improvements will be realized as the combined locomotive fleet maintenance practices are implemented.

The changes discussed above will result in the elimination or transfer of some positions. At certain locations, the net impact of work restructuring-related position transfers and reductions will be that staffing levels remain essentially the same. Others such as Altoona, will experience a sizable increase sufficient to handle NS, as well as CSX and other insourcing, work. (See Labor Impact Statement.)

#### **11.5 Diesel Terminals/Diesel Shops & Small Engine House Facilities**

Both Conrail and NS operate running repair facilities for locomotive maintenance. Sometimes called "diesel terminals" or "diesel shops," these facilities provide the required 92-day inspection and related running repair activity. Presently, they are located at Pittsburgh (Conway on Conrail), Enola (near Harrisburg on Conrail), Sharpsburg



rep Crossing (Roanoke on NS), Bellevue (near Sandusky, OH on NS) and Chattanooga  
nd (NS). NS presently assigns locomotives to a home shop for 92-day maintenance. This  
riat process does not preclude performance of the 92-day maintenance at locations other  
to than a particular locomotive's home shop when the need arises, but rather centralizes  
xho record keeping, maintenance analysis and performance measurements. Conrail, on the  
a/si other hand, has met the 92-day inspection requirement with a free running fleet where  
rep road locomotives may be inspected at any facility. This includes a number of small  
sh engine houses at Elkhart, Pavonia and Oak Island which supplement the inspection  
work at the larger diesel terminals.

mer NS will expand the home shop concept after consolidation. The 92-day  
iv inspection work will continue at Shaffers Crossing and Chattanooga. Inasmuch as  
l Bellevue, Conway and Enola are located on a common corridor, a study will be  
undertaken to assess the strategic location of shops as related to train operations and  
on to rationalize shop capacity. For the purpose of this application, it is assumed that two  
iti of these three shops will remain. Consolidation of 92-day inspection work for road  
the locomotives at four major shops will impact smaller facilities such as Elkhart, Pavonia  
ll and Oak Island because they will cease to do inspection work on road units or rotating  
ard power.

Both Conrail and NS separate the back shop/overhaul function at Altoona and  
Roanoke respectively from routine maintenance at Conway, Enola, Chattanooga,  
and Shaffers Crossing and Bellevue. Several minor differences in practice exist. For  
e example, on Conrail, failed main generators identified at the diesel shops are replaced  
at Altoona. Norfolk Southern plans to change main generators, turbochargers, auxiliary  
generators and air compressors at the diesel terminals or diesel shops. In the future, all



of this work will be done at diesel terminal/diesel shops rather than system backshops.

#### **11.6 Car Heavy Repair Facilities**

Conrail has a heavy repair shop at Hollidaysburg. This is a large capacity shop with capabilities to build new cars and do heavy repairs and capacity to perform insourcing work for CSX and others. A wheel shop and paint facilities are incorporated in this facility. NS has a heavy repair shop at Roanoke. This shop can build new cars, perform heavy repairs and do extensive parts reclamation and fabrication. Roanoke has a paint shop and a foundry capable of producing a wide variety of car parts. Both shops will continue to be utilized following the Acquisition.

Hollidaysburg will absorb most car program work with Roanoke Shops-Car concentrating on new car construction and rebodging. Extensive fabrication equipment at Roanoke will be used in lieu of kits furnished to Hollidaysburg by car suppliers, thereby saving an average of \$3 million annually. Program car repairs at Macedonia, OH on Conrail and Decatur, IL, and Williamson, WV on NS will be eliminated.

Freight car part reclamation will be consolidated in Roanoke Shops-Car. The foundry at Roanoke will be utilized to produce parts to support program work at Hollidaysburg.

Passenger car/office car work is presently performed at Roanoke and Altoona for the respective business car fleets. Altoona offers an enclosed 700-foot building for storage and maintenance of these business cars. After consolidation, the remaining business cars would be maintained at Altoona Shops.

NS anticipates continued paint operations at both Hollidaysburg and Roanoke.

Roanoke Shops will continue to paint cars from new car construction and rebody programs. Hollidaysburg will provide other freight car painting, primarily that associated with car program work.

NS will halt scrapping of retired freight cars at Hollidaysburg. NS prefers to rely on the expertise of salvage operators for scrapping of retired freight cars.

### **11.7 Car Running Repair Facilities**

Following the acquisition, a study will be done of the combined system running repair facilities evaluating their location and capacity relative to new traffic flows and train operations. For the purposes of this Application, it is assumed that the car shops at Enola and Ft. Wayne would be closed.

### **11.8 Mechanical Department Organization**

The Mechanical Department will be headquartered in Roanoke, VA. The Conrail properties that are added to the present NS will be formed into a new operating region which will contain three new divisions. For the purposes of this Application, the three divisions will assume to be headquartered in Dearborn, Pittsburgh and Harrisburg with mechanical activities headed by a Division Manager-Mechanical Operations. There will be an Assistant Director Mechanical Operations stationed, for the purposes of this Application, at Pittsburgh, who will oversee the three new division managers.

Conrail's supervisory positions will be coordinated with NS' workforce. This coordination will improve the organizational structure, eliminate redundancy of positions and responsibility and provide a less complicated chain of command. NS currently matches individual first-line supervisory talents with the technical requirements of

## APPENDIX A - NS

### Projected Seniority, Agreement, and Territory Changes Necessary Under the Operating Plan

#### I. INTRODUCTION

The Operating Plan included in the Application describes the operation of Norfolk Southern Corporation, Norfolk Southern Railway Company and their subsidiaries (collectively NS) after the consummation of the transaction herein, in which, among other things, NS will acquire the right to operate certain routes, facilities and assets of Conrail, Inc. and Consolidated Rail Corporation (Conrail). CSX Transportation, Inc. (CSX) will acquire the right to operate certain other Conrail routes, facilities, and assets, while still other of those routes, facilities and assets will be retained by Conrail (Shared Assets Area or SAA) and used by both NS and CSX to provide transportation service to the public.

In this Appendix A applicant NS describes the coordinations and transfers of work that will be necessary to accomplish the Transaction and realize the anticipated increases in transportation efficiency, competition between carriers, and other benefits under it to the public, and the concomitant necessary changes in collective bargaining agreements and carrier practices. The coordinations and the changes in agreements and operations described below, however, are by no means an exhaustive list. Many more will be required under this transaction to accomplish its goals of increased transportation efficiency, competition, and other public benefits. The additional changes that will be needed in the future may only become apparent after the transaction, as NS is able to evaluate more fully the new rail traffic that will develop, new shipper requests for service, future competitive opportunities, and the workings of its expanded rail system under the Operating Plan and the changes described in this Appendix.



Operation of the Conrail routes and assets in its expanded system will give NS enormous opportunities to improve the transportation service available to the public. NS intends to use these opportunities to make its service more competitive and more efficient. To those ends, NS will devote every effort to put into effect the coordinations, rearrangements and transfers of work, and agreement changes that are set out in this Appendix, as well as those which experience will show in the future to be necessary for improved transportation efficiency.

## II. TRANSPORTATION CRAFTS

### A. General

The expanded NS system will provide improved rail service through more efficient use of rail capacity and investment and through increased productivity. In order fully to realize the potential of the expanded system, NS must integrate existing operations and terminals, shift terminal locations, combine seniority districts and crew districts, and adjust collective bargaining agreements for train and engine crews and for yardmasters.

NS will operate the Monongahela Coal area as part of the expanded NS system, and CSX will have trackage rights with the right to serve all current and future customers. Employees who work for NS on the Monongahela territory will have the same agreement and seniority as NS employees working on Conrail lines allocated to NS south and east out of Conway, Pennsylvania.

These actions are necessary to align the work force with the more efficient traffic patterns which the Transaction will allow, while maintaining the flexibility to respond to changes in customer service requirements. They will require labor agreement changes. The result of these actions and changes will be to provide employees with expanded work opportunities and at the



#### **E. Mechanical Department Operations**

The expanded NS system will operate locomotives and cars from NS and those from Conrail as a single, integrated locomotive and car fleet. Repair and maintenance of this fleet will be performed at existing Conrail and NS points on the expanded NS system, as more fully described in the Operating Plan.

To achieve the efficient realization of the transportation benefits in this transaction, NS must be able to move work easily between the large locomotive (Juniata and Roanoke Locomotive) and car (Hollidaysburg and Roanoke Car) shops, so as to avoid inefficient patterns of maintenance and under-utilization of such facilities. NS anticipates that the large shops will be utilized not only to meet its own needs, but also those of other rail equipment users who it hopes will become customers of NS. Success in marketing the shops' services will increase the capital utilization and efficiency of these facilities and will mean expanded work opportunities for the employees of the expanded NS.

Also, in order to realize the benefits under this Transaction, as detailed in the Operating Plan, several Common Points, including Buffalo, Chicago, Cleveland, Columbus and Toledo, will be consolidated under one operation, under a common NW agreement.

For shopcraft employees on the existing Conrail, the 18 seniority districts are defined by mileposts. In comparison, NS has seniority districts based on point seniority. The applicable NW agreement, when applied to the Conrail routes and facilities, will allow more flexibility in the use of the available forces in the expanded NS system and hence foster transportation efficiency and productivity. It will alleviate problems where different geographical seniority districts would otherwise interface on the expanded NS.

Throughout the Conrail system, URSA mechanical supervisors now perform functions that duplicate some of those performed by non-agreement supervisors. With work flowing freely throughout the expanded NS, a continuation of that superfluous level of supervision after the transaction would be redundant and costly.

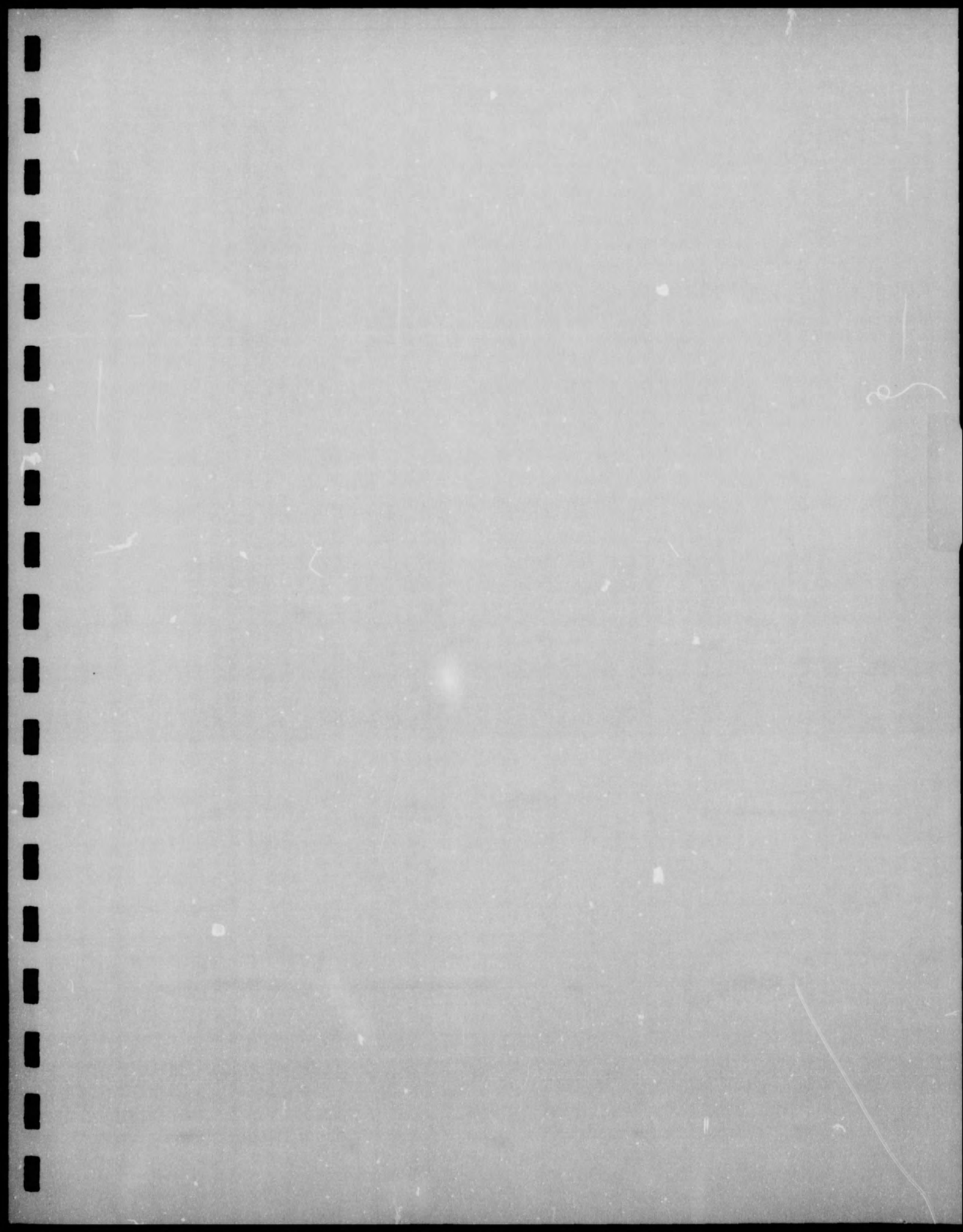
To realize the efficiencies to be derived from this Transaction, the following are necessary:

- a. All shop craft and laborer represented employees on the Conrail routes and facilities to be operated by NS will be placed under the NW collective bargaining agreement effective September 1, 1949, as amended.
- b. At all designated common points, the shop craft and laborer represented employees will be placed under the NW collective bargaining agreement effective September 1, 1949, as amended.
- c. All mechanical supervision on the expanded NS system will be performed in the same way as all similar supervision is now performed on NS, by non-agreement supervisors.

#### IV. ADMINISTRATIVE CRAFTS

##### A. General

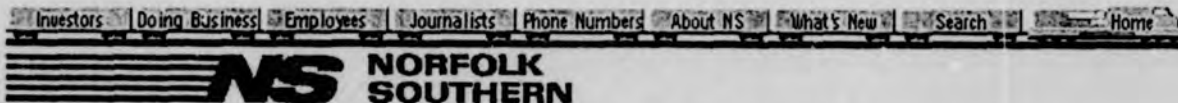
Operation by NS of the routes, assets, and facilities of Conrail allocated to it in this transaction will assure and enhance rail competition throughout the Conrail service area, and bring new business and rail jobs. Substantial transportation efficiencies will be achieved by this transaction. To this end, the resources of NS, both managerial and financial, will be available





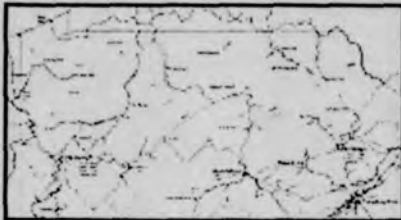






The New Norfolk Southern  
The Best Choice for

# PENNSYLVANIA



Pennsylvania will benefit greatly from the acquisition of Conrail and the division of its operations between CSXT and Norfolk Southern.

The transaction keeps true competition in Pennsylvania. Its two biggest cities, Philadelphia and Pittsburgh, will retain rail freight service by two major competitors. Pennsylvania freight shippers will have the price and service options that come when rail service is provided by two large, comparably sized Class 1 railroads serving both carload and the fast-

growing intermodal markets.

In Pennsylvania, NS will operate major Conrail lines between New York and Reading through Allentown and the former Pennsylvania Railroad main line between Philadelphia and Cleveland through Harrisburg and Altoona.

Because Conrail and Norfolk Southern operations do not overlap in Pennsylvania, most Conrail operating employees can count on working for Norfolk Southern or CSXT. Norfolk Southern is committed to operate Conrail's Hollidaysburg car shop and Juniata locomotive shop, and will promote employment there.

Expanded NS does considerably more for Pennsylvania than maintain existing competition. Pennsylvania shippers will gain new and more efficient routes and services as well as reduced transportation costs to existing markets. They also will have access to new markets through the extended networks and market reach of NS and CSXT.

The new NS network, for example, will allow the first single-line service between Pennsylvania points served by Conrail and Kansas City, bypassing costly congestion delays at Chicago and East St. Louis. NS will create new attractive transportation lanes to Tennessee, the Carolinas and other points in the Southeast. Single line rates usually are lower than two-carrier pricing, providing Pennsylvania customers with additional opportunities to expand their market reach. Elimination of intermediate switching will reduce transit times and provide improved equipment availability and utilization as well as more consistent customer deliveries, further enhancing market opportunities for Pennsylvania shippers and receivers.

Competitive intermodal service - carrying truck trailers and containers on rail cars - benefits more than just shippers of freight. Competitive rail service will attract more traffic to rail intermodal and will divert traffic from trucks. Taking trucks off the highway produces significant benefits for the region by alleviating congestion and helping lessen air pollution.

After it acquires its portion of Conrail, NS will provide improved intermodal services and will expand double-stack opportunities for Pennsylvania customers on already cleared routes to Louisville and Southwest points, Atlanta and Florida destinations.

Pennsylvania utilities and metallurgical coal users will be able to draw from a larger number of coal sources. Similarly, Pennsylvania coal producers will gain the ability to ship their coal to a wider number of markets. The Monongahela coal mines, Pennsylvania's largest generator of rail traffic, will gain the benefits of two-carrier competition and additional single-line routing for the first time since CR obtained sole access to the coal field in 1990.

NS has demonstrated success in attracting new industry to communities it serves. Direct competition, more efficient single line service and wider market reach will contribute to Pennsylvania's attractiveness to industry.

As part of an unprecedented public-private partnership, Norfolk Southern will invest \$50 million to encourage rail-oriented industry to locate in Pennsylvania.

Short line railroads will retain the routing, pricing and service options of competition. Short line customers will benefit from the cooperative relationship NS has developed with short lines over the years. Short line growth depends in part on their success in locating new industries on their lines. NS's large, in-house staff of industrial development professionals will be available to inventory sites and assist short lines site planning, site promotion, track layout and track design. For industrial development purposes, a site located on a NS short line is as important as a site located on NS.

Just as the city of Philadelphia will retain two railroad competitive service, so will the Port of Philadelphia, with two competitive east-west and north-south routes. Vigorous rail competition, which has been the principal feature of the CSXT-NS relationship for many years, will help developers of the Philadelphia Naval Shipyard attract new industry and jobs. Norfolk Southern has committed \$10 million to help bring Kvaerner ASA to the shipyard.

Pennsylvania will see new and expanded intermodal service, the fastest growing segment of railroad traffic. Norfolk Southern is competitive for intermodal hauls as short as 500 miles, one-third less than the rail industry norm of 750 miles. Norfolk Southern has been successful at taking trucks off the highways. Since 1988, Norfolk Southern's intermodal volume has grown 94 percent - about twice the industry rate.

Triple Crown Services Co., the NS bimodal subsidiary, successfully competes with over-the-road trucks in the market for moving consumer goods and industrial material for just-in-time inventory management. Triple Crown will serve Philadelphia with NS-operated RoadRailer(r) trains both to southern and midwestern destinations, and will build a RoadRailer(r) terminal in Philadelphia. The expanded RoadRailer® network will take truck traffic off Interstate 95 and will permit expanded NS to provide services that might not be cost effective or possible with conventional rail service.

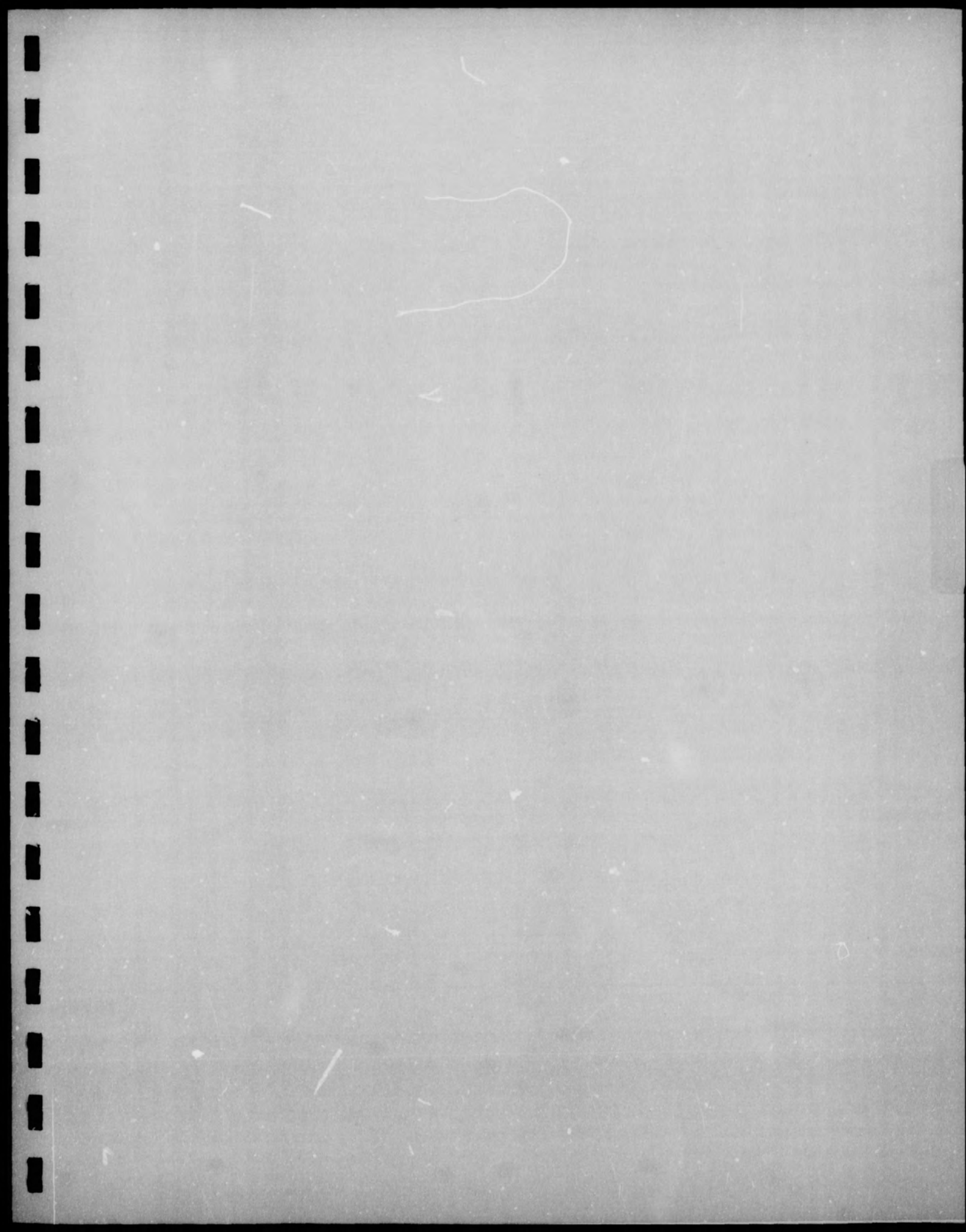
The service and efficiency benefits that will be produced by consolidation of the eastern rail network into two comparably sized, financially strong systems will benefit Pennsylvania customers, Pennsylvania rail employees, Pennsylvania communities we serve, the deregulated rail industry and the Pennsylvania public.



### The New Norfolk Southern System

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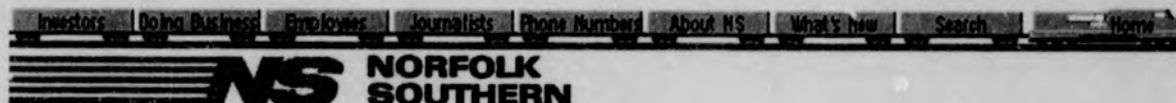
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## Fact Sheet: The New Norfolk Southern System

# Pennsylvania

This restructuring of the rail system in the East enhances rail competition in Pennsylvania and improves service to customers.

### Approximate route miles operated:

- NS - 2,194; CSXT - 1,006;
- Shared Assets Area - 101

### Ports served:

- Philadelphia and Camden, N.J.

### Route description:

- NS operates major Conrail lines between the New York metropolitan area and the Midwest through Allentown, Harrisburg, Altoona and Pittsburgh. It operates the Monongahela coal lines south of Pittsburgh and the line between Harrisburg and Buffalo. NS continues to operate lines between Buffalo and Cleveland via Erie.

### Major facilities:

- Northern Region headquarters at Harrisburg
- Division headquarters at Harrisburg and Pittsburgh
- Rail classification yards at Allentown, Conway and Harrisburg
- Intermodal terminals at Allentown/Bethlehem, Harrisburg, Morrisville, Philadelphia and Pittsburgh
- Bulk terminals at Philadelphia and Pittsburgh
- Automobile distribution terminal at York
- Coal terminal at Shire Oaks

### Major service improvements:


- New Shared Assets Area in Philadelphia gives customers equal access to NS and CSXT
- Two-railroad competition to the ports of Philadelphia and Camden, N.J.
- New double-stack and conventional intermodal services to the South and Midwest, including the first single-line service between Philadelphia and Kansas City
- New single-line freight service between Philadelphia and the Southeast Other highlights:
- Return of two-carrier competition to Monongahela coalfields
- Transfer of locomotive truck overhaul to Altoona
- Transfer of most freight car program work to Hollidaysburg
- Relocation of NS main line out of middle of 19th Street at Erie
- Upgrade Harrisburg-Sunbury-Scranton-Binghamton line
- Intermodal opportunities expected to produce less truck traffic on Interstates 80, 81 and 76
- Location of Mid-Atlantic regional office in Philadelphia
- Upgrade line between Harrisburg and Hagerstown, Md., including relocation of Chambersburg main line outside the city


- Improved service to expanded Ameriport facility in Philadelphia
- Service to Beth Intermodal facility at Bethlehem

### Economic development:

NS has identified several projects, including:

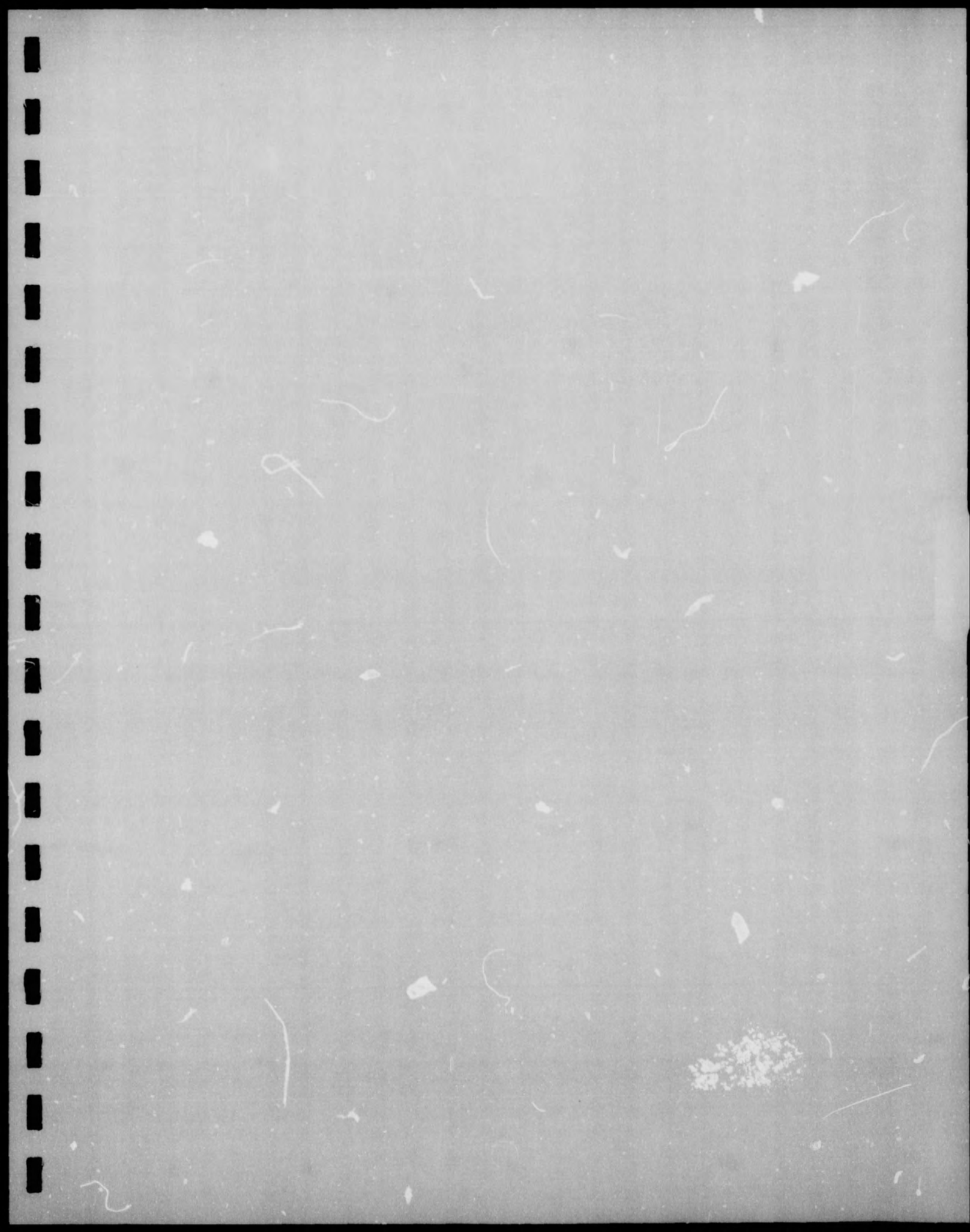
- About \$63 million for improvements at Altoona
- \$10 million for an expanded intermodal facility at Philadelphia
- \$31 million for an intermodal facility at Harrisburg
- Increased capacity on Reading-Harrisburg line resulting from \$31 million in signaling and track improvements
- \$30 million for new locomotive repair shop
- Estimated \$4 million in capital improvements at Hollidaysburg shop
- \$11.5 million for clearance projects NS will invest \$50 million over five years to encourage rail-oriented industry to locate in Pennsylvania, including:
  - \$10 million to help bring Kvaerner ASA to the former Philadelphia Naval Shipyard
  - \$15 million for economic development, focusing on the former shipyard
  - Up to \$25 million to attract industries served by rail

 [Back to State Fact Sheets and Maps](#)

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9030

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**CONRAIL  
QUALITY**

# Norfolk-Southern Safety Integration Plan

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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

---

STB FINANCE DOCKET NO. 33388

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NORFOLK SOUTHERN'S  
SAFETY INTEGRATION PLAN

SUBMITTED IN ACCORDANCE WITH  
DECISION NO. 52

---

Dated: December 3, 1997

## B. MOTIVE POWER AND EQUIPMENT

NS' planning regarding implementation of its Operating Plan in the MP&E area has centered around several key elements. NS has extensively reviewed the Conrail facilities and territories to be allocated to NS and has assessed the organization and staffing levels, employee safety and work procedures, facility function, adequacy of resources and work allocations arising from the division of lines and facilities between NS, CSX and CSAO.

This section of the SIP will explain the transitional steps and changes that are envisioned with regard to organization and staffing, employee safety and work procedures (procedures, policies and instructions), performing required inspections of equipment, locomotive inspections and repairs, pre-departure inspections of freight cars, locomotive utilization, and locomotive maintenance in the Conrail facilities and territories to be allocated to NS.

### 1. Organization

Organizationally, NS proposes supervisory positions that closely parallel the organization that now exists on Conrail. The proposed levels of supervision are similar to Conrail's current levels of supervision. However, NS expects to have non-contract supervisory positions in lieu of Conrail's current union supervisory positions. Currently, at NS all motive power and equipment supervisors are non-agreement, which helps NS to match the skill levels of an individual supervisor to the demands and complexity of a specific position.

NS will maintain a stable staff of MP&E employees within the facilities allocated to NS. Figure 4, following, details the current number of employees at each such location. In view of NS' intent to maintain stable MP&E staffing, this figure also represents the currently projected Day 1 staffing.

FIGURE 4  
Projected MP&E Staffing Within  
Conrail Facilities Allocated to NS

employment-11-1-86											
DIVISION	CLOSEST CITY	YARD	OLD DIVISION	COMMON POINT ON NS	NON AGREE. AGREE. SUPV FORCES	CLERKS	FORCES CAR	NON-AGREE. LOCO	AGREE. LOCO SUPV	LOCO FORCES	
DEARBORN	CHICAGO	ASHLAND AVE	DEARBORN	CALUMET			6				
DEARBORN	CHICAGO	COLE HOUR	DEARBORN	CALUMET			1				
DEARBORN	CHICAGO	51ST STREET	DEARBORN	CALUMET	2	1	1	5	1	5	7
DEARBORN	CHICAGO	55TH STREET	DEARBORN	CALUMET		4		10			
DEARBORN	CHICAGO	63RD STREET	DEARBORN	CALUMET		4		13			
DEARBORN	CHICAGO	BURNS HARBOR	DEARBORN	CALUMET	1			13			
DEARBORN	CHICAGO	ELKHART	DEARBORN	CALUMET	3	12	1	68	2	7	42
DEARBORN	ELKHART	KALAMAZOO	DEARBORN					1			
DEARBORN	ELKHART	GRAND RAPIDS	DEARBORN					2			
DEARBORN	DETROIT	LANSING	DEARBORN	DETROIT				1			
DEARBORN	DETROIT	WAYNE	DEARBORN	DETROIT			1	9			
DEARBORN	DETROIT	MONROE	DEARBORN	DETROIT				1			
DEARBORN	TOLEDO	AIRLINE JCT	DEARBORN	TOLEDO				4			
DEARBORN	CLEVELAND	FAIRLANE	DEARBORN	LORAIN	1	4		17			
DEARBORN	CLEVELAND	ROCKPORT	DEARBORN	CLEVELAND	1	5		20			
DEARBORN	CLEVELAND	MOTOR YD	DEARBORN	CLEVELAND				10			
DEARBORN	CLEVELAND	MACEDONIA	DEARBORN	CLEVELAND		4	1	31			
DEARBORN	FT WAYNE	FT WAYNE	DEARBORN	FT WAYNE				1			
DEARBORN	CHICAGO	KANKAKEE IL	DEARBORN	CALUMET				2			
DEARBORN	CINCINNATI	SHARONVILLE OH	INDIANAPOLIS	CINCINNATI				3			
DEARBORN	CINCINNATI	DAYTON	INDIANAPOLIS	CINCINNATI							1
DEARBORN	CINCINNATI	MORAINES OH	INDIANAPOLIS	CINCINNATI		1		13			
DEARBORN	COLUMBUS OH	BUCKEYE	INDIANAPOLIS	COLUMBUS	2	9	1	56	1	4	24
DEARBORN	PORTSMOUTH	DICKINSON	INDIANAPOLIS	PORTSMOUTH				7			1
				total	10	44	5	294	4	16	75
				division car total				353			95
PITTSBURGH	LOROSTOWN	GOODMAN	PITTSBURGH	CLEVELAND		2	1	19			1
PITTSBURGH	FERRONA	FERRONA	PITTSBURGH	CLEVELAND				1			
PITTSBURGH	YOUNGSTOWN	HAZELTON	PITTSBURGH	CLEVELAND				1			
PITTSBURGH	MANSFIELD	MANSFIELD	PITTSBURGH	BELLEVUE		1		10			
PITTSBURGH	CANTON	CANTON	PITTSBURGH	CLEVELAND		1		11			2
PITTSBURGH	ALLIANCE OH	HARDING	PITTSBURGH	CLEVELAND				1			1
PITTSBURGH	STUEBENVILLE	MINGO JCT	PITTSBURGH		1	1		13			3
PITTSBURGH	PITTSBURGH	CONWAY	PITTSBURGH		3	16	3	85			
PITTSBURGH	PITTSBURGH	W TARENTUM	PITTSBURGH					2			
PITTSBURGH	PITTSBURGH	PIT CAIRN	PITTSBURGH			1		5		1	6
PITTSBURGH	PITTSBURGH	THOMPSON	PITTSBURGH					0			
PITTSBURGH	PITTSBURGH	SHIRE OAKS	PITTSBURGH			2		14			
PITTSBURGH	PITTSBURGH	WAYNESBURG	PITTSBURGH					3			
PITTSBURGH	PITTSBURGH	SOUTH FORK	PITTSBURGH			1		10			
PITTSBURGH	ALTOONA	ROSE	PITTSBURGH			1		10			
PITTSBURGH	ALTOONA	LEWISTOWN	PITTSBURGH					1			
PITTSBURGH	CLEVELAND	MEADEVILLE	PITTSBURGH					1			
PITTSBURGH	CLEVELAND	ASTABULA	PITTSBURGH	CLEVELAND	1	1		17			2
				total	5	27	4	204	0	1	17
				division car total				240			18

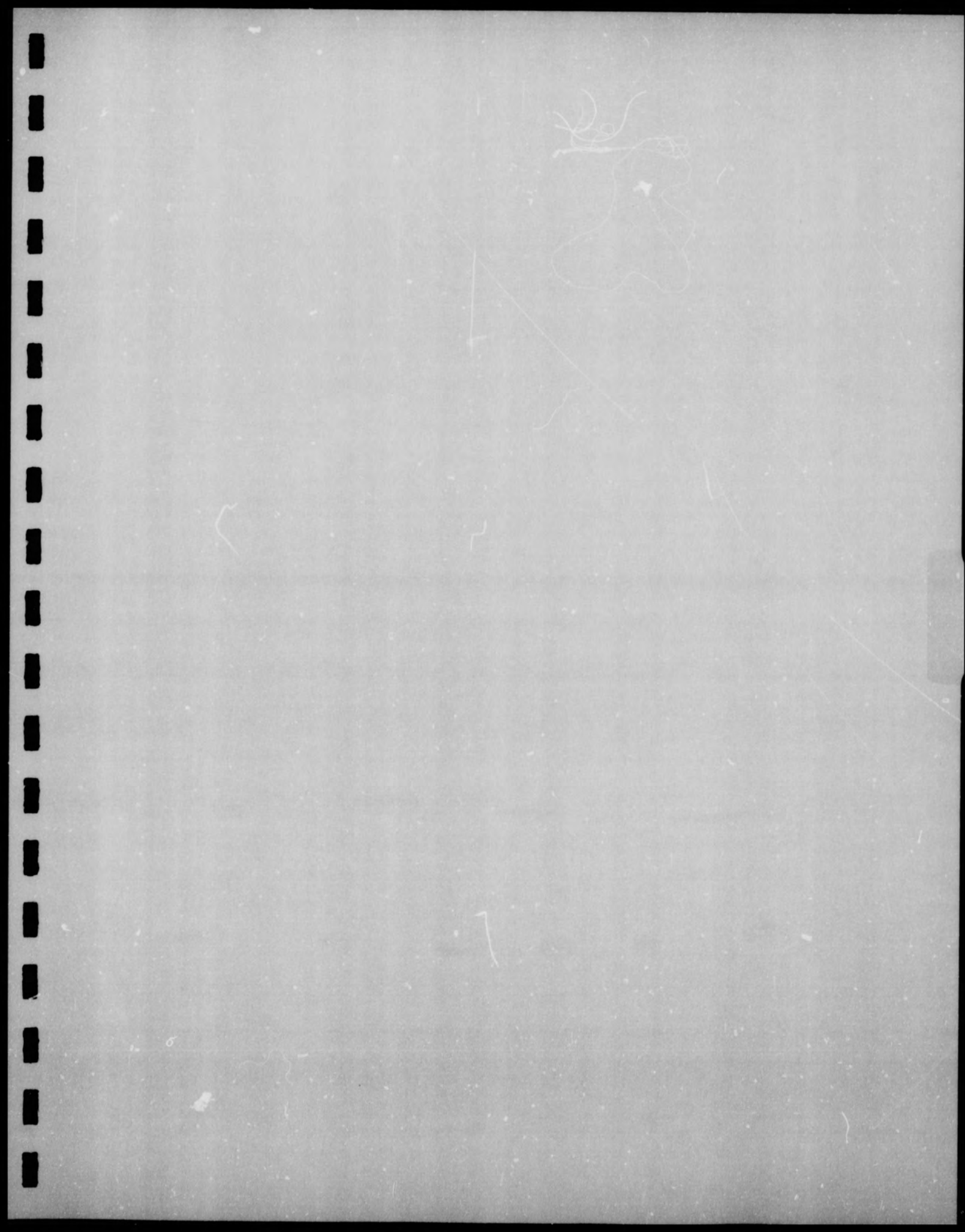




### VIII. ALLOCATION OF PERSONNEL - STAFFING

NS recognizes that the ability to achieve a smooth transition will be dependent upon providing sufficient, properly trained and experienced personnel in key positions throughout the consolidated operation. Accordingly, staffing for the expanded NS has been addressed throughout this SIP. The following is offered as a ready cross-reference to the particular section of the SIP that deals with the deployment of personnel in each of the various sectors which could impact safety on the expanded system.

1. Roadway Maintenance - See Sections VII.C.2.b. and VII.C.3.b.
2. Motive Power and Equipment Maintenance - See Section VII.B.
3. Dispatching Operations - See Section VII.E
4. Train and Engine Service - See Section VII.H.1.
5. Yard and Terminal Service - See Sections VII.A.7. and VII.H.1.
6. Signal and Train Control Maintenance - See Section VII.C.1.b.
7. Customer Service Centers - See Section VII.D.3.1.









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3 of 4

AUG 21 1997

CSX/NS-44

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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

---

STB FINANCE DOCKET NO. 33388

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APPLICANTS' RESPONSES TO  
ALLIED RAIL UNIONS'  
FIRST SET OF INTERROGATORIES  
TO APPLICANTS (ARU-7)

---

Applicants<sup>1/</sup> hereby respond to the first set of discovery requests to Applicants served by the Allied Rail Unions ("ARU" or "Requester").

GENERAL RESPONSES

The following general responses are made with respect to all of the requests and interrogatories.

1. Applicants will conduct a reasonable search for documents responsive to the requester's documents requests. Except as objections are noted herein,<sup>2/</sup> all responsive

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<sup>1/</sup> "Applicants" refers to CSX Corporation and CSX Transportation (collectively "CSX"), Norfolk Southern Corporation and Norfolk Southern Railway Company (collectively "NS"), and Consolidated Rail Corporation and Conrail Inc. (collectively "Conrail").

<sup>2/</sup> Thus, any responses that state that responsive documents are being produced is subject to the General Objections, so that, for example, any documents subject to attorney-client privilege or the work product doctrine are not being produced.

Interrogatory No. 126

Identify any locomotive or car repair shops or facilities on the present CSX system that CSX anticipates will be closed either as a result of this Transaction or of increasing its work force at Huntington, and explain the basis for closing the facility.

Subject to the General Objections stated above, CSX responds as follows:

None are contemplated at this time.

Interrogatory No. 127

Identify any locomotive or car repair shops or facilities, other than the Pegram, Ft. Wayne, and Enola shops, on the present NS system that NS anticipates will be closed as a result of this Transaction and explain the basis for closing the facility.

Subject to the General Objections stated above, NS responds as follows:

Applicants have not determined whether any other locomotive or car shops or facilities, other than the ones specified in the Operating Plan, will be closed.

Interrogatory No. 128

In connection with NS' assertion (Vol. 3B p. 322) that it will contract out air brake work:

- a. Explain the basis for contracting out air brake work.
- b. State whether NS believes that it would impede or interfere with the Transaction if the approval of the Transaction were conditioned on the requirement that no contractors may be utilized for boilermaker, electrical, laborer, or sheet metal work unless all NS and Conrail employees who are members of the respective craft are working on the NS system or for PRR. If the answer is yes, explain the basis for that belief.

Subject to the General Objections stated above, NS responds as follows:

- a. The current practice on NS is for the testing and cleaning of air brake valves to be performed at Chattanooga and by contractors. On Conrail, the testing and cleaning is performed at Altoona. NS also purchases rebuilt air brake equipment. The Operating Plan

states that NS will perform air brake work at Altoona and with contractors following approval of the Transaction. Accordingly, NS will continue to perform this work both in-house and through contractors.

b. Yes. NS has determined through past practices that the blend of in-house and contract work enhances efficiency. Therefore, elimination of this practice would impede or interfere with the benefits anticipated from the transaction.

Interrogatory No. 129

With respect to NS' plans to eliminate the program car repairs at Macedonia, Ohio; Decatur, Illinois; and Williamson, West Virginia (Vol. 3B p. 326):

- a. Identify any Transaction-related transportation benefits that NS believes will inure to the public as a result of eliminating the car repairs at these locations.
- b. State whether NS believes that such action is necessary to the Transaction and state the basis for that belief.

See response to Interrogatory No. 121.

Interrogatory No. 130

With respect to NS' plans to close the car shops at Ft. Wayne and Enola (Vol. 3b p. 327):

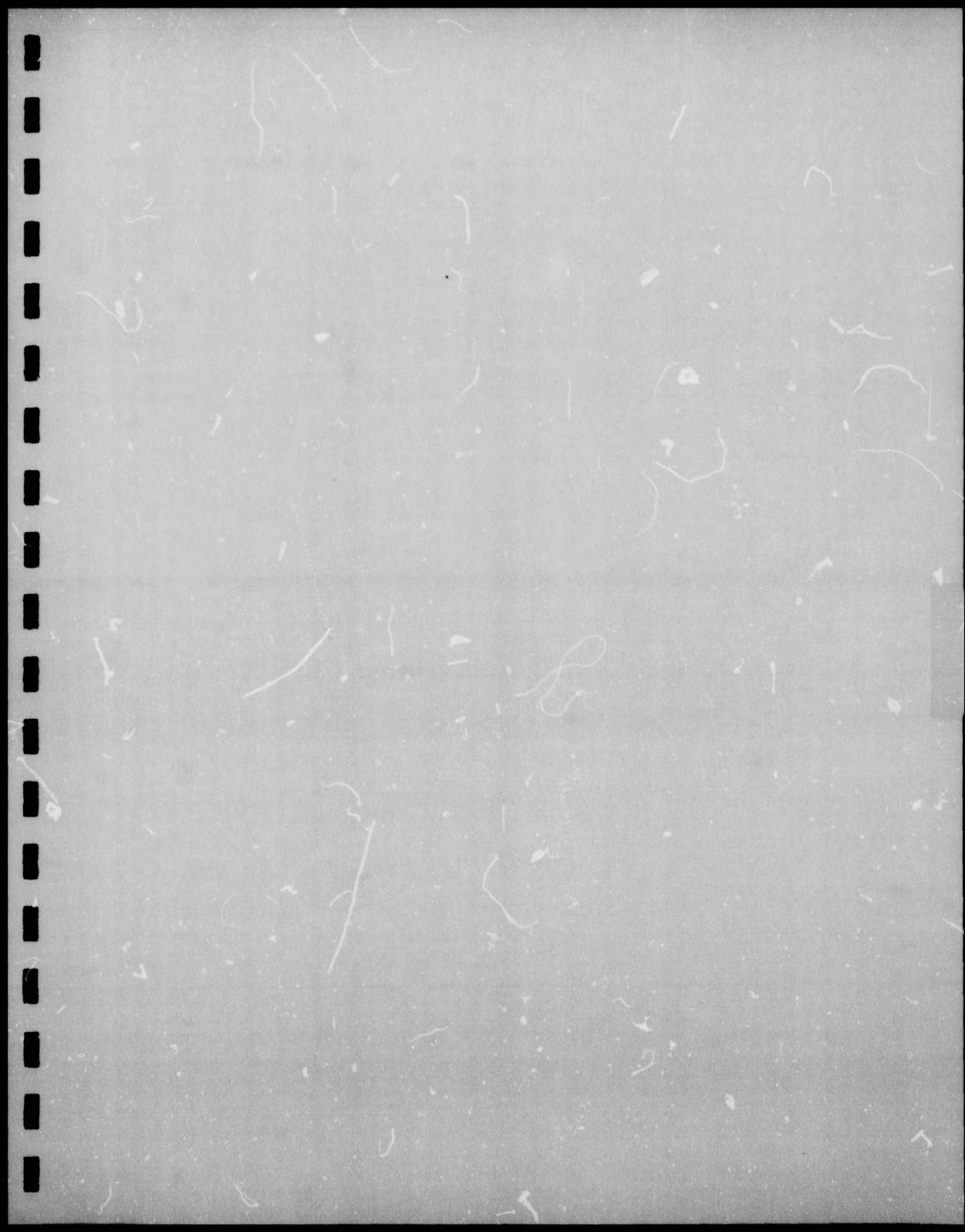
- a. Identify any Transaction-related transportation benefits that NS believes will inure to the public as a result of closing the car shops at these locations.
- b. State whether NS believes that such action is necessary to the Transaction and state the basis for that belief.

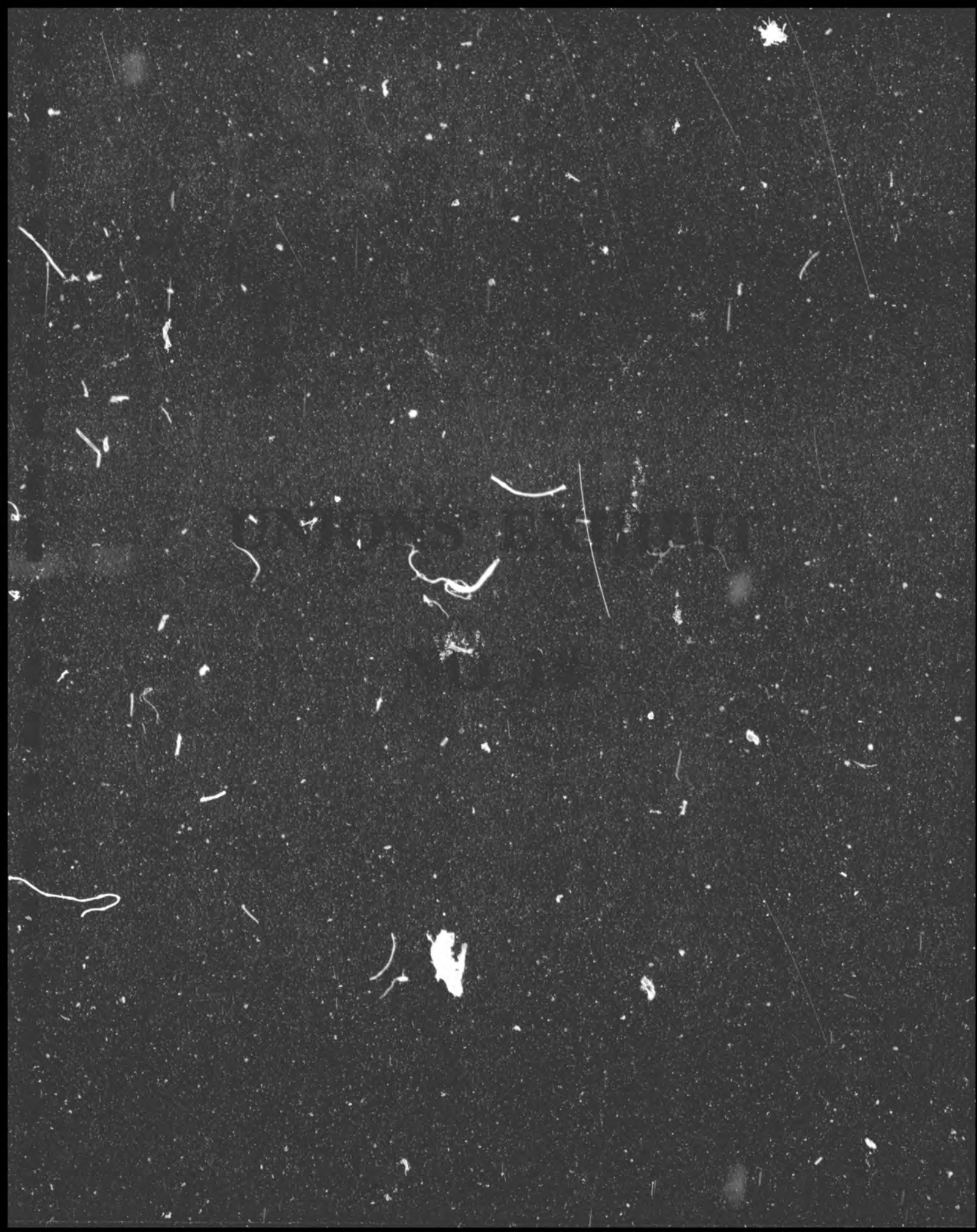
Subject to the General Objections stated above, NS responds as follows:

a. The elimination of redundant facilities, excess inventory and the improved utilization of manpower lead to a more efficient transportation system.

b. See response to Interrogatory No. 130(a).







CSX/NS-69

BEFORE THE  
SURFACE TRANSPORTATION BOARD

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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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STB FINANCE DOCKET NO. 33388

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APPLICANTS' RESPONSES TO  
ALLIED RAIL UNIONS'  
SECOND SET OF INTERROGATORIES  
TO APPLICANTS (ARU-11)

---

Applicants<sup>1/</sup> hereby respond to the second set of discovery requests to  
Applicants served by the Allied Rail Unions ("ARU" or "Requester").

GENERAL RESPONSES

The following general responses are made with respect to all of the requests  
and interrogatories.

1. Applicants will conduct a reasonable search for documents responsive to the  
requester's documents requests. Except as objections are noted herein,<sup>2/</sup> all responsive

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<sup>1/</sup> "Applicants" refers collectively to CSX Corporation and CSX Transportation  
(collectively "CSX"), Norfolk Southern Corporation and Norfolk Southern Railway Company  
(collectively "NS"), and Consolidated Rail Corporation and Conrail Inc. (collectively  
"Conrail").

<sup>2/</sup> Thus, any responses that state that responsive documents are being produced is  
subject to the General Objections, so that, for example, any documents subject to attorney-



See response to ARU Interrogatory No. 117. Further, the B&O Agreement applies at CSX locations at Cleveland, Indianapolis and St. Louis. The C&O Agreement applies at CSX locations at Columbus and Toledo.

149(c) and (d). CSX's studies were not performed at a level of detail that would distinguish between carmen represented by ARU participants and carmen represented by other organizations. It is anticipated that the following positions will be retained at these consolidated locations:

<u>Location</u>	<u>Craft</u>	<u>Retained</u>	<u>Abolished</u>
Indianapolis, IN	Carmen	54	0
Indianapolis, IN	Electricians	18	0
Indianapolis, IN	Laborers/Firemen	15	0
	and Oilers		
Indianapolis, IN	Sheet Metal	3	0
	Workers		
St. Louis, MO	Carmen	15	0
St. Louis, MO	Machinists	3	0
Cleveland, OH	Electricians	2	0
Cleveland, OH	Sheet Metal	2	0
	Workers		
Toledo, OH	Carmen	20	0
Toledo, OH	Electricians	2	0
Toledo, OH	Laborers/Firemen	2	0
	and Oilers		
Toledo, OH	Machinists	6	0

Furthermore, currently, it is anticipated that no CSX boilermakers, electrical workers, laborers, sheet metal workers, or carmen positions will be transferred or abolished.

Interrogatory No. 150

Provide responses with respect to TWU-represented carmen to ARU Interrogatories Nos. 4, 5, 7, 8, 9, 12(c), 14, and 15.

150. Subject to the General Objections stated above, Applicants respond as follows:



As to ARU Interrogatory Nos. 4 and 5: Applicants raised initial objections, which ARU did not contest before ALJ Leventhal.

See responses to ARU Interrogatory Nos. 7, 8, 9, 12(c) and 15. As to Interrogatory No. 14, the breakdown of abolishments by carrier is as follows: Conrail - 59; CSX - 0; NS - 148. Applicants anticipate two NS carmen positions will be transferred. These figures include both TCU and TWU represented carmen, inasmuch as the studies did not distinguish between organizations.

Interrogatory No. 151

Identify all project shops on the present Conrail system which will be closed or consolidated with another shop as a result of the Transaction. If the work will be consolidated, identify the location of the consolidated shop.

151. Subject to the General Objections stated above, Applicants respond as follows:

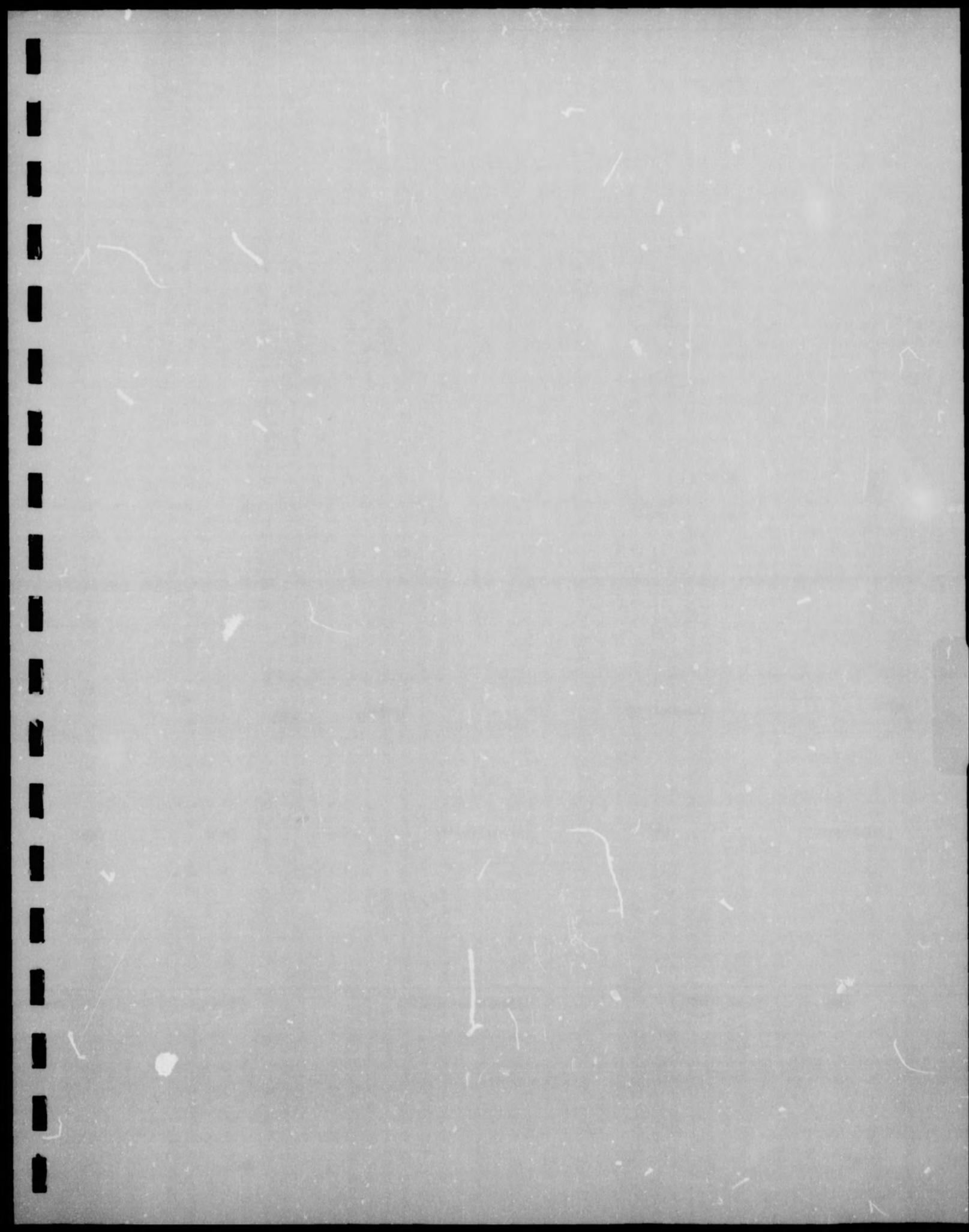
For NS: See the Application, including Applicants' 1996/1997 Labor Impact Exhibit; Volume 3B (p. 326); and the response to ARU Interrogatory No. 127.

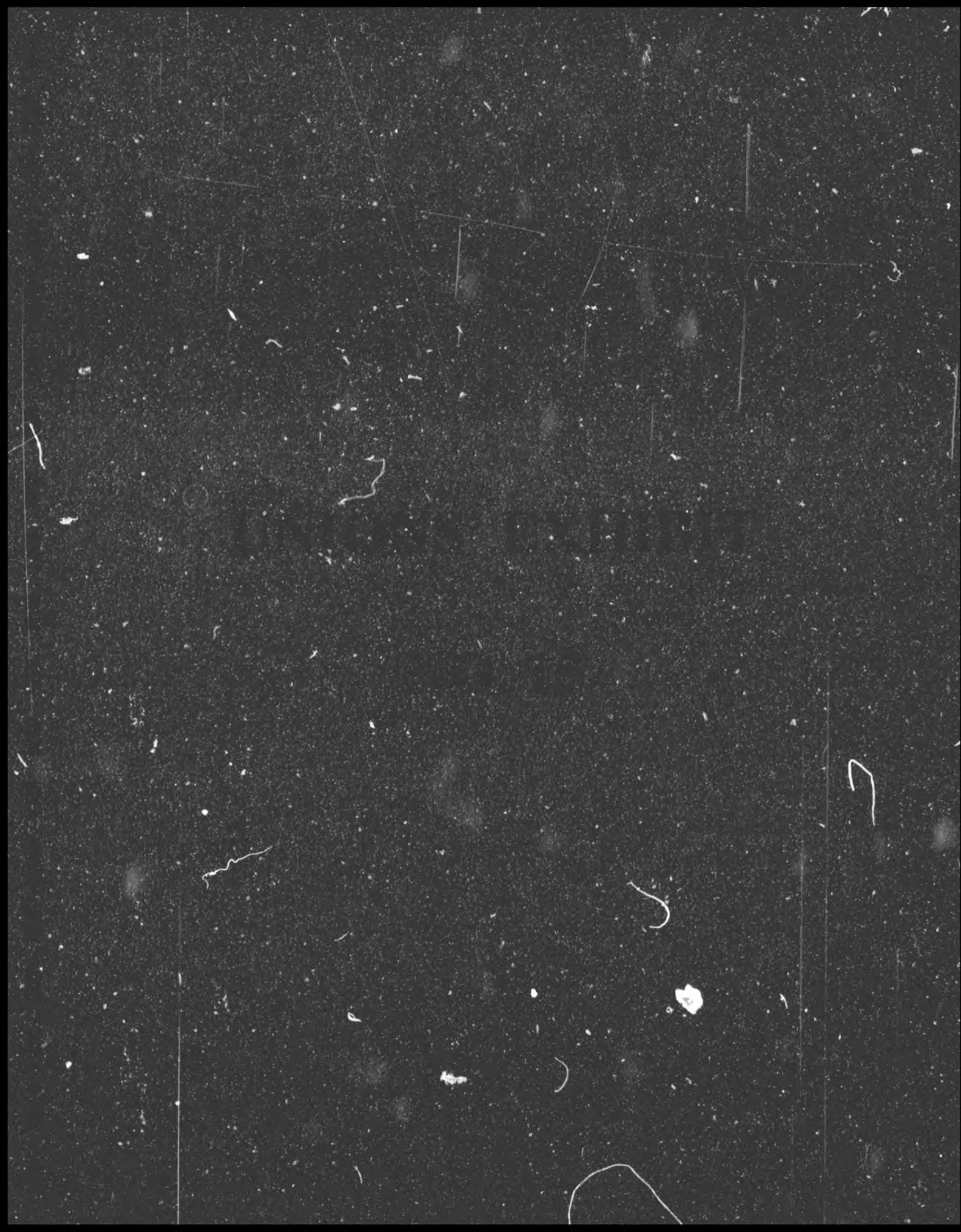
For CSX: See response to TCU Interrogatory No. 4(a).

Interrogatory No. 152

CSX states that car inspection activities may be consolidated at Philadelphia, Toledo, East St. Louis, Indianapolis and Danville (Vol. 3A, p.303).

- a. Identify which of these locations will continue car inspection activities after the Transaction, any expansion anticipated at those locations, and which locations will no longer provide car inspection activities after the Transaction.
- b. Specify the effect of the consolidations upon any ARU crafts, identifying by craft and incumbent any positions that will be transferred or abolished.
- c. Identify any Transaction-related public transportation benefit that CSX believes will inure to the public as a result of consolidating the facilities.







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R. Spenski & K. Peifer   **HIGHLY CONFIDENTIAL**   September 2, 1997

PAGE 1 TO PAGE 150

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BSA

Page 1

- (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, September 2, 1997  
(13) Deposition of ROBERT SPENSKI and  
(14) KENNETH PEIFER, witnesses herein, called for  
(15) examination by counsel for the Parties in the  
(16) above-entitled matter, pursuant to agreement, the  
(17) witness being duly sworn by MARY GRACE  
(18) CASTLEBERRY, a Notary Public in and for the  
(19) District of Columbia, taken at the offices of  
(20) Arnold & Porter, 555 Twelfth Street, N.W.,  
(21) Washington, D.C., 20004-1202, at 1:10 p.m.,  
(22) Tuesday, September 2, 1997, and the proceedings  
(23) being taken down by Stenotype by MARY GRACE  
(24) CASTLEBERRY, RPR, and transcribed under her  
(25) direction.

Page 2

- (1) APPEARANCES:  
(2)  
(3) On behalf of Norfolk Southern Corporation  
(4) and Norfolk Southern Railway Company:  
(5) RICHARD A. ALLEN, ESQ.  
(6) Zuckert, Scoutt & Rasenberger, L.L.P.  
(7) 888 Seventeenth Street, N.W.  
(8) Washington, D.C. 20006-3959  
(9) (202) 298-8660  
(10) and  
(11) JEFFREY S. BERLIN, ESQ.  
(12) Sidley & Austin  
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(14) Washington, D.C. 20006  
(15) (202) 736-8178  
(16) and  
(17) ROGER A. PETERSON, ESQ.  
(18) MARK D. PERREAULT, ESQ.  
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(25)

Page 3

- (1) APPEARANCES (Continued):  
(2)  
(3) On behalf of CSX Corporation and CSX  
(4) Transportation, Inc.:  
(5) JEFFREY A. BURT, ESQ.  
(6) JODI DAVIS, ESQ.  
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(8) 555 Twelfth Street, N.W.  
(9) Washington, D.C. 20004-1202  
(10) (202) 942-5035  
(11) and  
(12) RONALD M. JOHNSON, ESQ.  
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(18) and  
(19) JAMES D. TOMOLA, ESQ.  
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(21) CSX Transportation, Inc.  
(22) 500 Water Street, J150  
(23) Jacksonville, Florida 32202  
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(25)

Page 4

- (1) APPEARANCES: (Continued)  
(2)  
(3) On behalf of The Chemical Manufacturers  
(4) Association, The Commonwealth of  
(5) Pennsylvania, Governor Thomas J. Ridge, and  
(6) The Pennsylvania Department of  
(7) Transportation:  
(8) SCOTT NASON STONE, ESQ.  
(9) Patton Boggs, L.L.P.  
(10) 2550 M Street, N.W.  
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(13)  
(14) On behalf of the International Association  
(15) of Machinists and United Railway Supervisors  
(16) Association:  
(17) DEBRA L. WILLEN, ESQ.  
(18) PATRICK PLUMMER, ESQ.  
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Page 5

- (1) APPEARANCES (Continued):  
(2)  
(3) On behalf of the International Brotherhood  
(4) of Locomotive Engineers:  
(5) RICHARD S. EDELMAN, ESQ.  
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(22)  
(23)  
(24)  
(25)

Page 6

- (1) APPEARANCES (Continued):  
(2)  
(3) On behalf of the United Transportation  
(4) Union:  
(5) DANIEL ELLIOTT, ESQ.  
(6) CHRISTOPHER TULLY, ESQ.  
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(11)  
(12) ALSO PRESENT:  
(13) JOHN F. MURPHY  
(14) GAIL PAYNE  
(15) Federal Railroad Administration  
(16) U.S. Department of Transportation  
(17)  
(18) DARWIN B. KUBASIEWICZ  
(19) Transportation Communications Union  
(20)  
(21) EDWARD W. RODZWICZ  
(22)  
(23) ROBERT W. GODWIN  
(24)  
(25)

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- (1) MR. KRAUS: Jeff, do you have the  
(2) interrogatories?  
(3) MR. BERLIN: We have a set.  
(4) BY MR. KRAUS:  
(5) Q. If you just turn to page 5, the first  
(6) answer to the first question. I just wanted to  
(7) ask you a bit about those numbers. It shows 59  
(8) Conrail carmen positions being abolished. Are  
(9) those going to be in the NS portion of Conrail?  
(10) Do you understand my question?  
(11) A. (By Mr. Spenski) Yeah, I do understand  
(12) the question. I believe so.  
(13) Q. Mr. Peifer, I know I said I was through  
(14) but to your knowledge, of the 59 positions that  
(15) are being lost on Conrail, are any of those in  
(16) the CSXT portion?  
(17) A. (By Mr. Spenski) 59 carmen positions?  
(18) Q. Yes.  
(19) A. (By Mr. Spenski) (By Mr. Peifer) No.  
(20) Q. Thank you.  
(21) A. (By Mr. Spenski) (By Mr. Peifer) You're  
(22) welcome.  
(23) Q. Now, 148 Norfolk Southern carmen  
(24) positions are being abolished according to this,  
(25) as I understand, correct?

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- (1) A. (By Mr. Spenski) Yes.  
(2) Q. Where is the work of the 59 carmen  
(3) positions in Conrail - what is going to happen  
(4) to it, if you know?  
(5) A. (By Mr. Spenski) Much of it will be  
(6) consolidated into other areas, into the shops in  
(7) Hollidaysburg.  
(8) Q. Are there other currently existing  
(9) Conrail shops that are going to be affected by  
(10) consolidations into Hollidaysburg?  
(11) A. (By Mr. Spenski) I don't recall.  
(12) Q. So you don't know whether any work is  
(13) being transferred from other Conrail facilities  
(14) to Hollidaysburg?  
(15) A. (By Mr. Spenski) I don't recall if any.  
(16) Q. Mr. Peifer and I discussed that there  
(17) is going to be a transition period when 333,  
(18) approximately, cars for CSX are going to be  
(19) repaired at Hollidaysburg and you're aware of  
(20) that, correct?  
(21) A. (By Mr. Spenski) Yes.  
(22) Q. Is it anticipated at the end of that  
(23) transition period, that is, when the work -  
(24) these 330 cars are being repaired at Raceland, is  
(25) there an anticipation that there will be job

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- (1) abolishments at Hollidaysburg as a result of that  
(2) transfer work among carmen? I'm now specifically  
(3) asking about carmen.  
(4) A. (By Mr. Spenski) It's hard to tell  
(5) right now whether we'll be - we'll have to wait  
(6) and see what happens but it's our anticipation  
(7) that through attrition and hopefully insourcing  
(8) from other companies, we might be able to offset.  
(9) Q. And similarly, would the same answer  
(10) hold for the transfer of certain locomotive  
(11) repairs from the Juniata facility, either 65  
(12) locomotives in a three-year transitional period?  
(13) A. (By Mr. Spenski) Yes.  
(14) Q. Is it anticipated that any carmen will  
(15) be transferring from Hollidaysburg or Juniata to  
(16) the CSX facilities where this work is going to be  
(17) transferred at the end of the transitional  
(18) period?  
(19) A. (By Mr. Spenski) I do not know that.  
(20) Q. Mr. Peifer, I may have asked you. I'm  
(21) sorry to go back and forth. I'll try to avoid  
(22) it. Is there any anticipation at the end of the  
(23) transitional period whether any employees will be  
(24) transferred from Hollidaysburg to Raceland or  
(25) from Juniata to Weyeross or Huntington?

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- (1) A. (By Mr. Peifer) I believe you asked me  
(2) those questions separately and I answered those  
(3) The answer was not in all cases.  
(4) Q. Thank you.  
(5) A. (By Mr. Spenski) You're welcome.  
(6) Q. Do you have any idea how many carmen  
(7) will be employed in the shared asset areas?  
(8) A. (By Mr. Spenski) I do not.  
(9) Q. As to the shared asset areas, is it  
(10) your understanding that the Conrail agreement  
(11) will be applicable?  
(12) A. (By Mr. Spenski) Yes.  
(13) Q. Is there any anticipation - let me  
(14) rephrase that question. I understand from your  
(15) interrogatories that it is NS' intent to use the  
(16) Norfolk & Western carmen agreement on its portion  
(17) of Conrail, is that accurate?  
(18) A. (By Mr. Spenski) Yes.  
(19) Q. On page 6 and 7 of the interrogatories,  
(20) you gave the reasons for the efficiencies that  
(21) you anticipated deriving from imposing the  
(22) Norfolk & Western agreement. I would like to go  
(23) through those with you now and if there are  
(24) others that are not here, I would ask you that at  
(25) the end.

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- (1) The first is you indicate under point  
(2) A, uniform payroll process. Do you have any  
(3) sense as to how much - what the cost factor is  
(4) and what the efficiencies really are of that?  
(5) A. (By Mr. Spenski) No, we never did a  
(6) study of that.  
(7) Q. Do you know what the burdens, relative  
(8) burden would be of keeping the payroll system the  
(9) way it is?  
(10) A. (By Mr. Spenski) Well, just generally,  
(11) obviously, it will be that you have two separate  
(12) agreements with two separate sets of procedures  
(13) under those agreements. It's a duplication of  
(14) work.  
(15) Q. And as to that particular issue, that  
(16) could be resolved through negotiations without  
(17) any modification of the existing Conrail  
(18) agreement, couldn't it? Let me rephrase that.  
(19) What I'm trying to ask you is, couldn't  
(20) that problem be resolved through negotiations in  
(21) maintaining the existing Conrail agreement? In  
(22) other words, couldn't the parties agree to a  
(23) uniform payroll process and modify the Conrail  
(24) agreement to permit that?  
(25) A. (By Mr. Spenski) Well, the history

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- (1) shows we've never been able to get such  
(2) agreements.  
(3) Q. Have you made any effort to get such  
(4) agreements in the past?  
(5) A. (By Mr. Spenski) Oh, yes. We've on  
(6) many occasions tried to put together a single  
(7) system agreement. Spent the better part of three  
(8) years with Conrail trying to do that from years  
(9) ago.  
(10) Q. That's on the Norfolk Southern?  
(11) A. (By Mr. Spenski) Yes.  
(12) Q. And on the Norfolk Southern, there is a  
(13) carmen agreement for Norfolk & Western and a  
(14) carmen agreement for the Southern portion of the  
(15) property?  
(16) A. (By Mr. Spenski) Yes. The B&W and what  
(17) used to be the Old Southern, which is the Norfolk  
(18) Southern Railroad.  
(19) Q. And in spite of maintaining two  
(20) separate agreements, Norfolk Southern is able to  
(21) operate as a merged system, correct?  
(22) A. (By Mr. Spenski) Not as efficiently as  
(23) it could but that's correct.  
(24) Q. The point B on the bottom of page 6  
(25) talks in terms of a uniform training procedure.

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- (1) I'm not sure I understand, how would the existing  
(2) Conrail agreement prohibit the training at the  
(3) McDonough, if I'm pronouncing it correctly,  
(4) Georgia facility?  
(5) A. (By Mr. Spenski) They don't provide  
(6) that the training would be done at an off  
(7) location like McDonough. The Conrail agreements  
(8) do not provide that.  
(9) Q. Do they prohibit that kind of training?  
(10) A. (By Mr. Spenski) I don't recall.  
(11) Q. And again, that would be something that  
(12) the parties presumably could correct through  
(13) negotiations and agreement, correct?  
(14) A. (By Mr. Spenski) Hopefully more  
(15) successfully than we've been able to negotiate  
(16) assistant agreements, which we have not been able  
(17) to do for 10 years.  
(18) Q. Point C talks about efficient equipment  
(19) repair. I'm wondering if you could give me some  
(20) examples of what is intended, what those problems  
(21) are in point C.  
(22) A. (By Mr. Spenski) I think you'll find  
(23) one as a classic example where you may have two  
(24) or more facilities doing the same kind of work  
(25) and you coordinate the work in one facility so

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- (1) that you don't have three facilities, for  
(2) example, each working first shift with triple  
(3) equipment and physical plant and you coordinate  
(4) into one facility where you have, like we do at  
(5) Roanoke, where you can use two shifts or three  
(6) shifts and use the same equipment.  
(7) Q. Is it the intent of Norfolk Southern to  
(8) coordinate carmen work, that is, is work being  
(9) transferred between Conrail facilities and  
(10) Norfolk Southern facilities?  
(11) A. (By Mr. Spenski) It's the intention for  
(12) us, Conrail work or otherwise, that if we can  
(13) coordinate work more efficiently, we certainly  
(14) want to do that.  
(15) Q. Are there plans currently to make  
(16) transfers of work between the Conrail facilities  
(17) and Norfolk Southern facilities?  
(18) A. (By Mr. Spenski) You'll find, for  
(19) example, there is certain carmen work going up to  
(20) Hollidaysburg.  
(21) Q. From Norfolk Southern?  
(22) A. (By Mr. Spenski) Right.  
(23) Q. And that's currently a Conrail  
(24) facility, correct?  
(25) A. (By Mr. Spenski) Hollidaysburg is, yes.

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- (1) Q. And so if the agreement that was  
(2) applicable at Hollidaysburg was the Conrail  
(3) agreement, it would be a uniform single agreement  
(4) applicable at that location, correct?  
(5) A. (By Mr. Spenski) Say that again, if you  
(6) will.  
(7) Q. Sure. What I'm trying to understand  
(8) is, if the problem here is multiple agreements  
(9) and work is -- using your example -- transferred  
(10) to Hollidaysburg, if the goal was to have a  
(11) single agreement, the Conrail agreement would be  
(12) the single agreement?  
(13) A. (By Mr. Spenski) Our position is the  
(14) acquiring carrier's agreement would prevail.  
(15) Q. And the acquiring carrier being NS?  
(16) A. (By Mr. Spenski) Yes.  
(17) Q. And what is the -- if you can give me  
(18) an example specifically for Hollidaysburg, since  
(19) you mentioned that as the major facility, what  
(20) would be the benefit to the carrier of having the  
(21) NS agreement applicable at Hollidaysburg as  
(22) opposed to the Conrail agreement applicable at  
(23) Hollidaysburg?  
(24) A. (By Mr. Spenski) I think long term, it  
(25) would seem obvious to us that the acquiring

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- (1) carrier's agreements should prevail because those  
(2) are the agreements in effect and those are much,  
(3) much easier for both the general chairman and the  
(4) management of the acquiring carrier to function  
(5) with.  
(6) Q. So the basis would be the ease of  
(7) administration from a labor relations  
(8) perspective?  
(9) A. (By Mr. Spenski) Well, that's one,  
(10) yes. And of course if you have one agreement,  
(11) then we say the acquiring carrier's agreement  
(12) should be it. You want to have one agreement,  
(13) unless your problem is with respect to work  
(14) jurisdiction disputes, claims and grievances,  
(15) those kinds of things.  
(16) Q. But the department you administer for  
(17) NS currently is capable of administering two  
(18) collective bargaining agreements, correct?  
(19) A. (By Mr. Spenski) Not without additional  
(20) problems and costs.  
(21) Q. What would be, if you know, has there  
(22) been any study or estimates as to what additional  
(23) costs there would be from a labor relations  
(24) perspective to administer the Conrail agreement?  
(25) A. (By Mr. Spenski) No, but on the face of

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- (1) it, when you're having to opt in, like speaking  
(2) in two or three or four different languages, you  
(3) have people to do that, to be able to speak those  
(4) languages.  
(5) Q. Now, the Conrail agreement on the  
(6) shared asset side, who is going to be  
(7) administering that from the labor relations  
(8) perspective?  
(9) A. (By Mr. Spenski) That is yet to be  
(10) determined.  
(11) Q. And won't NS have something to say  
(12) about how that's administered and presumably CSXT  
(13) as well?  
(14) A. (By Mr. Spenski) I hope we have  
(15) something to say.  
(16) Q. So I guess the point I'm raising, to  
(17) some extent, you're going to be responsible for  
(18) administering a Conrail carmen agreement, whether  
(19) directly or indirectly, in any event?  
(20) A. (By Mr. Spenski) Not necessarily. When  
(21) you use the term you, meaning labor relations  
(22) Norfolk Southern.  
(23) Q. That's what I intended.  
(24) A. (By Mr. Spenski) Right. That way I can  
(25) accept it. Not necessarily. The management of

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- (1) the Conrail shared assets facility may not decide  
(2) to use NS labor relations to do it or even  
(3) CSX's. They may have their own. That is yet to  
(4) be determined.  
(5) Q. Point D talks about seniority  
(6) districts. And I'm not sure I fully understand  
(7) it. It suggests, if I read it correctly, that  
(8) seniority districts that are geographic result in  
(9) fragmentation but point seniority does not, if  
(10) that's what it says. That's what I interpret it  
(11) to say. I wonder if you can explain that to me.  
(12) A. (By Mr. Spenski) Well, I think  
(13) Mr. Peifer explained that pretty well when he  
(14) said that point seniority with respect to shop  
(15) crafts has always been something that over these  
(16) many years both management and labor have  
(17) accepted to be able to maintain qualified people  
(18) at a point so they don't get bumped off jobs and  
(19) not be familiar with the work at that location.  
(20) And vice versa with respect to having people at  
(21) the location.  
(22) With respect to this kind of work, if  
(23) you have a larger geographical area where people  
(24) could move about, you have a disruption in the  
(25) work force. We are not, even with point



VIA FACSIMILE

M E M O R A N D U M

TO: All Parties on the Restricted Service List in Finance  
Docket No. 33388

FROM: Richard A. Allen<sup>29\*</sup>  
Ronald M. Johnson<sup>125</sup>

DATE: September 22, 1997

RE: Deposition Transcript of Robert S. Spenski and Kenneth  
R. Peifer on September 2 and 3, 1997

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Consistent with practice in prior cases, Norfolk Southern and CSX will designate the transcripts of the depositions of their witnesses as "HIGHLY CONFIDENTIAL" for purposes of the Board's Protective Order in this case until they have had an opportunity to review them and determine, and notify parties, which portions of it may be changed to a "CONFIDENTIAL" or "PUBLIC" status. We will do so as quickly as possible.

We have now reviewed the transcript of the deposition of Robert S. Spenski and Kenneth R. Peifer on September 2 and 3, 1997, and have determined to change all of it to a PUBLIC status except for the following portions, which shall remain HIGHLY CONFIDENTIAL or CONFIDENTIAL:

HIGHLY CONFIDENTIAL

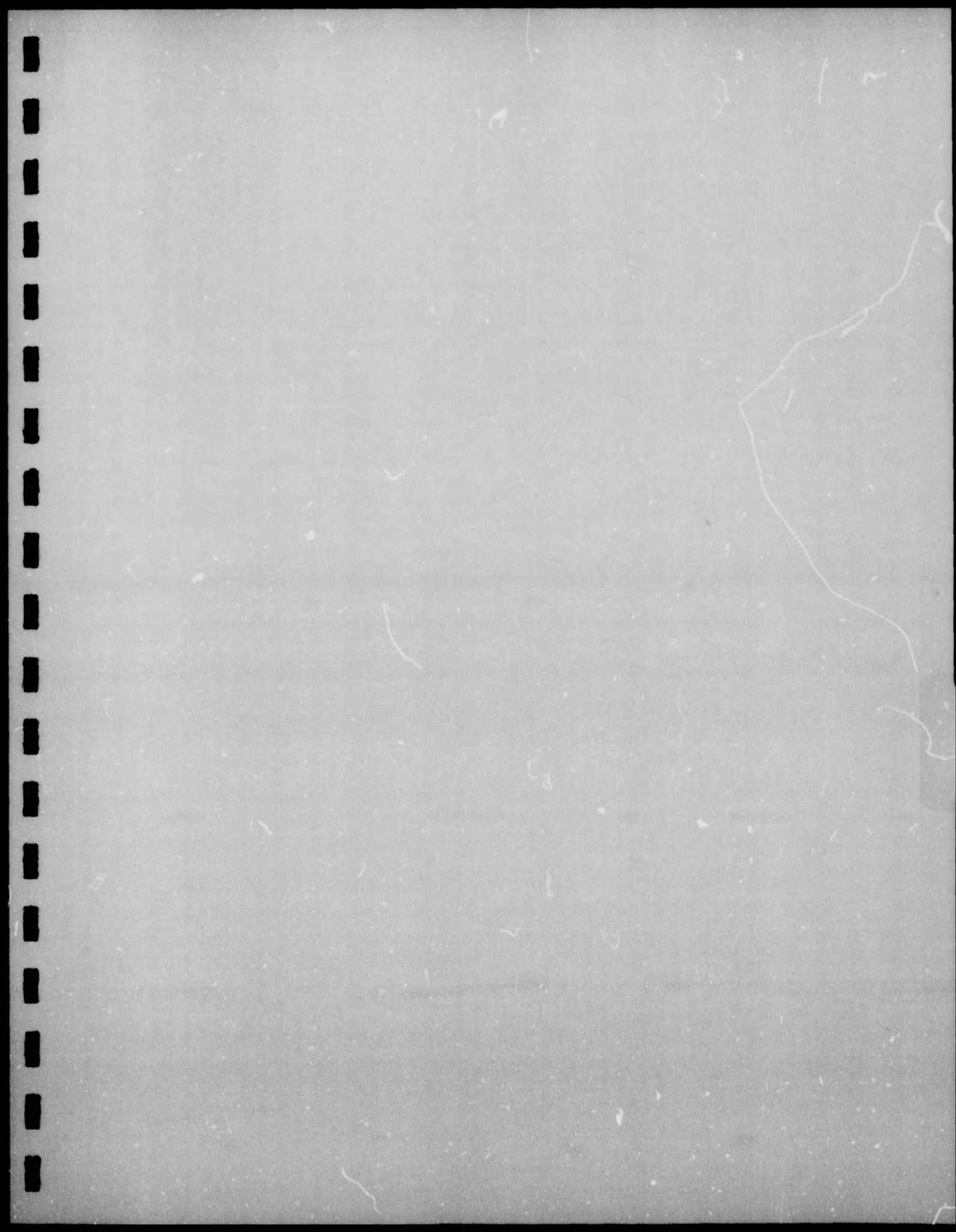
Page 196, the dollar amounts stated on lines 17 and 24.

CONFIDENTIAL

Page 271, line 13 through page 272, line 2.

Exhibits 1 and 2 to the Spenski/Peifer deposition shall remain HIGHLY CONFIDENTIAL; Exhibits 3, 6 and 7 shall remain CONFIDENTIAL, and Exhibits 4 and 5 shall be PUBLIC.







BEFORE THE  
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33288

CSX Corporation and CSX Transportation, Inc.,  
Norfolk Southern Corp. and Norfolk  
Southern Ry. Co.--Control and Operating  
Leases/Agreements--Conrail Inc.  
and Consolidated Rail Corporation  
Transfer of Railroad Line by Norfolk  
Southern Railway Company to CSX Transportation, Inc.

DECLARATION OF THOMAS D. LUTTON

I, THOMAS D. LUTTON, declare under penalty of perjury, and pursuant to 28 U.S.C. § 1746, that the following is true, correct, and based upon personal knowledge.

1. I am the President of Local 2017 of the Transport Workers Union of America ("TWU"). My office is located in Altoona, Pennsylvania. Part of my duties involve providing representation to Car shop workers employed by Norfolk Southern Ry. ("NSR") at its Hollidaysburg car shops in the Altoona area. The TWU actively participated in the STB proceedings on the CSX Corp. and Norfolk Southern Corp. acquisition of control and division of the Consolidated Rail Corp. ("Conrail") ("CSX/NS-Conrail Transaction").

2. Prior to the CSX/NS-Conrail Transaction, the Hollidaysburg shops were owned by Conrail and virtually all of its Carmen were represented by TWU. As a result of the CSX/NS-Conrail Transaction, those shops were allocated to NSR which now operates the shops.

3. On August 31, 1998 CSXT, NSR and Conrail served a *New York Dock* notice on TWU and the Brotherhood Railway Carmen/TCU ("BRC") pursuant to this agency's approval of



the CSX/NS-Conrail Transaction. In their notice, the Carriers proposed to divide Conrail's Carmen among CSXT, NSR and residual Conrail and place all acquired Conrail facilities and lines to be operated by NSR under an NSR collective bargaining agreement. Lutton Exhibit A. Among other things, NSR's part of the notice stated that it would consolidate program car repair work for the integrated NSR car fleet at Hollidaysburg [program work includes regularly scheduled heavy maintenance and repair work, and scheduled heavy maintenance and repair projects]. After negotiations and an arbitration involving the carriers and the two unions, an implementing agreement was entered under which employees at the Hollidaysburg shops became employees of NSR, covered by a collective bargaining agreement based on an NSR-BRC agreement (subject to certain modifications and supplemental terms). NSR began to operate the Hollidaysburg shops on June 1, 1999.

4. NSR's operation of Hollidaysburg shops was initially consistent with the representations NSR made to the STB in that NSR retained the shops, and program rail car work was consolidated at that facility. Additionally, NSR did work on cars belonging to other companies. For example, during Calendar year 2000, the Hollidaysburg Car shops did the following work for companies other than NSF which paid NSR as follows: CSX Box Car work--\$1.2 million; 1<sup>st</sup> Union rail car work-- \$4.5 million; Greenbrier project-- \$2 million, GATX projects--\$50,000. It is TWU's understanding that projects produced a net profit for NSR in an amount as high as \$1 million.

5. Although NSR did initially retain the Hollidaysburg shops and consolidate car program work there as promised, NSR has not fulfilled its promise to invest \$4 million in the shops. I am frequently at the shops and there is no evidence of any such investment, or plans to do any major



work to improve the shops.

6. Currently, workers at the Hollidaysburg shops are engaged in the following work for other companies (I am providing the values of the contracts for those where I have that information): GATX-- modification of 156 woodchip cars; GATX-- modification of 300 covered hopper cars to become cement cars; CSX-- work on 125 Box Cars (\$1 million); CSX-- modification of 200 hopper Cars--(\$9.6 million).

7. In November of 2000, despite the volume of work at the Hollidaysburg shops, and despite the promises made by NSR to the STB and others, NSR announced that it was planning to close the Hollidaysburg shops and transfer the work to other NSR facilities. TWU opposed that plan, arguing that NSR was reneging on commitments it had made in obtaining approval of the CXS/NS-Conrail Transaction.

8. NSR's plans also troubled Congressman Bud Shuster who had been given personal assurances by NSR that the Hollidaysburg shops would be retained. Congressman Shuster scheduled a hearing by the House Transportation Committee to investigate the matter. Pittsburgh Post Gazette article November 15, 2000; Journal of Commerce article November 27, 2000.

Lutton Exhibit B.

9. Shortly after the hearing was scheduled, NSR CEO David Goode wrote to Congressman Shuster advising that NSR would not proceed with the planned closure of the Hollidaysburg shops, while asserting that "the future of the shops is heavily dependent on finding partners to provide a consistent source of work for the Hollidaysburg Car Shop, as well as the overall health of the economy and the state of the railroad industry". Lutton Exhibit C.

10. Congressman Shuster resigned from the House of Representatives in January of 2001.

11. On February 20, 2001, NSR announced that it would close the Hollidaysburg Shops, stating that "Changing economic conditions and excess capacity throughout the freight car repair industry have reduced our workload to the extent that we cannot support continued operations at the shop", and that "Consolidating our work at fewer locations is part of making Norfolk Southern a more efficient company as we go forward". NSR February 21, 2001 Press release, Lutton Exhibit D.

12. These assertions by NSR were peculiar for several reasons. First, as I have described, the Hollidaysburg shops currently have significant contracts with GATX and CSXT that could keep the shops busy through the end of the year. Second, NSR just moved 200 CSXT cars that were in line for modification out of the yard to be returned to CSXT. Third, the Hollidaysburg shops had commitments for several projects that would have kept the shops fully operational well into 2002, including: a conversion of 250 gondola cars for Bombardier (\$4.5 million); a 200 car covered hopper car order for Johnstown America (\$5 million); 1000 container car covers for Greenbrier (\$1 million); 2000 flat and tank cars for the Department of Defense (\$8 million); warranty work on 400 gondola cars for First Union (\$800,000); and refurbishment of 20 cars for the Finger Lakes Railroad. (\$380,000). Fourth, in its papers with the STB, NSR said that consolidating work at Hollidaysburg was most efficient. Fifth, the commitments repeatedly made by NSR were not then conditioned on all sorts of contingencies.

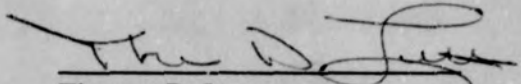
13. At about the same time as it issued its press release, NSR again gave notice that it would "coordinate certain Mechanical Department work" by transferring work from Hollidaysburg to other shops. Lutton Exhibit E. Although the notice did not say the shops were being closed, it did state that all of the jobs then existing at the shops (275) were being

eliminated (221 Carmen jobs), with 142 new jobs created at other NSR facilities (115 Carmen jobs).

14. TWU has again taken exception to NSR's plans, and again pointed-out that NSR was reneging on commitments it repeatedly made when it was seeking to acquire Conrail. TWU and BRC met with NSR on March 15, 2001 at which time TWU asked NSR to explain why it was now closing the Hollidaysburg shops and other questions. NSR said that it had no obligation to explain its actions, but NSR agreed to provide additional information to the Unions, and the conference was continued to April 17, 2001. However, NSR is still moving forward with its plans. As I noted, NSR is now in the process of moving out of the yard at Hollidaysburg some 200 cars that the shops were to have worked on for CSXT. Additionally, NSR apparently believes that it has no duty to comply with the commitments it made about retaining the shops or investing money in the shops.

3-22-01

Date

  
Thomas D. Lutton

**LUTTON DECLARATION  
EXHIBIT A**



RECEIVED

August 31, 1998

OCT 01 1998

Mr. T. Bishop  
General Chairman, BRC Divn-TCU  
P. O. Box 8  
Cumberland, MD 21501

Mr. J. W. Medley  
General Chairman, BRC Divn-TC  
2823 Williamson Rd., NE  
Roanoke, VA 24012

Mr. J. Czuczman  
Director-Railroad Division TWU  
80 West End Avenue  
New York, NY 10023

Mr. J. V. Waller, Jr.  
General Chairman, BRC Divn-TC  
127 Baron Circle  
Corryton, TN 37721

Mr. D. Grissom  
General Chairman, BRC Divn-TCU  
1401 Cedar Crossing Trail  
Midlothian, VA 23113

Mr. A. I. Wybraniec  
General Chairman, BRC Divn-TCU  
66 Wilson Drive  
Fords, NJ 08863

Gentlemen:

Norfolk Southern Railway Company ("NSR") and Norfolk and Western Railway Company ("NW") (collectively, "NS"); and CSX Transportation, Inc. and its rail affiliates ("CSXT"); and Consolidated Rail Corporation ("CRC") intend to exercise authority conferred by the Surface Transportation Board ("STB") in its Decision No. 89 served July 23, 1998 in the proceeding captioned 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, and related proceedings.

The July 23, 1998 STB Decision authorizes NS, CSXT, and CRC (collectively, "the Carriers"), along with their rail affiliates, to consummate a series of transactions (collectively, "the authorized transaction") by which, among other things, use and operation of the majority of CRC rail properties will be allocated between NS and CSXT, and the remaining CRC assets will be retained by CRC for the shared benefit of NS and CSXT. Pursuant to the July 23, 1998 STB Decision, NS and CSXT are authorized to operate and to integrate their allocated CRC properties into their expanded systems for all purposes, including mechanical department operations. Notice is hereby given of the intent of NSR, CSXT, and CRC to implement the authorized transaction, as explained in the attached Notice,

which is being posted on bulletin boards convenient to interested employees.

This notice is given pursuant to Article I, Section 4 of the employee protective conditions set forth in New York Dock Ry. - Control - Brooklyn Eastern District, 360 I.C.C. 60 (1979), as imposed by the STB on its authorization of the primary transaction, and pursuant to the employee protective conditions imposed on the related transaction, as follows: Norfolk and Western Railway Company - Trackage Rights - Burlington Northern, Inc., 354 I.C.C. 653 (1980), on authorization of trackage rights; Oregon Short Line Railroad - Abandonment - Goshen, 360 I.C.C. 91 (1979), on abandonment authorization; and Mendocino Coast Railway, Inc. - Lease and Operate - California Western Railway, 360 I.C.C. 653 (1980), on authorization of track leases.

Article I, Section 4(a) of the New York Dock conditions provides that within five (5) days from date of receipt of notice, at the request of either party, a place and date shall be selected to hold negotiations for the purpose of reaching agreement with respect to application of the Conditions and these negotiations shall commence immediately thereafter. Accordingly, it is suggested that conference for this purpose be held at the National Mediation Board, 1301 K Street, NW, Washington, DC, at 11:00 a.m., on Wednesday, September 2, 1998.

Please advise if the time, date and location are satisfactory.

Very truly yours,

D. A. Arouca  
Vice President Labor Relations  
Consolidated Rail Corporation

11

K. R. Peifer  
Vice President Labor Relations  
CSX Transportation, Inc.

R. S. Spenski  
Vice President Labor Relations  
Norfolk Southern Railway Company  
Norfolk and Western Railway Comp.

Attachment

ANALTR-brc

NOTICE

OF

NORFOLK SOUTHERN RAILWAY COMPANY  
and NORFOLK AND WESTERN RAILWAY COMPANY

CSX TRANSPORTATION, INC.

CONSOLIDATED RAIL CORPORATION

AUGUST 31, 1998

TO: THEIR EMPLOYEES REPRESENTED BY THE  
BROTHERHOOD RAILWAY CARMEN DIVISION - TCU

and

TRANSPORT WORKERS UNION OF AMERICA

Notice is hereby given of the intention of Norfolk Southern Railway Company ("NSR") and Norfolk and Western Railway Company ("NW") (collectively, "NS"); CSX Transportation, Inc., and its rail affiliates ("CSXT"); and Consolidated Rail Corporation ("CRC") to exercise authority conferred by the Surface Transportation Board ("STB") in its Decision No. 89 served July 23, 1998 in the proceeding captioned, 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, and related proceedings.

The July 23, 1998 STB Decision authorizes NS, CSXT, and CRC (collectively, "the Carriers"), along with their rail affiliates to consummate a series of transactions (collectively, "the authorized transaction") by which, among other things, use and operation of the majority of CRC rail properties will be allocated between NS and CSXT, and the remaining CRC assets will be retained by CRC for the shared benefit of NS and CSXT. Appendix A hereto identifies more specifically the lines and



properties to be operated by each Carrier pursuant to the authorized transaction. The assets to be retained by CRC include rail properties in three designated "Shared Asset Areas" ("SAAs"), as described more fully in the July 23, 1998 STB Decision and in Appendix A hereto. Pursuant to the authorized transaction, NS and CSXT are authorized to integrate their allocated CRC properties into their expanded rail systems for all purposes, including mechanical department operations. The STB Decision also authorizes the railroads to engage in certain ancillary transactions, including trackage rights grants, leases, abandonments, and line transfers, related to the primary control and operation transaction.

The Carriers intend to implement the authorized transaction on November 29, 1998, or as soon thereafter as practicable, and, to that end, propose certain changes in operations and workforce arrangements described more specifically below affecting their employees represented by the Brotherhood Railway Carmen Division - TCU ("BRC") and the Transport Workers Union of America ("TWU").

It is intended that all CRC employees represented by BRC and TWU (including approximately 1610 active employees) will be allocated among NS, CSXT, and CRC in accordance with the needs of the authorized operations and the terms of the authorized transaction. It is anticipated these individuals will be integrated into the appropriate seniority rosters for NS, CSXT, or CRC (as operator of the SAAs), and that each Carrier's operations will be conducted in accordance with the terms of the appropriate rules and agreements. The Carriers anticipate that the authorized transaction will result in the transfer of 6 employees. It is anticipated that no employees will be furloughed as a result of the transaction.

#### NS Coordination of Mechanical Department Operations

NS intends to establish three new operating divisions (Harrisburg, Pittsburgh and Dearborn) within one new operating region to encompass its allocated lines and to arrange its allocated former CRC employees into point seniority rosters based on seniority standing. It is anticipated that these employees will perform services under the terms of the September 1, 1949 N&W Agreement, as amended.

NS plans to operate locomotives and freight cars allocated to it from CRC as part of NS's system-wide fleet of locomotives and freight cars.

At common point locations between NS and CRC, including those listed below, coordinations of facilities, services and operations shall be effected. Seniority of carmen craft employees at those locations will be integrated into the appropriate NS seniority roster. Common point locations include:

- Buffalo, New York
- Chicago, Illinois
- Cincinnati, Ohio
- Cleveland, Ohio
- Columbus, Ohio
- Elmore/Dickinson, West Virginia
- Fort Wayne, Indiana
- Lorain, Ohio
- Toledo, Ohio

The following work may be coordinated or rearranged, in whole or in part, on NS and allocated CRC properties operated by NS:

EMD locomotive overhaul and component rebuild work will be transferred from Roanoke, Virginia, to Juniata Locomotive Works at Altoona, Pennsylvania. GE locomotive overhaul and component rebuild work will be transferred from Juniata Locomotive Works at Altoona to Roanoke Shop - Locomotive at Roanoke, Virginia. Locomotive truck overhaul work will be transferred from Pegram Shop at Atlanta, Georgia, to Altoona. Rebuilding of air brake equipment will be transferred from Chattanooga, Tennessee, to Altoona. Wreck repair for heavily damaged locomotives will be transferred from Roanoke Shop - Locomotives to Altoona. Painting of locomotives will be transferred from Chattanooga to Altoona. All EMD and GE turbocharger work will be transferred from Juniata (Altoona) to Roanoke Shop - Locomotives. Machine tool operations and associated fabrication will be transferred from Altoona to Roanoke. The 92-day inspection of locomotives will be transferred from Elkhart, Pavonia, and Oak Island to Bellevue, Ohio. The 92-day inspection of locomotives will be transferred from Enola Diesel Shop at Harrisburg, Pennsylvania, to Conway Diesel Shop at

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Pittsburgh, Pennsylvania. Program car repair work will be transferred from Macedonia, Ohio, Decatur, Illinois, and Williamson, West Virginia to Hollidaysburg, Pennsylvania. Freight car part reclamation work will be transferred from Hollidaysburg to Roanoke. Wheel shop work will be consolidated to site selected by NS. Office car work will be transferred from Roanoke to Altoona. Car shops at Fort Wayne and Enola will be closed.

#### CSXT Coordination of Mechanical Department Operations

CSXT plans to operate locomotives and freight cars allocated to it from CRC as part of CSXT's system-wide fleet of locomotives and freight cars. To achieve a completely integrated locomotive and freight car fleet, CSXT will coordinate repair and maintenance work on the allocated CRC equipment with that on its existing fleet without regard to prior ownership.

Heavy locomotive repair work from Selkirk, New York and the Juniata Locomotive Works at Altoona, Pennsylvania on CRC will be transferred to and coordinated with CSXT's heavy locomotive repair shops at Huntington, West Virginia and Waycross, Georgia.

Heavy repair of freight cars on the coordinated fleet will be performed at CSXT's heavy car repair facility at Raceland, Kentucky. Customized modifications or other projects will also be performed at CSXT's existing project shops. Freight car repair work will be transferred from Hollidaysburg, Pennsylvania and coordinated at Raceland and the project shops.

During a transition period of approximately three years, CSXT will have up to 65 locomotives repaired by NS at Juniata and up to 333 freight cars repaired by NS at Hollidaysburg. While CSXT's freight cars are on the former Monongahela Railway, CSXT will have the option of having NS perform minor repairs and car cleaning or performing this work itself.

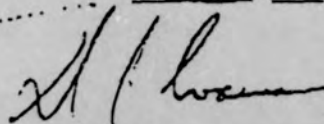
CRC employees allocated to CSXT will become CSXT employees. At locations on CRC lines allocated to CSXT which are common to CSXT points, facilities, services, operations and employees will be coordinated. CSXT and CRC employees at these points will be placed on a consolidated point seniority roster based on their current seniority standing. At all other locations on CRC lines



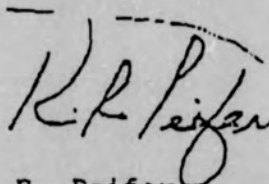
allocated to CSXT, the employees will be placed into point seniority rosters based on their current seniority standings.

Shared Asset Areas

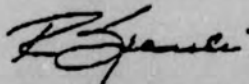
It is anticipated that the CRC employees allocated to the SAAs will be integrated into a new separate seniority roster for each of the three SAAs in accordance with their current classifications and standing, and will perform services under the CRC/BRC/TWU Agreement originally effective September 1, 1977, as amended, and as modified in accordance with the authorized transaction. Because after the transaction the SAAs will have no locomotive heavy repair or periodic maintenance capability, nor the ability to perform substantial or program work on cars, such service will be provided by CSXT or NS, in accordance with their respective collective bargaining agreements and/or practices, or as directed by the locomotive or car owner. Only fueling, servicing and light and running repairs on locomotives and cars will be provided by CRC consistent with its collective bargaining agreement or practices, when such work is performed in the SAAs.



D. A. Arouca  
Vice President Labor Relations  
Consolidated Rail Corporation



K. R. Peifer  
Vice President Labor Relations  
CSX Transportation, Inc.



R. S. Spenski  
Vice President Labor Relations  
Norfolk Southern Railway Company  
Norfolk and Western Railway Company



## APPENDIX A

**Allocation Of Conrail Assets And Liabilities.** On the date of the Division, CRC will assign to NYC\* and PRR\*\* certain of CRC's assets. NYC will be assigned those CRC assets designated to be operated as part of the CSX rail system (the NYC-Allocated Assets), and PRR will be assigned those CRC assets designated to be operated as part of the NS rail system (the PRR-Allocated Assets). These assets will include, among other things, certain lines and facilities currently operated by Conrail, whether owned by Conrail or operated by Conrail under trackage rights. Certain additional assets (referred to as the Retained Assets) will continue to be held by CRC and CRC (or their subsidiaries other than NYC and PRR) and will be operated by them for the benefit of CSX and NS. In addition, on the date of the Division: the former Conrail line owned by NS that runs from Fort Wayne, IN, to Chicago, IL (the Fort Wayne Line), will be transferred to Conrail in a like-kind exchange for Conrail's Chicago South/Illinois Lines (the Streator Line); and Conrail will assign the Fort Wayne line to NYC, to be operated together with the other Conrail lines to be assigned to NYC and used by CSX as part of the CSX rail system.

**Assets Allocated To NYC.** The NYC-Allocated Assets will include the following primary routes currently operated by Conrail (routes over which Conrail operates pursuant to trackage rights are designated "TR"):

(1) NY/NJ Area to Cleveland (New York Central Railroad route), including (a) line segments from North NJ Terminal to Albany (Selkirk), (b) Albany to Poughkeepsie, NY, (c) Poughkeepsie to New York City (TR), (d) New York City to White Plains (TR), (e) Albany to Cleveland via Syracuse, Buffalo and Ashtabula, OH, (f) Boston to Albany, (g) Syracuse to Adirondack Jct., PQ, (h) Adirondack Jct. to Montreal (TR), (i) Woodard, NY, to Oswego, NY, (j) Syracuse to Hawk, NY, (k) Hawk to Port of Oswego (TR), (l) Buffalo Terminal to Niagara Falls/Lockport, (m) Lockport to West Somerset (TR), (n) Syracuse to NYS&W/FL connections, NY, (o) Albany/Boston Line to Massachusetts branch lines, (p) Albany/Boston to Massachusetts branch lines (TR), (q) New York City to Connecticut branch lines (TR), (r) Connecticut branch lines (TR), (s) Connecticut Branch lines, (t) Churchville, NY, to Wayneport, NY, (u) Mortimer, NY, to Avon, NY, and (v) Rochester Branch, NY;

(2) Crestline, OH, to Chicago (Pennsylvania Railroad route), including (a) Crestline to Dunkirk, OH, (b) Dunkirk to Fort Wayne, IN, (c) Fort Wayne to Warsaw, IN, (d) Warsaw to Chicago Terminal (Clarke Jct.), IN, and (e) Adams, IN, to Decatur, IN;

(3) Detroit to E. St. Louis, including (a) Cleveland Terminal to Crestline, (b) Crestline to E. St. Louis via Galion, OH, Ridgeway, OH, Indianapolis, IN, Terre Haute, IN, Effingham, IL, and St. Elmo, IL, (c) Anderson, IN, to Emporia, IN, (d) Columbus to Galion, (e) Terre Haute to Danville, IL, (f) Danville to Olin, IN, (g) Indianapolis to Rock Island, IN, (h) Indianapolis to Crawfordsville, IN, (i) Indianapolis to Shelbyville, IN, (j) HN Cabin, IL, to Valley Jct., IL,

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\* New York Central Lines (NYC) will be assigned those Conrail Assets designated to be operated as part of the CSX rail system.

\*\* Pennsylvania Lines (PRR) will be assigned those Conrail Assets designated to be operated as part of the NS rail system.

(k) St. Elmo to Salem, IL (TR), (l) Muncie (Walnut Street), IN, to New Castle RT, IN (TR), and  
(m) New Castle RT, IN;

(4) Columbus to Toledo, including (a) Columbus to Toledo via Ridgeway, (b) Toledo Terminal to Woodville, and (c) Toledo Terminal to Stonyridge, OH;

(5) Bowie to Woudzell, MD, including (a) Bowie to Morgantown, and (b) Brandywine Chalk Point;

(6) NY/NJ to Philadelphia (West Trenton Line), including Philadelphia to North NJ Terminal;

(7) Washington, DC, to Landover, MD;

(8) Quakertown Branch, line segment from Philadelphia Terminal to Quakertown, PA (TR); and

(9) Chicago Area, line segment from Porter, IN, to the westernmost point of Conrail ownership in Indiana.

Along with these lines, CSXT will operate certain yards and shops, as well as the Conrail Philadelphia Headquarters and Philadelphia area information technology facilities.

**Assets Allocated To PRR.** The PRR-Allocated Assets will include the following prime routes currently operated by Conrail (routes over which Conrail operates pursuant to trackage rights are designated "TR"):

(1) NJ Terminal to Crestline (Pennsylvania Railroad route), including (a) North NJ Terminal to Allentown, PA, via Somerville, NJ, (b) Little Falls, NJ, to Dover, NJ (TR), (c) Orange, NJ, to Denville, NJ (TR), (d) Dover to Rockport (TR), (e) Rockport to E. Stroudsburg via Phillipsburg, NJ, (f) Allentown Terminal, (g) Orange to NJ Terminal (TR), (h) NJ Terminal to Little Falls (TR), (i) Bound Brook to Ludlow, NJ (TR), (j) Allentown, PA, to Harrisburg via Reading, (k) Harrisburg Terminal, (l) Harrisburg to Pittsburgh, (m) Conemaugh Line via Saltchurn, PA, (n) Pittsburgh to W. Brownsville, PA, (o) Central City, PA, to South Alliance, OH, via Salem, (s) Beaver Falls, PA, to Wampum, PA, (t) Alliance to Cleveland Terminal, (u) Mantua, OH, to Cleveland Terminal, (v) Alliance to Crestline, (w) Alliance to Omal, OH, (x) Rochester, PA, to Yellow Creek, OH, (y) E. Steubenville, WV, to Weirton, WV (z) Steubenville Branches Bridge, OH, (aa) Pittsburgh Branches, (bb) Ashtabula to Youngstown OH, (cc) Ashtabula Harbor to Ashtabula, (dd) Niles, OH, to Latimer, OH, (ee) Alliance, OH, to Youngstown, (ff) Youngstown to Rochester, (gg) Allentown to Hazleton, PA, (hh) CP Harris, PA, to Cloe, PA (TR), (ii) Cloe to Shelocta, PA, (jj) Tyrone, PA, to Lock Haven, PA (TR), (kk) Creekside, PA, to Homer City, PA, (ll) Monongahela Railroad, (mm) portion of Kinsman Connection in Cleveland, (nn) portion of 44 Ind. Track including Dock 20 Lead, and (oo) Gem Ind. Track-Lordstown, OH;

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(2) Cleveland to Chicago (New York Central Railroad route), including (a) Cleveland Terminal to Toledo Terminal, (b) Elyria, OH. to Lorain, OH, (c) Toledo Terminal to Sylvania, OH, (d) Toledo Terminal to Goshen, IN, (e) Elkhart, IN, to Goshen, and (f) Elkhart to Porter, IN

(3) Philadelphia to Washington (Amtrak's Northeast Corridor, referred to as NEC), including (a) Philadelphia Terminal to Perryville, MD (TR), (b) Wilmington Terminal, DE, (c) Perryville to Baltimore (TR), (d) Baltimore Terminal, (e) Baltimore Bay View to Landover, MD (TR), (f) Baltimore to Cockeysville, MD, (g) Pocomoke, MD, to New Castle Jct., DE, (h) Harrington, DE, to Frankford/Indian River, DE, (i) Newark, DE, to Porter, DE, (j) Claremont R.T., (k) Loney's Lane Lead, and (l) Grays Yard (TR);

(4) Michigan Operations (excluding the Detroit Shared Assets Area), including (a) Toledo Terminal to Detroit Terminal, (b) Detroit Terminal to Jackson, MI, (c) Jackson to Kalamazoo, MI, (d) Kalamazoo to Elkhart, IN, (e) Jackson to Lansing, MI, (f) Kalamazoo to Grand Rapids, (g) Kalamazoo to Porter, IN (TR), (h) Kalamazoo Ind. Track, and (i) Comstock Ind. Track;

(5) Eastern Pennsylvania lines, including (a) Philadelphia Terminal to Reading, (b) Reading Terminal, (c) Thorndale, PA, to Woodbourne, PA, (d) Leola/Chesterbrook, PA, lines, (e) Philadelphia Terminal to Lancaster, PA (TR), (f) Lancaster to Royalton, PA (TR), (g) Lancaster to Lititz/Columbia, PA, (h) portion of Stoney Creek Branch, (i) West Falls Yard, and (j) Venice Ind. Track;

(6) Indiana lines, including (a) Anderson to Goshen via Warsaw, (b) Marion to Red Key, IN, and (c) Lafayette Ind. Track;

(7) Buffalo to NY/NJ Terminal, including (a) NJ/NY Jct. to Suffern, NY (TR), (b) Suffern to Port Jervis, NY, (c) Port Jervis to Binghamton, (d) Binghamton to Waverly, (e) NJ/NY Jct. to Spring Valley, NY (TR), (f) Paterson Jct., NJ, to Ridgewood, NJ (TR), (g) Waverly to Buffalo, (h) Waverly to Mehoopany, PA, (i) Sayre, PA, to Ludlowville, NY, (j) Lyons, NY, to Himrods Jct., NY, (k) Corning, NY, to Himrods Jct., NY, (l) North Jersey Terminal to Paterson Jct., NJ (TR), (m) Paterson Jct. to North Newark, NJ, and (n) NJ/NY Jct. to North Jersey Terminal (TR);

(8) Buffalo to Harrisburg and South, including (a) Perryville, MD, to Harrisburg, PA, (b) Carlisle, PA, to Harrisburg, (c) Wago, PA, to York (area), PA, (d) Harrisburg to Shocks, PA, (e) Williamsport, MD, to Buffalo via Harrisburg, PA, (f) Watsonstown, PA, to Strawberry Ridge, PA, (g) Ebenezer Jct., NY, to Lackawanna, NY, (h) Hornell, NY, to Corry, PA, (i) Corry to Erie, PA (TR), and (j) Youngstown to Oil City, PA;

(9) Cincinnati to Columbus to Charleston, WV, including (a) Columbus to Cincinnati, (b) Cincinnati Terminal, (c) Columbus Terminal to Truro, OH, (d) Truro to Charleston, WV, (e) Charleston to Cornelia, WV, and (f) Charleston to Morris Fork, WV;



(10) Chicago South/Illinois operations, including (a) Osborne, IN, to Chicago Heights, IL, via Hartsdale, (b) Hartsdale to Schneider, IN, (c) Schneider to Hennepin, IL, (d) Keens, IL, to Carol, IL, and (e) Schneider to Wheatfield, IN; and

(11) Chicago Market, including (a) Western Ave. Operations/Loop to Cicero/Elsdo, (b) Chicago to Porter, IN, (c) Clarke Jct., IN, to CP 501, IN, (d) CP 509 to Calumet Park, I, (e) Western Ave. Ind. Track, (f) Old Western Ave. Ind. Track, (g) North Joint Tracks, (h) Elevator Lead & Tri-River Dock, (i) CR&I Branch, (j) 49th Street Ind. Track, (k) 75th to 51st Street (TR), (l) Port of Indiana, IN, and (m) CP 502, IN, to Osborne, IN.

Along with these lines, the abandoned Conrail line from Danville to Schneider, IL, also be a PRR-Allocated Asset.

**Shared Assets Areas And Operating Agreements.** Both CSXT and NSR will be permitted to serve shipper facilities located within the three SAAs (the North Jersey SAA, the South Jersey/Philadelphia SAA, and the Detroit SAA), which will be owned, operated and maintained by Conrail for the exclusive benefit of CSX and NS\*. CSXT and NSR will enter an SAA Operating Agreement with CRC in connection with each of the SAAs, and CRC will grant to CSXT and NSR the right to operate their respective trains, with their own crews and equipment and at their own expense, over any tracks included in the SAAs.

(1) The North Jersey SAA encompasses all Conrail Northern New Jersey trackage and including the NEC, and also (a) certain line segments north of the NEC as it turns east to enter the tunnel under the Hudson River; (b) the Conrail Lehigh line west to Port Reading Junction, (c) the rights of Conrail on the New Jersey Transit Raritan line, (d) the Conrail Port Reading Secondary line west to Bound Brook, (e) the Conrail Perth Amboy Secondary line to South Plainfield, and (f) the NEC local south to the Trenton area.

(2) The South Jersey/Philadelphia SAA encompasses all Conrail "Philadelphia" stations and stations within the Philadelphia City limits, industries located on the Conrail Chester Industrial and Chester Secondary tracks, all Conrail trackage in Southern New Jersey, Conrail rights on the NEC north from Zoo Tower in Philadelphia to Trenton, NJ, and the Ameriport intermodal terminal and any replacement of such terminal built substantially through public funding.

(3) The Detroit SAA encompasses all Conrail trackage and access rights east of the C Townline (Michigan Line MP 7.4) and south to and including Trenton (Detroit Line MP 20).

**Other Areas With Special Treatments.** A number of other areas, though not referred to as SAAs, are nevertheless subject to special arrangements that provide for a sharing of route facilities to a certain extent.

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\* Certain designated facilities within the geographic boundaries of the SAAs will be operated exclusively by CSXT and NSR, not CRC. In the North Jersey SAAs, the North Bergen and the Kearny yards will be operated by CSXT and the Croxton and Rail yards will be operated by NSR. In the South Jersey/Philadelphia SAA, the Windbourne yard and the Greenwich yard will be operated by CSXT and the West Falls yard will be operated by NSR.



(1) Monongahela Area: Although the Conrail lines formerly a part of the Monongahela Railway will be operated by NS, CSX will have equal access for 25 years, subject to renewal, to all current and future facilities located on or accessed from the former Monongahela Railway, including the Waynesburg Southern.

(2) Chicago Area: Both CSX and NS will have access to Conrail's rights concerning access to and use of the Willow Springs Yard of The Burlington Northern and Santa Fe Railway Company (BNSF); applicants will enter into an agreement concerning their respective rights as successors to Conrail and as parties controlling the controlling shareholder in the Indiana Harbor Belt Railway (IHB), a 51%-owned Conrail subsidiary (the stock of IHB will be a Conrail-retained asset); certain trackage rights of Conrail over IHB will be assigned or made available to NYC to be operated by CSX or to PRR to be operated by NS; CSX and NS will enter into an agreement to permit each of them to maintain current access and trackage rights enjoyed by them over terminal railroads in the Chicago area; and CSX will be granted an option, exercisable if CSX and BNSF come under common control, to purchase the Streator Line from Osborne, IN, to Streator, IL.

(3) Ashtabula Harbor Area: NS will have the right to operate and control Conrail's Ashtabula Harbor facilities, with CSX receiving use and access, up to a proportion of the total ground storage, throughput, and tonnage capacity of 42%.

(4) Buffalo Area: CSX will operate Seneca Yard, and NS will receive access to yard tracks in that yard.

(5) Cleveland Area: Conrail's switching yard at Collinwood will be operated by CSX and its Rockport Yard will be operated by NS.

(6) Columbus, OH: NS will operate Conrail's Buckeye Hump Yard, and CSX will operate the former Local Yard and intermodal terminal at Buckeye.

(7) Erie, PA: Norfolk and Western Railway Company (NW, a wholly owned NS subsidiary) will have a permanent easement and the right to build a track on the easement along the Conrail right of way through Erie, PA, to be operated by CSX. NW will have trackage rights in Erie to connect its existing Buffalo-Cleveland line if such connection can be achieved without using the Conrail Buffalo-Cleveland line to be operated by CSX.

(8) Fort Wayne, IN: CSX will operate the line between Fort Wayne and Chicago, currently owned by NS.

(9) Indianapolis, IN: NS will have overhead trackage rights from Lafayette and Muncie to Hawthorne Yard to serve, via CSX switch, shippers that presently receive service from two railroads.

(10) Toledo, OH: Conrail's Stanley Yard will be operated by CSX, and its Airline Junction Yard will be operated by NS.

(11) Washington, DC: Conrail's Landover Line from Washington, DC, to Landover, MD, will be allocated to CSX, and NS will be given overhead trackage rights.

(12) Allocation of Rights with Respect to Freight Operations Over Amtrak's NEC: Conrail's NEC overhead trackage rights north of New York (Penn Station) will be assigned to CSX. Both CSX and NS will have overhead rights to operate trains between Washington, DC, and New York (Penn Station), subject to certain limitations. From Zoo Tower, Philadelphia, to Penn Station, NY, Conrail's NEC rights to serve local customers will be part of the Retained Assets and Conrail will assign those rights to CSX and NS, with CSX and NS having equal access to all local customers and facilities. Between Washington, DC, and Zoo Tower, Philadelphia, Conrail's NEC rights to serve local customers will be assigned to NS. The right to serve local customers on the NEC north of New York (Penn Station) will be assigned to CSX.

#### Appendix A

**LUTTON DECLARATION  
EXHIBIT B**

29TH STORY of Level 1 printed in FULL format.

The Associated Press State & Local Wire

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

November 15, 2000, Wednesday, BC cycle

SECTION: Business News; State and Regional

LENGTH: 341 words

HEADLINE: Norfolk Southern to shut down freight car repair shops, eliminate jobs

DATELINE: HOLLIDAYSBURG, Pa.

BODY:

Norfolk Southern Corp. will shut down a freight car maintenance shop in west-central Pennsylvania next year and lay off up to 385 people.

Norfolk, Va.-based Norfolk Southern spokesman Rudy Husband said employees were told Wednesday that the Hollidaysburg Car Shops will shut down March 1.

"There will be other opportunities to attain employment within Norfolk Southern" if laid-off employees are willing to move, Husband said.

Tom Lutten, president of a Transport Workers Union local that represents the Hollidaysburg employees, was attending a conference in Washington, D.C., on Wednesday and did not immediately return a message.

Maintenance work now performed in Hollidaysburg, which is about 85 miles east of Pittsburgh, likely will be moved to shops in Decatur, Ill.; Bellevue and Columbus, Ohio; and Knoxville, Tenn., Husband said.

He said the Hollidaysburg facility is operating at 30 percent capacity, and the railroad company doesn't have enough repair and maintenance work to justify keeping it open.

"We're looking at costs of overall operations across the board," Husband said.

U.S. Rep. Bud Shuster, R-Pa., said he was disappointed in the announcement. Shuster assisted in talks in which Norfolk Southern and Richmond, Va.-based CSX Corp. divided up Philadelphia-based Conrail for \$10.3 billion in June last year.

One condition of receiving regulatory approval for the takeover was Norfolk Southern's promise to invest in the Hollidaysburg facility and add jobs, he said. Shuster said the shutdown and layoffs appear to violate that agreement.



The Associated Press State & Local Wire November 15, 2000

"I have asked my committee counsel to investigate this matter thoroughly to determine if any course of action can be taken that might halt any potential job losses," Shuster said. "In the next few days, I plan on meeting and talking with local labor leaders and officials from Norfolk Southern on what can be done to save jobs and keep work here."

Husband said 1,100 employees of locomotive maintenance and repair shops in Blair County will not be affected.

LOAD-DATE: November 16, 2000

22ND STORY of Level 1 printed in FULL format.

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Traffic World

November 27, 2000, Monday

SECTION: WASHINGTON; Pg.14

LENGTH: 424 words

HEADLINE: Angering Shuster  
; NS allegedly reneges on promise not to close repair facility or cut 385 jobs  
in Pennsylvania

BYLINE: BY FRANK N. WILNER

BODY:

Copyright 2000, Traffic World MagazineA decision by Norfolk Southern to close a freight car repair shop in the home district of Transportation & Infrastructure Committee Chairman Bud Shuster, R-Pa., triggered an angry response from the lawmaker who accused the railroad of reneging on a promise. Some 385 jobs will be lost.

"There is only one thing that really matters to Bud Shuster - and that's his constituents," said a railroad lobbyist asking not to be identified. "If a railroad gets him mad enough he could suddenly decide to support captive-shipper legislation" introduced by the committee's ranking Democrat, Jim Oberstar of Minnesota, to increase rail-to-rail competition or choose to side with rail labor unions and committee Democrats in support of new safety laws."

Shuster said NS Chairman David Goode promised him in 1997 that if Shuster would not oppose the CSX-NS carve-up of Conrail, NS would not remove jobs from Shuster's district and specifically not close its freight-car shops at Hollidaysburg. But Shuster said Goode told him that the sprawling shops in Blair County - described by the Pittsburgh Post-Gazette as "the largest on the planet" - would be closed in March because there isn't enough work available.

The NS announcement "appears to be in violation of the commitments that were made in the Conrail Merger System Operating Plan filed by NS and CSX in 1998," said Shuster. "I have asked my committee counsel to investigate this matter thoroughly to determine if any course of action can be taken that might halt any potential job losses."

This is the second time Shuster has intervened to save jobs at the Hollidaysburg shops. Before Conrail became a takeover target, Conrail Chairman David LeVan met with Shuster in 1995 over dinner to warn of an impending closing of the shops, Traffic World learned. An attempt by Conrail to form a joint venture with a nonrailroad freight-car building company had failed "even though Conrail had convinced its labor unions to take a hair-cut to make the shops more financially competitive," Traffic World was told.

Shuster responded with legislation to prevent any sale by Conrail of assets without labor union approval, but the bill did not survive. But neither did

Traffic World November 27, 2000, Monday

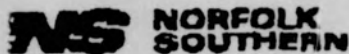
Conrail follow through in closing the shops. Corrail at the time was said to be the largest single employer in Shuster's district.

Also in Shuster's district and now operated by NS at Altoona is a 1,300-employee locomotive repair facility. NS officials said there are no plans to close it.

LOAD-DATE: November 28, 2000

**LUTTON DECLARATION  
EXHIBIT C**





Norfolk Southern Corporation  
Three Commercial Place  
Norfolk, Virginia 23510-2191  
Telephone (757) 629-2610  
Facsimile (757) 629-2306

David R. Goode  
Chairman, President and  
Chief Executive Officer

November 27, 2000

Congressman Bud Shuster  
2188 Rayburn House Office Building  
Washington, D.C. 20515

Dear Congressman Shuster:

This is to advise you that Norfolk Southern will not post its planned December 1 closure notices at our Hollidaysburg Car Shop.

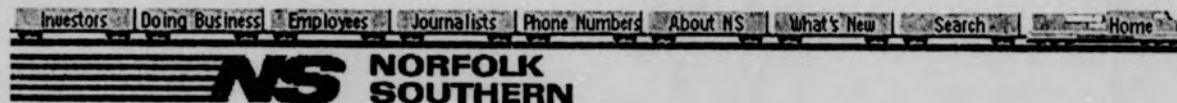
This action permits further efforts to promote operations at the Hollidaysburg Car Shop. Of course, the future of the shops is heavily dependent on finding partners to provide a consistent source of work for the Hollidaysburg Car Shop, as well as the overall health of the economy and the state of the railroad industry.

We appreciate your continuing assistance in identifying additional work and potential partners for the Hollidaysburg Car Shop.

Sincerely,

A handwritten signature in dark ink, appearing to read "David R. Goode", written over a horizontal line.

**LUTTON DECLARATION  
EXHIBIT D**



February 21, 2001

## Norfolk Southern To Close Hollidaysburg Car Shop

NORFOLK, VA - Norfolk Southern Corporation (NYSE: NSC) today said it will close its Hollidaysburg, Pa., Car Shop effective on or about Sept. 1, 2001, as part of the company's ongoing restructuring program.

"Changing economic conditions and excess capacity throughout the freight car repair industry have reduced our workload to the extent we cannot support continued operations at the shop," said Mark D. Manion, vice president Transportation Services and Mechanical. "Consolidating our work at fewer locations is part of making Norfolk Southern a more efficient company as we go forward."

Hollidaysburg's 300-plus employees will have an opportunity to follow their work to other locations; employees who transfer with their work will be paid relocation expenses. In some instances, applicable labor agreements and protective conditions will require further handling with Norfolk Southern's unions before implementing the work transfers.

Norfolk Southern said it will continue to work with Blair County development officials in finding alternative uses for the Hollidaysburg facility.

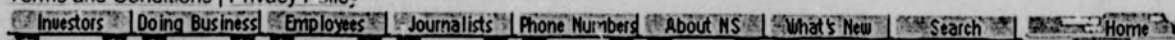
Norfolk Southern Corporation, a Virginia-based holding company with headquarters in Norfolk, owns a major freight railroad, Norfolk Southern Railway Company, which operates approximately 21,800 miles of road in 22 states, the District of Columbia and the province of Ontario.

Media Contact: Rudy Husband, Philadelphia, 610-567-3377



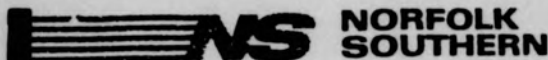
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**LUTTON DECLARATION  
EXHIBIT E**





Norfolk Southern Corporation  
223 East City Hall Avenue  
Norfolk, Virginia 23510-1728

Harold R. Mobley  
Assistant Vice President  
Labor Relations  
(757) 629-2425

February 20, 2001

NC-S-5-6

VIA FEDERAL EXPRESS

Mr. J. V. Waller  
General Chairman  
Brotherhood Railway Carmen Division-TCU  
127 Baron Circle  
Corryton, TN 37721

Dear Mr. Waller:

In accordance with Article I, Section 3 of your Implementing Agreement with Norfolk Southern Railway Company (NSR), notice is hereby given that on or about September 1, 2001, NSR will coordinate certain Mechanical Department work as described in the attached notice. The notice (which includes the 30-day notice period and 60-day extension as provided in Article I, Section 3 of the Implementing Agreement) will be posted on February 21, 2001.

In the event you desire a conference to discuss this change, Carrier representatives will be available to meet with you in our offices at Norfolk, Virginia at 10:00 a.m. on February 26, 2001.

Very truly yours,

*Harold R Mobley*

Attachment

cc: J. Czuczman - with attachment

February 21, 2001

Notice to Shop Craft Employees  
at  
Hollidaysburg and Altoona, Pennsylvania  
and  
Bellevue, Ohio, Columbus, Ohio, Decatur, Illinois, Linwood, North  
Carolina and Macon, Georgia

In accordance with Article I, Section 3 of the Implementing Agreements between Norfolk Southern Railway Company and BRC/TWU, IAMAW, IBEW, IBBISBBF&H, SMWIA and NCF&O notice is hereby given that on or after September 1, 2001, the Carrier intends to transfer all freight car repairs and associated work from Hollidaysburg Car Shop, Hollidaysburg, Pennsylvania to Bellevue, Ohio, Columbus, Ohio, Decatur, Illinois, Linwood, North Carolina and Macon, Georgia.

As a result of this change, all forces will be reduced at Hollidaysburg Car Shop and positions advertised for Bellevue, Columbus, Decatur, Linwood and Macon as shown below:

- A. Effective September 1, 2001, the following forces will be reduced at Hollidaysburg Car Shop, Hollidaysburg, Pennsylvania:

Blacksmiths	2
Carmen	221
Electricians	20
Laborers	11
Machinists	16
Sheet Metal Workers	5
Total	275

- B. The following positions will be advertised for Bellevue, Ohio effective September 2, 2001:

Carmen	56
Electricians	3
Laborers	2
Machinists	3
Sheet Metal Workers	1
Total	65

The following positions will be advertised for Buckeye Yard, Columbus, Ohio effective September 2, 2001:

Carmen	8
Electricians	2
Machinists	2
Laborers	1
Sheet Metal Workers	1
Total	14

February 21, 2001  
Notice to Shop Craft Employees  
Page 2

The following positions will be advertised for Decatur, Illinois effective September 2, 2001:

Blacksmith	1
Carmen	46
Electricians	4
Laborers	2
Machinists	3
Sheet Metal Workers	1
Total	57

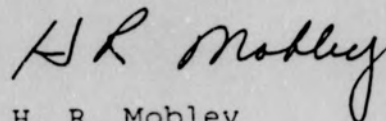
The following positions will be advertised for Linwood, North Carolina effective September 2, 2001:

Carmen	2
Total	2

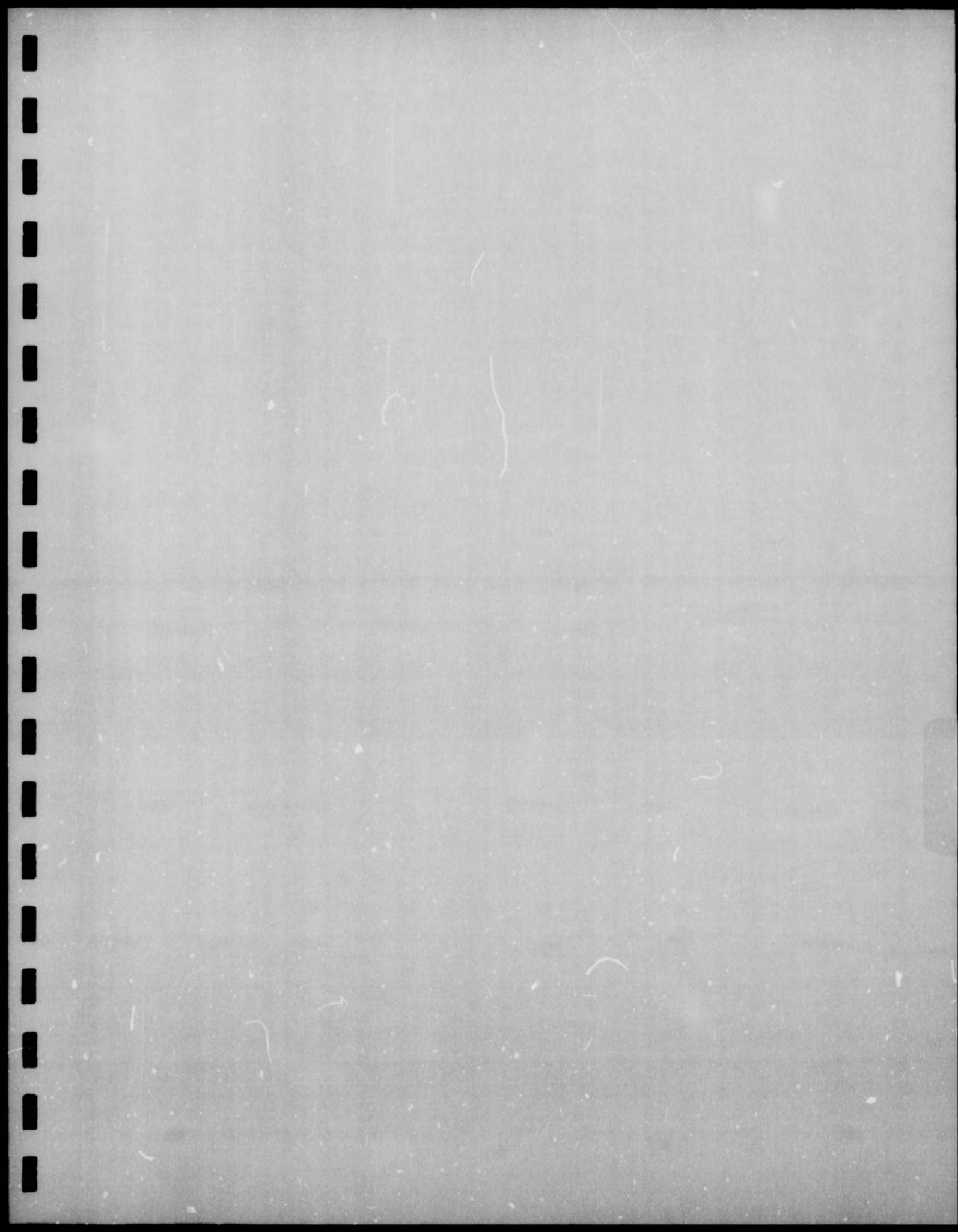
The following positions will be advertised for Macon, Georgia effective September 2, 2001:

Carmen	3
Total	3

It is NSR's desire to afford employees who are willing to transfer an opportunity to do so. Therefore, NSR may elect to establish additional positions at one or more of the involved locations (Bellevue, Columbus, Decatur, Linwood, and Macon).



H. R. Mobley  
Assistant Vice President  
Labor Relations  
Norfolk Southern Railway Company







BEFORE THE  
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388

CSX Corporation and CSX Transportation, Inc.,  
Norfolk Southern Corp. and Norfolk  
Southern Ry. Co.--Control and Operating  
Leases/Agreements--Conrail Inc.  
and Consolidated Rail Corporation  
Transfer of Railroad Line by Norfolk  
Southern Railway Company to CSX Transportation, Inc.

DECLARATION OF GEORGE J. FRANCISCO, JR.

I, GEORGE J. FRANCISCO, JR., declare under penalty of perjury, and pursuant to 28 U.S.C. § 1746, that the following is true, correct, and based upon personal knowledge.

1. I am the President of the National Council of Firemen and Oilers/Service Employees International Union ("SEIU"). The NCFO represents employees of Norfolk Southern Ry. ("NSR") at its Hollidaysburg car shops who, among other things, perform laborer functions in the shops. The NCFO actively participated in the STB proceedings on the CSX Corp. and Norfolk Southern Corp. acquisition of control and division of the Consolidated Rail Corp. ("Conrail") ("CSX/NS-Conrail Transaction").

2. Prior to the CSX/NS-Conrail Transaction, the Hollidaysburg shops were owned by Conrail. As a result of the CSX/NS-Conrail Transaction, those shops were allocated to NSR which now operates the shops.

3. Pursuant to this agency's approval of the CSX/NS-Conrail Transaction, the carriers and NCFO entered an implementing agreement under the *New York Dock* conditions. That

agreement was consistent with the carriers' plan to divide Conrail's employees represented by NCFO among CSXT, NSR and residual Conrail and place all acquired Conrail facilities and lines to be operated by NSR under an NSR collective bargaining agreement. Among other things, it was planned that NSR would consolidate program car repair work for the integrated NSR car fleet at Hollidaysburg . Under the agreement NCFO-represented employees at the Hollidaysburg shops became employees of NSR, covered by a collective bargaining agreement based on an NSR-NCFO agreement (subject to certain modifications and supplemental terms). NSR began to operate the Hollidaysburg shops on June 1, 1999.

4. NSR's operation of Hollidaysburg shops was initially consistent with the implementing agreement and the representations NSR made to the STB in seeking approval of the CSX/NS-Conrail Transaction, that NSR retained the shops, and program rail car work was consolidated at that facility.

5. However, as time passed, NSR did not follow-through on its representations that it would invest \$4 million in the shops.

6. In November of 2000, despite the commitments made by NSR to the STB and others, NSR announced that it was planning to close the Hollidaysburg shops and transfer the work to other NSR facilities.

6. Because Congressman Bud Shuster had been given personal assurances by NSR that the Hollidaysburg shops would be retained, Congressman Shuster scheduled a hearing by the House Transportation Committee to investigate the matter. Shortly after the hearing was scheduled, NSR CEO David Goode wrote to Congressman Shuster advising that NSR would not proceed with the planned closure of the Hollidaysburg shops, while asserting that "the future of



the shops is heavily dependent on finding partners to provide a consistent source of work for the Hollidaysburg Car Shop, as well as the overall health of the economy and the state of the railroad industry".

7. Congressman Shuster resigned from the House of Representatives in January of 2001.

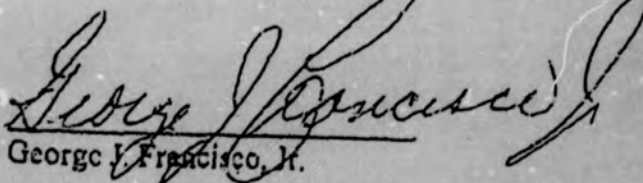
8. On February 20, 2001, NSR announced that it would close the Hollidaysburg Shops, stating that "Changing economic conditions and excess capacity throughout the freight car repair industry have reduced our workload to the extent that we cannot support continued operations at the shop", and that "Consolidating our work at fewer locations is part of making Norfolk Southern a more efficient company as we go forward". NSR February 21, 2001 Press release.

9. At about the same time as it issued its press release, NSR again gave notice that it would "coordinate certain Mechanical Department work" by transferring work from Hollidaysburg to other shops.. Although the notice did not say the shops were being closed, it did state that all of the jobs then existing at the shops (275) were being eliminated (11 F&O jobs), with 142 new jobs created at other NSR facilities (5 F&O jobs).

10. It is clear to the NCFO, and should be clear to any objective observer, that NSR is planning to renege on commitments it made in the proceedings before this agency in which NSR and CSX sought approval for their joint acquisition of control and division of Conrail. NCFO therefore urges the Board to Order NSR to comply with the commitments it made to the Board, parties to the Board's proceedings, Conrail's employees and communities in Pennsylvania.

3-23-01

Date

  
George J. Francisco, Jr.



STB

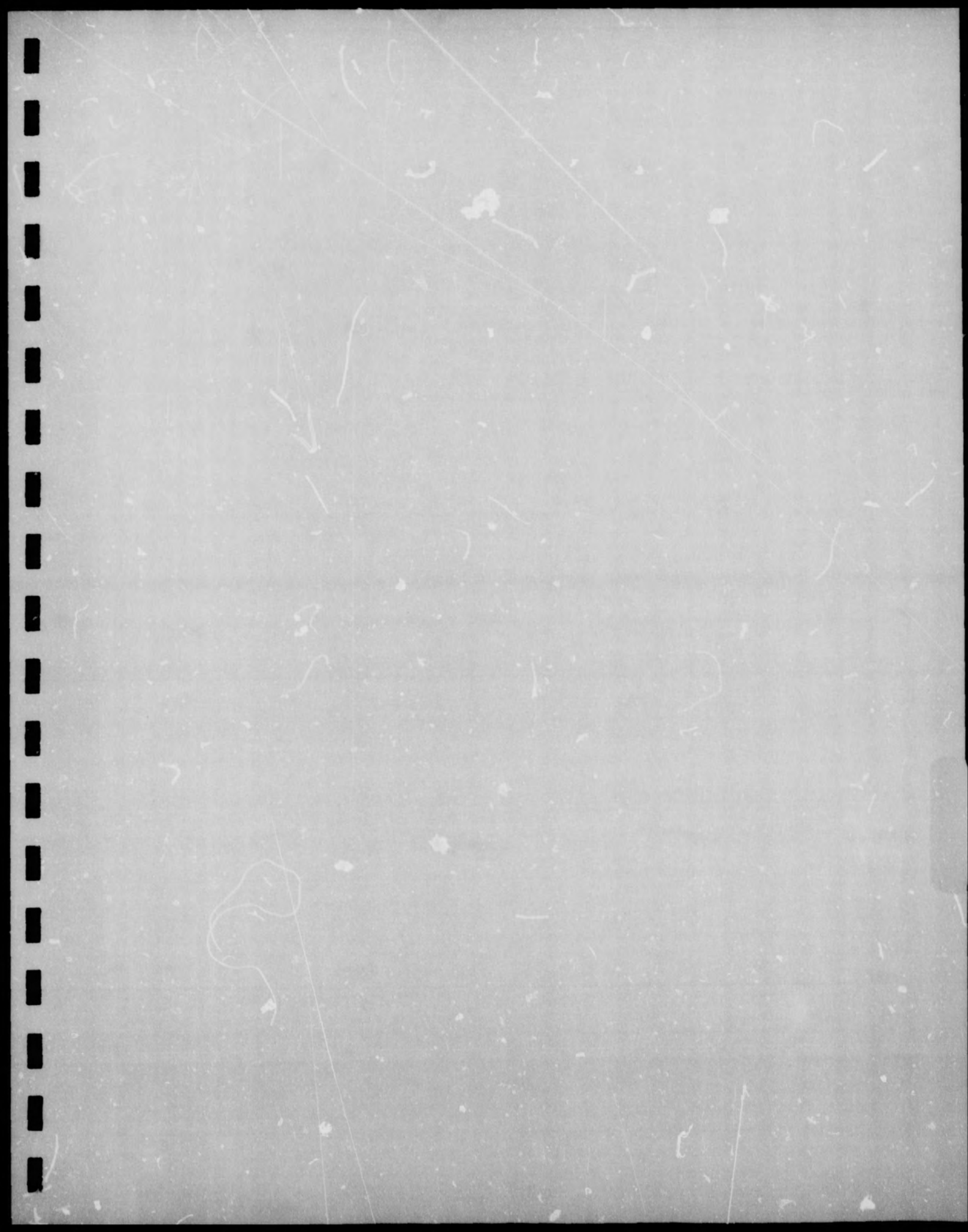
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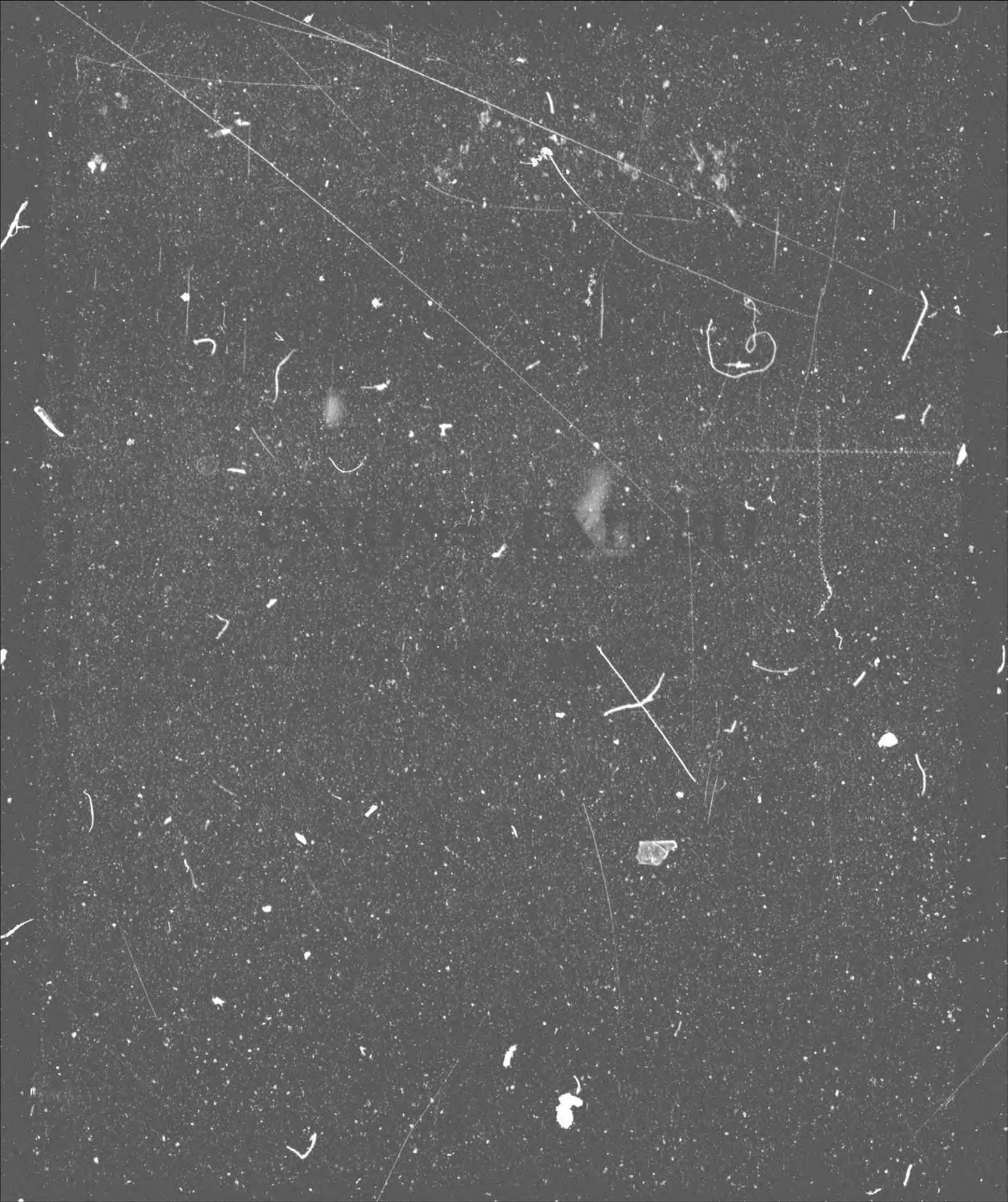
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4 of 4





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

ARBITRATION PURSUANT TO ART. I, § 4  
OF THE NEW YORK DOCK PROTECTIVE CONDITIONS

CSX TRANSPORTATION, INC., NORFOLK  
SOUTHERN RAILWAY COMPANY, and  
CONSOLIDATED RAIL CORPORATION

and

BROTHERHOOD RAILWAY CARMEN  
DIVISION - TRANSPORTATION  
COMMUNICATIONS INTERNATIONAL UNION  
and TRANSPORT WORKERS UNION

Referee  
Richard R. Kasher

## CARRIERS' PREHEARING SUBMISSION

### PART III

January 14, 1999



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truck as required efficiently to respond when cars are in need of repair on the line of road or at customer facilities. Vittur Decl. ¶¶ 25-28.

3. Proposed Operation of NSR-Allocated Lines

In its Operating Plan (at 320-29), NSR described its plans to realize the public benefits of the Transaction by maintaining its existing and allocated cars and locomotives as part of a combined equipment fleet. To accomplish this, NSR intends to operate certain common point locations of its allocated lines under its existing management structure and in coordination with its existing equipment maintenance and repair operations. NSR will establish three new operating divisions on the allocated properties -- designated the Dearborn, Pittsburgh, and Harrisburg Divisions -- and will operate those divisions as NSR's new Northern Region. Vittur Decl. ¶ 34.

NSR will achieve operating efficiencies by consolidating and realigning the former Conrail property into seniority points, consistently with the point seniority system in effect throughout the existing NSR system. Consistently with these seniority arrangements, NSR intends to operate the bulk of its allocated lines under the terms of the NW Shopcraft Agreement. However, as an accommodation to concerns raised in negotiations by BRC and TWU (see pp. 14-16, below), NSR now agrees to operate certain common point locations under the terms of the NKP Shopcraft Agreement, and one common point location under the terms of the agreement between the former Southern Railway Shopcraft Agreement. These agreements contain scope and work rules that are consistent with NSR's proposed operations, and with the terms of New York Dock implementing agreement reached with the other five shopcrafts, and that will support an integrated car and locomotive fleet. Vittur Decl. ¶ 35.

NSR also intends to achieve additional efficiencies in its Mechanical Department operations by consolidating work and eliminating duplicative facilities. NSR's existing and allocated

lines adjoin at numerous locations, where both NSR and Conrail currently maintain forces and facilities for performing light and running repairs of rail cars. NSR currently intends to establish common points, under the appropriate NSR agreement and point seniority arrangements, at seven locations: Buffalo, Chicago, Cincinnati, Cleveland/Lorain, Columbus, Fort Wayne, and Toledo. Creating a common point at Columbus under the NW Shopcraft Agreement, for example, will, among other things, allow NSR to meet its operational needs in this area with just one road truck. In contrast, NSR and Conrail each have a road truck stationed at Columbus today. Creating common points under the appropriate NSR work arrangements will enhance the competitiveness of the expanded NSR system by maximizing the use of employees and repair equipment and eliminating duplicate costs associated with redundant facilities. Vittur Decl. ¶¶ 36-37.

NSR intends to change its heavy car repair operations to make the best use of its existing and allocated facilities. Conrail's Hollidaysburg car shop, which currently performs program repair, freight car reclamation, and new car fabrication for Conrail's fleet of 46,500 cars, will be operated exclusively by NSR. To maximize efficiency in the performance of heavy car repair after Day One, NSR will (i) consolidate most program car repair work for the integrated NSR car fleet at Hollidaysburg; (ii) consolidate freight car reclamation work at its car shop in Roanoke; and (iii) perform most rebodging, new car construction, and component fabrication work for the expanded system at Roanoke -- including the fabrication of component parts to support the program car repair work at Hollidaysburg.<sup>4</sup> Vittur Decl. ¶ 38.

---

<sup>4</sup> Currently, Conrail purchases repair kits (e.g., castings and related sub-assemblies) and other component parts from outside vendors. NSR expects to save approximately \$ 3 million annually by fabricating these parts itself at Roanoke, for use at Hollidaysburg. Operating Plan, at 326.

The reclamation work to be consolidated at Roanoke includes the reconditioning of rail car  
(continued...)

The structure and capabilities of the two shops dictated the planned reorganization of major repair work. The Roanoke shop is better designed and equipped to handle reclamation and car rebuild work; it is also one of the most modern component fabrication facilities in the country, containing its own foundry. The design of the Hollidaysburg shop, on the other hand, is better suited to program repair work. NSR will be able to perform its heavy car repair work more efficiently and cost effectively, by taking advantage of the distinctive characteristics of the two facilities.<sup>5</sup> Vittur Decl. ¶ 40.

NSR likewise plans to increase efficiencies through functional specialization of its heavy locomotive repair work. NSR intends to use the Juniata Locomotive Works at Altoona to perform locomotive overhaul and component rebuild work for locomotives manufactured by General Motors (EMD), and to use the Roanoke Shops-Locomotive to perform such work for locomotives manufactured by General Electric.<sup>6</sup> Vittur Decl. ¶ 42.

In addition, to make effective use of its expanded shop capacity, NSR anticipates using its major car repair (and locomotive) facilities to perform overhaul and repair work for other carriers

---

<sup>4</sup> (...continued)

trucks for 3,000 Conrail freight cars (involving 12,000 side frames and 6,000 bolsters) to improve the ride quality of these new additions to NSR's car fleet. Vittur Decl. 39.

<sup>5</sup> NSR also intends to consolidate car repair work for the existing NSR business car fleet, now performed at Roanoke, with the car repair work on former Conrail business cars at the Altoona Shops (where there is an enclosed 700-foot building available for storing and maintaining such cars). Vittur Decl. ¶ 41.

<sup>6</sup> NSR also intends, following a two-year transition period, to centralize the work of painting locomotives, which now is performed at NSR's shop in Chattanooga, at the Juniata Locomotive works. In addition, NSR intends, sometime after Day One, to close its Pegram Shop in Atlanta and transfer locomotive truck overhaul work to Altoona. This will involve the transfer of three carmen who perform painting work at Pegram Shop. And NSR also plans to consolidate wreck repair for heavily damaged locomotives at Altoona. Vittur Decl. ¶ 43.



("were the Carrier required to continue operating this territory as four separate railroads, each with its own workforce and seniority districts, the operating efficiencies contemplated by the coordination would be illusory") (quoting referee O'Brien award; emphasis omitted); UTU v. STB, 108 F.3d at 1431 ("It is obvious that separate and distinct parts, operating separately and distinctly will not generate the value of consolidation"; maintaining workforce arrangements of former railroads would increase costs, slow down transit times and prevent the system from operating in a unified manner) (Carriers' Exhibit D-8). The Conrail Agreement's rules, work classification, and seniority arrangements reflect operations as they were conducted on the former Conrail system (and on the systems of its predecessor railroads). Importing those arrangements to NSR's new operations would impose unnecessary costs and otherwise impede the enhanced and efficient operations made possible by the Transaction.

The operational impediments that would come from applying the Conrail work arrangements take many forms. As we have explained, NSR plans to reorganize its heavy car repair work to promote functional specialization that will permit more efficient use of its workforce and of the shop capacities and capabilities on its expanded system. To accomplish this, NSR must be able freely to move cars to the appropriate shop without regard to whether they previously belonged to NSR or Conrail. But if the Conrail Agreement were to apply, the union would claim that agreement's classification of work rule gave employees working under that agreement exclusive right to perform repair work on cars that formerly belonged to Conrail. This would be incompatible with NSR's intent to perform reclamation, rebodging, or car rebuild work for all its rail cars at its existing Roanoke car shop, and not at Hollidaysburg. And, on the other hand, the classification of work rules in the NW Shopcraft Agreement would then prevent NSR from sending existing NSR cars to Hollidaysburg for

program repair work. The same problems could arise for other types of car repairs other than running repairs. Vittur Decl. ¶ 51.

For similar reasons, application of the Conrail Agreement would also impede NSR's ability to make the most efficient use of its expanded locomotive repair facilities, by consolidating heavy repair work for GE locomotives at Roanoke and for EMD locomotives at the Juniata Locomotive Works. All the other shopcraft unions have entered into implementing agreements which, by providing for application of the NW Shopcraft Agreement to the allocated lines, would facilitate this reorganization of work. But, because carmen perform certain carpentry and other work in engine cabs, this key change in Mechanical Department operations could be restricted if the Conrail Agreement and its classification of work rule were to apply. Vittur Decl. ¶ 52.

Application of the Conrail work arrangements on the allocated property would also deprive NSR of the needed flexibility to perform more minor, but essential repair work throughout its expanded system at the facility best suited to do the job at the time the work is needed. In the strictest sense, if the Conrail Agreement were to apply, for example, a former Conrail locomotive bad ordered at Roanoke with a broken window -- requiring a repair that is performed by carmen -- technically could not be taken to a nearby available NSR facility in Roanoke for prompt repair. Instead, NSR would end up having to send the locomotive to a shop on the allocated Conrail property in Exola, Pennsylvania, some 300 miles away, for repair. This would make no operational sense, and would be to treat the locomotive as if it were part of a separate system, not a unified NSR fleet. The end result would be that the locomotive was held out of service for an unnecessarily extended, and plainly avoidable period of time, to the detriment of NSR's train operations and customers. Vittur Decl. ¶ 53.









23RD STORY of Level 1 printed in FULL format.

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Pittsburgh Post-Gazette

November 23, 2000, Thursday, SOONER EDITION

SECTION: STATE, Pg. B-12

LENGTH: 409 words

HEADLINE: SHUSTER PLANS HEARINGS ON PROPOSED RAIL LAYOFFS

BYLINE: TOM GIBB, POST-GAZETTE STAFF WRITER

DATELINE: ALTOONA --

BODY:

Rep. Bud Shuster is well practiced at using his heavy transportation clout to fend off railroad employment cuts in his district.

Next week, that clout could be on display again, when Shuster takes his House Transportation and Infrastructure Committee on the road and convenes it here to mull whether Norfolk Southern Corp. is skirting any legal agreements with its newly announced plan to eliminate 385 local rail jobs.

Norfolk Southern spokesman Rudy Husband said yesterday that he's confident that there are no legal pitfalls in his company's plan to close the massive Hollidaysburg Car Shops in suburban Altoona March 1, eliminating all 385 jobs there.

But for the first time in the week since Husband announced that shutdown as irrevocable, he hinted at the chance of a reprieve, saying "two major car rebuilders" have contacted Norfolk Southern about the shops since the shutdown announcement Nov. 15.

Husband said he didn't know whether those talks could lead to a joint operation between Norfolk Southern and either car company or whether the car rebuilders would want to go it alone if they got involved with the Hollidaysburg shops.

"We really haven't begun substantive discussions," Husband said. "It's more a conceptual feeling out of what the possibilities are."

The Hollidaysburg Shops are used to repair freight cars. But Norfolk Southern said last week that it would close the complex, which it inherited last year from Consolidated Rail Corp., because its own work and work solicited from other railroads keep the facility running at only 30 percent capacity.

According to Husband, Norfolk Southern will farm the repairs to the company's smaller shops in Columbus and Belleville, Ohio; Decatur, Ill., and Knoxville, Tenn.

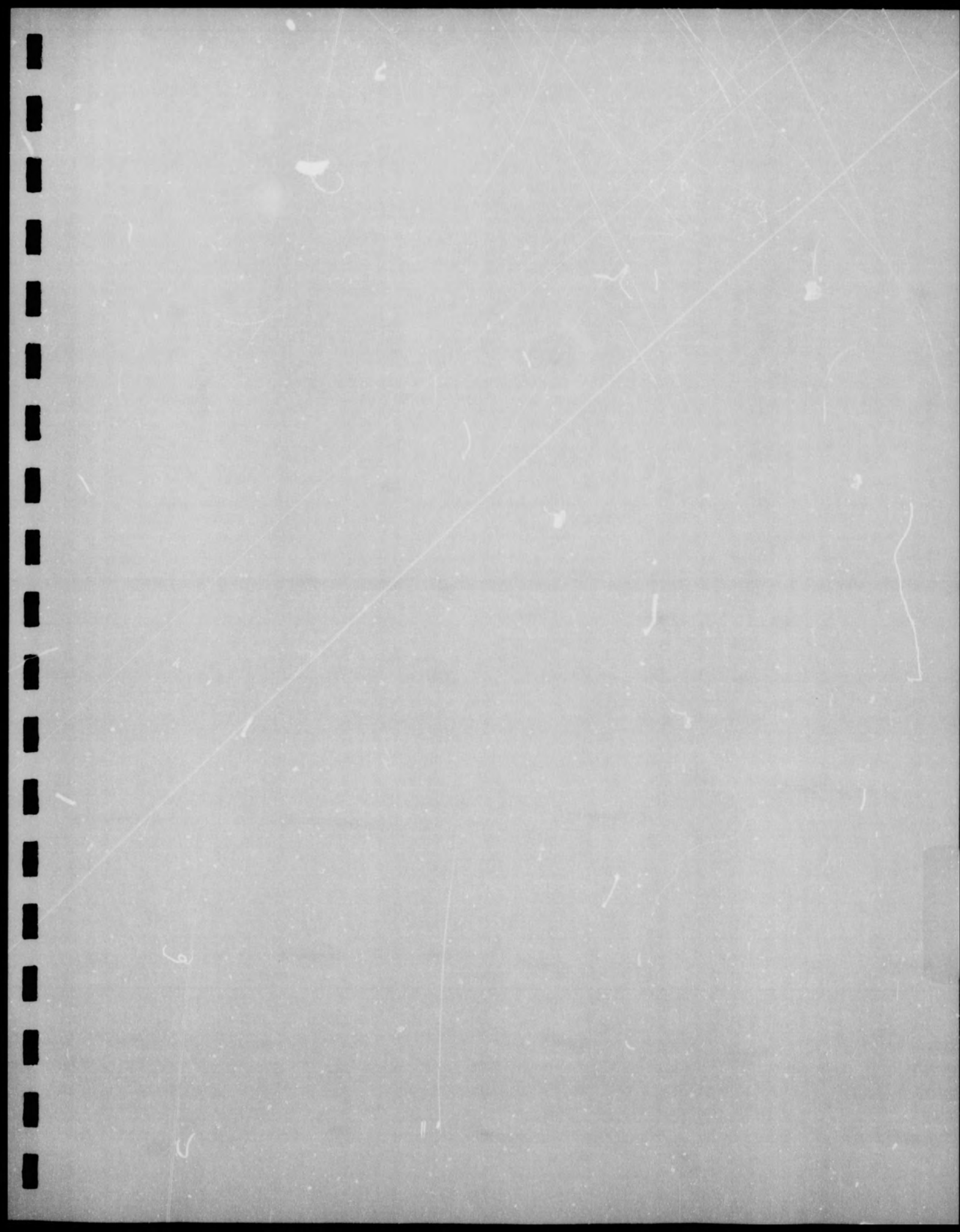
But Shuster, outgoing chairman of the Transportation and Infrastructure

Committee, hinted that Norfolk Southern is reneging on promises to use the local railroad shops -- promises made as a prelude to the 1999 deal that let Norfolk Southern and rival CSX Corp. split Conrail between them.

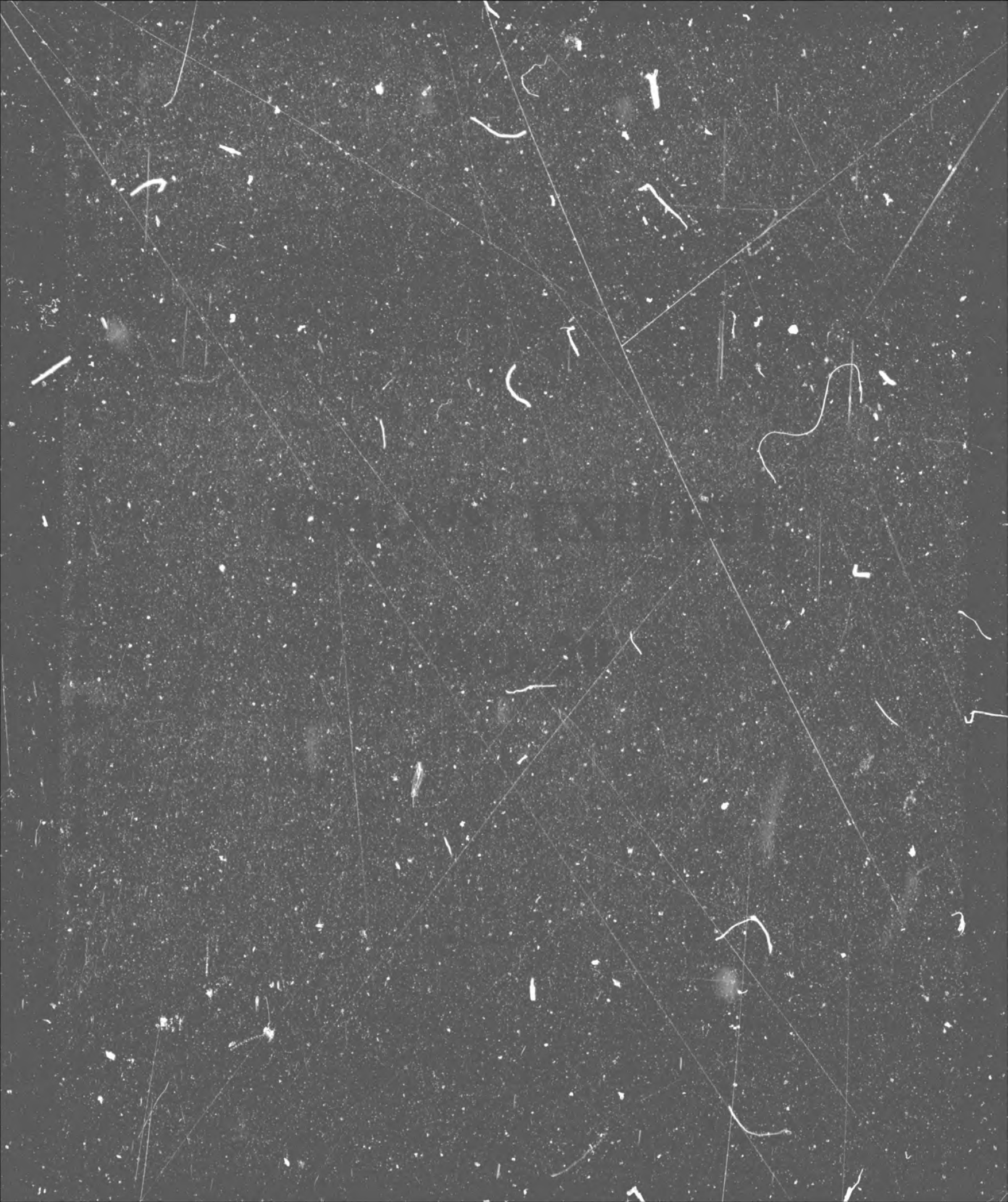
Shuster has not named witnesses he expects to call at next week's hearing, but Husband said Norfolk Southern officials are expected to testify and don't see themselves being stuck in any legal imbroglios.

"From a legal standpoint, we feel very comfortable," Husband said. "Let me emphasize that's from a legal standpoint. It still doesn't sit well with anyone that 385 people will lose their jobs."

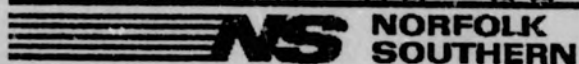
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February 21, 2001

## Norfolk Southern To Close Hollidaysburg Car Shop

NORFOLK, VA - Norfolk Southern Corporation (NYSE: NSC) today said it will close its Hollidaysburg, Pa., Car Shop effective on or about Sept. 1, 2001, as part of the company's ongoing restructuring program.

"Changing economic conditions and excess capacity throughout the freight car repair industry have reduced our workload to the extent we cannot support continued operations at the shop," said Mark D. Manion, vice president Transportation Services and Mechanical. "Consolidating our work at fewer locations is part of making Norfolk Southern a more efficient company as we go forward."

Hollidaysburg's 300-plus employees will have an opportunity to follow their work to other locations; employees who transfer with their work will be paid relocation expenses. In some instances, applicable labor agreements and protective conditions will require further handling with Norfolk Southern's unions before implementing the work transfers.

Norfolk Southern said it will continue to work with Blair County development officials in finding alternative uses for the Hollidaysburg facility.

Norfolk Southern Corporation, a Virginia-based holding company with headquarters in Norfolk, owns a major freight railroad, Norfolk Southern Railway Company, which operates approximately 21,800 miles of road in 22 states, the District of Columbia and the province of Ontario.

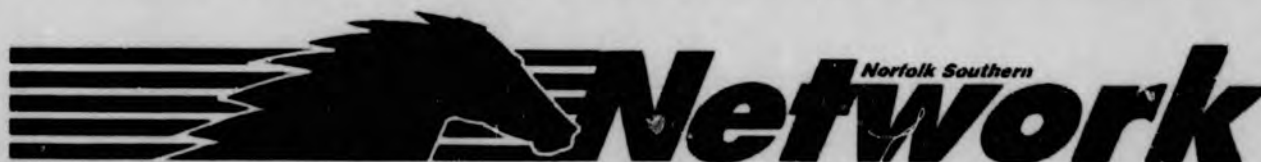
Media Contact: Rudy Husband, Philadelphia, 610-567-3377



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Norfolk Southern Public Relations

February 22, 2001

Hollidaysburg Car Shop  
to close

## Hollidaysburg Car Shop to close

New Web site section for  
Industrial Development

Norfolk Southern will close its Hollidaysburg, Pa., Car Shop effective on or about Sep 2001, as part of the company's ongoing restructuring program.

NS announces  
International and Market  
Research changes

"Changing economic conditions and excess capacity throughout the freight car repair industry have reduced our workload to the extent we cannot support continued operation at the shop," said **Mark D. Manion**, vice president Transportation Services and Mechanical. "Consolidating our work at fewer locations is part of making NS a more efficient company as we go forward."

Operation Lifesaver  
urges public to 'Take  
Safety To Heart'

Hollidaysburg's 300-plus employees will have an opportunity to follow their work to other locations; employees who transfer with their work will be paid relocation expenses. In some instances, applicable labor agreements and protective conditions will require full handling with NS' unions before implementing the work transfers.

Virginia billboards target  
railroad trespassers

NS supports N&W oral  
history video debut

NS said it will continue to work with Blair County development officials in finding alternate uses for the Hollidaysburg facility.

NS Network signs off

## Industrial Development expands its Web section

Quotable

Norfolk Southern's Industrial Development department has expanded its reach to existing and potential customers through a new section on NS' Web site. The new section has more pages offering more information.

NS by the Numbers

### Back Issues

*NS Network also is  
distributed by email on  
the NSINFO mailing list.*

"Expanding our presence on the company's Web site lets potential customers quickly see the wide range of services we can provide to them," said **Larry Collingwood**, assistant vice president Industrial Development, Atlanta. "Existing customers also can access information so we can help them in their expansion efforts."

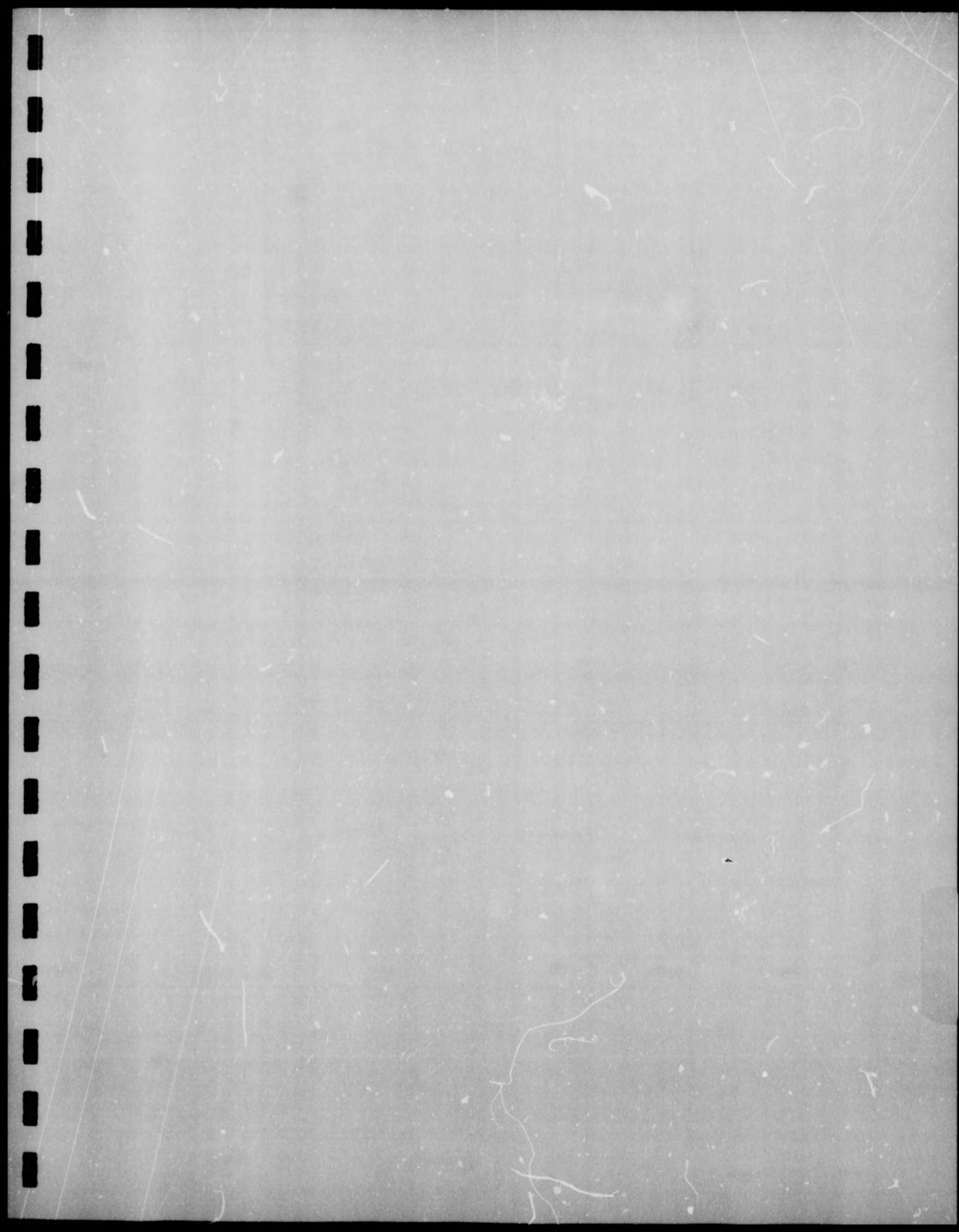
Please send comments  
and suggestion to the  
editor.

Information about project management, engineering services, site assistance services, track design is found in the section, as are examples of past and present projects. The section also provides a fast way for customers to contact the company's regional ID offices.

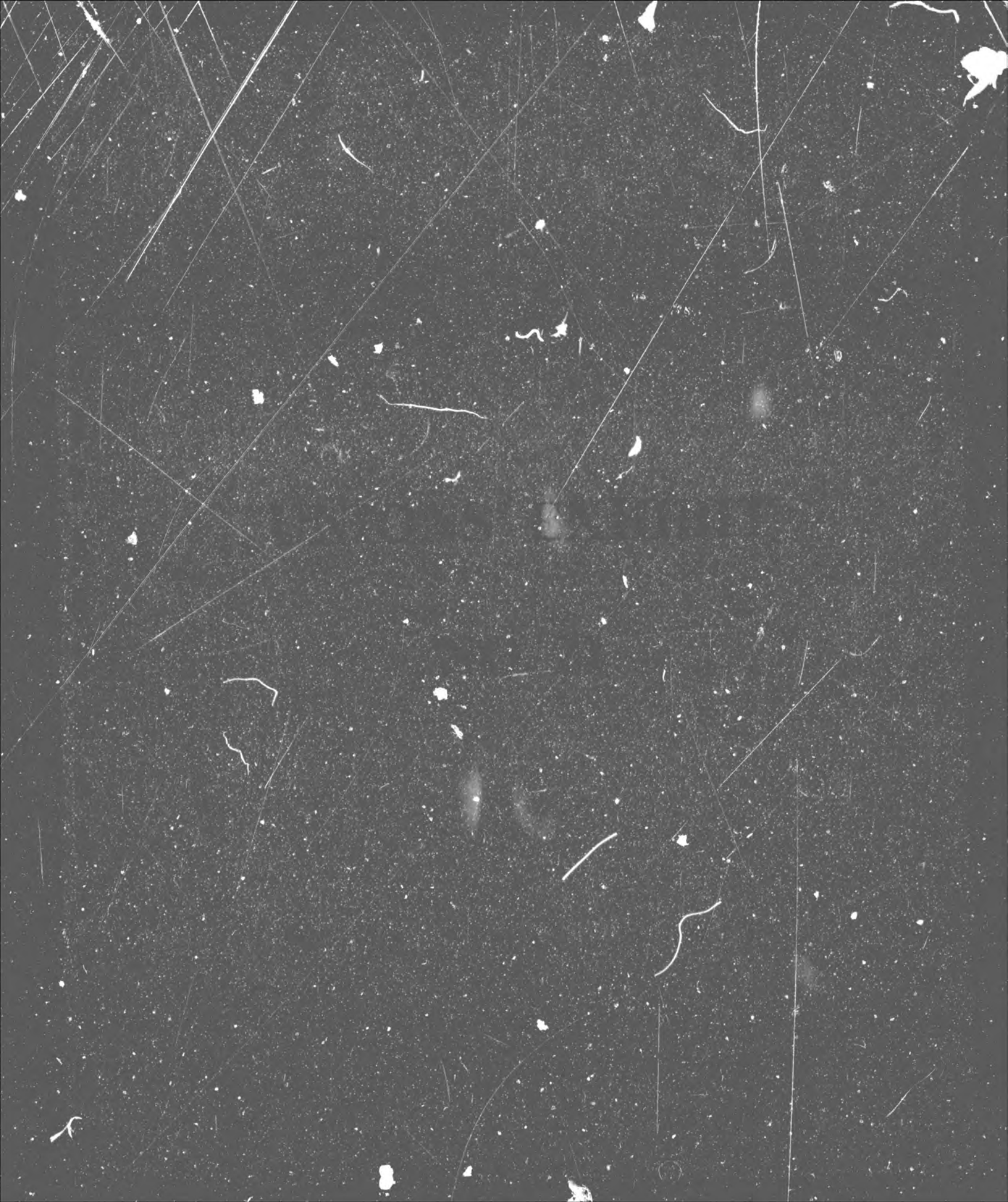
"Our expanded section gives faster access to information and supports our goals to let rail-served industries along our lines by providing plant location services tailored to our customers' needs, to aid our existing industries in their expansion efforts and to work with our allies to promote economic growth in the communities we serve," said Collingwood.

The new page debuted last week and response has been encouraging.

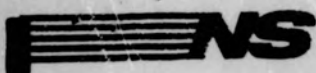
"We've gotten quite a few hits and new contacts," said **Dan Motley**, manager Industrial Development and Web coordinator, Roanoke. "It's an important service that we can offer."











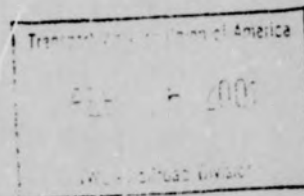
**NORFOLK  
SOUTHERN**

Norfolk Southern Corporation  
223 East City Hall Avenue  
Norfolk, Virginia 23510-1728

**Harold R. Mobley**  
Assistant Vice President  
Labor Relations  
(757) 629-2425

February 20, 2001

NC-S-5-6



VIA FEDERAL EXPRESS

Mr. J. V. Waller  
General Chairman  
Brotherhood Railway Carmen Division-TCU  
127 Baron Circle  
Corryton, TN 37721

Dear Mr. Waller:

In accordance with Article I, Section 3 of your Implementing Agreement with Norfolk Southern Railway Company (NSR), notice is hereby given that on or about September 1, 2001, NSR will coordinate certain Mechanical Department work as described in the attached notice. The notice (which includes the 30-day notice period and 60-day extension as provided in Article I, Section 3 of the Implementing Agreement) will be posted on February 21, 2001.

In the event you desire a conference to discuss this change, Carrier representatives will be available to meet with you in our offices at Norfolk, Virginia at 10:00 a.m. on February 26, 2001.

Very truly yours,

*Harold R. Mobley*

Attachment

cc: J. Czuczman - with attachment

February 21, 2001

Notice to Shop Craft Employees  
at  
Hollidaysburg and Altoona, Pennsylvania  
and  
Bellevue, Ohio, Columbus, Ohio, Decatur, Illinois, Linwood, North  
Carolina and Macon, Georgia

In accordance with Article I, Section 3 of the Implementing Agreements between Norfolk Southern Railway Company and BRC/TWU, IAMAW, IBEW, IBBISBBF&H, SMWIA and NCF&O notice is hereby given that on or after September 1, 2001, the Carrier intends to transfer all freight car repairs and associated work from Hollidaysburg Car Shop, Hollidaysburg, Pennsylvania to Bellevue, Ohio, Columbus, Ohio, Decatur, Illinois, Linwood, North Carolina and Macon, Georgia.

As a result of this change, all forces will be reduced at Hollidaysburg Car Shop and positions advertised for Bellevue, Columbus, Decatur, Linwood and Macon as shown below:

- A. Effective September 1, 2001, the following forces will be reduced at Hollidaysburg Car Shop, Hollidaysburg, Pennsylvania:

Blacksmiths	2
Carmen	221
Electricians	20
Laborers	11
Machinists	16
Sheet Metal Workers	5
Total	275

- B. The following positions will be advertised for Bellevue, Ohio effective September 2, 2001:

Carmen	56
Electricians	3
Laborers	2
Machinists	3
Sheet Metal Workers	1
Total	65

The following positions will be advertised for Buckeye Yard, Columbus, Ohio effective September 2, 2001:

Carmen	8
Electricians	2
Machinists	2
Laborers	1
Sheet Metal Workers	1
Total	14

February 21, 2001  
Notice to Shop Craft Employees  
Page 2

The following positions will be advertised for Decatur, Illinois effective September 2, 2001:

Blacksmith	1
Carmen	46
Electricians	4
Laborers	2
Machinists	3
Sheet Metal Workers	1
Total	57

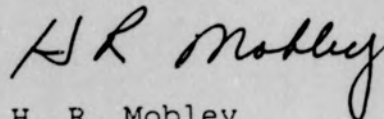
The following positions will be advertised for Linwood, North Carolina effective September 2, 2001:

Carmen	2
Total	2

The following positions will be advertised for Macon, Georgia effective September 2, 2001:

Carmen	3
Total	3

It is NSR's desire to afford employees who are willing to transfer an opportunity to do so. Therefore, NSR may elect to establish additional positions at one or more of the involved locations (Bellevue, Columbus, Decatur, Linwood, and Macon).



H. R. Mobley  
Assistant Vice President  
Labor Relations  
Norfolk Southern Railway Company