December 13, 2000

The Honorable Richard G. Lugar  
United States Senate  
Washington, D.C. 20510

Re: Four Cities Issues

Dear Senator Lugar:

You have contacted the Surface Transportation Board (Board) regarding rail congestion in the Gary, East Chicago, Hammond and Whiting areas (Four Cities). I certainly understand the concerns that you have raised, and I wanted to provide you with an update on the situation.

Throughout the proceeding in connection with the acquisition of Conrail by CSX Transportation, Inc. (CSXT) and Norfolk Southern Corporation (NS), the Board has been responsive to environmental and public safety issues that affect communities involved in the restructuring of this portion of the national rail system. In approving the Conrail transaction, we imposed a variety of conditions to address environmental and public safety concerns, and we have actively encouraged CSXT and NS to work closely with affected communities to reach mutually agreeable solutions to any remaining concerns. We continue to monitor the implementation of the conditions we imposed and the operations of the carriers, and the Board has an ongoing oversight proceeding to address issues related to the Conrail acquisition that have arisen, including those pertaining to the Four Cities area.

In resolving problems, the Board believes that privately negotiated solutions are generally preferable to governmentally imposed ones, as more can be achieved privately as a general matter than government has the authority to direct. In this regard, active negotiations continue between CSXT and the Four Cities Consortium on a settlement agreement intended to address issues that you have raised, and at our request, the Board continues to receive regular updates on the progress of these discussions. We are hopeful that the parties will be able to reach a mutually acceptable agreement in the near future.

I hope that the above information is helpful to you and that you will not hesitate to contact me if we can be of assistance in the future.

Sincerely,

Linda J. Morgan

Office of the Chairman
December 13, 2000

The Honorable Evan Bayh  
United States Senate  
Washington, D.C. 20510

Re: Four Cities Issues

Dear Senator Bayh:

You have contacted the Surface Transportation Board (Board) regarding rail congestion in the Gary, East Chicago, Hammond and Whiting areas (Four Cities). I certainly understand the concerns that you have raised, and I wanted to provide you with an update on the situation.

Throughout the proceeding in connection with the acquisition of Conrail by CSX Transportation, Inc. (CSXT) and Norfolk Southern Corporation (NS), the Board has been responsive to environmental and public safety issues that affect communities involved in the restructuring of this portion of the national rail system. In approving the Conrail transaction, we imposed a variety of conditions to address environmental and public safety concerns, and we have actively encouraged CSXT and NS to work closely with affected communities to reach mutually agreeable solutions to any remaining concerns. We continue to monitor the implementation of the conditions we imposed and the operations of the carriers, and the Board has an ongoing oversight proceeding to address issues related to the Conrail acquisition that have arisen, including those pertaining to the Four Cities area.

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I hope that the above information is helpful to you and that you will not hesitate to contact me if we can be of assistance in the future.

Sincerely,

Linda J. Morgan
December 13, 2000

The Honorable Peter J. Visclosky
U.S. House of Representatives
Washington, D.C. 20515

Re: Four Cities Issues

Dear Congressman Visclosky:

You have contacted the Surface Transportation Board (Board) regarding rail congestion in the Gary, East Chicago, Hammond and Whiting areas (Four Cities). I certainly understand the concerns that you have raised, and I wanted to provide you with an update on the situation.

Throughout the proceeding in connection with the acquisition of Conrail by CSX Transportation, Inc. (CSXT) and Norfolk Southern Corporation (NS), the Board has been responsive to environmental and public safety issues that affect communities involved in the restructuring of this portion of the national rail system. In approving the Conrail transaction, we imposed a variety of conditions to address environmental and public safety concerns, and we have actively encouraged CSXT and NS to work closely with affected communities to reach mutually agreeable solutions to any remaining concerns. We continue to monitor the implementation of the conditions we imposed and the operations of the carriers, and the Board has an ongoing oversight proceeding to address issues related to the Conrail acquisition that have arisen, including those pertaining to the Four Cities area.

In resolving problems, the Board believes that privately negotiated solutions are generally preferable to governmentally imposed ones, as more can be achieved privately as a general matter than government has the authority to direct. In this regard, active negotiations continue between CSXT and the Four Cities Consortium on a settlement agreement intended to address issues that you have raised, and at our request, the Board continues to receive regular updates on the progress of these discussions. We are hopeful that the parties will be able to reach a mutually acceptable agreement in the near future.

I hope that the above information is helpful to you and that you will not hesitate to contact me if we can be of assistance in the future.

Sincerely,

[Signature]

Linda J. Morgan
July 12, 2000

Ms. Linda Morgan  
Chairwoman  
Surface Transportation Board  
1925 K Street Northwest  
Washington, D.C. 20423

Dear Chairwoman Morgan:

We are writing to share with you our interest and concern over the growing railroad traffic congestion problems being experienced in Northwest Indiana since the approval of the acquisition of the assets of Conrail by CSX Transportation (CSX) and Norfolk Southern Railroad (NS).

We are aware that as part of the STB's oversight of the Conrail acquisition transaction, on June 1, 2000, CSX and NS filed status reports on the implementation of the transaction. We further understand that neither CSX nor NS referenced in their filings any problems with respect to their operations in Northwest Indiana, other than an indication by CSX that the results of its promised improvements in the region may not be experienced until "late 2000."

The Cities of East Chicago, Hammond, Gary, and Whiting, collectively participated in the Conrail proceeding as the Four City Consortium. The Consortium has informed us that they will be responding to the railroads' June 1, 2000 status reports, and will be arguing that, despite CSX and NS's assurances that post-transaction congestion problems would improve, the situation has worsened over certain critical area line segments. These problems appear largely to be the result of the railroads' incremental increases in traffic levels beyond those first projected, their constant blockages of at-grade highway crossings, and their refusal to reroute traffic off critical congested rail line segments. We are also aware that NS is challenging in federal court the right of the Four Cities to ticket trains for illegal road blockages, arguing that they have a right to operate and stop their trains in any manner they see fit.

The adverse safety, environmental, and quality of life impacts resulting from the constant flow of rail traffic through Northwest Indiana is of great concern to us and our constituents. Most through rail traffic between Chicago and the East Coast moves through the region by CSX and NS. These operations impact over 200,000 residents of the Four Cities who must traverse the hundreds of at-grade highway/rail crossings in the area on a daily basis. Unfortunately, because of the high levels of at-grade crossings, rail accidents have become all too common an occurrence. In addition, the blocked crossings adversely impact the fire, police, and emergency services, cause environmental pollution, traffic delays, and growing frustration among residents.
It is extremely troubling to hear that rail congestion problems in the Four Cities have intensified since the Conrail break-up. We have, and will continue, to pursue the allocation of public resources to assist the Four Cities in implementing infrastructure and other safety improvements to mitigate the serious problems associated with the high intensity of railroad lines and operations. However, such efforts cannot be successful without the willingness of the railroads to meaningfully cooperate with the Consortium to minimize community impacts.

We are aware that CSX and NS have discussed with the Four Cities the possibility of taking additional steps to mitigate train impacts. However, to the extent that a mutually agreeable solution cannot be made, we believe the STB has the authority and responsibility to step-in and take appropriate actions. We urge the STB to closely review the Four Cities reply comments, and to take the appropriate steps necessary to ensure that the railroads are held accountable to improve the regional congestion problems.

We appreciate your assistance with this important matter.

Sincerely,

Richard G. Lugar  
United States Senator

Evan Bayh  
United States Senator

Peter J. Visclosky  
Member of Congress
December 13, 2000

The Honorable Barbara A. Mikulski  
United States Senate  
Washington, D.C. 20510-2003

Re: MARC Service

Dear Senator Mikulski:

Since the acquisition of Conrail by Norfolk Southern (NS) and CSX, you have contacted the Surface Transportation Board (Board) expressing concerns about the timeliness of MARC commuter operations over the lines of CSX. I wanted to update you on the status of that service.

As you know, the Board has worked closely with both CSX and NS to resolve merger integration-related service problems that developed after Conrail was divided between NS and CSX on June 1, 1999. In this regard, the Board has gathered from the carriers a great deal of data to measure the operational fluidity of and the service being provided on their systems. With particular respect to MARC services, as you may recall, on August 12, 1999, the Director of the Board’s Office of Compliance and Enforcement required CSX to begin reporting to the Board on the on-time performance of certain MARC and Amtrak services. Using this data, we have been closely monitoring CSX’s performance.

I am pleased to report that the service being provided on CSX and NS overall is much improved, and that MARC passengers are now seeing that improvement. In fact, the most recent data filed with the Board indicate a 99% on-time performance level for the MARC services over the Brunswick line, and a 100% on-time performance level for the Amtrak services over that line. In addition, I understand that negotiations on related issues between CSX and the State of Maryland have progressed favorably for the parties concerned. I hope that the service improvements that we have seen to date will be sustained, and you may be assured that we will continue our monitoring to ensure that we are aware of any adverse changes in performance.

I appreciate the opportunity to be of assistance. Please do not hesitate to contact me on this or any other matter within the Board’s jurisdiction.

Sincerely,

Linda J. Morgan
December 13, 2000

The Honorable Paul S. Sarbanes
United States Senate
Washington, D.C. 20510-2002

Dear Senator Sarbanes:

Re: MARC Service

Since the acquisition of Conrail by Norfolk Southern (NS) and CSX, you have contacted the Surface Transportation Board (Board) expressing concerns about the timeliness of MARC commuter operations over the lines of CSX. I wanted to update you on the status of that service.

As you know, the Board has worked closely with both CSX and NS to resolve merger integration-related service problems that developed after Conrail was divided between NS and CSX on June 1, 1999. In this regard, the Board has gathered from the carriers a great deal of data to measure the operational fluidity of and the service being provided on their systems. With particular respect to MARC services, as you may recall, on August 12, 1999, the Director of the Board’s Office of Compliance and Enforcement required CSX to begin reporting to the Board on the on-time performance of certain MARC and Amtrak services. Using this data, we have been closely monitoring CSX’s performance.

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I appreciate the opportunity to be of assistance. Please do not hesitate to contact me on this or any other matter within the Board’s jurisdiction.

Sincerely,

Linda J. Morgan
December 15, 1999

Mr. John R. Smith  
Director of Transportation  
Westvaco  
Corporate Center  
1011 Boulder Springs Drive  
Richmond, VA 23225

Dear Mr. Smith:

I did not want too much time to pass without formally acknowledging your earlier letter regarding our meeting in October on rail service issues. I found our discussion to be very useful and informative, and in that vein I continue to communicate directly with individuals shippers regarding their rail service issues in the Northeast. As I indicated in our meeting, the Board will continue to be actively engaged in the Conrail implementation process, and we remain committed to our common goal of improved rail service.

Mr. Mel Clemens, Director of the Board’s Office of Compliance and Enforcement, who was with me in our meeting, has a copy of your letter. If you have any further specific rail service concerns that you would like to report or need further assistance, please feel free to contact him directly at 202-565-1575 (fax: 202-565-9011).

I appreciated hearing from you. I look forward to continuing to work with you on rail service and other transportation issues of mutual concern.

Sincerely,

Linda J. Morgan

Linda J. Morgan
November 1, 1999

Linda Morgan
Surface Transportation Board
1925 K Street, N.W.
Suite 800
Washington, DC 20423-0001

Dear Linda:

The time you spent with our group on Tuesday October 26, 1999 in discussing rail service issues on the Norfolk Southern and on CSX Transportation is most appreciated. The service problems are more general than specific, but are none the less real. Today one area may be congested and tomorrow another area. The result is frustrating for shippers and for receivers in that there can be no consistent expectation of rail service. After 6 months, this is a real problem.

Recent performance measures of the two railroads were reflected in the comments made by the group. These measurements show improvements in the last three weeks but remain worse than they were in June and in some cases are at a historically low performance factor. Total boxcars on line combined for NS/CSXT are at 75,465 boxcars, a historically high level and which represents 77% of the total boxcar fleet of approximately 98,000 cars. Average train speeds of 18.1 mph (NS) and 16.5 mph (CSXT) are both lower than June 1999. Finally, average terminal dwell for both roads is up at least 20% since June 1999.

Poor performance can be tolerated for awhile, but in the long term some action needs to be taken. Railroads have been granted a franchise and oversight of that franchise is necessary. We respectfully urge your close attention to these issues.

Sincerely,

John R. Smith
Director of Transportation

cc: M. F. Clemens, Jr.
December 14, 1999

Mr. Al Randall
Plant Manager
INDSPEC Chemical Corporation
P.O. Box 307
Petrolia, Pennsylvania 16050-0307

Dear Mr. Randall:

Thank you for your letter regarding the acquisition of the Conrail properties by Norfolk Southern Railway Company (NS) and CSX Transportation, Inc. (CSXT), and your concern about the level of service being provided by NS and CSXT.

As you may know, we have been interfacing with officials of NS and CSXT and with shippers regularly since the Conrail transaction was approved and almost daily since the June 1st transition of operations from Conrail to NS and CSXT. Clearly, there have been service issues involving both carriers, and shippers have faced service levels that have failed to meet their expectations. In various meetings that I have had with shippers, I have indicated that I too am concerned about the level of service being provided. I can assure you that I am committed to seeing an improvement in service on the acquired lines of Conrail, and I do believe that NS and CSXT are similarly committed. NS has made significant strides recently toward improving the fluidity of the Conrail portion of its system, and we are working to bring about similar improvements on the CSXT lines.

I appreciate the fact that you have provided us with information describing the locations where your service has been impacted, and I would ask that you make such information and Concerns available directly to Melvin F. Clemens, Jr., Director of the Board’s Office of Compliance and Enforcement (OCE). OCE has established an open line of communication with each of the carriers to ensure that matters brought to the Board’s attention are made immediately available to senior management of the involved carrier. In your efforts to assist us in improving your service, please feel free to contact Director Clemens on any rail service issue. Director Clemens’ direct telephone number is 202-565-1575, and his facsimile number is 202-565-9011.
I appreciate your bringing your concerns to my attention, and please be assured that, as part of our oversight responsibilities, we will continue to actively monitor the operational performance and service levels of both carriers.

Sincerely,

[Signature]

Linda J. Morgan
December 6, 1999

Ms. Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street N.W.
Washington, D.C. 20423-0001

RE: Rail Service to Petrolia, Pennsylvania

Ms. Morgan:

On behalf of INDSPEC Chemical Corporation I would like to make you aware of the significant rail transportation problems INDSPEC has experienced as a result of the recent transfer of the rail lines of the former Conrail Railroad to the CSX and Norfolk Southern Railroads. I also would appreciate any assistance you can provide INDSPEC in this matter.

INDSPEC employs approximately 400 people in the state of Pennsylvania. Approximately 350 employees work at our manufacturing plant in Petrolia, Butler County, another 25 are at our downtown Pittsburgh office and 25 are at our research facility in Harmarville.

INDSPEC is the world's largest and the only United States producer of resorcinol. Resorcinol is an industrial adhesive used primarily in the tire and rubber, plastic flame retardant and wood adhesives markets. The resorcinol produced at INDSPEC's Petrolia facility is sold and used throughout the world. It is believed that resorcinol is necessary to the manufacture of most every rubber tire in use today. Resorcinol is also used in the manufacture of other well known products such as wooden I-beams and the plastic casings of computers and other electronic devices.

Over the past several years the world wide demand for resorcinol has grown to the point that INDSPEC's Petrolia facility must operate at full capacity to meet the demands of the world resorcinol market. At Petrolia, the raw materials necessary to produce resorcinol are received by rail and we absolutely must have reliable and consistent rail service to maintain production at full capacity. Rail service is particularly critical to Petrolia.
because our raw material storage capacity is very limited and transport of our raw materials by means other than rail is not practical.

Since the Conrail rail lines have been transferred to CSX and Norfolk Southern, we have not received the consistent and reliable rail service which we were receiving prior to the transfer. Our primary areas of concern are rail service for caustic soda from PPG’s Natrium, West Virginia facility and rail service for benzene from Sunoco’s Toledo Ohio facility. Since the Conrail transfer our average transit time from Natrium to Petrolia and from Toledo to Petrolia has more than doubled and in some cases our transit time is more than three times the historical average prior to the transfer. The problem is compounded by the fact that the emptied railcars are also taking two to three times as long to get back to Natrium and Toledo for reloading. In addition, the transit delays create operational problems for PPG and Sunoco and the problems continue to snowball.

Because of these rail service problems we have been forced to make several significant production slowdowns. These production slowdowns have caused INDSPEC significant damages, expenses and lost profits. Although the damages we have incurred are significant they are, for the time being, temporary. However, if these problems are allowed to continue the damages which INDSPEC and the world resorcinol market will suffer are likely to be permanent.

In an effort to alleviate these problems and to ensure that our production is not interrupted we would appreciate your assistance in restoring our rail service to the reliable consistent levels we received prior to the transfer of the Conrail lines to CSX and Norfolk Southern. At your earliest convenience please respond to me concerning this matter and any assistance your office can provide to INDSPEC. Thank you in advance for your cooperation and assistance.

Very truly yours,

INDSPEC Chemical Corporation

Al Fandall
Plant Manager
December 14, 1999

Mr. Jack P. Prugh  
Chairman Conrail Transaction Council  
Manager Distribution  
Millennium Inorganic Chemicals  
5026 Campbell Boulevard  
Suite H  
Baltimore, MD 21236

Dear Mr. Prugh:

I did not want too much time to pass without formally acknowledging your earlier letter regarding our meeting in October on rail service issues. I found our discussion to be very useful and informative, and in that vein I continue to communicate directly with individuals shippers regarding their rail service issues in the Northeast. As I indicated in our meeting, the Board will continue to be actively engaged in the Conrail implementation process, and we remain committed to our common goal of improved rail service.

As you know, Mr. Mel Clemens, Director of the Board's Office of Compliance and Enforcement, who was with me in our meeting, is in direct contact on a regular basis with officials of both NS and CSX and with individual shippers regarding rail service concerns. If you have any specific rail service issues that you would like to report, please feel free to contact him directly at 202-565-1575 (fax: 202-565-9011).

I appreciated hearing from you. I look forward to continuing to work with you on rail service and other transportation issues of mutual concern.

Sincerely,

Linda J. Morgan
November 2, 1999

Chairman Linda J. Morgan  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423-001

Dear Chairman Morgan:

I would like to take this opportunity to thank you and the Surface Transportation Board’s staff for meeting with the Conrail Transaction Council’s shipper representatives on October 26, 1999. It was very important for our members to explain in person the severe problems that are being experienced due to the Conrail transaction. We are concerned because of the mounting financial impact the rail service decline is having on our member companies.

We sincerely appreciate your efforts to correct this adverse situation.

Thank you again for your time and consideration of our rail service challenges.

Very truly yours,

Jack P. Prugh  
Manager Distribution/Millennium Inorganic Chemicals-  
Chairman Conrail Transaction Council

JPP/sj
December 14, 1999

Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street, NW, Suite 820
Washington, DC 20423-0001

Re: CP Draw

Dear Chairman Morgan:

We are responding jointly to your request in your letters of November 5, 1999 to Messrs. Snow and Goode asking CSXT and Norfolk Southern to look into the situation at the CP Draw interlocking in Buffalo and to make recommendations to you.

On December 2, the two of us met on the ground at CP Draw and reviewed the physical situation there. We brought with us a number of managers from our respective operations, engineering and capital planning departments. The attached report is based on our discussions in Buffalo that day. It was prepared by Norfolk Southern, but CSXT can state that it is in general agreement with the report's conclusions.

To the extent possible in the short time we have struggled with the problem, we believe all of the major issues have been identified. Further details concerning the rehabilitation and reconfiguration of the bridge, the engineering, and the financing and funding issues must await further analysis by NS and CSX. In the planning and analysis, we tried to keep in mind that the Norfolk Southern system and customers will be the primary beneficiaries of the proposed project. For CSXT, its primary goal in any restructuring of operations at CP Draw is to preserve its existing efficient service in the area, including its connectivity with other Buffalo carriers. CSXT trusts, therefore, that you will understand that it is willing to cooperate, but is not willing to fund the proposed project in any way.

The proposed plan would involve construction of a new fixed span bridge, to be owned and operated by CSXT, the transfer of the existing bridge to Norfolk Southern, and the separation of the two carriers' operations in the CP Draw area. The report will give you a fuller understanding of the challenges and opportunities of the project. You can see that much of the practicality of the project turns on (1) further engineering studies of the bridge and approaches, (2) the "navigability" status of the Buffalo River; and (3) the availability of public funding.

As you will see, the agreed-upon approach is for Norfolk Southern to seek public funding for the construction of a new fixed span bridge at the old N&W bridge site. Constructing a new drawbridge in lieu of a fixed span would significantly increase the cost of the project, although it would eliminate the costs in developing and maintaining alternative transportation services for the sole shipper using the Buffalo River. Because it
involves a substantial overall project savings and would increase the operating efficiencies at CP Draw, both CSX and NS place a very high priority on a redesignation of the river’s navigability. We will continue to work closely with the New York Congressional delegation to effectuate this change, and would certainly appreciate any input that the Board might be able to provide.

We have fully considered the options. There appears to be no viable alternative to the “new bridge-separated operations” plan set forth in the report. Resolution of all the issues associated with the plan, however, will not be simple. Certainly, it will take time. However, we believe that, with a cooperative and concerted effort, it can be accomplished. Further, we are optimistic that the kind of cooperation the two carriers are evidencing here will continue and will prove constructive in future similar situations.

Yours very truly,

J. Minette Ynusik
Senior Vice President - Operations
Norfolk Southern Railway Company

Frank E. Pursley
Vice President Safety and Service Design
CSX Transportation, Inc.

Enclosure

Cc: John W. Snow
    David R. Goode
PRELIMINARY ANALYSIS OF RESOLUTION OPTIONS TO THE BUFFALO CP DRAW CHOKE POINT MATTER

Norfolk Southern Corporation
Three Commercial Place
Norfolk, VA 23510

December 14, 1999
I. Introduction

Norfolk Southern Railway Company is pleased to provide this report on the results of our review of the CP Draw congestion matter. This report is the product of sustained effort on behalf of both NS and CSX Transportation to resolve this matter.

The congestion in the Buffalo area, including CP Draw, and the resulting adverse effects, have been a major focus of attention for senior management at both NS and CSX. This could be said with equal force of the Buffalo area Senate and Congressional delegations, the Surface Transportation Board, New York State and local Buffalo officials, and customers in the Buffalo-Niagara area, as demonstrated by the broad attendance at the on-site meeting held on October 18, 1999, reports in the media and complaints to the carriers and to the STB.

The report that follows explains the preliminary conclusion of the two carriers as the solution to the congestion at CP Draw – that construction of a second bridge across the Buffalo River, and a separation of the NS and CSX rail facilities at CP Draw presents the best long-term solution. It details the rail infrastructure and operations of the several carriers in the area, and how changes in rail flows and the lack of adequate infrastructure have caused the congestion at the CP Draw choke point. It details the alternative solutions examined, and why the new bridge-separate facilities option was chosen as the only viable alternative. Finally, it details some of the funding and regulatory assistance required to achieve that solution.

This report represents only a preliminary analysis into what may be a long process. NS and CSX have agreed that NS will take the lead in pursuing the implementation of the project, with the full cooperation of CSX. But the project depends on the public support required to achieve certain necessary interim steps, such as the dedication of public funding and (if possible) a successful legislative effort to reclassify the Buffalo River to non-navigable status to permit construction of a fixed-span bridge.

II. The CP Draw Choke Point Problem

The CP Draw choke point problem does not arise from the division and operation of the Conrail assets by NS and CSX, but that division has exacerbated it. Simply put, before the Conrail Transaction, Buffalo was an endpoint on the NS system, and NS had the rail infrastructure in Buffalo merely to sustain local and limited interchange operations. Conrail, on the other hand, had systematically oriented the infrastructure (main and passing tracks, yard capacity, and modern, electronic, bi-directional signal and train control systems) that it inherited from five area predecessor roads towards its New York-Chicago mainline and associated facilities.¹

¹ State tax policy ensured that neither NS nor Conrail left any “excess” infrastructure in the Buffalo area.
Now, CSX operates most of Conrail’s facilities and former mainline in Buffalo, and now operates what yard facilities Conrail had. NS, on the other hand, now operates two secondary Conrail routes, but inherited no new yard facilities. Buffalo is no longer an endpoint on the NS system, but instead is a major through point on a new competitive East-West route created by the Conrail Transaction. The congestion at the Buffalo Draw drawbridge choke point has been compounded by insufficient yard facilities unable to handle NS’s expanded role in Buffalo.

NS has proceeded quickly to supplement its yard facilities in Buffalo. The remaining part of the solution is to construct a second (fixed) bridge (thus removing the choke point), and minimize or eliminate areas where NS and CSX operations interfere with each other. This report concerns the impact of these yard improvements on CP Draw, and NS’s and CSX’s plans to construct an additional bridge and to separate their rail operations in Buffalo.

III. The New Bridge-Separated Operations Solution

NS has identified — and swiftly pursued — several projects that will help reduce Buffalo area congestion through the development of additional infrastructure. We have subleased and upgraded most of the Buffalo & Pittsburgh Yard. We have completed the rehabilitation and expansion of Bison Yard. Both yards are now fully in service. NS has undertaken these projects, at an expense of more than $15 million, on its own. The full value of these projects (to NS, CSX and the general public) in addressing Buffalo area congestion, however, would be realized with a permanent solution to the CP Draw choke point.

Subject of course to a final determination of feasibility and funding availability, NS believes that construction of a new bridge at a site just downstream from the CP Draw drawbridge is necessary to eliminate the choke point. The new bridge would be constructed at the site of the old Norfolk & Western drawbridge. CSX and NS tracks would be physically separated as well, and each would have its own bridge to carry its traffic over the Buffalo River — CSX over the new bridge at the site of the old N&W bridge, NS at the current CP Draw drawbridge. To ensure that the rerouted CSX mainline is effective, NS’s Buffalo Junction Yard would be relocated and/or removed. CSX agrees with this approach.

The ultimate details to this solution to the CP Draw bottleneck problem will be based upon a few basic principles:

• The infrastructure improvements should be cost-effective and directly address the problem.

• Public support and funding is essential to realize the substantial public benefits of the project.
The solution should leave customers better off. After implementation of the proposed solution, customers will continue to have access to all carriers that they had before, but their rail service will be more reliable and fluid.

The solution should leave shortline and regional carriers better off. After implementation of the solution, shortline and regional carriers will continue to have substantially the same access to all carriers after implementation of the solution that they had before, but their connections will be less congested.

The rail carrier receiving the primary benefits (NS in this case) will take the lead in developing and implementing plans, and securing funding for the project, with assistance and guidance from the other.

Once public funding is dedicated and regulatory burdens are overcome, the proposed project will take well over a year to complete, given its engineering complexity. At the time of this report, several different implementation alternatives remain viable. These must be studied, and the engineering work completed.

Much depends, however, on the legal and regulatory impediments to the construction of a fixed bridge structure that arise from the current designation of the Buffalo River as “navigable.” If the U.S. Congress redesignates this portion of the Buffalo River as “nonnavigable,” then a fixed span bridge would be possible. This would save several millions of dollars in the overall design, implementation and operation of the bridge portion of the project, but would in turn require the development of an alternative transportation option – rail or pipeline – for service to Exxon Mobil’s Buffalo distribution facility. Should a fixed span be constructed, then an alternative to using ice breakers in the winter will have to be developed to prevent flooding on the Buffalo River upstream from the bridge.

If the Buffalo River cannot be redesignated as “nonnavigable,” then a lift bridge would be necessary. Although this would add several millions of dollars to the design, implementation and operation of the bridge portion of the project, it would in turn save the cost of development of an alternative transportation option for Exxon Mobil and an alternative to using ice breakers.

Even with the impediments, constructing a second fixed-span bridge at the site of the old N&W bridge and realigning the rail infrastructure on both sides of the Buffalo River so as to minimize or eliminate areas where NS and CSX cross each other make the most sense. No other option fits the operating environment of CP Draw, which is detailed next.

IV. CP Draw Facts

A. Description

CP Draw essentially is a funnel, where NS movements through the Buffalo area from the west must share the very busy CSX Chicago Line trackage on a drawbridge
across the Buffalo River. NS and CSX intra-yard movements and Amtrak trains also must use the drawbridge.

B. Rail Operations

1. NS Operations

NS has historically served Buffalo from the west where its Nickel Plate line from Chicago through Cleveland terminated in Buffalo. With the Conrail transaction, this line now is connected at CP Draw to the Southern Tier mainline east from Buffalo through Binghamton, NY and on to northern New Jersey, and, via a cooperative agreement with Canadian Pacific, on to New England. Under NS control, this new route serves as a link in New England's competitive alternative to the CSX (former Conrail) network. In addition, NS operates a former Conrail line south from Buffalo through Olean, New York and on to Harrisburg, Pennsylvania, which has seen increased north-south traffic under NS operations.

NS facilities in Buffalo east of CP Draw include the Buffalo Junction Yard (14 tracks for classification, industrial support and interchange) and Bison Yard (consisting of a five-track automobile terminal, a two-track intermodal facility, a seven-track bulk transfer facility, and a ten-track switching and train-making yard). NS facilities in Buffalo west of CP Draw include Tift Yard (five-track support yard used for rain makeup) and the subleased Buffalo and Pittsburgh Yard (recently substantially upgraded and integrated into Tift Yard for classification and industrial support). NS's yard improvements (already completed) are a critical part of improving operations through CP Draw.

The relocation of support for South Buffalo Railway interchange, which comprises most of NS's local traffic in Buffalo, from Buffalo Junction to the reconstructed and integrated B&P yard will make the single largest improvement in CP Draw congestion. Use of that yard and Bison Yard will eliminate the necessity for NS to repeatedly switch cuts of cars across CP Draw, which contributes to the congestion.

NS's new yard capacity at Bison Yard will also reduce CP Draw congestion. NS will use the 8,000-foot long tracks at Bison to assemble trains, eliminating the need for NS to double out across CP Draw as now is done at Buffalo Junction Yard.

2. CSX Operations

CSX assumed Conrail's role as the major railroad in Buffalo. Almost all of its trains through Buffalo - an average of 70 per day - traverse CP Draw.

CSX major operating corridors through Buffalo include their Northeastern Gateway Service Route (New York to Chicago via Albany and Buffalo), the St. Louis Gateway Service Route (St. Louis to New York and Boston via Indianapolis and
Buffalo), and the Memphis Gateway Service Route (Memphis to New York and Boston via Cincinnati and Buffalo). All of these routes use CSX's Chicago Line via CP Draw.

Buffalo also is a key location in CSX's Canadian traffic movements via the Niagara Gateway. CSX facilities in Buffalo east of CP Draw include Frontier Yard (120 yard tracks for classification and interchange). CSX facilities in Buffalo west of CP Draw include Seneca Yard (24 yard tracks for classification and interchange). CSX intermodal and mechanical facilities have been expanded and upgraded in the past year.

CSX also operates an additional railroad lift bridge over the Buffalo River – the single-track former Compromise Branch. CSX notes that this is a low speed, limited capacity branch line.

3. **Amtrak Operations**

Amtrak sends two trains per day through CP Draw as well.

4. **South Buffalo Operations**

The South Buffalo Railway is a local Buffalo shortline serving a Ford stamping plant and Bethlehem Steel’s Lackawanna Plant, among others. It interchanges with NS and CSX near Seneca Yard, and with NS at “Station C” immediately west of CP Draw. South Buffalo does not use CP Draw.

5. **Buffalo Southern Operations**

The Buffalo Southern runs between Buffalo and an interchange with the New York and Lake Erie Railroad in Dayton, New York. By agreement, NS upgraded BSOR’s mainline and uses it as an additional mainline track west of CP Draw.

6. **Buffalo & Pittsburgh Operations**

The Buffalo & Pittsburgh Railroad runs from Pennsylvania into Buffalo via overhead trackage rights on NS in order to reach Buffalo. B&P approaches the CP Draw area of Buffalo from the south, crossing by bridge over a NS branch as it makes its way into its Buffalo Creek Yard. B&P interchanges traffic with NS and CSX in the Buffalo Creek Yard. NS recently subleased and reconstructed much of the Buffalo Creek Yard, integrating it with NS’s adjacent Tifft Yard as part of NS’s overall strategic infrastructure improvement plan for the CP Draw area.
7. **Canadian National Operations**

CSX recently granted trackage rights over some of its lines in Buffalo to Canadian National, enabling CN to interchange directly with NS. This eliminates the need for CSX to handle the traffic in intermediate service and is expected to reduce congestion over CP Draw.

C. **The Rail Bridges Across the Buffalo River**

Of the three rail bridges crossing the Buffalo River in the general area of CP Draw, two are active drawbridges under the control of CSX. The third, the N&W bridge adjacent and just down river from the CP Draw drawbridge, is an out-of-service drawbridge fixed in an upright position. There is a fourth bridge spanning the Buffalo River, along the NS Ebenezer Secondary, several miles southeast of CP Draw.

1. **CP Draw Drawbridge**

The CP Draw drawbridge is a double track drawbridge. The bridge carries through NS and CSX east-west mainline traffic, generally 75 to 85 trains per day. Additionally, it carries CSX, NS and B&P traffic moving between Seneca Yard, Tiffi Yard, and Buffalo Creek Yard on the west side of the Buffalo River, and SK Yard, Frontier Yard, Bison Yard and Buffalo Junction Yard on the east side of the river. Operation of the CP Draw draw span also is governed by 33 C.F.R. § 117.773, and it must be opened on 4 hour’s notice.

2. **The Old N&W Bridge**

The old N&W bridge was a double track drawbridge on the Nickel Plate system. Poor conditions led to the bridge being fixed in an upright position in 1983, at which time the N&W tracks approach were reconfigured to move traffic over the adjacent CP Draw. (N&W acquired a one-half undivided interest in the CP Draw bridge at that time.) The bridge was in need of substantial structural repair at the time it was taken out of service, and in the years since, vandalism has destroyed the bridge operator’s house and the operating machinery.

3. **Compromise Branch Drawbridge**

The CSX Compromise Branch drawbridge is a single-track drawbridge on a single-line route crossing the Buffalo River downstream from the CP Draw drawbridge. The bridge carries CSX traffic moving along the Compromise Branch, which runs to the west and north of the immediate CP Draw area from Seneca Yard to the CSX route to CSX’s Frontier Yard. Operation of the Compromise Branch draw span is governed by 33 C.F.R. § 117.773, which requires the draw to open on 4 hours’ notice.
4. **Ebenezer Secondary Track Bridge**

The active fixed-span bridge on NS’s Ebenezer Secondary Track crosses a portion of the Buffalo River several miles southeast of CP Draw at a point already determined to be non-navigable. It is located on a proposed through route contemplated by NS in the Conrail Transaction STB application. This proposed route would require the construction of several other track connections, but it has not been progressed for a variety of reasons discussed later in this report.

D. **Buffalo River**

Although designated a navigable waterway, only one shipper, Exxon Mobil, routinely uses the Buffalo River for transportation during the navigation season. Exxon Mobil’s Buffalo distribution facility, located approximately 1/2 mile upriver from the CP Draw drawbridge, receives gasoline, kerosene, heating oil and low sulfur diesel fuel, primarily by barge from Nanticoke, Ontario, and secondarily by truck from Warren, Pennsylvania. The plant routinely requires transportation for 15,000 to 17,000 barrels of product (or approximately 35-37 rail cars) daily. Ice jams routinely must be broken to prevent flooding during the Buffalo winter months.

V. **Detailed New Bridge-Separate Operations Solution**

The second draw bridge crossing the Buffalo River at CP Draw, immediately downstream of the active CP Draw drawbridge, owned by N&W, was taken out of service, but not abandoned, because traffic did not justify the rehabilitation expense. N&W acquired an interest in, and redirected its traffic over, the active CP Draw drawbridge and approach tracks instead. The site of the N&W drawbridge would be the preferred site for the new bridge for several reasons:

- Placing the new bridge at the site of the N&W drawbridge would reduce the new regulatory authority needed to resolve the problem at CP Draw.

- No new land acquisitions would be required. The entire rail project, track reconfiguration and bridge construction, would take place on property already controlled by the rail carriers.

- CSX operations flowing over the new bridge would be physically separated from those of NS flowing over the current CP Draw drawbridge.

- Operational efficiencies should translate to positive environmental impacts as a result of reduced locomotive emissions and reduced truck emissions as rail replaces truck transport and rail delays are minimized.

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2 NS now pays a portion of the maintenance expense for the CP Draw drawbridge.
Assuming the Buffalo River is declared nonnavigable, NS likely would choose the option of constructing a double-tracked fixed bridge, which would ensure smooth and uninterrupted rail operations over the river at a substantially lower cost than a draw span. A draw span requires a substantially greater capital outlay initially, substantially more maintenance on an ongoing basis, the availability of a bridge tender, and more complicated communications and signaling infrastructure. It is also more prone to mechanical problems, with the potential for reducing the transportation benefits for Buffalo-area shippers that a fixed span would provide.

Public funding is essential for any CP Draw improvement project to move forward. This option, although preferred by NS, cannot be justified as a capital investment funded completely from private funds. NS uses its routes east of CP Draw for four major reasons: as a secondary mainline route into and out of Northern New Jersey, as a route to Harrisburg to connect with the NS Penn Line into the southeast, in combination with Canadian Pacific as a competitive alternative to CSX into New England, and over CSX to reach connections into Canada. Since this traffic must also help support NS’s Southern Tier Line between Buffalo, Binghamton and Northern New Jersey, as well as NS’s $15 million investment in new Buffalo yard activities, further investment by NS in a new bridge must be partnered with public funds in order to make the investment feasible.3

VI. Public Benefits

A new bridge would bring substantial public benefits. Enhanced competition into New York and New England would provide shippers with competitive rail rates. That rail competition would reduce truck traffic through the Buffalo area as rail rates and service begin to compete with truck rates and service. The new bridge would provide similar benefits to customers using CSX. They would benefit from additional capacity on CSX’s main route between Northern New Jersey and Chicago. In addition, the new bridge would create significant environmental benefits as the rail carriers in Buffalo experience greater fluidity and as they take traffic away from trucks on the roads.

VII. Other Options Reviewed

Several other options have been reviewed and set aside for various reasons. For example, in its application to the STB for the Conrail Transaction, NS outlined a planned construction of a CP Draw bypass that would utilize the Ebenezer Secondary bridge and

3 While the timing is uncertain, NS is hopeful that public funding is and will be available for this project. For example, NYDOT Commissioner Boardman has described several new funding initiatives and expanded existing rail programs in the New York State Budget that Governor Pataki specifically intended to address physical problems encountered during the transition from Conrail to NS and CSX. NS intends to work with Commissioner Boardman, the State of New York and Federal agencies to enlist their help in bringing this public project to fruition.
new connections and upgrades to existing Conrail routes. However, further study has indicated that the grades, curvature and limited capacity of this route via CP GJ, as well as the additional transit time, make this option infeasible.

Likewise, CSX’s Compromise Branch is circuitous, impacts street crossings, and has curvature and clearance restrictions that make this route infeasible.

Assuming that a new bridge were constructed, NS identified an alternative proposal for a new fixed bridge – one with enough clearance to avoid the need to reclassify the Buffalo River as nonnavigable – just upstream from the current CP Draw drawbridge. Although it is possible that this site would satisfy the basic object of the proposed project – dedicated bridges and separated operations for CSX and NS – the option is not viable. Preliminary studies indicate that constructing such a bridge would result in excessive grades due to multiple vertical restrictions east of the Buffalo River. Additional land, not owned by NS or CSX, would have to be acquired.

NS has evaluated several different possible bridge configurations as well, but the desired option continues to be a fixed, double-tracked bridge. As mentioned above, the exact configuration would depend, however, on the success of the legislative initiative to have the Buffalo River declared nonnavigable, and the public support to build a new bridge.

Under current law, the Buffalo River is assumed navigable, and the Coast Guard regulates the configuration of any structure over the river that may interfere with that navigability. Assuming the legislative initiative to redesignate the Buffalo River as nonnavigable is not successful, NS’s next preferred option would be to receive an exemption from the Coast Guard in order to put into place a draw span bridge without the primary draw mechanism, leaving open the option to have the exemption withdrawn at a later date should the need arise. The cost to construct an entirely new double track lift span bridge with an operable mechanism, however, would be substantially higher than for a fixed span bridge – up to $35 million, including the cost for track, communication and signaling.

VIII. Alternative methods for serving Exxon Mobil Buffalo

Exxon Mobil is the only company currently using the Buffalo River for transportation of products. Exxon Mobil receives petroleum products daily via barge, although the winter weather in Buffalo does affect Exxon Mobil’s ability to send and receive by water.

We understand that Exxon Mobil has no objection to the fixed span proposal, provided its marine transportation needs are adequately addressed. There are several options available to replace the water route, including pipeline and rail options. NS and Exxon Mobil have committed to working closely together to develop one or more of those options, if the fixed bridge option is pursued.
IX. Conclusion

NS is committed to resolving the congestion in the Buffalo area, including CP Draw, in any reasonably feasible manner. NS's substantial and continuing investment in augmenting the yard infrastructure in Buffalo demonstrate just that. If a feasible and financially prudent solution for CP Draw can be developed, it also will aid the improvement of rail service. The foregoing report has detailed the preliminary analysis and conclusions of NS and CSX as to the next step in that process – the construction of a new bridge across the Buffalo River, and a separation of the NS and CSX rail facilities at the CP Draw choke point.

Without question, this report represents only a preliminary analysis into what may be a long process. NS and CSX engineers must conduct an in-depth examination of the project. Public funding must be identified and dedicated for the project. The legislative initiative to declare the Buffalo River non-navigable must begin. NS is committed to pursue this project as part of its overall effort to provide more reliable, efficient and effective competition in the East.
December 14, 1999

Mr. Daniel A. Peters  
President  
Laub International, Inc.  
1051 Clinton Street  
Buffalo, NY 14206

Dear Mr. Peters:

I did not want too much time to pass without acknowledging your earlier letter regarding our meeting in Buffalo on rail service issues. I appreciate the challenge of your task in trying to adjust your operations to accommodate less-than-adequate rail service.

Our meeting in Buffalo on October 18th was an excellent opportunity for me to meet with shippers and listen to their concerns, and to get a sense of the proportions of the Buffalo-area rail service problem. As I pledged to the Congressional delegation in attendance, I have put forward a plan for addressing existing rail service concerns in the Buffalo area. In this regard, enclosed are copies of the letters sent to NS and CSX directing that various actions be taken. As I also pledged, I will be returning to Buffalo to assess the situation. In the meantime, we will continue to actively monitor rail service in the Buffalo area. I have shared your letter with Melvin Clemens, Director of the Board’s Office of Compliance and Enforcement (OCE), who attended the Buffalo meeting with me. I hope that you will not hesitate to be in contact with him if there are immediate rail service issues with which we might be helpful. He can be reached at 202-565-1575 (fax: 202-565-9011).

We at the Board remain committed to working with you in a constructive way to resolve service issues in the Buffalo area. I look forward to our continued association.

Sincerely,

Linda J. Morgan
November 1, 1999

Ms. Linda J. Morgan, Chairperson
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

Dear Ms. Morgan,

It was a pleasure meeting you on your recent visit to Buffalo during your viewing of the Norfolk- Southern and CSX yards. We are serviced by the Norfolk system.

Laub Warehouse is a United States Customs and New York State Liquor Authority bonded warehouse and distribution center.

Our customers both receive and ship their products utilizing our facilities and rail siding for the storage and distribution of their goods.

Prior to the acquisition of the Conrail System and the division of those assets by Norfolk and CSX, we received car placements at least three times per week when needed. At that time we were handling between 20 and 30 rail cars per month. The service was efficient, timely and very predictable.

Since June 1, the transfer date and close of the Conrail system, we no longer have a service schedule and what service we do get is not timely or predictable. We began receiving empty Gondola cars for one of our customers, but to date our customers shipping to our facility have experienced delays of 6 to 8 weeks for their product to arrive at Laub. They no longer trust the rail carrier to ship and deliver their goods in a timely manner.

A few examples are as follows:

1) Wine coolers shipped to us from the West Coast shipped in mid May arrived at our facility in mid July. Their best sales date is the July 4th holiday. They no longer ship to our facility.
Ms. Linda J. Morgan, Chairperson  
Surface Transportation Board  
November 1, 1999  
Page 2

2) Paper products shipped from Mobile, Alabama in mid May arrived in mid July. After receiving some assurances from Norfolk that the shipping time had improved, they decided to test the rail system. A shipment was sent from Mobile on August 31st and arrived at Laub on October 7th. Normal transit time had been 12 to 14 days with Conrail. They no longer rely on rail service to Buffalo.

3) A local freight forwarder used our facility for rail shipments to and from Buffalo. As a result of the horror stories heard on the street, we no longer do work for them.

The drastic change in rail service has impacted our revenues; reflected on our staffing requirements, and is a major concern as we have put plans for a future expansion on hold.

One has to note that all of the assets and manpower in place prior to June 1st are still in place, and yet our service has almost deteriorated to no service.

We can understand that building infrastructure takes time, but with the assets and manpower currently in place, cooperation between the 2 lines could result in running it as one line. This could result in giving us back the reliable rail service we need in the interim period.

In my short conversation with you, it appears to me that some jawboning could make the short-term service better since the Surface Transportation Board made possible the acquisition of Conrail by Norfolk and CSX.

As noted in the public meeting of October 18th, all users of rail service expressed concern over the rail services being provided.

I personally thank you for visiting Buffalo and learning first hand some of the problems that follow the demise of Conrail.

Very truly yours,

Daniel A. Peters  
President
December 14, 1999

The Honorable Rick Santorum
United States Senate
Washington, DC 20510-3804

Dear Senator Santorum:

Thank you for your letter and your follow-up telephone call regarding your concerns about the problems associated with the transition of services from Conrail to Norfolk Southern Railway (NS) in Pennsylvania. In your letter, you expressed specific concern about the extent of the transitional problems affecting service by NS to R.R. Donnelley & Sons’ Lancaster facilities, and the potential impact of increased highway traffic because of rail service problems.

As we discussed in a general way during our telephone conversation, in its decision approving the Conrail transaction, the Board imposed significant reporting responsibilities on NS (as well as CSX) related to the implementation of the transaction. The reporting requirements include a weekly regimen of operational metrics, and monthly updates in such areas as Labor, Construction and Capital Projects, Information Technology, and Customer Service. The reports are filed with Mr. Melvin Clemens, the Director of the Board’s Office of Compliance and Enforcement (OCE). As part of the Board’s continuing effort to monitor and evaluate service and operational levels, Director Clemens has increased the reporting requirements on four occasions: in June; in July; in August; and most recently on November 5th. This increased reporting is intended to bring meaningful focus to areas that we believe continue to adversely affect operations. OCE Director Clemens also is in regular contact with senior officials at NS (as well as CSX) to monitor the implementation, verify the metrics, and interface on customer issues as he has done regularly on behalf of Donnelley.

In addition, I am in frequent contact with shippers and employees about their concerns, and with the Chief Executives of NS and CSX to ensure that their principal focus continues to be on improving the services that their companies provide. I also have requested information from the railroads on such issues as plans for handling seasonal traffic flows, cooperative efforts to ease congestion, and initiatives to improve the operations of the Shared Assets Areas, which clearly impact service in the Pennsylvania area. These contacts and the required reporting provide the Board with valuable information on the service issues that affect the public and on the condition of the former Conrail portions of each system.

Regarding your concern about service to R.R. Donnelley and the resulting increased truck traffic due to longer rail transit times, NS, which clearly has acquired a significant presence in Pennsylvania, has reported the addition of 416 locomotives, additional train service employees, and its commitment to a $250 million program for infrastructure improvements to deal with
service concerns. Some of the infrastructure improvements intended to address specific flows of traffic affecting Pennsylvania are:

- Additional double-tracking and improved signalization of the “Penn Route”, NS’s main east-west route between the North Jersey Shared Assets Area and Chicago, including improvements in and around Harrisburg. These improvements are due to be completed in the first quarter of 2000 and are intended to address service problems in the Pennsylvania area.
- Completion of the Rutherford, Pennsylvania intermodal terminal. Due to be completed in the second quarter of 2000, this improved facility should increase the capacity and improve the fluidity of the “Penn Route”, thus increasing the ability of NS to attract intermodal traffic otherwise moving by highway in the Northeast.
- Rehabilitation of the Bison and Buffalo and Pittsburgh yards in Buffalo, which was completed December 1st. This rehabilitation should improve the flow of traffic on NS’s principal east-west line serving New York and New Jersey and relieve some of the classification responsibilities that had been occurring in Pittsburgh, thereby improving transit times to Pennsylvania shippers like Donnelley.

Clearly there were start-up problems during the initial implementation phase of the Conrail transaction that, compounded by increased seasonal traffic flows, have resulted in less-than-adequate service levels for shippers. However, the Board’s continued active and vigilant monitoring of the operations of NS and CSX, as the carriers implement the Conrail transaction, and the proactive interface of Director Clemens with shippers such as Donnelley to resolve service issues informally as they are brought to our attention, should help to ensure a successful implementation of the Conrail transaction in the near term.

Regarding the specific problems experienced by Donnelley, high-level NS officials and Donnelley, with the direct involvement of the Board through Mr. Clemens, are now in regular communication regarding Donnelley’s concerns and have together been working on solutions to those concerns. As I indicated to you on the telephone, the Board, as it has done to date, will continue to actively monitor the progress toward resolving Donnelley’s service problems.

I appreciate the opportunity to respond to your concerns, and look forward to working with you and to keeping you informed as you wish on our continuing efforts with respect to the Conrail transaction. Please do not hesitate to contact me further if we can be of help in any area in which you or your constituents may require the Board’s assistance.

Sincerely,

Linda J. Morgan

cc: Mr. David Goode
November 16, 1999

The Honorable Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street, N.W.
Suite 820
Washington, DC 20423-0001

Dear Chairman Morgan:

I am writing to express my concern with the severe problems that R.R. Donnelley & Sons Company, a major Pennsylvania manufacturer, has had with post-Conrail Norfolk Southern Railway service at Donnelley’s two Lancaster, PA plants.

The problems Donnelley has faced, including inaccurate shipment information and unreliable transit and delivery performance, make it difficult to effectively schedule time-critical print jobs for its customers. I understand that Donnelley and its suppliers have been forced to use almost two and one-half times as many trucks at Donnelley’s Lancaster plants this Fall as were used during the comparable period last year, increasing transportation costs and environmental and community safety impacts. Norfolk Southern’s problems have resulted in increased shipping, inventory, and product handling costs for Donnelley, harming their competitiveness at this critical time of year.

It is my understanding that Donnelley has worked with your agency and with Norfolk Southern to resolve these matters on an informal basis. Your continued attention to this matter would be greatly appreciated. Please keep me apprised of the progress you are making in resolving this serious problem.

Sincerely,

Rick Santorum
United States Senate

RJS/zm
cc: Mr. D. R. Goode
Mr. Gordon R. Heisler  
Manager Transportation Operations  
Sun Company, Inc.  
Ten Penn Center  
1801 Market Street  
Philadelphia, Pennsylvania 19103-1699  

Dear Mr. Heisler:

Thank you for your letter regarding the acquisition of the Conrail properties by Norfolk Southern Railway Company (NS) and CSX Transportation, Inc. (CSXT), and your concern about the level of service being provided by NS and CSXT.

As you know, we have been interfacing with officials of NS and CSXT and with shippers regularly since the Conrail transaction was approved and almost daily since the June 1st transition of operations from Conrail to NS and CSXT. As we have discussed, there have been service issues involving both carriers, and shippers have faced service levels that have failed to meet their expectations. In our meeting with Mayor Edward Rendell on November 17th, I indicated that I share your concern about the level of service being provided. I can assure you that I am committed to seeing an improvement in service on the acquired lines of Conrail, and I do believe that NS and CSXT are similarly committed. As you have noted, NS has made significant strides recently toward improving the fluidity of the Conrail portion of its system, and we are working to bring about similar improvements on the CSXT lines.

I appreciate the fact that you will be providing us with performance measures describing your service levels, and I would ask that you make them available directly to Melvin F. Clemens, Jr., Director of the Board’s Office of Compliance and Enforcement (OCE), who accompanied me to our meeting with Mayor Rendell. As we discussed in our meeting, OCE has established an open line of communication with each of the carriers to ensure that matters brought to the Board’s attention are made immediately available to senior management of the involved carrier. In your efforts to assist us in improving your service, please feel free to contact Director Clemens on any rail service issue. Director Clemens’ direct telephone number is 202-565-1575, and his facsimile number is 202-565-9011.
I appreciate your bringing your concerns to my attention, and please be assured that, as part of our oversight responsibilities, we will continue to actively monitor the operational performance and service levels of both carriers.

Sincerely,

Linda J. Morgan

Linda J. Morgan
November 29, 1999

Ms. Linda Morgan
Chairman – Surface Transportation Board
1925 K Street N.W.
Washington, DC 20006

Dear Linda,

Thanks very much for your insights shared at the meeting with Ed Rendell last Wednesday. We were encouraged to hear your commitment to solving the rail service situation, and that the increased reporting requirements target the snared operating areas, where Sunoco has experienced some of our worst delays.

Enclosed are our November 1 service performance measures, illustrating just how it has deteriorated to our largest customers. I will continue to update you on progress to our core customers. As I indicated in the meeting, local switch service in the Shared Area has been very good. NS is improving locally at both Toledo, and in the Delaware Valley; yet CSXT continues to have extensive delays just getting cars out of the Philadelphia Area. Once the critical interlocking between Philadelphia and the Chester area is repaired, as Gil Kovar of CSXT indicated, it should improve considerably.

Your diligence and attention to service that is so critical to a rail dependent shipper like Sunoco is appreciated.

Very truly yours,

Gordon R. Heisler
Manager Transportation Operations

cc: J.L. Fidler
    D.M. Fretz
    T.M. Moyer
    W.B. Thomas
    C.K. Valutas
NS Transit Study
For Top 22 Volume Customers
Based on Delivery Date

Days
18.00
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
0.00


- Pre Merger TT
- Average Transit NS

Confidential

11/10/1999
## Sunoco Customer Transit Times

### Conrail compared to NS / CSX

#### June 1 - Nov 1 Averages

### NS:

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<td>8.68</td>
<td>7.33</td>
</tr>
</tbody>
</table>
CSXT Transit Study
For Top 22 Volume Customers
Based on Delivery Date

Days

Pre Merger TT  Average Transit CSXT

Confidential 11/10/1999
Sunoco Customer Transit Times  
Conrail compared to NS / CSX  
June 1 - Nov 1 Averages

<table>
<thead>
<tr>
<th>Customer</th>
<th>Location</th>
<th>Origin</th>
<th>Conrail</th>
<th>Post Conrail</th>
<th>Difference</th>
<th>Week of 11/1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baker / Petrolite</td>
<td>Sands Spring, OK</td>
<td>North Claymont</td>
<td>13.00</td>
<td>19.60</td>
<td>6.60</td>
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<td>Sunoco</td>
<td>Buffalo, NY</td>
<td>Marcus Hook</td>
<td>8.00</td>
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<td>12.20</td>
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<td>GE Plastics</td>
<td>Selkirk, NY</td>
<td>Phila (Frankford)</td>
<td>4.00</td>
<td>6.09</td>
<td>2.09</td>
<td>6.00</td>
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<tr>
<td>Georgia Pacific</td>
<td>Conway, NC</td>
<td>Phila (Frankford)</td>
<td>8.00</td>
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<td>6.43</td>
<td>8.50</td>
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<td>Indespec</td>
<td>Petrolia, PA</td>
<td>Toledo</td>
<td>9.00</td>
<td>10.64</td>
<td>1.64</td>
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<td>National Starch</td>
<td>Enoree, SC</td>
<td>North Claymont</td>
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<td>13.80</td>
<td>4.72</td>
<td>17.00</td>
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<td>Reichold</td>
<td>Seneca, IL</td>
<td>North Claymont</td>
<td>10.00</td>
<td>15.60</td>
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<td>Schenectady Int'l</td>
<td>Rotterdam Jct., NY</td>
<td>Phila (Frankford)</td>
<td>6.00</td>
<td>10.04</td>
<td>4.04</td>
<td>7.25</td>
</tr>
</tbody>
</table>
Ms. Lenda Morgan
Chairman - Surface Transportation Board
1925 K Street N.W.
Washington, DC 20506
OFFICIAL MAIL

SURFACE

TRANS

20423
November 13, 1999

Mr. Martin Schlessel
Whitestone Supply Company
P.O. Box 408
Twinsburg, Ohio 44087

Dear Mr. Schlessel:

Thank you for your letter of December 3, 1999, regarding the rail service being provided to your company by Norfolk Southern Railway Company (NS). Your letter indicates your support for the Conrail acquisition approved by the Board and your satisfaction with the commitment that NS has made to you as a shipper.

It is important for us to have your vote of confidence because, as Director Clemens no doubt explained, we at the Board are fully committed to the successful implementation of the Conrail transaction in the interest of the shippers affected. A key to the success of this transaction and to the quality of rail service in general is the nature of the private-sector commercial relationship between carriers and customers. The Board remains focused on ensuring that this relationship is a constructive one, and I am pleased that NS has lived up to your expectations in this regard.

I appreciate your taking the time to make us aware of your improved service, and I hope that you will not hesitate to contact me if we can be of assistance in the future.

Sincerely,

Linda J. Morgan

cc: Mr. David Goode
Chairman, President and
Chief Executive Officer

Mr. Steve Tobias
Vice President and
Chief Operating Officer
December 3, 1999

The Honorable Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street NW
Washington D.C. 20423-0001

Dear Chairman Morgan,

This letter is in regards to the opinions of Whitestone Supply Company with respect to the merger of Conrail and Norfolk Southern (NS) railroads. A recap of our previous communication on June 10, 1999 I wrote Melvin F. Clemens Jr. delineating our concerns in respect to service by NS. Six days later I wrote David R. Goode, Chairman, C.E.O., President of Norfolk Southern, about our distress in respect to the ramifications due to poor service and therefore subsequent financial losses. Our intentions were genuine in that we supported the merger in the letter to the Surface Transportation Board (STB) and communicated the deficiencies to the NS. Simply, we wanted the merger to work. We knew NS would be the best carrier for the future in respect to our transportation needs. Our intuitions proved accurate. Norfolk Southern is surpassing Conrail in all aspects as a transportation carrier. Our costs are being reduced due to an increase in our 300 rail car fleet utilization. Our stockpiles of aggregate are at a season high in preparation for the winter months. Finally, our customers supply needs are being fulfilled, our three rail to truck terminals are at full employment and our customers are working with a good steady supply of aggregates.

There was a short disruption in service but, the operating people of Norfolk Southern were sensitive to our needs and we were able to work through those problems. The STB decision for the merger was prudent. The merger of the railroads is a long-term approach to servicing the needs of companies like ours by way of rail service. The Surface Transportation Board was astute in the decision because the transportation needs of those companies has become competitive and cost effective. The merger is lowering the cost of doing business. At our most recent meeting with NS, under the auspices of Stephen C. Tobias, Vice Chairman and Chief Operation Officer a committee of NS executives was assimilated to coordinate supply for Whitestone Supply. These discussions led to an unprecedented solution that other transportation sources would have never considered. Along with being customer driven, NS has established itself as truly a free enterprise company. The philosophy of the management brought this to fruition and the STB would be proud of the decisions that Norfolk Southern is making for its customers. We would like to extend our gratitude to Mr. David Goode, Chairman, C.E.O., and President. An extra special thanks Mr. Steven C. Tobias, Vice Chairman and Chief Operation Officer.

In closing, to the benefit of the free enterprise system Norfolk Southern is exemplary. The trust of the constituents of this country to which the STB represents is well served by both the efforts of the STB and Norfolk Southern Corporation.

Thank You,

Martin Schlessel
Whitestone Supply Company

CC: Melvin F. Clemens
    David R. Goode
    Stephen C. Tobias
December 10, 1999

Linda Morgan
Chair, Surface Transportation Board
1925 K Street NW
Washington, DC 20423

Dear Linda:

As you may know, the State of Ohio has experienced many problems as a result of the CSX/Norfolk Southern acquisition of Conrail. In order to address the situation, the Ohio General Assembly's Senate and House Transportation Committees have scheduled a joint meeting in Huron, Ohio on Thursday, December 16, 1999, from 1:30 PM to 7:00 PM. I would like to extend to you an invitation to attend this meeting so that you can fully understand the impact of the acquisition in Ohio.

The substantial increase in rail has caused many blocked intersections by both moving and stationary trains. Children have climbed under boxcars in order to get to school. Firefighters have crawled under trains with their extinguishers so that they could reach a fire. Ambulances have been forced to take longer routes. As you can see, the rail problems encountered pose risks to both the health and safety of Ohio's residents.

Please find enclosed a copy of the agenda and directions to the joint committee meeting. Public officials, farmers, members of the agribusiness community, rail employees, short line railroads and residents affected by the railroad conditions will be represented at the meeting. Officials from both CSX and Norfolk Southern will also be in attendance. Full media coverage is expected.

In Ohio, it is rare for members of the General Assembly to convene a joint committee hearing. The state legislators, however, firmly believe that this situation is acute and must be addressed immediately. I hope that you will be able to attend the meeting. If you have any further questions, please contact Deborah Sweeney, Legislative Aide to Ohio State Senator Scott Oelslager, at (614) 466-0626 or fax (614) 466-4250.

Very respectfully yours,

MIKE DeWINE
United States Senator

RMD/cam
Committee Notice

TO: Members, Senate Highways and Transportation Committee

FROM: Senator Scott Oelslager

DATE: November 9, 1999

RE: Committee meeting, December 16, 1999
BGSU, Firelands Campus
North Building
1:30 PM to 7:00 PM

** Joint Committee meeting of Senate Highways and Transportation Committee and House Transportation and Public Safety Committee **

Discussion of the CSX/Norfolk Southern merger and its effect in Ohio

Directions attached

Scott Oelslager
State Senator
29th District
MEMORANDUM

TO: Senate Highways and Transportation Committee  
FROM: Senator Oelslager, Chair  
DATE: December 2, 1999  
RE: Joint Committee meeting – December 16, 1999  
1:30 PM to 7:00 PM  
To discuss the impact of the NS/CSX acquisition of Conrail  

AGENDA

Below please find the list of available times for interested parties to testify:

1:30 – 2:45 Elected officials  
2:45 – 3:30 Community members  
3:30 – 4:15 Rail Customers  
4:15 – 4:30 Break  
4:30 – 5:15 Short Lines  
5:15 – 6:00 Rail Labor  
6:00 – 7:00 General comment; others wishing to testify  

***PLEASE LIMIT TESTIMONY TO 5 MINUTES***  
PLEASE PROVIDE 40 COPIES OF WRITTEN TESTIMONY  

Scott Oelslager  
State Senator  
29th District  

Ohio Senate  
Senate Building  
Columbus, Ohio 43215  
614/466-0826  
614/466-4280 fax  

Committees:  
Highways and Transportation  
Chairman  
Education  
Human Services and Aging  
Judiciary  

29th Senate District: All of Stark County, Except Lexington, Washington  
and Pauls Townships and the City of Alliance.
DIRECTIONS TO BGSU-FIRELANDS COLLEGE
ONE UNIVERSITY DRIVE
(901 RYE BEACH ROAD if you are using an Internet mapping service)
HURON, OHIO 44839
419-433-6560
www.firelands.bgsu.edu

FROM THE WEST:

OPTION ONE:
1) Turnpike East to Route 2 Exit
2) Route 2 North to Route 2 East
3) Route 2 East to Rye Beach Road Exit
4) Right off exit onto Rye Beach Road
5) Cross RR tracks; BGSU-Firelands is a few hundred feet on the right

OPTION TWO:
1) Route 5 East to Route 2 East
2) Route 2 East to Rye Beach Road Exit
3) Right off exit onto Rye Beach Road
4) Cross RR tracks; BGSU-Firelands is a few hundred feet on the right

OPTION THREE:
1) Route 30 East to Route 4 Exit
2) Route 4 North to Route 2 East
3) Route 2 East to Rye Beach Road Exit
4) Right off exit onto Rye Beach Road
5) Cross RR tracks; BGSU-Firelands is a few hundred feet on the right

FROM THE EAST:

OPTION ONE:
1) 90 West to Route 2 West
2) Route 2 West to Rye Beach Road Exit
3) Left off exit onto Rye Beach Road
4) Cross RR tracks; BGSU-Firelands is a few hundred feet on the right

OPTION TWO:
1) Turnpike West to Route 250 Exit
2) 250 North to Route 2 EAST
3) Route 2 EAST to Rye Beach Road Exit
4) Right off exit onto Rye Beach Road
5) Cross RR tracks; BGSU-Firelands is a few hundred feet on the right

OPTION THREE:
1) 76 (or 50) West to 250 North
2) 250 North to Route 2 EAST
3) Route 2 EAST to Rye Beach Road Exit
4) Right off exit onto Rye Beach Road
5) Cross RR tracks; BGSU-Firelands is a few hundred feet on the right
DIRECTIONS TO BGSU-FIRELANDS COLLEGE
ONE UNIVERSITY DRIVE
(901 RYE BEACH ROAD if you are using an internet mapping service)
HURON, OHIO 44839
419-433-5560
www.firelands.bgsu.edu

FROM THE SOUTH:
OPTION ONE (from Columbus):
1) 25 North to Route 4 North
2) Route 4 North Route 2 East
3) Route 2 East to Rye Beach Road Exit
4) Right off Rye Beach Road Exit
5) Cross RR Tracks; BGSU-Firelands is a few hundred feet on the right

OPTION TWO (from Cincinnati):
1) 71 North to 270 West
2) 270 West to 25 North
3) 25 North to Route 4 North
4) Route 4 North to Route 2 East
5) Route 2 East to Rye Beach Road Exit
6) Right off Rye Beach Road Exit
7) Cross RR Tracks; BGSU-Firelands is a few hundred feet on the right

OPTION THREE (from other points South):
1) 23 (or 33) North to 270 West
2) 270 West to 25 North
3) 25 North to Route 4 North
4) Route 4 North to Route 2 East
5) Route 2 East to Rye Beach Road Exit
6) Right off Rye Beach Road Exit
7) Cross RR Tracks; BGSU-Firelands is a few hundred feet on the right
DATE: 12/10/99

PLEASE DELIVER TO: Linda Morgan

FAX NUMBER: ( ) 565-9015

FROM: Christopher Maharidge

You should receive a total of 6 pages, including this coverpage.

COMMENTS

Any problems, please call 224-3878
Mrs. Robert J. Park
General Manager
Packaging Corporation of America
525 Mount Tom Road
Northampton, MA 01060

Dear Mr. Park:

This responds to your recent letter regarding rail service deficiencies at your Northampton facility. You indicate that your facility is served by Guilford Transportation, Inc., which has connections with CSX Transportation, Inc (CSXT) and Norfolk Southern Railway (NS).

Through its Office of Compliance and Enforcement (OCE), the Board has been working directly with shippers in an effort to help resolve service issues informally. OCE has established an open line of communication to bring service issues to the attention of senior railroad officials. In this regard, the transit time information contained in your letter should be quite useful to the railroad in evaluating your service issues, and accordingly, OCE has faxed your letter directly to the marketing departments of CSXT and NS to ensure a prompt review of your concerns. You should expect CSXT and NS to be in contact with you regarding the service issues that you have raised.

Please do not hesitate to contact OCE Director Clemens at 202-565-1573, if you do not hear from CSXT and NS regarding your service issues, or if there is another rail service matter with which we might be helpful.

Sincerely,

Linda J. Morgan
November 17, 1999

Ms Linda Morgan, Chairman  
Surface Transportation Board  
Washington, DC

Dear Ms. Morgan:

My name is Robert Park, and I am the General Manager of Packaging Corporation of America’s Plant in Northampton, MA. My plant is served by the Guilford line which connects with both the CSX and Norfolk Southern railroads.

I am writing this letter to let you know that the recent acquisition of Conrail by the (Norfolk Southern Railroad and CSXT Transportation) has caused, and is continuing to cause, a major disruption to our ability to service our customers. Before the Conrail acquisition, our average rail transit time from Tennessee to Northampton, MA was 12 to 14 days. Since the acquisition the average transit time has increased to 23 to 25 days, or roughly twice as long!

This is an example of how in-transit times have been getting longer over the past six months. All examples below are from Counce, TN to Northampton, MA. Arrival Date is the date it gets to the Northampton Plant.

<table>
<thead>
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<th>RAILCAR</th>
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<th>ARRIVAL DATE</th>
<th>TIME INTERVAL</th>
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<td>10/01/99</td>
<td>24 DAYS</td>
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<td>KCS 749260</td>
<td>9/19/99</td>
<td>10/11/99</td>
<td>23 DAYS</td>
</tr>
<tr>
<td>NOKL 8775</td>
<td>9/16/99</td>
<td>10/11/99</td>
<td>26 DAYS</td>
</tr>
<tr>
<td>KCS 107395</td>
<td>9/15/99</td>
<td>10/11/99</td>
<td>27 DAYS</td>
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<tr>
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<td>WLG 5471</td>
<td>6/10/99</td>
<td>7/19/99</td>
<td>39 DAYS</td>
</tr>
</tbody>
</table>

Because of the very long transit time, our corporate office has been forced to seek out truck transportation, at considerable additional expense, to keep our facility operating. In addition, we have inconvenienced our customers, on occasion, because we delivered late due to the railroads inability to deliver on a timely basis.

It appears to us that the current poor service levels will not improve until sometime in the year 2000. Therefore, we are asking the Surface Transportation Board to take whatever action necessary to correct this unfortunate situation as quickly as possible.

Regards:

Robert J. Park  
General Manager

cc: U.S. Senator Edward Kennedy  
U.S. Senator John Kerry  
U.S. Representative John Olver  
B.J. Thomas - Lake Forest, IL  
Dwight G. Ebeling - Northampton, MA
December 6, 1999

The Honorable Dave Camp  
U.S. House of Representatives  
Washington, DC 20515-2204  

Re: Rail Service in Michigan  

Dear Congressman Camp:  

Thank you for your letter expressing your concern about rail service in Michigan. In your letter, you discuss the difficulties that Michigan farmers have recently faced in moving their product to market. Also, you ask for our assessment of the implementation of the “Conrail” transaction, and what the Board is doing to address shipping issues affecting Michigan.

I share your concerns regarding the service that has been provided to Michigan grain shippers in recent weeks, and in fact I have not been pleased with the rail service provided in general over the former Conrail properties since the integration of Conrail. In this regard, the Board continues to actively monitor the operational aspects of the Conrail transaction through regular data reporting and other pertinent information, and through daily contacts with railroads, shippers, and railroad employees.

In addition, the Board has developed an informal process to address specific service complaints. As part of this process, the Board’s Office of Compliance and Enforcement (OCE) has established an open line of communication with senior railroad officials, and OCE immediately forwards service complaints brought to it informally by shippers seeking assistance. OCE then follows up on each complaint to ensure that it is being addressed appropriately. In some cases, OCE staff may review the steps that the carrier is taking, and may recommend alternatives. Handling shippers’ individual service issues informally, we believe, provides a prompt and effective way for the Board to facilitate real solutions to shippers’ service concerns. In this regard, OCE staff have had several discussions in recent weeks with Michigan agricultural shippers in an effort to facilitate resolution of individual shipper issues.

The information that we have received through conversations with a variety of sources indicates that, both on a systemwide basis and for Michigan shippers, the service situation appears to be improving. However, I am sure you share my view that, while the needs of Michigan agricultural shippers have been better met recently, further improvements are still needed. In this regard, I know that the work of the Michigan Agriculture/Transportation Crisis Task Force, which gives shippers, carriers, and state and local officials a forum in which to
discuss service problems and focus on private-sector solutions, was critical to the service improvements seen to date and will continue to be important in this effort. Our experience with the service crisis in the West a few years ago taught us that cooperation among the various private interests, sometimes with the Government as a facilitator, is far more effective than government directives. It is my hope that the efforts of the Board, along with those of the Task Force, will continue to help produce more responsive rail service.

The Board will continue to monitor the implementation of the Conrail transaction and work with interested parties to ensure that service is improved as expeditiously as possible. In this regard, I look forward to working with you on rail transportation matters affecting Michigan shippers.

Please do not hesitate to contact me on any issue with which I can be of assistance.

Sincerely,

Linda J. Morgan
Mr. Dennis Rochford  
President  
Maritime Exchange  
240-242 Cherry Street  
Philadelphia, Pennsylvania 19106-1906

Dear Mr. Rochford:

Thank you for your letter regarding the acquisition of the Conrail properties by Norfolk Southern Railway Company (NS) and CSX Transportation, Inc. (CSXT), and your concern about the level of service being provided by NS and CSXT.

As you may know, we have been interfacing with officials of NS and CSXT and with shippers regularly since the Conrail transaction was approved and almost daily since the June 1st transition of operations from Conrail to NS and CSXT. In varying degrees, there have been service issues involving both carriers, and shippers have faced service levels that have failed to meet their expectations. I share your concern about the level of service being provided, and in fact, on November 17th, I met in Philadelphia with Mayor Edward Rendell and certain shipper representatives from that area to discuss service issues. I can assure you that I am committed to seeing an improvement in service on the acquired lines of Conrail, and I do believe that NS and CSXT are similarly committed. In fact, NS has made significant strides recently toward improving the fluidity of the Conrail portion of its system, and we are working to bring about similar improvements on the CSXT lines.

In an effort to improve communications regarding service issues, I offer you the Board’s Office of Compliance and Enforcement (OCE) as a contact for specific service complaints. OCE has established an open line of communication with each of the carriers to ensure that matters brought to the Board’s attention are made immediately available to senior management of the involved carrier. In your efforts to assist your members that have service problems, please feel free to suggest that they contact Melvin F. Clemens, Jr., Director, OCE, regarding any rail service issue. Director Clemens’ direct telephone number is 202-565-1575, and his facsimile number is 202-565-9011.

I appreciate your bringing your concerns to my attention, and please be assured that, as part of our oversight responsibilities, we will continue to actively monitor the operational performance and service levels of both carriers.

Sincerely,

Linda J. Morgan
Ms. Linda J. Morgan
Chairman, Surface Transportation Board
The Mercury Building
1925 K St., NW
Washington, DC 20423

Dear Ms. Morgan:

The purpose of this letter is to express our concern over the fact that our region has not yet received the total benefits of the Norfolk Southern/CSX Transportation merger.

For your information, the Maritime Exchange for the Delaware River and Bay is a non-profit trade association representing almost 300 port and related businesses throughout Pennsylvania, New Jersey, and Delaware. Since its establishment in 1875, the Maritime Exchange has served as the primary port advocate on behalf of these businesses, working closely with federal, state and local governmental agencies as well as the tri-state federal congressional delegation on those policy and regulatory issues which affect the port.

It has been nearly five months since the Conrail dissolution, and the regional maritime industry is becoming increasingly concerned with the quality of rail service provided. While some initial problems were expected during this complex acquisition, the magnitude of the situation continues to worsen, not improve. In particular:

- Equipment for freight shipments cannot be obtained on a timely basis, if at all.
- General cargo shipments have been unduly delayed because of the situation.
- Consistent levels of service for outbound shipments are nonexistent.
- Cargo location and delivery times cannot be provided to the shipper.
- Shippers have been forced to rely upon costly truck shipments.

The Delaware River port community relies upon efficient rail service to move goods inland and to load ships with exports. The present climate is incompatible with the needs of the regional maritime industry for the reasons stated in the preceding paragraph. Businesses have already lost customers or have been forced to reduce production. The threat of a permanent loss of business due to these gaps in the supply chain looms in the near future. On behalf of our membership, the Exchange urges you to intervene immediately and ensure that quality rail service returns to the region.

Thank you for the opportunity to express our views. If you have any questions or require additional information, please feel free to contact me or Kevin Krick of my staff.

Sincerely,

Dennis Rochford
President

240-242 Cherry Street, Philadelphia, PA 19106-1906
tel: (215) 925-2615 • fax: (215) 925-3422 • exchange@maritimedelriv.com • www.maritimedelriv.com
December 3, 1999

Mr. Ronald Gilley
2029 Ayers Road
Millbury, Ohio 43447

Dear Mr. Gilley:

I appreciated your letter of November 15th, and in particular your candor regarding the acquisition by Norfolk Southern Railway Company (NS) and CSX Transportation, Inc. (CSXT) of Conrail and present service levels on the acquired Conrail territories. I understand the concerns you have raised, and I too have not been pleased with the level of service provided since the Conrail split.

It is entirely understandable that you, as a former Conrail employee, would feel an attachment to Conrail as a company, and to its impressive accomplishments as a railroad. Clearly, NS and CSXT underestimated the demands of the Conrail system and, as you pointed out, the extraordinary extent to which the Conrail system services a network of time-sensitive shippers. However, I believe that the Board made the right decision for the future, and I am hopeful that through the Board’s constant monitoring and vigilance, and your efforts and input as a valued employee, we will soon see the competitive benefits for shippers realized and service substantially improved.

I hope that you will continue to share your thoughts on the transaction with me as we progress through this implementation process. Please do not hesitate to contact me on any issue with which we can be of assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
November 15, 1999

Ms. Linda Morgan
Chairperson
Surface Transportation Board

Dear Ms. Morgan,

I would think that if you are half as bright as President Clinton thinks you are, by now you are having trouble sleeping at night—knowing that the board which you chair, namely the STB, has allowed the CSXT and the NS to take their prospective bite out of Conrail and both have just about choked on it.

I am a Conrail engineer with 35 years service, now working the interdivisional pool, Willard, OH to Chicago, IL. I can tell you first hand that CSX is in trouble. Chicago terminal is a quagmire of dead trains because the yards, Bar Yard, 59th St., and Bedford Park, are packed with cars. This has caused a backup of “dead trains” on the mainline, sometimes as far as 75 miles east of Chicago. The same situation occurs at Willard, OH. Because Willard is jammed with cars, trains “die” waiting to get in and back up all the way to Fostoria, OH where the feeder line from Toledo and the north enters the main line. This has caused the line to Walbridge, OH and Stanley yards at Toledo to become a parking lot! All this congestion serves to clog the main enough that the dispatchers are “single tracking” a lot of the time and even the intermodal trains cannot make the run from Chicago to Willard without dying.

I have not made it from Chicago to Willard for 3 trips in a row—2 of those being relieved at Garrett, IN. This last trip west, I could only make it to Garrett on light engines because we were on duty 5 hours before they got there from the east.

I have no first hand information about the NS other than the fact that I live near the main (ex-Conrail) at CP 281 and there is a train in the siding or on one of the main tracks with the crossing cut when I get home from Willard and it is still there 36 hours later when I head back to Willard. The rest of what I know are stories from ex-Conrail friends who went with NS, about dead trains and payroll problems.

Considering what happened on the UP, this take-over break-up of Conrail never should have been allowed to happen. I don’t believe either railroad had a clue as to the number of cars Conrail was moving, nor do they have the mindset to operate time-sensitive intermodal freight. There is a big difference between handling intermodal and bulk commodities such as coal and grain. These bulk commodities will be there when you get to them, but you let intermodal shipments set like that and they will go to the highway, because they must be moved now! Shippers are upset, to the point that UPS has taken some of their shipments back to the highway.

I could go on and on but I believe I have made my point—namely this dissecting of Conrail never should have been allowed to happen. As a Conrail employee, I was proud of the progress Conrail had made, coming back from the gutter of bankruptcy i.e. PennCentral, Erie, and the others which made up Conrail. But even I did not fully understand the job we were doing.

Ronald Gilley
2029 Ayers Road
Millbury, OH 43447
December 3, 1999

Mr. John W. Snow  
Chairman, President, and CEO  
CSX Corporation  
One James Center  
P.O. Box 85629  
Richmond, VA 23285-5629

Dear Mr. Snow:

Enclosed is a letter from Senator Richard J. Durbin on behalf of his constituent, Mr. Bruce Ecker of Caseyville, Illinois. Also enclosed is Mr. Ecker’s letter to Senator Durbin in which Mr. Ecker expresses his frustration over his treatment following the acquisition of Conrail by CSX and Norfolk Southern.

Given your commitment, as well as that of the Board, to the fair and efficient implementation of the Conrail Acquisition transaction, I have advised Senator Durbin by letter (see enclosed) that I would be asking you to explain Mr. Ecker’s seniority status on CSX following the Conrail transaction. Please assist the Board by responding to us as soon as possible.

Thank you for your assistance and prompt attention to this matter.

Sincerely,

Linda J. Morgan

Enclosure
December 3, 1999

The Honorable Richard J. Durbin
United States Senate
Washington, D.C. 20510-1304

Dear Senator Durbin:

Thank you for your letter on behalf of your constituent, Mr. Bruce Ecker of Caseyville, Illinois. In his letter to you, which you have attached, Mr. Ecker expresses his frustration over his treatment following the acquisition of Conrail by the CSX and Norfolk Southern (NS) railroads.

I am forwarding a copy of your letter and Mr. Ecker’s letter to Mr. John Snow, Chairman, President and Chief Executive Officer of CSX, for an explanation of Mr. Ecker’s seniority status on CSX following the Conrail acquisition transaction. After I have received his response, I will be back in touch with you. During this time, I also would urge Mr. Ecker to continue to work with his union representative to resolve his problem.

In his letter, Mr. Ecker further states that a Mr. Freeburg, whom he describes as a convicted felon, was an instrumental figure who negotiated rule changes through the Surface Transportation Board (Board) when Conrail was sold to CSX and NS. I believe that Mr. Ecker is referring to Mr. William E. Fredenburger, Jr., an arbitrator appointed by the National Mediation Board, who did issue an arbitration decision under the New York Dock labor protective conditions imposed by the Board in approving the Conrail transaction. Following appeals by affected rail unions of that arbitration decision to the Board and the imposition of a stay by the Board, the unions and the railroads successfully completed negotiated settlements resulting in the unions’ withdrawing their appeals. Thus, Mr. Fredenburger’s arbitration decision should not have had any effect on Mr. Ecker’s status or rights.

I appreciate your interest in this matter. I will have your letter, the attachment, my response, and any response received from CSX made a part of the public docket for this proceeding. If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan

Linda J. Morgan
Mr. Clarence Turnquist  
President  
International Longshoremen’s Association  
c/o 2125 Tryon Road  
Ashtabula, OH 44004  

Dear Mr. Turnquist:  

Mr. Mark R. MacMahon, Assistant Vice President for Labor Relations at Norfolk Southern Corporation (NS), has sent me a letter responding to the concerns you had expressed to me. These concerns related to interpretations made by NS’s Labor Relations Department subsequent to the implementation agreement negotiated with your union as a result of the Conrail acquisition transaction. As I indicated in my prior letter to you, I am getting back to you on this matter now that I have received NS’s response.

For your information, I am enclosing a copy of Mr. MacMahon’s letter and attachment. I understand from Mr. MacMahon’s letter that discussions are ongoing between your union and NS. I urge all parties to these discussions to participate in good faith and to strive to resolve the issues through negotiation. Of course, the Surface Transportation Board (Board) stands ready to exercise jurisdiction under the New York Dock conditions where warranted, and the Board remains committed to the fair implementation of the Conrail acquisition transaction.

I appreciate your concern about this matter, and hope that you find NS’s response to be of assistance. As before, I will have the correspondence I received from Mr. MacMahon and my response made a part of the public docket for the Conrail proceeding.

Sincerely,

Linda J. Morgan

cc: Mr. David Goode  
Chairman, President and CEO  
Norfolk Southern Corporation  

Mr. Mark MacMahon  
Assistant Vice President - Labor Relations  
Norfolk Southern Corporation
October 21, 1999

CRA-20-1
CRA-ILA

Via overnight mail
Ms. Linda J. Morgan, Chairman
Surface Transportation Board
1925 K Street, NW, Room 715
Washington, DC 20423-0001

Dear Ms. Morgan:

International Longshoremen’s Association Local Committee President Turnquist wrote to the Board on August 24, 1999 to convey a number of concerns on behalf of some employees at the former Conrail coal dock at Ashtabula, Ohio, which, of course, is now being operated by Norfolk Southern Railway (NSR). The Board forwarded a copy of that letter to Norfolk Southern and asked for comments by October 22, 1999.

For purposes of clarity, we believe it would be worthwhile to briefly summarize the NSR-ILA negotiations for the Board. In the instant case, the parties were able to negotiate a voluntary implementing agreement and did not have to resort to arbitration under New York Dock. In addition, NSR and ILA also negotiated a new Railway Labor Act Collective Bargaining Agreement for the Ashtabula Coal Dock. I was the chief negotiator for NSR in those negotiations and Mr. Turnquist, who was at that time the Vice President of the ILA Local Committee, was a member of the ILA negotiating team.

Norfolk Southern has no desire to involve the Board in issues that should be addressed by the parties or, if necessary, under the appropriate dispute resolution process. However, Mr. Turnquist’s list of complaints against NSR requires a response, if only so that you will be aware of the facts. Many of the issues raised in his letter are indeed areas of concern for the ILA membership. However, these concerns fail to recognize that NSR is attempting to treat its Ashtabula employees in the same fashion as its other coal dock employees. Change is not often easily undertaken, especially when it is long overdue. Following its analysis of the work rules and practices at Ashtabula Dock, Norfolk Southern determined that, for the facility to remain viable, its operation should more closely match its highly efficient coal loading operation at Lambert’s Point in Norfolk, Virginia, a facility which has loaded over one billion tons since the opening of Pier 6 in 1962. The changes that the parties agreed to make will go a long way towards making Ashtabula an integral part of the NS coal transportation network and a more stable employment center for years to come.

Operating Subsidiary: Norfolk Southern Railway Company
The collective bargaining process in this case worked to the benefit of both labor and management. Norfolk Southern’s desire for operational improvements was tempered by ILA’s understandable desire to preserve rules favorable to the current membership. During the negotiation process, ILA Local 1913 was assisted by legal counsel with experience in labor management matters, and, of course, the International Longshoremen’s Association is a labor organization with a national presence. This give and take bargaining resulted in NSR’s agreeing to “grandfather” active ILA employees, preserving many of the former Conrail provisions, while allowing necessary changes to be phased in over time. The agreements we reached with the ILA negotiators were subsequently ratified by the full membership before they were signed by ILA. Additional details about the negotiations with ILA and the subsequent ILA complaints are set forth on the attachment.

Labor management issues, by their nature, can sometimes be contentious. We have for some time been aware of several of the issues raised in Mr. Turnquist’s letter and have undertaken numerous discussions with the ILA representatives. These included written proposals to amend the newly negotiated agreement and a recent meeting in Cleveland involving ILA Local 1913 leadership, its counsel, and an ILA International representative. As you know, the railroad labor management structures we work under include various dispute resolution mechanisms. Although we hope our discussions with ILA will be successful, those dispute resolution mechanisms continue to be in place to resolve any particular differences. Questions about whether NSR is complying with the newly negotiated collective bargaining agreement can be resolved under the claims and grievance procedure contained in that agreement and, if necessary, through arbitration under Section 3 of the Railway Labor Act. Disputes about whether an individual is entitled to benefits under New York Dock are, of course, referable to arbitration under Section 11 of those conditions.

We appreciate the opportunity to respond to the Board and hope that our response has been helpful. Please let us know if NSR can provide any additional information.

Very truly yours,

M. R. MacMahon

Attachment

cc: D. R. Goode
ATTACHMENT

NSR's Response to ILA August 24, 1999 Letter to STB Chairman Linda Morgan

Negotiation History
During the negotiations, NSR identified several key objectives including: (a) operation of the dock in an efficient manner consistent with NSR's operation of its other dock facilities; (b) NSR to staff for the requirements of the service instead of adhering to an artificial crew consist requirement; (c) no restrictions which would limit work assigned to employees; (d) NSR to staff for a seven-day-a-week operation by using varied rest days and relief assignments; and (e) positions to be bulletined and assigned in a manner that would eliminate excessive disruption.

ILA was concerned about the impact the proposed changes might have on employees and in particular was concerned that the elimination of the minimum crew consist requirement might result in the furlough of employees who would not otherwise have been furloughed. Also, that the current employees would earn less compensation if rest days were varied so that Saturday/Sunday work would not be performed on an overtime basis.

The parties were able to reach a new CBA that addressed both NSR's needs and ILA's concerns. Under that new CBA, some NSR objectives were effective on the effective date of the agreement, while others were phased in under a grandfathering arrangement. The new CBA was initialed by the ILA negotiating committee, ratified by the ILA membership, and signed by ILA and NSR.

ILA Assertion: Under Conrail, employees "were able to mark off [from work] whenever and still work Saturdays for time and a half . . . and Sundays for double time provided they had worked 32 hours during the week . . . Now, we have to work forty (40) hours to qualify for premium pay . . . If you take a vacation day or personal day during the week that time does not count towards your 40 hours . . . ."

NSR Response: The new CBA negotiated by NSR and ILA does not provide for overtime pay on rest days if an employee has not "worked" all of the days of his or her regular assignment. NSR has repeatedly tried to reach an agreement with ILA which would amend the CBA to provide for overtime on rest days in certain circumstances even if an employees had not "worked" all of the days of his or her assignment.

ILA Assertion: On Conrail, employees "had always worked seven days a week with Saturday and Sunday rest days"; the first shift always worked Saturday and was told on Saturday if it was working Sunday; "the second and third shifts were told on Friday what they were working on Saturday or Sunday." NSR verbally promised that "weekend notification would be done the same" [as Conrail] and then "decided to impose a four (4) hour call out rule" whereby employees who had been scheduled for overtime could be told "up to four (4) hours before the shift...to stay home."

NSR Response: Article V of the new CBA gave NSR the right to staff for a seven-day-a-week operation by varying rest days and using relief assignments. However, Article XXIV said NSR could not establish positions which did not have Saturday-Sunday rest days if a grandfathered employee was unable to hold a position with Saturday-Sunday rest days. Thus, NSR will gradually be able to establish positions with other than Saturday-Sunday rest days as grandfathered employees lose their grandfathered status or attrite. However, in the interim,
and at ILA’s request, grandfathered employees continue to be used on an
time basis for Saturday and Sunday work.

Although, the agreement does not require any particular calling arrangement,
NSR did verbally indicate that it would try to provide as much advance notice
as possible to employees when overtime work is required. The new CBA
negotiated by NSR and ILA does not provide for a payment to employees called
for overtime but not used. NSR has offered to amend the CBA to provide for a
four-hour payment to employees who are called and who report for overtime but
are not used. ILA did not accept NSR’s proposal.

ILA Assertion: We were also forced to give up our weekly rotation, which had
been in effect for 30 years.

NSR Response: Under the Conrail agreement, employees rotated between the three
shifts each week. NSR felt this arrangement was inefficient and sought to
eliminate it entirely. The agreement negotiated by the parties provided for
grandfathered employees to rotate between shifts on a monthly basis. Thus, the
rotational arrangement will gradually be eliminated as grandfathered employees
attrite or their grandfathered period expires.

ILA Assertion: NSR has “taken away our seniority,” and “will not let a senior
man move to fill vacancies.”

NSR Response: Article IV of the new CBA calls for only two positions:
Operations Mechanic and Maintenance Mechanic. While the new CBA calls for job
bulletins to list the primary duties, it also provides (in both Article XII and
Article XXVI) that management has the right to “assign employees to perform
other work.” Conrail had numerous positions and a choice sheet and preference
arrangement which effectively permitted employees to choose the particular work
they would do each day. The negotiators did not include these arrangements,
which NSR viewed as inefficient, in the new CBA.

ILA Assertion: “We were told and it is in the implementing agreement that
extra men will be used to fill vacancies created by mark offs, vacation days,
or personal day[s].”

NSR Response: Contrary to ILA’s assertion, the implementing agreement does not
provide that extra men will be used to fill vacancies. In fact, the new CBA--
not the implementing agreement--provides (in Article III) that such vacancies
will only be filled “if necessary.” NSR did not state that extra men would be
used to fill all vacancies. That would have been contrary to the bargain
struck by the parties when they negotiated the new CBA. In that agreement, the
parties fashioned a grandfathering arrangement whereby NSR could reduce the
number of employees on any shift that was worked (below that which would have
been required under the CR-ILA agreement) so long as there was no grandfathered
employee that could not hold a position. Thus, as grandfathered employees lose
their grandfathered status or attrite, NSR will be able to size its work force
in accordance with the needs of the service rather than adhere to an artificial
standard.
ILA Assertion: "When Norfolk Southern filed with the STB they gave false information" because "they said that we would not lose any jobs" and there are now less employees at Ashtabula than Conrail had there in the past.

NSR Response: NSR advised ILA almost two years ago, by letter dated November 17, 1997, that "while the operating plans and exhibits represent our best effort to project, on the information available, how the share of Conrail allocated to NS will be operated after STB approval, we obviously could not anticipate all changes that might be necessary to operate in an efficient manner. As we actually implement the Operating Plan, new and different ways of operation may become apparent; we may have to adjust to the expectations and needs of shippers. Thus, the filing does not constitute a guarantee that the manning of the dock will be fixed for any specific period." In any event, no employee has been deprived of employment as a result of the transaction.

ILA Assertion: "The day we signed the agreement in Ashtabula, Ohio" we were told that "there was no major problem with mark offs" and that "if you marked off it would cost the person in th. wallet" and now "a couple of men . . . have been sent letters of warning."

NSR Response: The implementing agreement was not signed at the Ashtabula meeting but it was circulated for signature and signed several weeks later. NSR insists on reasonable attendance by its employees who, after all, have contracted with the railroad to perform the work and are expected to do so. No responsible railroad official would agree that an employee can be absent at his or her pleasure, regardless of the needs of the service.

ILA Assertion: "We have filed over 50 grievances" . . . , many are in the second stage [of appeal]" and "as . . . expected they [NSR] have turned them . . . down."

NSR Response: NSR believes the claims filed by ILA are largely frivolous and appear, in many instances, to be an effort by the union to repudiate the agreement which it negotiated and signed. NSR believes the claims were properly declined. However, any questions about whether NSR is complying with the newly negotiated Collective Bargaining Agreement can be resolved under the claims and grievance procedure contained in that agreement and, if necessary, through arbitration under Section 3 of the Railway Labor Act.

ILA Assertion: Employees should have, but have not, been allowed protective benefits under New York Dock.

NSR Response: If the new NSR rate was higher than the employee's former rate, he or she is paid that higher NSR rate. However, the negotiated implementing agreement provided that an employee who had a Conrail rate that was higher than the new NSR rate would be red circled for up to six years at that higher Conrail rate. Because of this, and because of the various grandfathering arrangements negotiated by the parties, employees have not, as a result of the transaction, been placed in a worse position and are not, therefore, eligible, for NYD benefits. Any dispute involving this issue is, of course, subject to the dispute resolution procedure set forth in Section 11 of NYD.
The Honorable George Voinovich  
United States Senate  
Washington, DC 20510  

Dear Senator Voinovich:

This responds to your letter conveying the concerns of your constituent, Mr. Doug Durliat, of the Ohio Farmers Union, about the service provided by Norfolk Southern Railway (NS) to certain Ohio grain shippers. Specifically, Mr. Durliat has expressed concern about the possible existence of a priority system used by NS that would allow large grain shippers to receive equipment before the car orders of smaller shippers are satisfied.

In an effort to be of assistance with this service issue, I asked Melvin Clemens, Director of the Board’s Office of Compliance and Enforcement, to look into the matter. Director Clemens’ understanding is that the shipper referred to in Mr. Durliat’s letter, Lyle McKanna of Bluffton, Ohio, can accommodate only three grain cars at one time for loading; the larger shippers to which Mr. Durliat refers, by contrast, are parties to contracts that utilize the efficiencies of unit-train service, to which railroads sometimes give preference in car distribution. Mr. Durliat suggests that these large shippers may be overstating their car needs in order to squeeze out smaller competitors, but I see no basis for such a charge on the basis of the materials that we have received. Any party can, however, file a formal complaint with the Board challenging the reasonableness of a railroad’s car service practices. I should also note that car distribution practices are among the issues about which parties can seek arbitration under the recently finalized agreement between the major railroads and the National Grain and Feed Association.

In any event, and perhaps most importantly, Director Clemens has indicated that, during his discussions with NS, he was informed that Mr. McKanna is now receiving cars sufficient to satisfy his shipping demands. If this information is incorrect, or if Mr. McKanna needs assistance with other rail service issues, he may call Director Clemens at (202) 565-1573.

December 3, 1999
I appreciate the opportunity to respond to your concerns, and look forward to keeping you informed on our efforts with respect to Ohio grain shippers. Please do not hesitate to contact me if we can be helpful in any area in which you or your constituents may require the Board's assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
Mr. Dan King
Director, Congressional and Public Services
Surface Transportation Board
1925 K Street, N.W., Room 840
Washington, D.C. 20423-0001

Dear Mr. King:

We are enclosing the correspondence that we received from a constituent, Doug Durliat, Executive Director of the Ohio Farmers Union, requesting our assistance with investigating the routing of grain rail cars with Norfolk Southern Railroad.

We would appreciate your reviewing this information, and responding to our Casework Office located at 37 W. Broad Street, Suite 970, Columbus, OH 43215, at your earliest convenience.

If you need additional information, please do not hesitate to contact our office at (614) 469-6774.

Very respectfully yours,

Mike DeWine
United States Senator

Sincerely Yours,

George Voinovich
United States Senator

Enclosure:
Dear Senator Voinovich:

A local grain elevator operator, Lyle McKanna, who operates his business in Bluffton, Ohio, informed me that he is receiving "absolutely no service" in obtaining grain rail cars from Norfolk Southern Railroad. This is creating problems in his ability to move grain from this fall's harvest from his grain elevator efficiently.

Mr. McKanna made several calls to Norfolk Southern offices in several cities. The railroad acknowledges that many grain cars are setting at Norfolk Southern's yards in Buffalo, New York and elsewhere, but are not being distributed to places in which they are needed.

Mr. McKanna was finally able to contact Kendall Nickens (sp?), who directs Norfolk Southern's grain car fleet from its headquarters in Atlanta, Georgia.

Mr. Nickens told Mr. McKanna that the large grain processors, such as ADM and Cargill, receive top priority in getting rail cars. Small grain elevators, such as Mr. McKanna's, come next on the priority list, if any cars are available. Who's to say that the ADMs and Cargills order more cars than needed so that their smaller competitors have little or no access to rail cars?

We feel this is another example in which our over-concentrated markets are squeezing out the smaller business operators. Norfolk Southern was part of the recent venture in which Conrail was purchased and divided among existing...
railroad companies. By their sheer market share and influence alone, the ADMs and Cargills are leaving the smaller grain elevators with little, if any option to move their grain. We ask that you pursue this matter by contacting the Interstate Commerce Commission, so that rail cars can be distributed to all businesses according to need, not by market share alone. To contact the ICC:
Secretary; Interstate Commerce Commission; Surface Transportation Board; 1925 K Street, NW; Room 715; Washington, D.C. 20423. Thank you.

Sincerely,

Doug Durliat, Executive Director
Ohio Farmers Union
PO Box 363
Ottawa, OH 45875
(419) 523-5300
December 3, 1999

The Honorable Mike DeWine
United States Senate
Washington, DC 20510

Dear Senator DeWine:

This responds to your letter conveying the concerns of your constituent, Mr. Doug Durliat, of the Ohio Farmers Union, about the service provided by Norfolk Southern Railway (NS) to certain Ohio grain shippers. Specifically, Mr. Durliat has expressed concern about the possible existence of a priority system used by NS that would allow large grain shippers to receive equipment before the car orders of smaller shippers are satisfied.

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In any event, and perhaps most importantly, Director Clemens has indicated that, during his discussions with NS, he was informed that Mr. McKanna is now receiving cars sufficient to satisfy his shipping demands. If this information is incorrect, or if Mr. McKanna needs assistance with other rail service issues, he may call Director Clemens at (202) 565-1573.
I appreciate the opportunity to respond to your concerns, and look forward to keeping you informed on our efforts with respect to Ohio grain shippers. Please do not hesitate to contact me if we can be helpful in any area in which you or your constituents may require then Board’s assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
November 12, 1999

Mr. Dan King  
Director, Congressional and Public Services  
Surface Transportation Board  
1925 K Street, N.W., Room 840  
Washington, D.C. 20423-0001  

Dear Mr. King:

We are enclosing the correspondence that we received from a constituent, Doug Durliat, Executive Director of the Ohio Farmers Union, requesting our assistance with investigating the routing of grain rail cars with Norfolk Southern Railroad.

We would appreciate your reviewing this information, and responding to our Casework Office located at 37 W. Broad Street, Suite 970, Columbus, OH 43215, at your earliest convenience.

If you need additional information, please do not hesitate to contact our office at (614) 469-6774.

Very respectfully yours,

Mike DeWine  
United States Senator

Sincerely Yours,

George V. Voinovich  
United States Senator
Dear Senator Voinovich:

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We feel this is another example in which our over-concentrated markets are squeezing out the smaller business operators. Norfolk Southern was part of the recent venture in which Conrail was purchased and divided among existing
railroad companies. By their sheer market share and influence alone, the ADMs and Cargills are leaving the smaller grain elevators with little, if any option to move their grain. We ask that you pursue this matter by contacting the Interstate Commerce Commission, so that rail cars can be distributed to all businesses according to need, not by market share alone. To contact the ICC: Secretary; Interstate Commerce Commission; Surface Transportation Board; 1925 K Street, NW; Room 715; Washington, D.C. 20423. Thank you.

Sincerely,

Doug Durliat, Executive Director
Ohio Farmers Union
PO Box 363
Ottawa, OH 45875
(419) 523-5300
Mr. Michael D. Flowers  
Assistant General Chairman  
Brotherhood of Maintenance of  
Way Employes  
402 East 900 North  
Alexandria, IN 46001

Dear Mr. Flowers:

Thank you for your letter regarding the acquisition of Conrail by CSX and Norfolk Southern (NS). You express concern about seventeen Brotherhood of Maintenance of Way Employes who have not been granted a hardship transfer for re-allocation between CSX and NS so as to be able to use their prior rights to fixed headquarters positions near their homes as intended by the implementing agreement.

I have forwarded your letter to Mr. John Snow, Chairman, President and Chief Executive Officer of CSX Corporation, and to Mr. David Goode, Chairman, President and Chief Executive Officer of Norfolk Southern Corporation. After I receive their responses, I will be back in touch with you.

I appreciate your interest in this matter. I know that all parties, including the Board, are committed to a fair implementation of the Conrail acquisition transaction. In that regard, I will have your letter, my response, and any correspondence from Mr. Snow and Mr. Goode made a part of the public docket for this proceeding.

Sincerely,

Linda J. Morgan

Linda J. Morgan
December 3, 1999

Mr. John W. Snow  
Chairman, President and  
Chief Executive Officer  
CSX Corporation  
One James Center  
P.O. Box 85629  
Richmond, VA 23285-5629  

Dear Mr. Snow:

Enclosed is a letter that I received from Mr. Michael D. Flowers, Assistant General Chairman, Brotherhood of Maintenance of Way Employees (BMWE). He expresses concern regarding seventeen BMWE members who have not been granted a hardship transfer for re-allocation between CSX and NS so as to be able to use their prior rights to fixed headquarters positions near their homes as intended by the implementing agreement.

Given the interest of all parties, including the Board, in the fair implementation of the Conrail acquisition transaction, I have advised Mr. Flowers that I would be asking you to respond to the concerns that he has raised. Please assist the Board by responding to us as soon as possible.

Thank you for your cooperation and prompt attention to this matter.

Sincerely,

Linda J. Morgan

Enclosures
Mr. David Goode  
Chairman, President and  
Chief Executive Officer  
Norfolk Southern Corporation  
3 Commercial Place  
Norfolk, VA, VA 23510-2191

Dear Mr. Goode:

Enclosed is a letter that I received from Mr. Michael D. Flowers, Assistant General Chairman, Brotherhood of Maintenance of Way Employes (BMWE). He expresses concern regarding seventeen BMWE members who have not been granted a hardship transfer for re-allocation between NS and CSX so as to be able to use their prior rights to fixed headquarters positions near their homes as intended by the implementing agreement.

Given the interest of all parties, including the Board, in the fair implementation of the Conrail acquisition transaction, I have advised Mr. Flowers that I would be asking you to respond to the concerns that he has raised. Please assist the Board by responding to us as soon as possible.

Thank you for your cooperation and prompt attention to this matter.

Sincerely,

Linda J. Morgan

Enclosures
October 18, 1999

Ms. Linda Morgan
Chairperson Surface Transportation Board
1925 K St. NW
Washington DC 20423-0001

Dear Ms. Morgan,

As you know the allocation of Consolidated Rail Corporation employees represented by the Brotherhood of Maintenance of Way Employees was dictated by the decision of Neutral Wm. Fredenberger, and modified by negotiated agreements with the acquiring railroads, CSXT and Norfolk and Southern. There were set parameters, (attachment 1), for the allocation of the BMWE Employees to each railroad, and the negotiated agreement allowed employees to apply for a hardship transfer, (attachment 2), from the railroad to which they were allocated. On February 7, 1999 the railroads took a “snapshot” of the Conrail employees and the allocation process was based on where they were working. A loophole exists where the employees working on production gangs through the winter were allocated to a railroad based on the territory they were working on, contrary to attachment 1, this left some of them hundreds of miles from their seniority districts and their residence. While many of the hardships were honored by the CSXT and NS, to the best of my knowledge there still remains seventeen (17) active employees, (attachment 3) who have not been granted a hardship for re-allocation. Of the seventeen, twelve (12) are allocated CSXT and five (5) are allocated NS.

This creates a problem for these employees, a provision of the Agreement grants prior rights to all former Conrail employees for fixed headquarter positions in their seniority districts. This provision protects each employee’s seniority in their respective seniority district, the same seniority they worked years on the traveling gangs to get. In some instances these employees cannot use their prior rights to fixed headquarter positions because the railroad they were allocated does not own any Conrail property in that seniority district. Remember, most all employees seniority district is near their home or within a short driving distance. For instance there are eight of the affected employees who live in southern Ohio or West Virginia and they were allocated to the CSXT. The CSXT did not acquire any Conrail track in West Virginia, therefore, they have no prior rights to any CSXT track in West Virginia and don’t stand a chance to get a fixed headquarter position in their home state. They have to drive 100 + miles to even get to a portion of the CSXT / Conrail acquired track. While on the other side, the NS acquired all the Conrail track in West Virginia and southern Ohio so it seems only rational that the employees allocated to CSXT from southern Ohio and West Virginia should be given hardship relief and allowed to go to NS as did the majority of the Conrail employees in the Columbus seniority district, per attachment 1.
Since I first learned of the denials for hardship I have been calling management personnel, Mr. Kasprzycki, General Manager- Engineering CSXT, and Mr. Bagley, and others at NS, at first they were receptive to reallocating employees, however, these last seventeen have met a brick wall. The Companies both say to transfer these employees will upset the “preservation of the ratio of employees.” Out of the estimated twenty-three hundred BMWE employees that have been divided, seventeen are not going to upset the employee ratio. The idea that the seventeen, active employees, would upset the employee ratio is puzzling when over 400 notices, (attachment 4) were sent out by NS, CSXT and Conrail Shared Assets to employees on the New Hire Preference list, (attachment 1, pg.2) advising of 28 positions, (attachment 5) allowing these employees to receive positions on the railroad of choice. As a result, seventeen experienced employees are pawns and it is upsetting their lives and their families, while both companies, through Conrail, have hired at last count 30+ employees across the former Conrail system since April 1, 1999, two months prior to the famous “Day One” date. Remember of the seventeen, twelve want to reallocate to the NS and five want to reallocate to the CSXT, leaving an uneven ratio of seven. Seven employees, one way or the other, will not upset the employee ratio.

Having worked on production gangs that took me away from my wife and children, I did so to make a living and provide financial support to the household, with hopes of one day acquiring enough seniority to have a fixed headquarter position in my home territory. I was lucky, seventeen are not. For the most part, employees go to the production gangs to acquire seniority in various classes in hopes that someday they will have enough seniority to return to a fixed headquarter position that would allow them the opportunity to return home every night. For the majority of the seventeen, they choose to work on production gangs during the winter to continue to provide financially for their families, without knowing what the ramifications of that choice would do to their allocation. As a result, they are now facing a life sentence of never being able to hold a fixed headquarter position that will allow them to return home every night. To add insult, the new hired employees are working in the aggrieved employees’ backyard. For the next twenty years, until retirement, the seventeen will go to work faced with a life sentence of never being home and working road gangs, just for being conscientious employees and trying to provide for their families.

Since I have been unsuccessful in reversing the companies decision on these hardship cases I am turning to you. On behalf of the affected employees I request you intervene and seek re-allocation for them so they will have the opportunity to use their seniority to work closer to home and have some normalcy in their family life.

Please give this matter your attention and advise.

Thank you.

Respectfully yours,

Michael D. Flowers
attachments (5)

cc: Mr. Perry K. Geller, General Chairman CRSF/BMWE
    Mr. Jedd Dodd, General Chairman, Penn i-ed/BMWE
    Mr. J. Kasprzycki, Gen Mgr. CSXT
    Mr. G. Woods, Asst Vice Pres. MW&S, Norfolk and Southern
    Seventeen listed employees
Appendix A - Allocation of Employees

CRC employees represented by BME will be allocated to one of the three railroad employers (CSXT, NSR, and CRC (Shared Assets ‘SAA’)) based upon position held on the date the applicable notice is served under Article 1 of this Implementing Agreement, (the “allocation date”) as set forth below:

I. Available Employees

   A. Employees assigned to a District position are allocated by their work location as follows:

1. Buffalo, New England, or Mohawk Seniority Districts all to CSXT
2. Southern Tier, Allegheny A, Allegheny B, Pittsburgh, or Michigan Seniority Districts all to NSR
3. Youngstown Seniority District to NSR, except positions at Lima to CSXT
4. Cleveland Seniority District to CSXT, except positions at Rockport Yard to NSR
5. Toledo Seniority District to NSR, except positions at Stanley Yard to CSXT
6. Chicago Seniority District to NSR, except positions on Ft. Wayne line and positions west of Ft. Wayne to CSXT
7. Columbus Seniority District to NSR, except positions at Crestline and Kenton and certain positions as determined by the railroads at Buckeye Yard to CSXT
8. Southwest Seniority District to CSXT, except positions at Anderson to NSR
9. Harrisburg Seniority District to NSR, except certain positions as determined by the railroads at Baltimore to CSXT
10. Detroit Seniority District to SAA until sufficiently staffed, as determined by the railroads, until to NSR
11. New Jersey or Philadelphia Seniority Districts positions to respective Carrier acquiring headquarters point

   B. Employees assigned to a Production Zone or Regional position are allocated by their respective earliest District seniority date as follows:

Attachment 1
Page 1
1. Zone employees
   a. Southern Tier, Harrisburg, Pittsburgh, Allegheny A, Allegheny B, Youngstown, Michigan, Toledo, or Chicago all to NSR
   b. Buffalo, New England, Mohawk, or Cleveland all to CSX
   c. Detroit to SAA until sufficiently staffed, as determined by the railroads, rest to NSR
   d. New Jersey to SAA until sufficiently staffed, as determined by the railroads, rest to NSR and certain positions to CSX, as determined by the railroads
   e. Philadelphia to SAA until sufficiently staffed, as determined by the railroads, rest to NSR and certain positions to CSX, as determined by the railroads
   f. Columbus or Southwest to CSX, except certain positions, as determined by the railroads, to NSR.

2. Regional employees
   a. District seniority only on a single District
      i. Buffalo, New England, Mohawk, Cleveland, or Southwest to CSX
      ii. rest to NSR
   b. District seniority on Multiple Districts
      i. use District having earliest seniority date
      ii. Buffalo, New England, Mohawk, Cleveland, or Southwest to CSX, rest to NSR
   c. Only Regional seniority - appercion by residence

C. Roadway Shop and Rail Plant employees
   1. Canton
      a. 36 transferred to Charlotte (NSR)
      b. 31 transferred to Richmond (CSX)
      c. non-transfers (all to NSR)
   2. Lucknow
      a. 5 transferred to Atlanta (NSR)
      b. non-transfers (all to NSR)

D. Employees eligible for Sub-Plan benefits, on leave of absence, or disabled allocated as set forth above. Creating the last position held as if it was the position held on allocation date:
   1. if was District position allocate as in Part A
   2. if was Production Zone or Regional position allocate as in Part B
Example of Allocation letter that will be sent to our Members

Dear [employee]:

In accordance with the allocation procedure of the January 14, 1999 arbitrated implementing agreement, as modified by the voluntary implementing agreement ratified on May 3, 1999, effective June 1, 1999 you will become an employee of Norfolk Southern Railway Company. You will be advised as to where to report to work on Tuesday, June 1, 1999.

In the event you desire to be considered for a hardship change of your employment relationship to one of the other involved railway companies, the agreement provides that you must request such a change by notifying [name & address] in writing to be received by close of business (5:00 p.m.) on Friday, May 14, 1999, as to which other railway company you desire to be allocated. Such requests should include current residence, Conrail employee number, earliest BMEA seniority date, and reason for hardship request.

Legitimate requests that do not require relocation of residence will be considered based on operational necessity, employee seniority, and preservation of the ratio of the employees initially allocated among the respective railway companies.

If a request is submitted, you will be advised accordingly prior to June 1, 1999.
Mr. Otis Tucker  
PO Box 61  
Buffalo, WV 25033-0061  
allocated to CSXT

Russell Tucker  
PO Box 333  
Buffalo, WV 25033-0333  
allocated to CSXT

Denver Rhodes  
PO Box 255  
Buffalo, WV 25033-0255  
allocated to CSXT

Oakie Lovins  
Gen. Del  
Dwarf, KY 41739-9999  
allocated NS

Gerald Higgenbotham  
Rr 1 Box 198  
Red House, WV 25168-9801  
allocated to CSXT

L. Carroll  
PO Box 95  
Swiss, WV 26690-0095  
allocated to CSXT

Bud Collins, Jr.  
PO Box 1  
Buffalo, WV 25033-0001  
allocated to CSXT

Richard Lanning  
14147 Hack St.  
Murray City, OH 43144  
allocated to CSXT

Brian Tabor  
3546 Horner Dr.  
Indianapolis, IN 46239  
allocated NS

Wendell Craig  
Rr 1 Box 175  
Buffalo, WV 25033-9732  
allocated to CSXT

Michael Margeson  
5658 Coss Corners Rd  
Bath, NY 14810-8130  
allocated to CSXT

Joseph Schaffer  
1 Elm St  
Saugerties, NY 12477-1003  
allocated NS

Thurman Stanley  
4455 Millstone Rd  
Apple Grove, WV 25502-9759  
allocated CSXT

H. E. McAfee  
6585 Charleston Rd.  
Leon, W VA 25123  
allocated CSXT
J. Cowie
40598 Whittney Rd.
LaGrange, Ohio 44050
allocated NS

K. Rose
72 Washington St.
W. Jefferson, Ohio 43162
allocated NS

C. Coleman
6795 Township 199
Centerburg, Ohio 43011
allocated CSXT

W. C. Johnson
address unavailable
allocated NS
YOU ARE HEREBY NOTIFIED THAT YOU ARE BEING OFFERED NEW HIRE PREFERENCE
UNDER APPENDIX A, SECTION II OF THE JANUARY 14, 1999 ARBITRATED IMPLEMENTING
AGREEMENT WITH THE BROTHERHOOD OF MAINTENANCE OF WAY EMPLOYEES. PLEASE REFER
TO THE LIST OF AVAILABLE VACANT BMWWE POSITIONS IN OUR RESPECTIVE ENGINEERING
DEPARTMENTS.

YOU MAY REQUEST A POSITION(S) BY WRITING TO THE ADDRESS SHOWN BELOW FOR
ANY ONE OR ALL POSITIONS. IF YOU REQUEST CONSIDERATION FOR MORE THAN ONE
POSITION, INDICATE A PRIORITY ORDER. POSITIONS WILL BE FILLED IN ORDER OF EMPLOYEES' 
RESPECTIVE CONRAIL DISTRICT SENIORITY.

A PRE-ADDRESSED ENVELOPE HAS BEEN ENCLOSED FOR YOUR CONVENIENCE
REQUESTS SHOULD BE ADDRESSED TO :

CONRAIL LABOR RELATIONS DEPARTMENT
P.O. BOX 41413
PHILADELPHIA, PA 19101-4141

IF YOU FAIL TO REQUEST AN AVAILABLE POSITION OR RESPOND IN WRITING TO THE
UNDERIGNED WITHIN FOURTEEN (14) DAYS FROM THE DATE OF THIS LETTER, YOUR NAME
WILL BE REMOVED FROM THE NEW HIRE PREFERENCE LIST, WHICH WILL FULFILL ALL OF THE
CARRIERS' OBLIGATIONS TO YOU UNDER THE ARBITRATED IMPLEMENTING AGREEMENT AND
RESULT IN FORFEITURE OF ANY FURTHER RIGHTS. IF YOU DO NOT DESIRE A POSITION YOU
NEED NOT RESPOND.

VERY TRULY YOURS,

[Signature]

ATTACHMENT - LIST OF AVAILABLE POSITIONS

CC: BMWWE GENERAL CHAIRMEN DODD, GELLER AND HURLBURT

ATTACHMENT 4
### VACANT BMDA POSITIONS OFFERED UNDER
### THE JANUARY 14, 1999 ARBITRATED IMPLEMENTING AGREEMENT

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<th>POSITION TITLE</th>
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<tr>
<td>Plumber</td>
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</tr>
<tr>
<td>Plumber</td>
<td>1</td>
<td>Philadelphia, PA</td>
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<td>Trackman</td>
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<td>Trackman</td>
<td>2</td>
<td>Newark, NJ</td>
</tr>
<tr>
<td>Trackman</td>
<td>2</td>
<td>Camden, NJ</td>
</tr>
<tr>
<td><strong>CSX VACANCIES</strong></td>
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<tr>
<td>B&amp;B Mechanic</td>
<td>2</td>
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</tr>
<tr>
<td>Machine Operator</td>
<td>4</td>
<td>Selkirk, NY - SLWT</td>
</tr>
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<td>Vehicle Operator</td>
<td>3</td>
<td>Selkirk, NY - SLWT</td>
</tr>
<tr>
<td><strong>NORFOLK SOUTHERN VACANCY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Roadway Equipment Repairman</td>
<td>1</td>
<td>Dearborn Division</td>
</tr>
</tbody>
</table>

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**ATTACHMENT 5**
Mr. Donald W. Bogus  
Vice President - Government Affairs  
PPG Industries, Inc.  
One PPG Place  
Pittsburgh, Pennsylvania 15272

Dear Mr. Bogus:

Thank you for your letter regarding the acquisition of the Conrail properties by Norfolk Southern Railway Company (NS) and CSX Transportation, Inc. (CSXT), and your concern about the level of service being provided by NS and CSXT.

As you may know, we have been interfacing with officials of NS and CSXT and with shippers regularly since the Conrail transaction was approved and almost daily since the June 1st transition of operations from Conrail to NS and CSXT. In varying degrees, there have been service issues involving both carriers, and shippers have faced service levels that have failed to meet their expectations. I share your concern about the level of service being provided, and have had numerous meetings with affected shippers, as well as elected officials, in Washington, D.C., and elsewhere in the East, to discuss service concerns. I can assure you that I am committed to seeing an improvement in service on the acquired lines of Conrail, and I do believe that NS and CSXT are similarly committed. In fact, NS has made significant strides recently toward improving the overall fluidity of the Conrail portion of its system, and we are working to bring about similar improvements on the CSXT lines.

You mention in your letter a number of yard locations on the two railroads that you suggest have caused delays, and I can assure you that each of these locations, without exception, has been a subject of discussion in meetings between the Board's Office of Compliance and Enforcement (OCE) and NS and CSXT. In addition, OCE has established an open line of communication with each of the carriers to ensure that service matters brought to the Board's attention are made immediately available to senior management of the involved carrier. In an effort to assist you, I offer you the continuing services of OCE to help resolve specific shipper concerns. I know that you have already been in contact with Mel Clemens, Director of OCE, regarding these rail service issues, and I can assure you that he is always available to assist with shipper problems. I also know that you have been in contact with the CSX and NS Chairmen, John Snow and David Goode, and that effort should help to bring focus to your concerns.
I appreciate your bringing your concerns to my attention, and please be assured that, as part of our oversight responsibilities, we will continue to actively monitor the operational performance and service levels of both carriers, and to take every appropriate step to facilitate the resolution of service problems.

Sincerely,

Linda J. Morgan

Linda J. Morgan
December 3, 1999

William A. Mullins, Esquire
Troutman Sanders LLP
13001 Street, N.W.
Suite 500 East
Washington, D.C. 20005-3314

Dear Mr. Mullins:

This responds to your letter of November 17, 1999, on behalf of R.R. Donnelley & Sons Company, to James C. Bishop, Executive Vice President - Law, Norfolk Southern Corporation, regarding NS rail service to Donnelley's Pennsylvania printing plants.

I appreciate your making the Board aware of Donnelley's concerns, its efforts to improve rail service, and the financial impacts of the service that has been provided by NS thus far. We are committed to reliable rail service for all former Conrail shippers, and I appreciate your informing us of your efforts to assist in the resolution of service issues. In this regard, constructive communication between the carrier and customer is essential to service improvement, and NS's recent letter to Michael Winn from Thomas Lindsey, dated November 19, appears to be a positive step in that direction.

As your letter indicates, Mel Clemens, Director of the Board's Office of Compliance and Enforcement (OCE), has been working closely with Donnelley, through its weekly Performance Reports, in an effort to help find solutions to its service issues. Director Clemens wrote to Michael Winn of Donnelley as recently as November 23rd (copy enclosed) to reemphasize our commitment to improving service to Donnelley, and to other similarly situated shippers.

We will continue to monitor the service levels for Donnelley during this operational transition. Please do not hesitate to contact me with any information that might assist us in this effort.

Sincerely,

[Signature]
Linda J. Morgan

Enclosure
December 2, 1999

The Honorable Spencer Abraham
United States Senate
Washington, DC 20510-2203

Re: Rail Service in Michigan

Dear Senator Abraham:

Thank you for your letter expressing your concern about rail service in Michigan. In your letter, you discuss the steps being taken to ensure that Michigan farmers can move their product to market this year. Also, you ask for our assessment of the implementation of the "Conrail" transaction, and what the Board is doing to address shipping issues affecting Michigan.

I share your concerns regarding the service that has been provided to Michigan grain shippers in recent weeks, and in fact I have not been pleased with the rail service provided in general over the former Conrail properties since the integration of Conrail. In this regard, the Board continues to actively monitor the operational aspects of the Conrail transaction through regular data reporting and other pertinent information, and through daily contacts with railroads, shippers, and railroad employees.

In addition, the Board has developed an informal process to address specific service complaints. As part of this process, the Board’s Office of Compliance and Enforcement (OCE) has established an open line of communication with senior railroad officials, and OCE immediately forwards service complaints brought to it informally by shippers seeking assistance. OCE then follows up on each complaint to ensure that it is being addressed appropriately. In some cases, OCE staff may review the steps that the carrier is taking, and may recommend alternatives. Handling shippers’ individual service issues informally, we believe, provides a prompt and effective way for the Board to facilitate real solutions to shippers’ service concerns. In this regard, OCE staff have had several discussions in recent weeks with Michigan agricultural shippers in an effort to facilitate resolution of individual shipper issues.

The information that we have received through conversations with a variety of sources indicates that, both on a systemwide basis and for Michigan shippers, the service situation appears to be improving. However, I am sure you share my view that, while the needs of Michigan agricultural shippers have been better met recently, further improvements are still needed. In this regard, I know that the work of the Michigan Agriculture/Transportation Crisis Task Force, which gives shippers, carriers, and state and local officials a forum in which to
discuss service problems and focus on private-sector solutions, was critical to the service improvements seen to date and will continue to be important in this effort. Our experience with the service crisis in the West a few years ago taught us that cooperation among the various private interests, sometimes with the Government as a facilitator, is far more effective than government directives. It is my hope that the efforts of the Board, along with those of the Task Force, will continue to help produce more responsive rail service.

The Board will continue to monitor the implementation of the Conrail transaction and work with interested parties to ensure that service is improved as expeditiously as possible. In this regard, I look forward to working with you on rail transportation matters affecting Michigan shippers.

Please do not hesitate to contact me on any issue with which I can be of assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
November 8, 1999

The Honorable Linda Morgan  
Chairman, Surface Transportation Board  
1925 K St., NW  
Washington, DC 20423-0001

Dear Chairman Morgan:

As you may know, an emergency Michigan Agriculture/Transportation Crisis Task Force was convened last week to address the railroad transportation crisis facing Michigan farmers in getting their product to market. The first meeting of this Task Force was held in Michigan on November 6th, where representatives of Michigan’s agriculture and railroad industries joined them and officials of the State of Michigan in reviewing the problem at hand.

Let us first make absolutely clear that we believe this is indeed a crisis that could significantly threaten not only the ability of Michigan farmers to get their product to market this year, but their continued market share in following years, as well as their very ability to continue farming at all. It requires swift and substantial action to ensure that Michigan’s farmers are provided the opportunity to get their product to market in these times of low prices and exceptionally bountiful supply. That is why this Task Force was established, and why it will continue to meet and work towards a quick solution.

A number of factors have contributed to this crisis, including the severe weather suffered by the Eastern seaboard this fall and hours of service restrictions on train crews may be precipitating factors in this crisis. However, one area that the STB has specific jurisdiction over, the delays in the integration of Conrail assets into Norfolk Southern’s and CSX’s rail systems, is also a factor in this problem, and represent a very significant impediment to resolving this quickly enough manner to maintain Michigan farmers’ product sales.

We believe the carriers servicing Michigan shippers are truly interested in resolving this as quickly as possible and we are committed to finding private sector solutions to this problem. Therefore, we request you provide our offices with your assessment of the Conrail acquisition by Norfolk Southern and CSX, especially as it applies to service to agricultural shippers in Michigan, as well as the actions you have undertaken to date under your oversight authority of the Conrail acquisition. Furthermore, we request you advise us as to any additional measures you are considering to address this measure, and any advice you may be able to provide the shippers and carriers in advancing a solution, if possible.
We look forward to the shippers and carriers devising a speedy solution to this, and would welcome any assistance you may be able to provide. If you have any questions, please feel to contact us, or have your staff contact Bob Carey of Senator Abraham’s staff at 202-224-5325, or Kristen Day of Representative Barcia’s staff at 202-225-8171.

Sincerely,

Spencer Abraham
United States Senate

James A. Barcia
Member of Congress
December 2, 1999

The Honorable Paul E. Gillmor  
U.S. House of Representatives  
Washington, DC 20515-3505

Dear Congressman Gillmor:

This responds to your letter conveying the concerns of your constituent, Mr. Doug Durliat, of the Ohio Farmers Union, about the service provided by Norfolk Southern Railway (NS) to certain Ohio grain shippers. Specifically, Mr. Durliat has expressed concern about the possible existence of a priority system used by NS that would allow large grain shippers to receive equipment before the car orders of smaller shippers are satisfied.

In an effort to be of assistance with this service issue, I asked Melvin Clemens, Director of the Board’s Office of Compliance and Enforcement, to look into the matter. Director Clemens’ understanding is that the shipper referred to in Mr. Durliat’s letter, Lyle McKanna of Bluffton, Ohio, can accommodate only three grain cars at one time for loading; the larger shippers to which Mr. Durliat refers, by contrast, are parties to contracts that utilize the efficiencies of unit-train service, to which railroads sometimes give preference in car distribution. Mr. Durliat suggests that these large shippers may be overstating their car needs in order to squeeze out smaller competitors, but I see no basis for such a charge on the basis of the materials that we have received. Any party can, however, file a formal complaint with the Board challenging the reasonableness of a railroad’s car service practices. I should also note that car distribution practices are among the issues about which parties can seek arbitration under the recently finalized agreement between the major railroads and the National Grain and Feed Association.

In any event, and perhaps most importantly, Director Clemens has indicated that, during his discussions with NS, he was informed that Mr. McKanna is now receiving cars sufficient to satisfy his shipping demands. If this information is incorrect, or if Mr. McKanna needs assistance with other rail service issues, he may call Director Clemens at (202) 565-1573.
I appreciate the opportunity to respond to your concerns, and look forward to keeping you informed on our efforts with respect to Ohio grain shippers. Please do not hesitate to contact me if we can be helpful in any area in which you or your constituents may require the Board’s assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
October 29, 1999

Ms. Linda J. Morgan
Chairwoman
Surface Transportation Board
1925 K Street Northwest
Washington, D.C. 20006

Dear Ms. Morgan:

I received the enclosed correspondence from Doug Durliat, Executive Director, Ohio Farmers Union. Mr. Durliat contacted me to express his concern that Norfolk Southern’s priority rankings neglect to serve small grain elevators and their ability to move product in an efficient manner.

I would appreciate your review of Mr. Durliat’s correspondence. Please provide a report to my Port Clinton office that addresses my constituent’s concerns. Should you have any question regarding this inquiry, please contact my office at 419-734-1999.

Thank you for your attention to this matter. I look forward to hearing from you soon.

Sincerely,

Paul E. Gillmor
Member of Congress

PEG: emw
Enclosure
October 15, 1999

The Honorable Paul Gillmor  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative Gillmor:

A local grain elevator operator, Lyle McKanna, who operates his business in Bluffton, Ohio, informed me that he is receiving “absolutely no service” in obtaining grain rail cars from Norfolk Southern Railroad. This is creating problems in his ability to move grain from this fall’s harvest from his grain elevator efficiently.

Mr. McKanna made several calls to Norfolk Southern in several cities. The railroad acknowledges that many grain cars are setting at Norfolk Southern’s yards in Buffalo, New York and elsewhere, but are not being distributed to places they are in need.

Mr. McKanna finally was able to contact Kendall Nickens (sp.?), who directs Norfolk Southern’s grain car fleet from its headquarters in Atlanta, Georgia. Mr. Nickens told Mr. McKanna that the large grain processors such as ADM and Cargill receive top priority in getting rail cars. Small grain elevators, such as Mr. McKanna’s come next on the priority list, if any cars are available. Who’s to say that the ADMs and Cargills order more cars than needed so that their smaller competitors have little or no access to rail cars?

We feel this is another example in which our over-concentrated markets are squeezing out the smaller business operators. Norfolk Southern was part of the recent venture in which Conrail was purchased and divided among existing railroad companies. By their sheer market share and influence alone, the ADMs and the Cargills are leaving the smaller grain elevator operators with little, if any option to move their grain. We ask that you pursue this matter so that rail cars can be distributed to all businesses according to need, not by market share alone. Please contact the Interstate Commerce Commission, Surface Transportation Board; 1925 K Street, NW; room 715; Washington, D.C. 20423-0001.

If you have any questions, contact me at (419) 523-5300. Thank you.

Sincerely,

OHIO FARMERS UNION

Doug Durliat
Executive Director
The Honorable James A. Barcia  
U.S. House of Representatives  
Washington, DC 20515-2205

Re: Rail Service in Michigan

Dear Congressman Barcia:

Thank you for your letter expressing your concern about rail service in Michigan. In your letter, you discuss the steps being taken to ensure that Michigan farmers can move their product to market this year. Also, you ask for our assessment of the implementation of the “Conrail” transaction, and what the Board is doing to address shipping issues affecting Michigan.

I share your concerns regarding the service that has been provided to Michigan grain shippers in recent weeks, and in fact I have not been pleased with the rail service provided in general over the former Conrail properties since the integration of Conrail. In this regard, the Board continues to actively monitor the operational aspects of the Conrail transaction through regular data reporting and other pertinent information, and through daily contacts with railroads, shippers, and railroad employees.

In addition, the Board has developed an informal process to address specific service complaints. As part of this process, the Board’s Office of Compliance and Enforcement (OCE) has established an open line of communication with senior railroad officials, and OCE immediately forwards service complaints brought to it informally by shippers seeking assistance. OCE then follows up on each complaint to ensure that it is being addressed appropriately. In some cases, OCE staff may review the steps that the carrier is taking, and may recommend alternatives. Handling shippers’ individual service issues informally, we believe, provides a prompt and effective way for the Board to facilitate real solutions to shippers’ service concerns. In this regard, OCE staff have had several discussions in recent weeks with Michigan agricultural shippers in an effort to facilitate resolution of individual shipper issues.

The information that we have received through conversations with a variety of sources indicates that, both on a systemwide basis and for Michigan shippers, the service situation appears to be improving. However, I am sure you share my view that, while the needs of Michigan agricultural shippers have been better met recently, further improvements are still needed. In this regard, I know that the work of the Michigan Agriculture/Transportation Crisis Task Force, which gives shippers, carriers, and state and local officials a forum in which to
discuss service problems and focus on private-sector solutions, was critical to the service improvements seen to date and will continue to be important in this effort. Our experience with the service crisis in the West a few years ago taught us that cooperation among the various private interests, sometimes with the Government as a facilitator, is far more effective than government directives. It is my hope that the efforts of the Board, along with those of the Task Force, will continue to help produce more responsive rail service.

The Board will continue to monitor the implementation of the Conrail transaction and work with interested parties to ensure that service is improved as expeditiously as possible. In this regard, I look forward to working with you on rail transportation matters affecting Michigan shippers.

Please do not hesitate to contact me on any issue with which I can be of assistance.

Sincerely,

Linda J. Morgan
The Honorable Sam Hoyt  
Assemblymember 144th District  
The Assembly  
State of New York  
125 Main Street  
Buffalo, NY 14203

Re: Rail Issues Affecting Western New York

Dear Assemblymember Hoyt:

Thank you for your letter expressing your concern about rail issues affecting western New York. In your letter, you raise issues about service levels and how service is affected by infrastructure and by inter-carrier cooperation. You also raise issues about rate levels.

I appreciated the opportunity to visit Buffalo on October 18 and to discuss rail service issues with area shippers and the railroads that serve them. I understand and share your concern for improving the quality of rail service being provided and the effect of present service levels on shippers in western New York. To help address the situation, I recently wrote letters to the Chief Executive Officers of Norfolk Southern Corporation and CSX Corporation setting out a plan that will require that certain efforts be undertaken over the course of the next month. Our plan, which focuses on concerns that you have raised, deals with the CP Draw railroad bridge; other ways to improve the rail infrastructure in the area; railroad efforts to assist one another to relieve congestion; improved communication between the railroads and western New York shippers; the resolution of service concerns such as transit times; and communication by the railroads with shippers on how claims issues will be promptly addressed. The plan also references the initiation of a formal rate study as called for in the Board’s decision approving the Conrail transaction, and it indicates that the Board will ensure that Canadian railroads are given access to cross-border, truck-competitive traffic.

What I am most concerned about and what will do the most for the economic health of western New York is the expeditious restoration of responsive and reliable rail service. I believe that the plan that I outlined will provide the accountability needed to achieve that goal. It also adds substantially to what the Board is already doing to monitor the Conrail implementation, and to the Board’s ongoing efforts through the Office of Compliance and Enforcement to resolve shipper service complaints informally.
I will have your letter and this response placed in the formal docket for the Conrail transaction. If I may be of further assistance in this or any other matter, please do not hesitate to contact me.

Sincerely,

Linda J. Morgan
October 22, 1999

Honorable Linda Morgan
Chairwoman
Surface Transportation Board
1925 K Street, NW
Washington, D.C. 20423

Dear Ms. Morgan:

As Chairman of the State and Federal Relations Committee for the New York State Legislature and as the state representative of the 144th district in Buffalo, I am writing to strongly encourage you to work aggressively to address the current and long term rail issues affecting Western New York. Federal support to help Western New York businesses operate while enduring the ramifications of the CSX/NS acquisition and division of Conrail is critical.

As you heard directly from local shippers on October 18th, excess congestion, loss of rail cars, incorrect deliveries, increased shipping costs, and other physical manifestations of the CSX/NS takeover of local Conrail lines are severe in the community. The shipper’s testimony exemplifies the obvious lack of services for local companies, while also demonstrating the lack of rail competition within the Niagara marketplace.

Some of the short-term congestion and service problems can be addressed with infrastructure improvements. (Norfolk Southern’s $13M investment in Bison Yard will create a much needed classification yard for NS.) However, more importantly, both CSX and NS must be committed to having a continuous dialogue with each other to jointly address the severe service problems being felt by this community.
In the long term, our companies should pay rail-shipping costs similar to those around the country and receive reliable rail service. Without a competitive environment the rail lines will continue to their monopolistic practices and our employees will continue to suffer.

Thank you for your interest in the rail issues affecting the Niagara marketplace and I hope you continue in your efforts to address these urgent matters for the community.

Sincerely,

SAM HOYT
MEMBER OF ASSEMBLY

SH;sg
Cc: Andrew Rudnick
    Natalie Harter
November 30, 1999

The Honorable Charles T. Canady  
U. S. House of Representatives  
Washington, D.C. 20515-0912

Re: Ronald E. Stoffer, General Manager  
Packaging Corporation of America

Dear Congressman Canady:

I am pleased to respond to your recent letter regarding the concerns of your constituent, Mr. Ronald E. Stoffer, of Packaging Corporation of America, about the rail service being provided by CSX Transportation Inc. (CSXT) to his facility in Winter Haven, Florida.

This letter confirms the actions taken by the Board since receiving your October 26th letter. Melvin F. Clemens, Director of the Board’s Office of Compliance and Enforcement (OCE), has been in contact with CSXT regarding Mr. Stoffer’s complaint and has faxed to the railroad the information provided by your office. As you may know, Director Clemens is in regular contact with the railroads on service issues, and shippers are encouraged to bring their service concerns to OCE’s attention by fax at 202-565-9011 or 9012.

I appreciate the opportunity to respond to these issues, and I hope that you will not hesitate to contact me if we can be of further assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
Ms. Linda S. Morgan  
Chairwoman  
Surface Transportation Board  
Suite 820  
1925 K St, NW  
Washington, D.C. 20423  

Dear Ms. Morgan:  

Enclosed is information received from my constituent, Mr. Ronald E. Stoffer of Packaging Corporation of American regarding a complaint about which he has already contacted you. His letter is self-explanatory.  

Any assistance your office can provide Mr. Stoffer would be greatly appreciated. Please keep me advised by sending a reply to my Lakeland office, Federal Building, 124 South Tennessee Avenue, Suite 125, Lakeland, Florida 33801.  

Thank you for your assistance.  

Sincerely yours,  

Charles T. Canady  
Member of Congress  

CTC:jd  
Enclosure
October 14, 1999

Ms. Linda Morgan, Chairman  
Surface Transportation Board  
Washington, DC  
FAX: 202-565-9011

Dear Ms. Morgan:

My name is Ronald E. Stoffer, and I am General Manager of the Packaging Corporation of America’s, Corrugating Plant in Winter Haven, FL. My plant is serviced by the CSXT railroad.

I am writing this letter to let you know the recent acquisition of Conrail by the (Norfolk Southern Railroad and CSXT Transportation) has caused and is continuing to cause a major disruption to our ability to service our customers.

Our corporate office is forced to seek out other modes of transportation, at considerable additional expense, to keep this facility operating.

It appears to us that the current poor service levels will not improve until sometime in the year 2000, therefore we are asking the Surface Transportation Board to take whatever action necessary to correct this unfortunate situation, as quickly as possible.

Regards:

Ronald E. Stoffer  
General Manager

cc Charles Canady  
B.J. Thomas - Lake Forest  
Jim McKee - Harrisonburg
November 30, 1999

The Honorable James A. Barcia
U. S. House of Representatives
Washington, D.C. 20515-2205

ATTENTION: Kristen Valade Day, Chief of Staff

Re: Michigan Agri-Business Association
Lansing, Michigan

Dear Congressman Barcia:

I am pleased to respond to your communication regarding the concerns of your constituent, Michigan Agri-Business Association, about the rail service being provided to its members.

This letter confirms the actions taken by the Board since the October 22nd discussions between Kristen Day and Mel Clemens, Director of the Board’s Office of Compliance and Enforcement (OCE), regarding car supply issues affecting Michigan agricultural shippers. Director Clemens has been in regular contact with the CSX Transportation, Inc. (CSXT) since those discussions and since providing the shipper information to the railroad by fax, and has confirmed that grain cars are moving to Michigan elevators from CSXT. We will continue to work directly with the involved shippers and the railroad to ensure that this matter remains a focus of the carrier.

I am hopeful that these efforts will result in improved rail service for Michigan grain shippers. Please do not hesitate to contact me if we can be of further assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
OFFICE OF CONGRESSMAN JAMES A. BARCIA

U.S. House of Representatives
2419 Rayburn House Office Building
Washington, DC 20515-2205
tel: (202)225-8171
fax: (202)225-2168
email: kristen.day@mail.house.gov

from the desk of
KRISTEN VALADE DAY
CHIEF OF STAFF

attention: Mr. Clemens
organization: Director of Compliance
date: 10/22/99
fax #: 
telephone #: 
number of pages (including cover): 
message: Thank you for your help.

Signed
October 21, 1999

Congressman James Barcia
2419 Rayburn House Office Bldg.
Washington, D.C. 20515

Subject: Rail Transportation Crisis

Dear Congressman Barcia:

Over the past several weeks the availability of railroad grain cars has developed into a serious problem for Michigan agriculture. With the harvest of corn and soybeans hard upon us, grain elevators across Michigan are experiencing a shortage of cars, delayed return of cars and service levels for this vital transportation link in virtual collapse.

During the harvest season, in order for elevators to continue to receive grain from their farmer customers, they schedule movement of grain from their facilities to either end users or other handlers. No elevator has the ability to receive and store all the grain delivered by their customers, especially this year after a bumper wheat and dry bean crop. They must ship grain so space is available for farmers to continue delivering grain. With the favorable yields farmers are harvesting this fall, the need to move grain from country elevators has become even more pressing.

The breakup of Conrail, and the merger with either Norfolk Southern or CSX has evidently not been as smooth as first indicated. Reports tell us that it is taking more than a month for a unit train (60 cars or more) to travel from Michigan to the mid-south, and return to Michigan. We have heard stories that some of these trains are sitting for several days in rail yards in Toledo, or other yards across the country, and not moving back to the country elevator.

The resulting situation is that in many cases elevators are being forced to close, and stop receiving grain from farmers because their storage is full. This means that grain is either being left in the field, where it may be subject to weather problems, or stored on the ground in piles for later processing through elevators.

In short, this is a crisis situation, and demands immediate attention. Times are tough enough in agriculture without this added burden. Railroads must move cars efficiently, and get them back to the country to ease the severe shortage of grain storage.
I have received calls from all across Michigan about this problem, but especially the Thumb and Saginaw Valley, the central part of the state and even the west side. I want to reiterate that this is serious and unprecedented. We have never seen car shortages this severe, and the delivery of scheduled cars delayed as they are this fall.

We ask that you use your good offices to pursue four issues:

- What are railroads doing to get cars delivered when scheduled or promised and returned to country elevators, and what are they doing to unravel this problem
- Are grain trains receiving priority in movement
- What can we do to help relieve this bottleneck, and get trains back on schedule
- What can the government do to help solve this immediate problem

For the long term, we are very concerned that this problem must be solved so this does not happen again next year, and on into the future. A common response from the railroads in the past has been that there simply are not enough grain cars to meet the demands of country elevators. We believe that if they moved the cars in a timely fashion that there is sufficient equipment to handle our requirements.

Please do not hesitate to contact me with comments or questions, and I look forward to working with you to solve both the short term and long term problems with this critical transportation link.

Sincerely,

James E. Byrum, President
Crew love Chg. Habenow [illegible] — Bart [illegible] [illegible]

Elevator in Pigeon, IN [illegible] 4500
Coop. 13 mi. Fm. Storage
Served by short lines = HESR
Conc. of CSX in Aguilar was
Called — 330p 10/22

HESR says CSX's prob is
power and crew's

Closed today for receipt of grain.
Mike Bobik —
Russell, Ky — 4 days hasn't moved.
— Train # G 94577 Load car TIX 3104

Called Bart Keenan 10/26 3pm

They received empty 65 car units on 31M yesterday, loaded and gone
to Saginaw for CSX. Still behind, about full, ordered
8-15 cars units still waiting on 5 units. The HESR owns
385 cars which were used for equipment to Brunswick, Md. in late August
But to early September. Cars have not returned, understand
30 of them are sitting in Russell, Ky. He stated CSX advise him
that they give priority to their own cars. He will for us a
list of cars we have the HESR for us.
The Honorable Debbie Stabenow  
U. S. House of Representatives  
Washington, D.C. 20515-2208  

ATTENTION: Kimberly Love, Legislative Assistant  

Re: Michigan Agri-Business Association  
Lansing, Michigan  

Dear Congresswoman Stabenow:  

I am pleased to respond to your communication regarding the concerns of your constituent, Michigan Agri-Business Association, about the rail service being provided to its members.  

This letter confirms the actions taken by the Board since the October 22nd discussions between Kimberly Love and Mel Clemens, Director of the Board’s Office of Compliance and Enforcement (OCE), regarding car supply issues affecting Michigan agricultural shippers. Director Clemens has been in regular contact with the CSX Transportation, Inc. (CSXT) since those discussions and since providing the shipper information to the railroad by fax, and has confirmed that grain cars are moving to Michigan elevators from CSXT. We will continue to work directly with the involved shippers and the railroad to ensure that this matter remains a focus of the carrier.  

I am hopeful that these efforts will result in improved rail service for Michigan grain shippers. Please do not hesitate to contact me if we can be of further assistance.  

Sincerely,  

[Signature]  
Linda J. Morgan
attention: Mike Clements

organization: Director of Compliance

date: 10/22/99

message: Thank you for your help.

Yours,

[Signature]
Michigan
Agri-Business
Association

1501 North Shore Drive, Suite A
East Lansing, Michigan 48823

October 21, 1999

Congressman James Barcia
2419 Rayburn House Office Bldg.
Washington, D.C. 20515

Subject: Rail Transportation Crises

Dear Congressman Barcia:

Over the past several weeks the availability of railroad grain cars has developed into a serious problem for Michigan agriculture. With the harvest of corn and soybeans hard upon us, grain elevators across Michigan are experiencing a shortage of cars, delayed return of cars and service levels for this vital transportation link in virtual collapse.

During the harvest season, in order for elevators to continue to receive grain from their farmer customers, they schedule movement of grain from their facilities to either end users or other handlers. No elevator has the ability to receive and store all the grain delivered by their customers, especially this year after a bumper wheat and dry bean crop. They must ship grain so space is available for farmers to continue delivering grain. With the favorable yields farmers are harvesting this fall, the need to move grain from country elevators has become even more pressing.

The breakup of Conrail, and the merger with either Norfolk Southern or CSX has evidently not been as smooth as first indicated. Reports tell us that it is taking more than a month for a unit train (60 cars or more) to travel from Michigan to the mid-south, and return to Michigan. We have heard stories that some of these trains are sitting for several days in rail yards in Toledo, or other yards across the country, and not moving back to the country elevator.

The resulting situation is that in many cases elevators are being forced to close, and stop receiving grain from farmers because their storage is full. This means that grain is either being left in the field, where it may be subject to weather problems, or stored on the ground in piles for later processing through elevators.

In short, this is a crisis situation and demands immediate attention. Times are tough enough in agriculture without this added burden. Railroads must move cars efficiently, and get them back to the country to ease the severe shortage of grain storage.
I have received calls from all across Michigan about this problem, but especially the Thumb and Saginaw Valley, the central part of the state and even the west side. I want to reiterate that this is serious and unprecedented. We have never seen car shortages this severe, and the delivery of scheduled cars delayed as they are this fall.

We ask that you use your good offices to pursue four issues:

- What are railroads doing to get cars delivered when scheduled or promised and returned to country elevators, and what are they doing to unravel this problem
- Are grain trains receiving priority in movement
- What can we do to help relieve this bottleneck, and get trains back on schedule
- What can the government do to help solve this immediate problem

For the long term, we are very concerned that this problem must be solved so this does not happen again next year, and on into the future. A common response from the railroads in the past has been that there simply are not enough grain cars to meet the demands of country elevators. We believe that if they moved the cars in a timely fashion that there is sufficient equipment to handle our requirements.

Please do not hesitate to contact me with comments or questions, and I look forward to working with you to solve both the short term and long term problems with this critical transportation link.

Sincerely,

James E. Byrum, President
They received empty 65 car units at 3PM yesterday, loaded and gone to Saginaw for CSX. Still behind, almost full. Ordered 8-15 car units still sitting on 5 units. The HESR owns 385 cars which have been used for export only. Bennettsville, SC, in late August, but not early September. Cars have not returned, understood 30 of them are sitting in Russell, Ky. He stated CSX advised him that they give priority to their own cars. He will give us a list of cars or have the HESR for us.
November 30, 1999

Mr. Ronald F. Razzolini
Plant Manager
PVS Chemicals, Inc. (New York)
55 Lee Street
Buffalo, New York 14210

Dear Mr. Razzolini:

This responds to your letter regarding rail service issues affecting your company and their impact on your operations. I appreciate the challenge of your task in trying to adjust your operations to accommodate less-than-adequate rail service.

Our meeting in Buffalo on October 18th was an excellent opportunity for me to meet with shippers and listen to their concerns, and to get a sense of the proportions of the Buffalo-area rail service problem. As I pledged to the Congressional delegation in attendance, I have put forward a plan for addressing existing rail service concerns in the Buffalo area. In this regard, enclosed are copies of letters sent to NS and CSX directing that various actions be taken. As I also pledged, I will be returning to Buffalo in six months to assess the situation. In the meantime, we will continue to actively monitor rail service in the Buffalo area, and I hope that you will not hesitate to be in contact with Melvin Clemens, Director of the Board’s Office of Compliance and Enforcement (OCE), who attended the Buffalo meeting with me, if there are immediate rail service issues with which we might be helpful.

We at the Board remain committed to working with you in a constructive way to resolve service issues in the Buffalo area. I look forward to our continued association.

Sincerely,

Linda J. Morgan

Enclosures
October 18, 1999

Ms. Linda Morgan
Chairwoman
United States Surface Transportation Board
C/O Erie Niagara Rail Steering Committee
275 Oak Street
Buffalo, New York 14203

Dear Ms. Morgan:

PVS Chemicals, Inc. (New York) is located at 55 Lee Street in the Industrial Corridor of Buffalo. Our manufacturing plant has been at this site since the 1870s. This location employs 50 hardworking, dedicated workers that manufacture Sulfuric Acid and other Sulfur Derivative products. The Ultra High Purity Sulfuric Acid manufactured at this site is some of the highest quality acid produced in the world, and is ultimately used in the manufacture of silicon chips.

Our customer base includes such local companies as Bethlehem Steel, Eastman Kodak, United Refining Company, Occidental Chemical, Arch Chemicals and Nelson Steel. PVS also ships product to Puerto Rico, Germany and Australia. These customers, as well as all of our accounts, rely on our ability to supply their critical raw materials in a timely manner. Our ability to stay in business in Buffalo is predicated on this ability.

Until June 1, 1999 the Buffalo plant received 3 railroad switches per week. Although PVS would have preferred rail switching on a daily basis, Conrail met our needs by RELIABLY switching our plant each Monday, Wednesday and Friday. If you are not aware of it, this is no longer the case. Since the split up of Conrail, service into our plant has been dismal. On a daily basis as many as 5 of our personnel are needed to call either the Norfolk Southern or CSX Railroad in order to plead for service into our plant. Often we find that we are not even able to make contact with railroad personnel because the telephone rings and rings with no answer (even voicemail would be preferable). Many of the railcars arrive in the Buffalo railyards only to be put on other trains to go to Ohio or Pennsylvania where they would sit and wait for the opportunity to travel back to Buffalo. This has added substantially to our travel times on railcars. In some instances we have come within hours of shutting down key processes due to the lack of raw materials whose delivery was delayed by the railroad. And only then was delivery made due to the efforts of our personnel frantically pleading with the railroad for service. We are now faced with carrying higher inventory of key raw

"Let's Live Quality"
material. This amounts to added costs for our facility in the form of higher inventory cost and detention charges on idle railcars. Our supplier also experiences added costs in the form of additional railcars to serve our needs.

Our investigation shows that transit times are running 3 times what they were prior to the Conrail split-up and we have gone up to 10 days without a switch. Since the split-up of Conrail we typically have been served once per week, compared to 3 times per week with Conrail. Since the formal announcement of this meeting 2 weeks ago, we have received multiple switches each week. Will this service continue, or will it revert back to a weekly switch once this meeting is concluded?

On behalf of the 50 families employed at our Buffalo manufacturing plant, our customers, and our industrial neighbors, I thank you for taking an interest in resolving this issue.

Sincerely,

Ronald F. Razzolini  
Plant Manager
The Honorable Robert Andrews  
U.S. House of Representatives  
Washington, DC 20515-3001  

Dear Congressman Andrews:  

Thank you for your letter regarding your concerns about the successful implementation of the Conrail transaction by Norfolk Southern Railroad (NS) and CSX Transportation, Inc. (CSXT). Specifically, you have expressed concern about the ability of NS and CSXT to marshal sufficient employee and other resources, to correct lingering computer problems, and to provide adequate service to shippers in the region. You have also indicated concern about the diversion of traffic to trucks by major shippers.

In its decision approving the Conrail transaction, the Board imposed significant reporting responsibilities on NS and CSXT related to the implementation of the transaction. The reporting requirements include a weekly regimen of operational metrics and monthly updates on such areas as Labor, Construction and Capital Projects, Information Technology, and Customer Service. The reports are filed with Mr. Melvin Clemens, the Director of the Board’s Office of Compliance and Enforcement (OCE). As part of the Board’s continuing effort to monitor and evaluate service and operational levels, Director Clemens has increased the reporting requirements on four occasions: in June; in July; in August; and most recently on November 5th. This increased reporting is intended to bring meaningful focus to areas that we believe continue to adversely affect operations. OCE Director Clemens also is in regular contact with senior officials at NS and CSXT to monitor the implementation, verify the metrics, and interface on customer issues.

In addition, I am in frequent contact with shippers and employees about their concerns, and with the Chief Executives of both railroads to ensure that their principal focus continues to be on improving the services that their companies provide. I also have requested information from the railroads on such issues as plans for handling seasonal traffic flows, cooperative efforts to ease congestion, and initiatives to improve the operations of the Shared Assets Areas, which clearly impact service in New Jersey. These contacts and the required reporting provide the Board with valuable information on the service issues that affect the public and on the condition of the former Conrail portions of each system.

Regarding your concern about the diversion from rail of truck-competitive traffic, clearly one of the objectives of this transaction was the opportunity to offer a new level of rail competition in the region that would compete with trucks. The full implementation of the shared assets operations and the redesign or construction of yard and intermodal facilities should...
provide sufficient resources to accomplish this goal. In addition, NS, which clearly has acquired a significant presence in the region, has reported the addition of 416 locomotives, more than 300 additional train service employees, and its commitment to a $250 million program for infrastructure improvements. The infrastructure improvements that focus more specifically on the needs of New Jersey, Pennsylvania, and New York are:

- Additional double-tracking and improved signalization of the “Penn Route”, NS’s main east-west route between the North Jersey Shared Assets Area and Chicago, including improvements in and around Harrisburg. These improvements are due to be completed in the first quarter of 2000.
- Completion of the Rutherford, Pennsylvania intermodal terminal. Due to be completed in the second quarter of 2000, this improved facility should increase the capacity and improve the fluidity of the “Penn Route”, thus increasing the ability of NS to attract truck-competitive traffic otherwise moving by highway in the Northeast.
- Rehabilitation of the Bison and Buffalo and Pittsburgh yards in Buffalo, due to be completed in December 1999. This rehabilitation should improve the flow of traffic on NS’s principal east-west line serving New Jersey and New York, relieve Conway Yard in Pittsburgh of some of its classification responsibilities, and greatly improve transit times for shippers in the region.

Clearly there have been start-up problems during the initial implementation of this transaction that, compounded by increased seasonal traffic flows, have resulted in less-than-adequate service for shippers. However, the Board’s continued active and vigilant monitoring of the operations of NS and CSXT, as the carriers implement the Conrail transaction, and its proactive interface with shippers to resolve service issues informally as they are brought to our attention should serve to ensure a successful implementation of the Conrail transaction. The interaction that you seek is already occurring and, I assure you, will continue.

I appreciate the opportunity to respond to your concerns, and look forward to working with you in any area in which you or your constituents require the Board’s assistance.

Sincerely,

Linda J. Morgan

[Signature]
November 30, 1999

The Honorable Robert Menendez  
U.S. House of Representatives  
Washington, DC 20515-3013

Dear Congressman Menendez:

Thank you for your letter regarding your concerns about the successful implementation of the Conrail transaction by Norfolk Southern Railroad (NS) and CSX Transportation, Inc. (CSX). Specifically, you have expressed concern about the ability of NS and CSX to marshal sufficient employee and other resources to handle seasonal traffic flows and provide adequate service to shippers in the region.

In its decision approving the Conrail transaction, the Board imposed significant reporting responsibilities on NS and CSX related to the implementation of the transaction. The reporting requirements include a weekly regimen of operational metrics and monthly updates in such areas as Labor, Construction and Capital Projects, Information Technology, and Customer Service. The reports are filed with Mr. Melvin Clemens, the Director of the Board’s Office of Compliance and Enforcement (OCE). As part of the Board’s continuing effort to monitor and evaluate service and operational levels, Director Clemens has increased the reporting requirements on four occasions: in June; in July; in August; and most recently on November 5th. This increased reporting is intended to bring meaningful focus to areas that we believe continue to adversely affect operations. OCE Director Clemens also is in regular contact with senior officials at NS and CSX to monitor the implementation, verify the metrics, and interface on customer issues.

In addition, I am in frequent contact with shippers and employees about their concerns, and with the Chief Executives of both railroads to ensure that their principal focus continues to be on improving the services that their companies provide. I also have requested information from the railroads on such issues as plans for handling seasonal traffic flows, cooperative efforts to ease congestion, and initiatives to improve the operations of the Shared Assets Areas, which clearly impact service in New Jersey. These contacts and the required reporting provide the Board with valuable information on the service issues that affect the public and on the condition of the former Conrail portions of each system.

Regarding your concern about shared assets operations, sufficient yard and employee resources, and increased truck traffic due to congestion, NS, which clearly has acquired a significant presence in New Jersey and Pennsylvania, has reported the addition of 416 locomotives, more train service employees, and its commitment to a $250 million program...
for infrastructure improvements. Some of the infrastructure improvements are addressed specifically to the needs of New Jersey are:

- Additional double-tracking and improved signalization of the "Penn Route", NS’s main east-west route between the North Jersey Shared Assets Area and Chicago, including improvements in and around Harrisburg. These improvements are due to be completed in the first quarter of 2000.
- Completion of the Rutherford, Pennsylvania intermodal terminal. Due to be completed in the second quarter of 2000, this improved facility should increase the capacity and improve the fluidity of the "Penn Route", thus increasing the ability of NS to attract intermodal traffic otherwise moving by highway in New Jersey and New York.
- Rehabilitation of the Bison and Buffalo and Pittsburgh yards in Buffalo, due to be completed in December 1999. This rehabilitation should improve the flow of traffic on NS’s principal east-west line serving New Jersey and New York, relieve some of the classification responsibilities of Conway Yard in Pittsburgh, and greatly improve transit times to New Jersey, New York and Pennsylvania shippers.

Clearly there were start-up problems during the initial implementation phase of this transaction that, compounded by increased seasonal traffic flows, have resulted in less-than-adequate service for shippers. However, the Board’s continued active and vigilant monitoring of the operations of NS and CSXT, as the carriers implement the Conrail transaction, and its proactive interface with shippers to resolve service issues informally as they are brought to our attention should serve to ensure a successful implementation of the Conrail transaction.

I appreciate the opportunity to respond to your concerns, and look forward to working with you in any area in which you or your constituents require the Board’s assistance.

Sincerely,

Linda J. Morgan

Linda J. Morgan
November 30, 1999

The Honorable Bill Pascrell, Jr.
U.S. House of Representatives
Washington, DC 20515-3008

Dear Congressman Pascrell:

Thank you for your letter regarding your concerns about the successful implementation of the Conrail transaction by Norfolk Southern Railway (NS) and CSX Transportation, Inc. (CSXT). Specifically, you have expressed concern about the nature and extent of the transitional problems affecting service by both NS and CSXT, and the potential impact of increased highway traffic.

As you may know, in its decision approving the Conrail transaction, the Board imposed significant reporting responsibilities on NS and CSXT related to the implementation of the transaction. The reporting requirements include a weekly regimen of operational metrics, and monthly updates in such areas as Labor, Construction and Capital Projects, Information Technology, and Customer Service. The reports are filed with Mr. Melvin Clemens, the Director of the Board’s Office of Compliance and Enforcement (OCE). As part of the Board’s continuing effort to monitor and evaluate service and operational levels, Director Clemens has increased the reporting requirements on four occasions: in June; in July; in August; and most recently on November 5th. This increased reporting is intended to bring meaningful focus to areas that we believe continue to adversely affect operations. OCE Director Clemens also is in regular contact with senior officials at NS and CSXT to monitor the implementation, verify the metrics, and interface on customer issues.

In addition, I am in frequent contact with shippers and employees about their concerns, and with the Chief Executives of both railroads to ensure that their principal focus continues to be on improving the services that their companies provide. I also have requested information from the railroads on such issues as plans for handling seasonal traffic flows, cooperative efforts to ease congestion, and initiatives to improve the operations of the Shared Assets Areas, which clearly impact service in New Jersey. These contacts and the required reporting provide the Board with valuable information on the service issues that affect the public and on the condition of the former Conrail portions of each system.

Regarding your concern about increased truck traffic due to congestion, NS, which clearly has acquired a significant presence in New Jersey and adjoining Pennsylvania, has
reported the addition of 416 locomotives, additional train service employees, and its commitment to a $250 million program for infrastructure improvements. Some of the infrastructure improvements intended to address the flow of traffic to and from New Jersey and the Shared Assets Areas are:

- Additional double-tracking and improved signalization of the “Penn Route”, NS’s main east-west route between the North Jersey Shared Assets Area and Chicago, including improvements in and around Harrisburg. These improvements are due to be completed in the first quarter of 2000.
- Completion of the Rutherford, Pennsylvania intermodal terminal. Due to be completed in the second quarter of 2000, this improved facility should increase the capacity and improve the fluidity of the “Penn Route”, thus increasing the ability of NS to attract intermodal traffic otherwise moving by highway in the Northeast.
- Rehabilitation of the Bison and Buffalo and Pittsburgh yards in Buffalo, due to be completed in December 1999. This rehabilitation should improve the flow of traffic on NS’s principal east-west line serving New York and New Jersey, relieve some of the classification responsibilities of Conway Yard in Pittsburgh, and greatly improve transit times to New Jersey, New York, and Pennsylvania shippers.

Clearly there were start-up problems during the initial implementation phase of this transaction that, compounded by increased seasonal traffic flows, have resulted in less-than-adequate service levels for shippers. However, the Board’s continued active and vigilant monitoring of the operations of NS and CSXT, as the carriers implement the Conrail transaction, and its proactive interface with shippers to resolve service issues informally as they are brought to our attention should serve to ensure a successful implementation of the Conrail transaction in the near term.

I appreciate the opportunity to respond to your concerns, and look forward to working with you and to keeping you informed as you wish on our continuing efforts with respect to the Conrail transaction. Please do not hesitate to contact me if we can be of assistance in any area in which you or your constituents may require the Board’s assistance.

Sincerely,

Linda J. Morgan
Mr. Peter DelGobbo  
Director of Transportation  
AGWAY, Inc.  
P.O. Box 4933  
Syracuse, New York 13221-4933  

Dear Mr. DelGobbo:  

This responds to your letter regarding rail service issues affecting your company and their impact on your operations. I appreciate the challenge of your task in trying to adjust your operations to accommodate less-than-adequate rail service.  

Our meeting in Buffalo on October 18th was an excellent opportunity for me to meet with shippers and listen to their concerns, and to get a sense of the proportions of the Buffalo-area rail service problem. As I pledged to the Congressional delegation in attendance, I have put forward a plan for addressing existing rail service concerns in the Buffalo area. In this regard, enclosed are copies of the letters sent to NS and CSX directing that various actions be taken. As I also pledged, I will be returning to Buffalo in six months to assess the situation. In the meantime, we will continue to actively monitor rail service in the Buffalo area, and I hope that you will not hesitate to be in contact with Melvin Clemens, Director of the Board’s Office of Compliance and Enforcement (OCE), who attended the Buffalo meeting with me, if there are immediate rail service issues with which we might be helpful.  

We at the Board remain committed to working with you in a constructive way to resolve service issues in the Buffalo area. I look forward to our continued association.  

Sincerely,  

Linda J. Morgan  

Enclosures
Chairman Linda Morgan
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001

RE: Erie/Niagara Rail Committee Meeting
Rail Crisis – Buffalo, NY

October 18, 1999

Dear Chairman Morgan,

My name is Peter DelGobbo; I am the Director of Transportation for Agway’s Agricultural Division based in Syracuse, NY. Agway is the largest agricultural cooperative in the Northeast owned by 71,000 farmer members in 12 states. Agway’s AG division operates 16 feed mills, 120 fertilizer facilities and 67 farm stores, and is very dependant on rail transportation, receiving and shipping approximately 10,000 carloads of grain, ingredients, and fertilizer products annually.

The breakup of Conrail has caused major and costly service delays for our company, mainly on the Norfolk Southern lines.

In the Buffalo area, the lack of a large classification yard has crippled the Norfolk Southern and I would say that the service on the NS lines between Buffalo and Binghamton NY is the worse in the entire merger area.

Agway has 18 covered hopper cars assigned to ADM Milling in Buffalo, which are used to ship wheat midds from Buffalo to Agway’s feed mill in Binghamton, NY, 200 miles to the east on the NS Southern Tier Line. Prior to June 1st Agway was shipping six (6) cars per week with an average transit time of 5 days. Since the Conrail breakup our transit time is now averaging 28 days!!

The route on these cars is CSXT-Buffalo-NS, as ADM Milling is served by CSXT. Typically, a car is shipped and CSXT will offer the car to the NS within two to three days of ship date. NS receives the car and routes it to Conway (Pittsburgh) where it is classified for the NS yard at Gang Mills, Corning, NY. Cars are delayed in Buffalo, then delayed at Conway. Cars then move from Conway to Ashtabula, back through Buffalo to Corning NY, where they are delayed another 2 to 3 days prior to movement to the Binghamton Yard for delivery.

Unfortunately, my empty cars, which are leased, return back to ADM Buffalo via the reverse route, again through Conway and back to Buffalo.
We have had to truck midds from Buffalo to Binghamton to supplement this horrible rail service at twice the freight expense to keep our mill operating.

We are, at this time, gathering all data to claim damages against the Norfolk Southern.

We are also experiencing MAJOR delays on shipments to Agway facilities at Jamestown, Castile and Big Flats, NY. It now takes a carload of corn two to four weeks to travel from Ohio to Castile NY (compared to 8 days with Conrail) and when the car is empty and released back to the NS, it has been averaging in excess of 30 days for NS to pickup the car... again these are Agway leased covered hopper cars.

CSXT and Norfolk Southern are under statutory obligation to render adequate service – these examples are NOT adequate service.

The Surface Transportation Board must step in and help solve this problem; at least until such time the Norfolk Southern has the ability to provide quality service.

It is most unfortunate that our company now looks for every possible way to NOT use Norfolk Southern in our rail routes.
November 30, 1999

Mr. Ronald F. Razzolini  
Plant Manager  
PVS Chemicals, Inc. (New York)  
55 Lee Street  
Buffalo, New York 14210

Dear Mr. Razzolini:

This responds to your letter regarding rail service issues affecting your company and their impact on your operations. I appreciate the challenge of your task in trying to adjust your operations to accommodate less-than-adequate rail service.

Our meeting in Buffalo on October 18th was an excellent opportunity for me to meet with shippers and listen to their concerns, and to get a sense of the proportions of the Buffalo-area rail service problem. As I pledged to the Congressional delegation in attendance, I have put forward a plan for addressing existing rail service concerns in the Buffalo area. In this regard, enclosed are copies of letters sent to NS and CSX directing that various actions be taken. As I also pledged, I will be returning to Buffalo in six months to assess the situation. In the meantime, we will continue to actively monitor rail service in the Buffalo area, and I hope that you will not hesitate to be in contact with Melvin Clemens, Director of the Board’s Office of Compliance and Enforcement (OCE), who attended the Buffalo meeting with me, if there are immediate rail service issues with which we might be helpful.

We at the Board remain committed to working with you in a constructive way to resolve service issues in the Buffalo area. I look forward to our continued association.

Sincerely,

Linda J. Morgan

Enclosures
October 18, 1999

Ms. Linda Morgan
Chairwoman
United States Surface Transportation Board
C/O Erie Niagara Rail Steering Committee
275 Oak Street
Buffalo, New York 14203

Dear Ms. Morgan:

PVS Chemicals, Inc. (New York) is located at 55 Lee Street in the Industrial Corridor of Buffalo. Our manufacturing plant has been at this site since the 1870's. This location employs 50 hardworking, dedicated workers that manufacture Sulfuric Acid and other Sulfur Derivative products. The Ultra High Purity Sulfuric Acid manufactured at this site is some of the highest quality acid produced in the world, and is ultimately used in the manufacture of silicon chips.

Our customer base includes such local companies as Bethlehem Steel, Eastman Kodak, United Refining Company, Occidental Chemical, Arch Chemicals and Nelson Steel. PVS also ships product to Puerto Rico, Germany and Australia. These customers, as well as all of our accounts, rely on our ability to supply their critical raw materials in a timely manner. Our ability to stay in business in Buffalo is predicated on this ability.

Until June 1, 1999 the Buffalo plant received 3 railroad switches per week. Although PVS would have preferred rail switching on a daily basis, Conrail met our needs by RELIABLY switching our plant each Monday, Wednesday and Friday. If you are not aware of it, this is no longer the case. Since the split up of Conrail, service into our plant has been dismal. On a daily basis as many as 5 of our personnel are needed to call either the Norfolk Southern or CSX Railroad in order to plead for service into our plant. Often we find that we are not even able to make contact with railroad personnel because the telephone rings and rings with no answer (even voicemail would be preferable). Many of the railcars arrive in the Buffalo railyards only to be put on other trains to go to Ohio or Pennsylvania where they would sit and wait for the opportunity to travel back to Buffalo. This has added substantially to our travel times on railcars. In some instances we have come within hours of shutting down key processes due to the lack of raw materials whose delivery was delayed by the railroad. And only then was delivery made due to the efforts of our personnel frantically pleading with the railroad for service. We are now faced with carrying higher inventory of key raw materials.
material. This amounts to added costs for our facility in the form of higher inventory cost and detention charges on idle railcars. Our supplier also experiences added costs in the form of additional railcars to serve our needs.

Our investigation shows that transit times are running 3 times what they were prior to the Conrail split-up and we have gone up to 10 days without a switch. Since the split-up of Conrail we typically have been served once per week, compared to 3 times per week with Conrail. Since the formal announcement of this meeting 2 weeks ago, we have received multiple switches each week. Will this service continue, or will it revert back to a weekly switch once this meeting is concluded?

On behalf of the 50 families employed at our Buffalo manufacturing plant, our customers, and our industrial neighbors, I thank you for taking an interest in resolving this issue.

Sincerely,

Ronald F. Razzolini
Plant Manager
Dear Chairman Morgan:

I am writing in regard to the transport of Michigan agricultural products via rail carriers.

As you know, recent weeks have seen a crisis in the lack of rail cars for shipment of Michigan agricultural products from elevators and storage facilities to market. The immediate crisis is the result of many factors, including a good harvest and the use of railcars in other parts of the country affected by weather disasters. However, another key factor, which has been a longstanding complaint of Michigan farmers, is the slow integration of Conrail assets into the CSX rail system.

In regard to this last factor, I would request that you provide me with information on the actions your Board has taken or studies and evaluations it has conducted in regard to the Conrail acquisition by CSX, as it relates to agricultural shippers in Michigan and their access to rail transport. Additionally, I would greatly appreciate any assistance you can provide in alleviating the shortage of rail cars for Michigan agricultural shippers.

Thank you in advance for your prompt attention to my request.

Sincerely,

Dave Camp
Member of Congress
Mr. Michael J. Winn, Senior Vice President  
RR Donnelley & Sons Company  
Northeastern Division  
1375 Harrisburg Pike  
Lancaster, Pennsylvania 17601-2699

Dear Mr. Winn:

This responds to your letters and to the weekly Performance Reports that you have been providing this office since September to update me on your service issues. These updates have been extremely valuable to me in my efforts to work with Norfolk Southern Railway Company (NS) on your behalf to try and improve service to your Lancaster facilities.

Using your reports, I have discussed your concerns with NS officials during my frequent conference calls, including several discussions with Don Seale, NS’s Vice President - Merchandise Marketing. It is clear from your reports and from the results of your meeting with NS officials on November 17th that substantial service issues remain. I am not satisfied with the service levels being provided to your company, and Mr. Mead’s letter of November 19th makes it clear that neither are you. I am encouraged, however, by Thomas Lindsey’s letter of November 19th, which sets out NS’s goals for achieving improved service levels. As such, I will continue to work actively with NS officials to try and help bring about improved service levels for your company and for other similarly situated shippers and receivers. In order to aid me in this process, I would appreciate the continued receipt of your Performance Reports on NS service levels.

Please do not hesitate to contact me on any issue with which the Board can be of assistance.

Sincerely,

Melvin F. Clemens, Jr.  
Director

cc: Mr. Don Seale, Vice President - Merchandise Marketing  
Mr. James McClellan, Senior Vice President - Planning
November 15, 1999

The Honorable Linda J. Morgan
Chairman
Surface Transportation Board
Washington, D.C. 20423-0001

Dear Chairman Morgan:

I have reviewed your letter of November 5 and, of course, NS will comply with the various requests for additional information concerning issues affecting the Buffalo area. We are working with CSX concerning a possible solution to CP Draw and will have a report to you on that issue no later than December 15. The other information requested in your letter will be included in the weekly or monthly reports we are currently submitting to the Board through Melvin Clemens and will be supplied on the time frame you request.

The last several weeks have been the best for us since June 1. As our system improves and we gradually put our transition problems behind us, shippers in Buffalo and throughout our network will see better service.

Sincerely,

[Signature]
Ms. Linda J. Morgan  
Chairman  
Surface Transportation Board  
1925 K Street N. W.  
Washington, D. C. 20423-0001

November 11, 1999

Dear Ms. Morgan:

This letter is to respectfully ask for your assistance with regard to the current rail service being provided in the northeast on the former Conrail network, that is now being operated by CSX and the Norfolk Southern.

PPG is a multi-business, global manufacturing corporation. In 1998, worldwide sales were in excess of $7 billion, of which $4.7 billion was generated in the United States. In 1996, PPG had 31,000 employees worldwide and 20,000 in the United States. PPG is a significant user of railroad transportation services for both the receipt of key raw materials and the shipping of products to our customers. PPG owns and leases 2,500 rail cars to transport bulk chemical products, including some that are virtually rail dependent.

On June 1, 1999 the Conrail acquisition by CSX and the Norfolk Southern occurred, and both railroads began operating their portion of the acquired system. PPG participated in the acquisition proceedings and expressed its concern about the elimination of competition and the operating capabilities of the two acquiring carriers. The acquisition was approved by the STB and the shippers were promised more competition and improved service.

The start up did not go smoothly, and the carriers encountered significant problems in systems and service. CSX and the Norfolk Southern did acknowledge that start up problems were more severe than expected, but indicated service would be back to normal or better than previously provided by Conrail, in a short period of time.

Unfortunately the service performance of both carriers has not improved and in some cases it has gotten worse. CSX and the Norfolk Southern are not providing an acceptable level of service, resulting in extensive problems, unplanned expenses, and significant business disruptions for PPG and its
Not working on the railroad

Norfolk Southern and CSX are still struggling to make the Conrail breakup pay off

By Len Bosnjakovic and Jim McKay
Post-Gazette Staff writers

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Firms struggle to make
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CONRAIL FROM PAGE E-1

says. It may be mid-December "be-
fore you see real significant relief," Sul-
lian adds.

The impact of the chaos is ap-
parent in Norfolk Southern's finan-
cial statements. The Norfolk, Va.

based railroad spent $116 million in
the third quarter trying to untangle
its rail lines, including $49 million in
incentives for uninsured employees.

In addition to paying, "over-
time, Norfolk Southern and CSX are
retiring Conrail crews, leasing
additional locomotives and asking
short-line railroads, whose limited
track networks connect to Norfolk
Southern and CSX's main lines, to
help them sort trains and handle
some traffic.

"Both of [the railroads] have been
very creative at using short
lines to get traffic off the system," says Jim Johnson, traffic manager for
Empire Wholesale Lumber in
Alcoa.

Norfolk Southern and CSX are
filling weekly reports with the U.S.

Department of Transportation that
detail on-time performance and
other measures. While the reports
are supposed to shed some light on
progress, Johnson finds them of lit-
tle use.

"I've got cars stuck in places
where they shouldn't be stuck ac-

cording to those reports," he says.

In Northwestern Ohio, blocked
rail crossings were a major safety
concern before the $63.8 billion
breakup of Conrail. Now in some
towns such as Perrysville, southwest
of Toledo, rail traffic has more than
doubled, causing even more blocked

crossings. State Rep. Ray

Damschroder says the roadblocks
have forced freighters to crawl
under a train to get to a fire. Kids
have done the same thing to get to
school on time, he says.

Damschroder is formulating a
bill that would prohibit trains from

blocking critical crossings. Another
proposal would increase fines rail-

roads are charged for blocking

crossings for more than five min-
utes.

Husband says Norfolk Southern
has stopped trains outside termi-

nals because of congestion inside
the yards, blocking crossings "in
some cases for hours at a time."

But the situation has improved
significantly over the last few

months, he says.

The logjam is the East Coast
version of what happened in the
West in 1996, when the Union Paci-

cic and Southern Pacific, two large

western railroads, merged. Norfolk
Southern and CSX control virtually
all rail traffic east of the Mississippi
River. CSX has a 2,300-mile net-
work in 23 states, the District of Co-

lumbia and parts of Canada. Nor-

folk Southern has about 21,600
miles of track in 22 states, the Dis-

trict of Columbia and Ontario.

"It hasn't been anything close to
what we had with the UP," says

Johnson. "People quickly forget
how bad it was with the UP."

PPO's Mogill isn't so sure. Just

when she thinks things are starting
to get better, "we go right back into

fighting the next crisis.

"The longer it's gone on, it's hard
for us to say which is worse. This
continues to be a major problem for
us," Mogill says.

Most customers give CSX and

Norfolk Southern credit for trying
hard.

"We've had some problems, but
I think we can get them worked out," says J&L Specialty Steel

spokesman James Leonard.

Ed Vigneaux, traffic manager for

Hoechst Chemicals in Houston,

Texas, says that unlike Union Paci-

cic, Norfolk Southern and CSX have
been "willing to take lumps on the
financial side to make this thing
work.

Still, service "has not im-

proved since June 1," Vigneaux

says. "Some areas have gotten bet-

ter and others have gotten worse.

Not everybody is complaining.

Short lines are seeing more busi-

dness since June 1.

"They've generated a lot of traf-

fic," says Dale Berkey, president
and co-owner of ISS Field in New
Castle. "What we've found on both
inbound and outbound traffic is

that Norfolk Southern is competing
with CSX as far as rates are con-

cerned, which Conrail was unwill-

ing or unable to do.

Norfolk Southern's Husband

says initially, "there was a lot of
new business that wanted to come
to the railroad."

However delays have made many
of them change their minds.

"Right now, there is traffic look-

ing for other modes because nei-

ther railroad can handle it," Hus-

band says.
customers. The following highlights what PPG has had to deal with since the Conrail breakup. In 1999, PPG has experienced:

- Curtailment of production at PPG’s Beauharnois, Quebec and Natrium, West Virginia facilities.
- Shutdowns of key PPG customers.
- Emergency use of trucks at PPG’s Meadville and Carlisle, Pennsylvania facilities to supply critical raw materials to keep our plants operating.
- Extraordinary amount of resources required to trace and expedite cars on a daily basis.
- Additional expense for temporary manpower.
- Added expenses to maintain additional cars in PPG’s private fleet, offsetting service inconsistencies.
- Curtailment of outbound shipments at our facilities.
- Increases in transit times of 15-30%.

Our experience shows that interchange delays are particularly acute at several yard locations on both railroads such as Buffalo, NY; Hagerstown, Cumberland MD; Cleveland, Ohio; Pittsburgh, Philadelphia, Allentown, PA, and Russell, KY.

Personal and written communications have been made with key CSX and Norfolk Southern management expressing the critical nature of these problems. Calls are made on a daily basis trying to determine when cars will move and when they will be delivered. The railroads are unable to provide reliable information because frequently the information needed is simply not available. Unreliable systems frequently cause loads to become empties and empties to become loads. Cars are mishandled and sent in the wrong direction or just disappear.

Neither railroad can provide a reliable time frame for PPG to expect consistent service. It is extremely critical that service deficiencies be corrected as soon as possible. PPG is requesting that the Surface Transportation Board, with its oversight of the acquisition, take whatever steps are necessary to restore rail service back to consistent and reliable service standards. The Board must not adopt an accepting attitude of the levels of service currently being provided.
because rail dependent users cannot continue to successfully run their operations with a continuation of the current railroad service levels. In our opinion, CSX and the Norfolk Southern must be required by the Board to take immediate actions to improve this situation.

Respectfully, PPG would appreciate a written response from the Board as to what steps are being taken by both companies that will result in an expedited rail service recovery.

To stress the importance of this situation, we are sending copies of this letter to Senators Rockefeller (WV), Santorum (PA), Specter (PA) and Pennsylvania Congressmen English and Goodling.

Sincerely,

Donald W. Bogus
November 11, 1999

Mr. John W. Snow  
Chairman, President, and CEO  
CSX Corp.  
One James Center  
901 East Carey Street  
Richmond, VA 23219-4031

Dear Mr. Snow:

PPG Industries, Inc. is writing this letter to inform you of our serious concerns with rail service since the acquisition of Conrail by CSX and Norfolk Southern on June 1, 1999. Over the past several months we have been working diligently with all of your customer service representatives and various managers to rectify problems caused by very poor service performance. Although we appreciate everyone’s efforts, our service has not improved and, as a matter of fact, it continues to deteriorate.

PPG is doing everything possible to mitigate the damages caused by the service performance; however, the impacts to our business are tremendous. The following provides a broad overview of the problems we are encountering:

- Customer shutdowns
- Curtailed production rates
- Premium truck transportation expenses
- Temporary employee expenses
- Additional tank car fleet expenses
- Curtailed outbound shipments
We feel we have no choice but to raise this issue to the highest possible level. We are requesting your immediate assistance in addressing this service performance. We would like to meet with you and your management team to review specific action plans to improve service. Thank you for your assistance.

Attached for your review is a recent memo we sent to Linda Morgan, Surface Transportation Board. Copies of this memo were also respectfully submitted to Senators Rockefeller (WV), Santorum (PA), Specter (PA) and Pennsylvania Congressmen English and Goodling.

Sincerely,

Margaret McGrath
Vice President
Purchasing & Distribution

Rae R. Burton
Vice President
Chlor Alkali & Derivatives

Richard B. Leggett
Vice President
Flat Glass

Attachment
Dear Mr. Goode:

PPG Industries, Inc. is writing this letter to inform you of our serious concerns with rail service since the acquisition of Conrail by CSX and Norfolk Southern on June 1, 1999. Over the past several months we have been working diligently with all of your customer service representatives and various managers to rectify problems caused by very poor service performance. Although we appreciate everyone’s efforts, our service has not improved and, as a matter of fact, it continues to deteriorate.

PPG is doing everything possible to mitigate the damages caused by the service performance; however, the impacts to our business are tremendous. The following provides a broad overview of the problems we are encountering:

- Customer shutdowns
- Curtailed production rates
- Premium truck transportation expenses
- Temporary employee expenses
- Additional tank car fleet expenses
- Curtailed outbound shipments
We feel we have no choice but to raise this issue to the highest possible level. We are requesting your immediate assistance in addressing this service performance. We would like to meet with you and your management team to review specific action plans to improve service. Thank you for your assistance.

Attached for your review is a recent memo we sent to Linda Morgan, Surface Transportation Board. Copies of this memo were also respectfully submitted to Senators Rockefeller (WV), Santorum (PA), Specter (PA) and Pennsylvania Congressmen English and Goodling.

Sincerely,

Margaret McGrath
Vice President
Purchasing & Distribution

Rae R. Burton
Vice President
Chlor Alkali & Derivatives

Richard B. Leggett
Vice President
Flat Glass

Attachment
November 17, 1999

VIA OVERNIGHT DELIVERY

James C. Bishop, Jr., Esquire
Executive Vice President - Law
Norfolk Southern Corporation
Three Commercial Place
Norfolk, VA 23510-2191

RE: Service Failures Suffered by R.R. Donnelley & Sons Company at Its Lancaster, Pennsylvania Printing Plants

Dear Jim:

We have been retained by R.R. Donnelley & Sons Company (“Donnelley”), the nation’s largest printer of catalogs and similar advertising and sales materials, to advise them about their alternatives in dealing with continuing inadequate Norfolk Southern rail service at their two Lancaster, PA plants. The purpose of this letter is to advise you of the seriousness of this situation and to request your assistance in remedying these problems so that Donnelley is not forced to seek an emergency service order from the Surface Transportation Board (“STB”).

Since the June 1 Conrail split date, Donnelley has suffered from seriously diminished rail service. Like others, Donnelley had planned for service difficulties by increasing the lead times on its paper orders, but NS’ service has failed to meet even those reduced expectations. NS computers proved initially to be almost completely incapable of informing Donnelley of the status of its shipments. This is a severe problem for Donnelley, which must schedule major printing jobs to coincide with arrival of the appropriate papers, yet it cannot get accurate information on the delivery status of those shipments. While NS’ data systems have improved, their accuracy remains less than 50%. For planning purposes, this level of accuracy/inaccuracy is completely useless.

Because of transit delays and unpredictable service, Donnelley and its suppliers have been forced to divert a significant amount of rail-appropriate freight to truck. Indeed, at times, Donnelley has been forced to use over two and half times its normal truck usage. This has greatly increased Donnelley’s transportation costs and as of this date has resulted in over a half a
million dollars in damages. This has caused considerable difficulties because the Lancaster plants are largely rail-dependent and are not equipped to handle the current volumes of truck shipments efficiently. Indeed, Donnelley’s Lancaster plants were built with rail service as the primary delivery mechanism.

Donnelley has worked hard in communicating with NS at all levels and cooperating to resolve these problems. Beginning in September, Donnelley also sought, through the informal complaint process, the involvement of the STB. Donnelley hoped that the STB could facilitate progress which Donnelley and NS had not been able to accomplish alone. Since that time, Donnelley has been providing the STB and NS with weekly reports on a variety of service quality issues concerning Donnelley’s Lancaster plants. I am attaching copies of those letters for your information.

Now, more than five months after the Conrail split-up was effectuated, NS’ service is improved, but inadequate to meet Donnelley’s critical business needs. As compared to Conrail’s service, there has been “over an identified period of time, . . . a substantial, measurable deterioration or other demonstrated inadequacy in rail service provided by the incumbent carrier” (i.e., NS). See 49 C.F.R. § 1146.1(a). Shipment information, as stated previously, remains uselessly inaccurate. Transit times, while finally catching up with the elongated estimates Donnelley and its suppliers have used since the split date, remain well below the quality of Conrail’s service. There continues to be tremendous variations in transit times and often NS’ shipment status information is completely unreliable. Together, these failures mean that Donnelley cannot plan and schedule its printing. Yet, the company must be able schedule its work in order to meet its contractual commitments to its customers, particularly at this busy time of year.

This letter should be considered as Donnelley’s final effort to discuss with NS “the service problems and the reasons why the incumbent carrier is unlikely to restore adequate rail service consistent with current transportation needs within a reasonable period of time,” as referenced in the STB’s Ex Parte 628 emergency service rules. 49 C.F.R. § 1146.1(b)(1)(B). This does not mean that Donnelley intends, at this time, to discontinue its cooperation with NS and the STB. Rather, it is time for definitive steps to be taken to determine whether NS can in fact fix the problems at Lancaster and, if so, to put a timetable to those remedies. If not, then Donnelley must quickly assess its options to obtain sufficient alternative service. In either case, it is imperative that Donnelley be able to resume, in the very near term, conducting its business in the scheduled manner that is critical to the time-sensitive printing needs of its customers.

As a final note, please be advised that this letter in no way waives any rights or forecloses any options that Donnelley may have with respect to the deficiencies of NS’ service. In
particular, Donnelley has incurred substantially increased costs as a result of NS’ inconsistent service. Donnelley is exploring its contractual and other remedies with respect to recovery of these costs. Donnelley also has received demurrage bills for excessive amounts due to NS’s bunching of deliveries and even NS’s billing Donnelley for demurrage on cars containing the shipments of other NS customers. Donnelley will not pay these improper charges.

Top priority for Donnelley at this time is immediate restoration of reliable rail service at its Lancaster plants and an immediate accurate accounting of appropriate demurrage charges. Donnelley must be able to schedule its work and rely on the requisite materials being available on schedule. If NS cannot provide that service, then Donnelley must explore other means of obtaining it. While Donnelley would prefer to obtain a resolution with NS and to build the foundation for a long term relationship, service meeting Donnelley’s essential needs is the paramount goal. How and with whom that goal is achieved must be secondary.

On Donnelley’s behalf, I request that NS respond no later than December 1, 1999, specifying both how and when it will achieve the goal of meeting Donnelley’s service reliability requirements. Donnelley and I look forward to your rapid response to this request.

Sincerely,

William A. Mullins

cc: The Honorable Linda J. Morgan  
Mr. Melvin F. Clemens, Jr.  
Mr. Stephen C. Tobias, Vice Chairman and Chief Operating Officer  
Mr. L.I. Prillaman, Vice Chairman and Chief Marketing Officer  
Mr. James W. McClellan, Sr. Vice President-Planning  
Mr. Donald W. Seale, Vice President-Merchandise Marketing
September 17, 1999

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

Dear Mr. Clemens:

Thank you for our conference call on 9/8/99 regarding our transportation “challenges” with Norfolk Southern. It resulted in a call between representatives of Norfolk Southern and myself on 9/9/99. That discussion was quite constructive – they acknowledged our delivery problems, and in turn I promised to provide Norfolk Southern with performance metrics.

The R.R. Donnelley Materials Department, primary interface with Norfolk Southern, has spent the last week designing and compiling some basic performance metrics. These are intended to track information systems, transit time, and reliability of delivery dates. We will provide the same metrics weekly, summarized on a month to date basis. Attached is the first attempt, with definitions. (These are “September To Date” results.) Briefly, the metrics demonstrate the following:

Information Accuracy: Faxtrac is the information we receive from Atlanta that is intended to track total RRD cars in the system for both of our plants – East and West. So far this month, only 7.8% of our cars are on the list – all other cars on Faxtrac are for other customers. Another way of looking at this information – of all the cars that we know are in the Norfolk system, only 8.7% are on the Faxtrac.

(Note: Our expeditors use mill shipment information plus the Norfolk Southern Internet Web Site to actually track our cars. Between these two sources we have a fairly reliable picture of all of what cars SHOULD be in the system.)
**Daily Placement (East):** This is a measure of the accuracy of the daily fax of cars to be delivered to our East Plant. (It is an "open" yard.) So far, only 28.3% of the cars on this list are really our cars. We must call Norfolk Southern and inform them that the other cars are NOT ours, or they will very likely be delivered in error.

**Constructive Placement (West):** Our West Plant is a closed yard. This is the daily notice of the cars in the local yard ready to be delivered when we call for them. Only 17.6% of the cars on this list are actually RRD cars. In this case, if we don't correct the information, Norfolk Southern begins the demurrage charges on all cars.

The next section is **Transit Efficiency** – obviously a critical factor for us in managing inventories and meeting production dates. Note the average time of transit from the various mills, and the variance. Currently we are using 14 days as a prediction of transit time in ordering paper. This is a significant increase over past practices and obviously not a reliable number.

This then leads us to look at **On-Time Delivery Statistics.** So far this month, deliveries have been an average of 3.5 days late. Bad enough, but the Standard Deviation is plus or minus 10.5 days!

This leads us to the final metric **Effect on Donnelley Operations.** Again, we designed and built our plants to rely on rail deliveries of paper. We DO NOT have the personnel or facilities to handle large volumes of truck deliveries. The statistics provided are for August – we will update in subsequent reports for September. August rail deliveries were DOWN 57.3%, and truck deliveries were up 291% for the two plants!

In conclusion, we plan to provide these statistics on a weekly basis to Norfolk Southern and to the Surface Transportation Board. This is being done in the spirit of assisting to improve service for R.R. Donnelley and all of their other customers of Norfolk Southern.

Thank you for your attention to this urgent matter.

Sincerely,

M. Wein

Copy: Jim McClellan, Norfolk Southern
To: Michael Winn  
From: Wade Smith  
Subject: Norfolk Southern Performance Measures  
Date: 09/15/99  
Location: Lancaster East  
Phone: (717) 293-2080  
Fax: (717) 293-2157

**Information Accuracy** – These metrics define the accuracy of transit and delivery information provided to R.R. Donnelley Lancaster from the NS Customer Service Center in Atlanta. It looks at the two main sources of data: The Faxtrac, which lists all of the cars routed to a facility, and the Daily Placement Sheet, which is a notice of cars scheduled for delivery on a given day.

<table>
<thead>
<tr>
<th>Faxtrac (Both Plants)</th>
<th>Daily Placement (East)</th>
<th>Constructive Placement (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Correct</td>
<td>% On Faxtrac</td>
<td>% Correct</td>
</tr>
<tr>
<td>Month to Date</td>
<td>7.8%</td>
<td>8.7%</td>
</tr>
<tr>
<td>Current Week</td>
<td>28.3%</td>
<td>17.6%</td>
</tr>
</tbody>
</table>

**Transit Efficiency** – These metrics define the efficiency and consistency of travel through the Norfolk Southern rail system. Specifically, these metrics track travel time from specific mills and Norfolk Southern's ability to deliver cars on the requested due date.

<table>
<thead>
<tr>
<th>Mill</th>
<th>Location</th>
<th>Average Transit Time in Days</th>
<th>On-Time delivery Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Prior Month (August 1999)</td>
<td>Month to Date</td>
</tr>
<tr>
<td>Alliance</td>
<td>B</td>
<td>15.0</td>
<td>11.6</td>
</tr>
<tr>
<td>ABICON</td>
<td>M</td>
<td>16.6</td>
<td>12.2</td>
</tr>
<tr>
<td>Madison</td>
<td></td>
<td>18.0</td>
<td>14.0</td>
</tr>
<tr>
<td>Bowater</td>
<td></td>
<td>14.6</td>
<td>16.8</td>
</tr>
<tr>
<td>Fraser</td>
<td></td>
<td>14.2</td>
<td>16.9</td>
</tr>
<tr>
<td>International</td>
<td></td>
<td>13.8</td>
<td>15.0</td>
</tr>
<tr>
<td>TRIPAP</td>
<td></td>
<td>11.0</td>
<td>13.5</td>
</tr>
</tbody>
</table>

**Effect on Donnelley Operations** – The Donnelley plants in Lancaster are designed to receive the majority of paper shipments via rail. Due to the current rail situation, many suppliers have elected to ship paper in trucks to ensure on-time delivery. This causes increased overtime wage and reduced efficiencies for R.R. Donnelley. This metric compares rail and truck receipt levels from 1998 and 1999.

<table>
<thead>
<tr>
<th>August - Rail Cars Received</th>
<th>August - Trucks Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1999</td>
</tr>
<tr>
<td>520</td>
<td>298</td>
</tr>
<tr>
<td>% Change</td>
<td>+291%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>August - Rail Cars Received</th>
<th>August - Trucks Received</th>
</tr>
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<tbody>
<tr>
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<td>520</td>
<td>298</td>
</tr>
<tr>
<td>% Change</td>
<td>+291%</td>
</tr>
</tbody>
</table>
DEFINITIONS

Faxtrac – The term ‘Faxtrac’ refers to the daily notice sent from the NS Atlanta Customer Service Center identifying the cars in route to a specific customer location. This notice lists cars by shipper, their last reported location, and their last reported status (arrival, departure, ...). It is sent each morning to the expediters at both Donnelley locations. This report is extremely unreliable. Few of the cars listed on the reports are actually intended for the individual plant receiving the report. Additionally, the information on the report is typically 24 to 48 hours behind the information available on the internet.

Daily Placement Report – This report is sent from the NS Atlanta Customer Service Center identifying the cars scheduled to be placed at the customer location that day. The Lancaster East Plant is an ‘Open Gate’ facility. The local rail yard delivers cars to the plant as they receive them. Donnelley Expediters no longer call NS to inform them of misplaced cars. The local yardmasters have a good handle on where the cars are going. The concern with this report is that the majority of the cars listed are not being shipped to the East Plant.

Constructive Placement Report – This report is sent from the NS Atlanta Customer Service Center identifying the cars that are 'constructively placed' at the local railyard and ready to be delivered. The Lancaster East plant is a 'closed gate' facility. The local railyard notifies the receiving office that cars are available for delivery. The expeditor than requests specific cars for each days delivery. The concern with this report is that a small percentage of the cars actually in the local yard are reflected on this report.

Average Transit Time – This is a measure the average travel time from individual mills to the Donnelley Locations. Time is measured from reported ship date to date received in Lancaster.

On Time Delivery – This is a measure of timeliness of delivery. The statistics are calculated by comparing the requested due date to the date actually received. Because of the wide swings in deliveries, both an average and a standard deviation are given.

Predictability is crucial as Donnelley moves more and more to a Just-In-Time inventory system. We can not allow a large deviation in average travel times and the timeliness of deliveries. Both press schedules and crewing levels depend on the rail shipments arriving as predicted. Large swings (whether early or late) add excessive cost to Donnelley’s operations in the form of lost production and increased overtime.

Effect on Donnelley Operations – R.R. Donnelley, like most major commercial printers, depends on rail service to move the large quantities of paper required in the printing industry. Relying on trucks to move these large quantities of paper is not cost effective for Donnelley, our paper suppliers, or our customers.
September 24, 1999

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

Dear Mr. Clemens:

Attached is the 9/23/99 Performance Report for Norfolk Southern deliveries to the R.R. Donnelley Lancaster facilities. Note the improvement comments. While it appears that Norfolk Southern is responding to our appeal, the metrics still support our claim of the inability to operate our business anywhere near normal. And again, that significantly increases our costs, and our inability to meet contractual obligations. Our customers will go to competitors in other parts of the country if we cannot meet their requirements for delivery.

This weekend we have paper in the Norfolk Southern system that they cannot deliver, and we will not be able to produce a catalog per our customer's requirements. Our ability to compensate for their deficiencies has finally failed. This may very well be the start of losing business.

This information is being presented to Norfolk Southern in the spirit of continuous improvement. Hopefully it is being utilized in the same manner. We will continue to provide the metrics. But please remember that this is a situation that places our business in significant risk, and the fallout will have a major impact on the local economy.

Thank you for your attention to this urgent matter.

Sincerely,

Michael J. Winn
Senior Vice President

cc: Jim McClellan, Norfolk Southern
To: Michael Winn  
From: Wade Smith  
Subject: Norfolk Southern Performance Measures  

Date: 09/22/99  
Location: Lancaster East  
Phone: (717) 293-2080  
Fax: (717) 293-2157

Information Accuracy - There has been dramatic improvement in this area over just the past week. The daily FAXTRAC is still not a usable tool because the information continues to lag 24-48 hours behind the internet site. The daily placement report has improved for the Lancaster East plant. The constructive placement report for the West Plant showed a decline in accuracy.

<table>
<thead>
<tr>
<th>Faxtrac (Both Plants)</th>
<th>Daily Placement (East)</th>
<th>Constructive Placement (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Correct</td>
<td>% On Faxtrac</td>
<td>% Correct</td>
</tr>
<tr>
<td><strong>Month to Date</strong></td>
<td>7.8%</td>
<td>8.7%</td>
</tr>
<tr>
<td><strong>Current Week</strong></td>
<td>38.9%</td>
<td>49.3%</td>
</tr>
</tbody>
</table>

Transit Efficiency - In general, transit times improved during the past week. Transit times as a whole are still above the averages prior to the merger. On time efficiency showed an improvement. This is partially a result of improved transit times. All paper suppliers are adding at least seven days to their expected ship times due to ongoing delivery problems. Overall, the consistency of delivery has improved (standard deviation decreased 30% to 5.2).

<table>
<thead>
<tr>
<th>Mill</th>
<th>Location</th>
<th>Average Transit Time in Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alliance</td>
<td>Dolbeau, Quebec</td>
<td>August 1999</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15.0</td>
</tr>
<tr>
<td>ABICON</td>
<td>Laurentide, Quebec</td>
<td>16.6</td>
</tr>
<tr>
<td>Madison</td>
<td>Madison, Maine</td>
<td>18.0</td>
</tr>
<tr>
<td>Bowater</td>
<td>East Millinocket, Maine</td>
<td>14.6</td>
</tr>
<tr>
<td>Fraser</td>
<td>Madiawaska, Maine</td>
<td>14.2</td>
</tr>
<tr>
<td>International</td>
<td>Pine Bluff, Arkansas</td>
<td>13.8</td>
</tr>
<tr>
<td>TRIPAP</td>
<td>Trois Rivieres, Quebec</td>
<td>11.0</td>
</tr>
</tbody>
</table>

Effect on Donnelley Operations - Truck activity remains at a record level. Rail activity continues to be below historical levels, although we saw an increase in the flow of cars already in the system after last weeks conference call. Whether conditions from recent storms has dramatically increased paper damage due to wet rolls. This type of damage is prevalent in trucks and almost non-existent in railcars. This will add additional costs to the mills and carriers as they address damage claims.

<table>
<thead>
<tr>
<th>On-Time delivery Statistics</th>
<th>Prior Month (August 1999)</th>
<th>Month to Date</th>
<th>Current Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lancaster Average</td>
<td>-4 (Late)</td>
<td>+1.7 (Early)</td>
<td>+0.6 (Early)</td>
</tr>
<tr>
<td>STD DEV</td>
<td>6</td>
<td>7.4</td>
<td>5.2</td>
</tr>
</tbody>
</table>

AUGUST Comparison

<table>
<thead>
<tr>
<th>Rail Cars Received</th>
<th>Trucks Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1999</td>
</tr>
<tr>
<td>520</td>
<td>298</td>
</tr>
<tr>
<td>% Change</td>
<td>-57.3%</td>
</tr>
</tbody>
</table>
DEFINITIONS

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**Constructive Placement Report** – This report is sent from the NS Atlanta Customer Service Center identifying the cars that are ‘constructively placed’ at the local rail yard and ready to be delivered. The Lancaster East plant is a ‘closed gate’ facility. The local rail yard notifies the receiving office that cars are available for delivery. The expediter than requests specific cars for each day’s delivery. The concern with this report is that a small percentage of the cars actually in the local yard are reflected on this report.

**Average Transit Time** – This is a measure the average travel time from individual mills to the Donnelley Locations. Time is measured from reported ship date to date received in Lancaster.

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Predictability is crucial as Donnelley moves more and more to a Just-In-Time inventory system. We can not allow a large deviation in average travel times and the timeliness of deliveries. Both press schedules and crewing levels depend on the rail shipments arriving as predicted. Large swings (whether early or late) add excessive cost to Donnelley’s operations in the form of lost production and increased overtime.

**Effect on Donnelley Operations** – R R Donnelley, like most major commercial printers, depends on rail service to move the large quantities of paper required in the printing industry. Relying on trucks to move these large quantities of paper is not cost effective for Donnelley, our paper suppliers, or our customers.
October 1, 1999

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

Dear Mr. Clemens:

Attached is the 9/29/99 Performance Report for Norfolk Southern deliveries to the R.R. Donnelley Lancaster facilities. We have been tracking the metrics for three weeks. After noting some minimal improvement, nothing further has changed. Our operations are severely impacted by this unpredictable performance. Most importantly, we cannot depend on their information systems. This has a major impact on our production loading, and in turn our ability to meet contractual requirements.

Our costs have risen substantially since the merger, and decline in reliability of Norfolk Southern. Areas affected include production disruptions, expedited shipments by truck, overtime, additional press runs, inventory carrying charges etc. We are tracking the increase, and it is now over $500,000 in additional expense to R.R. Donnelley. That does not include similar expenses that our customers and the paper mills have also incurred.

I would appreciate a response from the Surface Transportation Board regarding the action plans in place to fix the problems, and the timetable. R.R. Donnelley is ready to participate in any activities that would alleviate these problems that we are experiencing.

Thank you for your attention to this urgent matter.

Sincerely,

M. Winn

cc: J. McClellan, Norfolk Southern
Information Accuracy – Gains seen last week in the accuracy of the information provided by Norfolk Southern has stagnated or regressed. The Lancaster West Plant continues to receive constructive placement reports that are incomplete. In addition, 8 cars were delivered in error to the Lancaster East Plant. This ties up the rail siding and requires additional time and manpower to sort cars. These cars were bound for the West Plant and could have caused production delays. In this case there was no disruption.

<table>
<thead>
<tr>
<th>FAAEXTRA (Both Plants)</th>
<th>Daily Placement (East)</th>
<th>Constructive Placement (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Month to Date</td>
<td>% Correct % On FAAEXTRA</td>
<td>% Correct % On Notice</td>
</tr>
<tr>
<td>38.9%</td>
<td>48.7%</td>
<td>39.1%</td>
</tr>
<tr>
<td>41.7%</td>
<td>16.2%</td>
<td></td>
</tr>
<tr>
<td>Current Week</td>
<td>38.3%</td>
<td>47.9%</td>
</tr>
<tr>
<td>41.7%</td>
<td>15.4%</td>
<td></td>
</tr>
</tbody>
</table>

Transit Efficiency – Travel times continue to fluctuate. This makes it extremely difficult to predict and control the flow of paper into the facilities. Expeditors and Customer Service Representatives track paper in on a daily basis to protect production schedules. With the magnitude of variation we are seeing, it is very difficult to predict delivery with any confidence. This has lead to paper suppliers increasing the planning window used for shipping paper to the plants and can lead to increased inventory costs.

<table>
<thead>
<tr>
<th>Mill</th>
<th>Location</th>
<th>Average Transit Time in Days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>August 1999</td>
<td>Month to Date</td>
</tr>
<tr>
<td>Alliance</td>
<td>Dolbeau, Quebec</td>
<td>15.0</td>
</tr>
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<td>ABICON</td>
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<tr>
<td>International</td>
<td>Pine Bluff, Arkansas</td>
<td>13.8</td>
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<td>TRIPAP</td>
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</tbody>
</table>

Effect on Donnelley Operations – Truck activity remains at a record level. Rail activity continues to be below historical levels, although we saw an increase in the flow of cars already in the system after last week’s conference call. Whether conditions from recent storms has dramatically increased paper damage due to wet rolls. This type of damage is prevalent in trucks and almost non-existent in railcars. This will add additional costs to the mills and carriers as they address damage claims.

<table>
<thead>
<tr>
<th>August Comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rail Cars Received</td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>520</td>
</tr>
<tr>
<td>% Change</td>
</tr>
<tr>
<td>1998</td>
</tr>
<tr>
<td>484</td>
</tr>
<tr>
<td>% Change</td>
</tr>
</tbody>
</table>
October 8, 1999

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

Dear Mr. Clemens:

Attached is the 10/7/99 Performance Report for Norfolk Southern rail car deliveries to the R.R. Donnelley Lancaster facilities. We have been tracking the metrics for four weeks. You will note that there is some information system accuracy improvement in this week's report. Our frustration over the situation shows when we are excited by a report that has the Daily Placement Fax accuracy reaching 53.5% and 63.2%! If we met our customer's expectations only 60% of the time, we would not keep our customers very long!

Which brings me to the Truck versus Rail Shipment Statistics for the month of September. We received 1600 trucks of paper in September – a 236% INCREASE over the same period in 1998! Likewise, our rail deliveries were DOWN 37.1% for the same time period in 1998. (It takes four trucks to replace one rail car.) Obviously, the paper mills are utilizing alternate means of delivery. Some points:

- This is crippling our operation. Our facilities are constructed to receive the bulk of our paper by rail, and not truck. As an example, we have one delivery this weekend that will require 150 trucks! We cannot unload the trucks fast enough to support production. Printing presses will be halted for lack of paper, which will jeopardize our ability to meet our contractual delivery dates.
- The road system in and around Lancaster is not capable of supporting this volume of truck traffic in the best of times. With the extraordinary amount of construction in progress (Route 30), this amount of extra truck traffic must be a major impediment.
Is Norfolk Southern not worried about their inadequate performance impacting their customer base and revenue stream? This is not a good sign for their long term financial viability.

Finally, the statistics that track delivery times continue to be very disappointing. The length of time in transit is excessive and, more importantly, unpredictable. Note that for this week, the Standard Deviation of On Time Delivery is 12.2 days. This means that when a mill ships a rail car full of paper to R.R. Donnelley in Lancaster with a specified delivery date, it could arrive (on average) 12.2 days early, or 12.2 days late. A window of 25 days! This makes ordering paper to meet production requirements virtually impossible. The result is (1) missed production dates, or (2) excessive inventories and the corresponding increased expense.

Thank you for your attention to this urgent matter.

Sincerely,

Michael J. Wims

cc: J. McClellen, Norfolk Southern
To: Michael Winn  
From: Wade Smith  
Date: 10/07/99  
Location: Lancaster East  
Subject: Norfolk Southern Performance Measures  
Phone: (717) 293-2080  
Fax: (717) 293-2157  

Information Accuracy - This week has shown another jump in the accuracy of the information provided by Norfolk Southern to Donnelley Lancaster. There is still a problem, but it appears that steps are being taken to improve the flow. This improvement is a good sign, but we are still not able to rely on data provided by NS to accurately reflect the current status of rail shipments.

<table>
<thead>
<tr>
<th>Faxtrac (Both Plants)</th>
<th>Daily Placement (East)</th>
<th>Constructive Placement (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Correct</td>
<td>% Correct</td>
<td>% On Notice</td>
</tr>
<tr>
<td>September</td>
<td>38.9%</td>
<td>48.7%</td>
</tr>
<tr>
<td>Current Week</td>
<td>53.7%</td>
<td>59.2%</td>
</tr>
</tbody>
</table>

Transit Efficiency - Travel times continue to fluctuate. This makes it extremely difficult to predict and control the flow of paper into the facilities. Expeditors and Customer Service Representatives track paper in on a daily basis to protect production schedules. With the magnitude of variation we are seeing, it is very difficult to predict delivery with any confidence. This has lead to paper suppliers increasing the planning window used for shipping paper to the plants and can lead to increased inventory costs.

<table>
<thead>
<tr>
<th>Mill</th>
<th>Location</th>
<th>September 1999</th>
<th>Month to Date</th>
<th>Current Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alliance</td>
<td>Dolbeau, Quebec</td>
<td>12.0</td>
<td>11.0</td>
<td>11.0</td>
</tr>
<tr>
<td>ABICON</td>
<td>Laurentide, Quebec</td>
<td>16.5</td>
<td>13.5</td>
<td>14.0</td>
</tr>
<tr>
<td>Madison</td>
<td>Madison, Maine</td>
<td>14.0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Bowater</td>
<td>East Millinocket, Maine</td>
<td>16.4</td>
<td>18.3</td>
<td>18.3</td>
</tr>
<tr>
<td>Fraser</td>
<td>Madawaska, Maine</td>
<td>27.5</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>International</td>
<td>Pine Bluff, Arkansas</td>
<td>16.1</td>
<td>15.0</td>
<td>15.0</td>
</tr>
<tr>
<td>TRIPAP</td>
<td>Trois Rivieres, Quebec</td>
<td>13.0</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

On-Time delivery Statistics

<table>
<thead>
<tr>
<th>Lancaster Average</th>
<th>Prior Month (September 1999)</th>
<th>Month to Date</th>
<th>Current Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>STD DEV</td>
<td>+3.6 (Early)</td>
<td>+3.9</td>
<td>12.2</td>
</tr>
<tr>
<td></td>
<td>10.1</td>
<td>+3.9</td>
<td>12.2</td>
</tr>
</tbody>
</table>

Effect on Donnelley Operations - September Truck receipts were at record levels for the Donnelley East Plant. Paper suppliers continue to ship large volumes of paper by truck instead of rail, adding manpower and overtime requirements during our busiest time of the year.

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<tr>
<th>September Comparison</th>
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<td>Rail Cars Received</td>
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<td>1998</td>
</tr>
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<td>512</td>
</tr>
<tr>
<td>% Change</td>
</tr>
<tr>
<td>% Change</td>
</tr>
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</table>
**DEFINITIONS**

**Faxtrac** – The term 'Faxtrac' refers to the daily notice sent from the NS Atlanta Customer Service Center identifying the cars in route to a specific customer location. This notice lists cars by shipper, their last reported location, and their last reported status (arrival, departure,...). It is sent each morning to the expediter at both Donnelley locations. This report is extremely unreliable. Few of the cars listed on the report are actually intended for the individual plant receiving the report. Additionally, the information on the report is typically 24 to 48 hours behind the information available on the internet.

**Daily Placement Report** – This report is sent from the NS Atlanta Customer Service Center identifying the cars scheduled to be placed at the customer location that day. The Lancaster East Plant is an 'Open Gate' facility. The local rail yard delivers cars to the plant as they receive them. Donnelley Expediters no longer call NS to inform them of misplaced cars. The local yardmasters have a good handle on where the cars are going. The concern with this report is that the majority of the cars listed are not being shipped to the East Plant.

**Constructive Placement Report** – This report is sent from the NS Atlanta Customer Service Center identifying the cars that are 'constructively placed' at the local rail yard and ready to be delivered. The Lancaster West plant is a 'closed gate' facility. The local rail yard notifies the receiving office that cars are available for delivery. The expediter then requests specific cars for each day's delivery. The concern with this report is that a small percentage of the cars actually in the local yard are reflected on this report.

**Average Transit Time** – This is a measure of the average travel time from individual mills to the Donnelley Locations. Time is measured from reported ship date to date received in Lancaster.

**On Time Delivery** – This is a measure of timeliness of delivery. The statistics are calculated by comparing the requested due date to the date actually received. Because of the wide swings in deliveries, both an average and a standard deviation are given.

Predictability is crucial as Donnelley moves more and more to a Just-In-Time inventory system. We cannot allow a large deviation in average travel times and the timeliness of deliveries. Both press schedules and crewing levels depend on the rail shipments arriving as predicted. Large swings (whether early or late) add excessive cost to Donnelley’s operations in the form of lost production and increased overtime.

**Effect on Donnelley Operations** – R.R. Donnelley, like most major commercial printers, depends on rail service to move the large quantities of paper required in the printing industry. Relying on trucks to move these large quantities of paper is not cost effective for Donnelley, our paper suppliers, or our customers.
October 15, 1999

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

Dear Mr. Clemens:

Attached is the 10/14/99 Performance Report for Norfolk Southern rail car deliveries to the R.R. Donnelley Lancaster facilities. We have been tracking the metrics for five weeks.

On Friday October 8th, several representatives from Norfolk Southern visited the R.R. Donnelley facilities in Lancaster to review the problems we are experiencing with information accuracy, delivery problems, and transit time unpredictability. We were hopeful that the visit would result in some significant improvements, but are disappointed with the metrics this week. While there is some good improvement in the Faxtrac data and the Constructive Placement metric for the West Plant, the East Plant Placement metrics deteriorated significantly. This variance, coupled with the Transit Time and On Time Delivery metrics, speaks to the difficulties we are experiencing. Basically, the service is unreliable, and not improving. Week after week the metrics prove that to be true.

The result is that the paper mills are shipping via truck, which is being passed along to us in higher prices. Higher prices for raw materials, and higher operating costs to handle paper in this manner place our Lancaster operations in a non-competitive position. There are other printers in other areas of the country that are very capable of doing our work in a more cost effective manner. We will loose business if this continues. There are over 2400 jobs that will be affected.

I am available to meet with the Board at any time if they would like to review the situation first hand. Our facilities and operating personnel are also available if necessary.

Thank you for your attention to this urgent matter.

Sincerely,

Michael Winn

Copy: J. McClellan, Norfolk Southern
To: Michael Winn  
From: Wade Smith  
Subject: Norfolk Southern Performance Measures  
Date: 10/14/99  
Location: Lancaster East  

**Information Accuracy** – The accuracy of the Faxtrac (Cars in Pipeline) report showed continued gains. This improvement is a good sign, but we are still not able to rely on data provided by NS to accurately reflect the current status of rail shipments. Daily placement reporting declined to September levels, while constructive placement reporting continued to show gains. This caused continued concern over demurrage reporting accuracy.

<table>
<thead>
<tr>
<th>Faxtrac (Both Plants)</th>
<th>Daily Placement (East)</th>
<th>Constructive Placement (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Correct</td>
<td>% On Faxtrac</td>
<td>% Correct</td>
</tr>
<tr>
<td>September</td>
<td>38.9%</td>
<td>48.7%</td>
</tr>
<tr>
<td>Current Week</td>
<td>&gt;4.3%</td>
<td>78.5%</td>
</tr>
</tbody>
</table>

**Transit Efficiency** – A negative trend is developing in some transit times and in on-time delivery. This makes it extremely difficult to predict and control the flow of paper into the facilities. Expediters and Customer Service Representatives track paper in as a daily basis to protect production schedules. With the magnitude of variation we are seeing, it is very difficult to predict delivery with any confidence. This has led to paper suppliers increasing the planning window used for shipping paper to the plants and can lead to increased inventory costs.

<table>
<thead>
<tr>
<th>Mill</th>
<th>Location</th>
<th>Average Transit Time in Days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>September 1999</td>
</tr>
<tr>
<td>Alliance</td>
<td>Dolbeau, Quebec</td>
<td>12.0</td>
</tr>
<tr>
<td>ABICON</td>
<td>Laurentide, Quebec</td>
<td>16.5</td>
</tr>
<tr>
<td>Madison</td>
<td>Madison, Maine</td>
<td>14.0</td>
</tr>
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<td>Bowater</td>
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<td>13.0</td>
</tr>
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**On-Time delivery Statistics**

<table>
<thead>
<tr>
<th>Lancaster Average</th>
<th>Prior Month (September 1999)</th>
<th>Month to Date</th>
<th>Current Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Month</td>
<td>+3.6 (Early)</td>
<td>-1.3 (Late)</td>
<td>-3.7 (Late)</td>
</tr>
<tr>
<td>STD DEV</td>
<td>10.1</td>
<td>11.1</td>
<td>11.0</td>
</tr>
</tbody>
</table>

**Effect on Donnelley Operations** – September Truck receipts were at record levels for the Donnelley East Plant. Paper suppliers continue to ship large volumes of paper by truck instead of rail, adding manpower and overtime requirements during our busiest time of the year.

**September Comparison**

<table>
<thead>
<tr>
<th>Rail Cars Received</th>
<th>Trucks Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1998</td>
</tr>
<tr>
<td>512</td>
<td>322</td>
</tr>
<tr>
<td>677</td>
<td>1600</td>
</tr>
<tr>
<td>% Change</td>
<td></td>
</tr>
<tr>
<td>-37.1%</td>
<td>-236%</td>
</tr>
</tbody>
</table>
**DEFINITIONS**

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**Daily Placement Report** — This report is sent from the NS Atlanta Customer Service Center identifying the cars scheduled to be placed at the customer location that day. The Lancaster East Plant is an 'Open Gate' facility. The local rail yard delivers cars to the plant as they receive them. Donnelley Expediters no longer call NS to inform them of misplaced cars. The local yardmasters have a good handle on where the cars are going. The concern with this report is that the majority of the cars listed are not being shipped to the East Plant.

**Constructive Placement Report** — This report is sent from the NS Atlanta Customer Service Center identifying the cars that are 'constructively placed' at the local rail yard and ready to be delivered. The Lancaster West plant is a 'closed gate' facility. The local rail yard notifies the receiving office that cars are available for delivery. The expeditor than requests specific cars for each day's delivery. The concern with this report is that a small percentage of the cars actually in the local yard are reflected on this report.

**Average Transit Time** — This is a measure the average travel time from individual mills to the Donnelley Locations. Time is measured from reported ship date to date received in Lancaster.

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Predictability is crucial as Donnelley moves more and more to a Just-In-Time inventory system. We cannot allow a large deviation in average travel times and the timeliness of deliveries. Both press schedules and crewing levels depend on the rail shipments arriving as predicted. Large swings (whether early or late) add excessive cost to Donnelley's operations in the form of lost production and increased overtime.

**Effect on Donnelley Operations** — R.R. Donnelley, like most major commercial printers, depends on rail service to move the large quantities of paper required in the printing industry. Relying on trucks to move these large quantities of paper is not cost effective for Donnelley, our paper suppliers, or our customers.
October 22, 1999

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

Dear Mr. Clemens:

Attached is the 10/21/99 Performance Report for Norfolk Southern rail car deliveries to the R.R. Donnelley Lancaster facilities. We have been tracking the metrics for six weeks.

In the metrics you will note that the Faxtrax accuracy continues to improve – that is the good news. The bad news is that it is accompanied by a significant deterioration in the Daily Placement and Constructive Placement Reports (East Plant and West Plant respectively). This is particularly disturbing as these are the reports that indicate which cars are in the local yard ready for delivery. In addition, the cars noted on these reports start the clock ticking for demurrage charges. As indicated in the past, if we do not track this accuracy and correct the errors, Norfolk Southern could attempt to charge R.R. Donnelley demurrage for cars that are not even ours!

Note also the excessive and unpredictable transit time. While 24 days of transit from one mill (Pine Bluff, Arkansas) is totally unacceptable (excessive transit damage), the Standard Deviation of 14.9 days is intolerable. We cannot plan purchases of paper to support production requirements. We cannot plan delivery accuracy of plus or minus 14.9 days! That is a 29 day window!

Thank you for your attention to this urgent matter. I would appreciate a conference call with the Board to review these problems. I, or my staff, are available any time that is convenient.

Sincerely,

Michael J. Winn
Senior Vice President

Copy: J. McClellan, Norfolk Southern
To: Michael Winn
From: Wade Smith
Subject: Norfolk Southern Performance Measures

Date: 10/21/99
Location: Lancaster East
Phone: (717) 293-2080
Fax: (717) 293-2157

Information Accuracy - The accuracy of the Faxtrac (Cars in Pipeline) report continues to show improvement. This is a good sign, but we are still not able to rely on data provided by NS to accurately reflect the current status of rail shipments. Inaccurate Daily and Constructive placement reporting causes continued concern over demurrage calculation accuracy.

<table>
<thead>
<tr>
<th></th>
<th>Cars in Pipeline (Both Plants)</th>
<th>Daily Placement (East)</th>
<th>Constructive Placement (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Correct</td>
<td>% On Faxtrac</td>
<td>% Correct</td>
</tr>
<tr>
<td>September</td>
<td>38.9%</td>
<td>48.7%</td>
<td>39.1%</td>
</tr>
<tr>
<td>Current Week</td>
<td>50.6%</td>
<td>73.2%</td>
<td>27.0%</td>
</tr>
</tbody>
</table>

Transit Efficiency - In general, average transit times showed an increase over September and month to date levels. The deviation for delivery is now in excess of two weeks! This makes it extremely difficult to predict and control the flow of paper into the facilities. Expeditors and Customer Service Representatives track paper in on a daily basis to protect production schedules. With the magnitude of variation we are seeing, it is very difficult to predict delivery with any confidence. This has lead to paper suppliers increasing the planning window used for shipping paper to the plants and can lead to increased inventory costs.

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<tr>
<th>On-Time delivery Statistics</th>
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<tbody>
<tr>
<td>Prior Month (September 1999)</td>
</tr>
<tr>
<td>Lancaster Average</td>
</tr>
<tr>
<td>STD DEV</td>
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Effect on Donnelley Operations - September Truck receipts were at record levels for the Donnelley East Plant. Paper suppliers continue to ship large volumes of paper by truck instead of rail, adding manpower and overtime requirements during our busiest time of the year.

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Constructive Placement Report – This report is sent from the NS Atlanta Customer Service Center identifying the cars that are ‘constructively placed’ at the local railyard and ready to be delivered. The Lancaster West plant is a ‘closed gate’ facility. The local railyard notifies the receiving office that cars are available for delivery. The expeditor than requests specific cars for each days delivery. The concern with this report is that a small percentage of the cars actually in the local yard are reflected on this report.

Average Transit Time – This is a measure the average travel time from individual mills to the Donnelley Locations. Time is measured from reported ship date to date received in Lancaster.

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Effect on Donnelley Operations – R.R. Donnelley, like most major commercial printers, depends on rail service to move the large quantities of paper required in the printing industry. Relying on trucks to move these large quantities of paper is not cost effective for Donnelley, our paper suppliers, or our customers.
Dear Mr. Clemens:

Attached is the 10/28/99 Performance Report for Norfolk Southern rail car deliveries to the R.R. Donnelley Lancaster facilities. We have been tracking the metrics for seven weeks.

While there has been some improvement in the accuracy of the Faxtrac data, as well as in the Daily Placement Report (East Plant) and Constructive Placement Report (West Plant), it is still woefully short of being useful. In addition, there is a huge problem growing because Norfolk Southern is using this data to bill demurrage. This week we were invoiced for $28,200 in demurrage for the East Plant—a total of 105 cars. Upon investigation, we found that of those 105 cars, 40 cars were really West Plant cars, and 18 did not even belong to Donnelley! Norfolk Southern is billing with information that may only be 50% accurate!

We are contesting any demurrage charges because Norfolk Southern is “bunching” deliveries, and we cannot handle the huge swings in the demand to unload cars. (Plus, our operators are unloading trucks to keep production going—note the 236% increase in truck traffic!) How can a Norfolk Southern customer be held to a contract requirement if Norfolk Southern cannot perform to its obligations under that contract?

Thank you for your attention to this urgent matter. I would appreciate a conference call with the Board to review these problems. I, or someone from my staff, are available any time that is convenient.

Sincerely,

Michael J. Winn
Senior Vice President

cc: J. McClellan, Norfolk Southern
Information Accuracy – The accuracy of the Faxtrac (Cars in Pipeline) report continues to show improvement. This is a good sign, but we are still not able to rely on data provided by NS to accurately reflect the current status of rail shipments. Inaccurate Daily and Constructive placement reporting causes continued concern over demurrage calculation accuracy. Norfolk Southern's information systems problems resulted in erroneous demurrage billing for September. A bill for $28,200 was sent to the East plant. Of the 105 cars listed on the bill, only 42 of them were delivered to the East plant. This bill will be disputed.

### Norfolk Southern Performance Measures

<table>
<thead>
<tr>
<th></th>
<th>Cars in Pipeline (Both Plants)</th>
<th>Daily Placement (East)</th>
<th>Constructive Placement (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Correct</td>
<td>% On Faxtrac</td>
<td>% Correct</td>
</tr>
<tr>
<td>September</td>
<td>38.9%</td>
<td>48.7%</td>
<td>39.1%</td>
</tr>
<tr>
<td>Current Week</td>
<td>56.6%</td>
<td>83.7%</td>
<td>61.1%</td>
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</table>

Transit Efficiency – Transit times remain unpredictable. Areas that had shown improvement recently have shown declines while other areas have improved. This makes it extremely difficult to predict and control the flow of paper into the facilities. Expeditors and Customer Service Representatives track paper in on a daily basis to protect production schedules. With the magnitude of variation we are seeing, it is very difficult to predict delivery with any confidence. This has lead to paper suppliers increasing the planning window used for shipping paper to the plants and can lead to increased inventory costs.

<table>
<thead>
<tr>
<th>Mill</th>
<th>Location</th>
<th>Average Transit Time in Days</th>
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<tbody>
<tr>
<td></td>
<td>September 1999</td>
<td>Month to Date</td>
</tr>
<tr>
<td>Alliance</td>
<td>Dolbeau, Quebec</td>
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<tr>
<td>ABICON</td>
<td>Laurentide, Quebec</td>
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<tr>
<td>Madison</td>
<td>Madison, Maine</td>
<td>14.0</td>
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<tr>
<td>Bowater</td>
<td>East Millinocket, Maine</td>
<td>16.4</td>
</tr>
<tr>
<td>Fraser</td>
<td>Madawaska, Maine</td>
<td>27.5</td>
</tr>
<tr>
<td>International</td>
<td>Pine Bluff, Arkansas</td>
<td>16.1</td>
</tr>
<tr>
<td>TRIPAP</td>
<td>Trois Rivieres, Quebec</td>
<td>13.0</td>
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<table>
<thead>
<tr>
<th>On-Time delivery Statistics</th>
<th>Prior Month (September 1999)</th>
<th>Month to Date</th>
<th>Current Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lancaster Average</td>
<td>+3.6 (Early)</td>
<td>0.22 (Early)</td>
<td>0.36 (Early)</td>
</tr>
<tr>
<td>STD DEV</td>
<td>10.1</td>
<td>10.4</td>
<td>9.6</td>
</tr>
</tbody>
</table>

Effect on Donnelley Operations – September Truck receipts were at record levels for the Donnelley East Plant. Paper suppliers continue to ship large volumes of paper by truck instead of rail, adding manpower and overtime requirements during our busiest time of the year.

<table>
<thead>
<tr>
<th>September Comparison</th>
<th>Rail Cars Received</th>
<th>Trucks Received</th>
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<tbody>
<tr>
<td>512</td>
<td>322</td>
<td>677</td>
</tr>
<tr>
<td>% Change</td>
<td>-37.1%</td>
<td>-236%</td>
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</table>
DEFINITIONS

**Faxtrac** – The term ‘Faxtrac’ refers to the daily notice sent from the NS Atlanta Customer Service Center identifying the cars in route to a specific customer location. This notice lists cars by shipper, their last reported location, and their last reported status (arrival, departure, ...). It is sent each morning to the expediter at both Donnelley locations. This report is extremely unreliable. Few of the cars listed on the reports are actually intended for the individual plant receiving the report. Additionally, the information on the report is typically 24 to 48 hours behind the information available on the internet.

**Daily Placement Report** – This report is sent from the NS Atlanta Customer Service Center identifying the cars scheduled to be placed at the customer location that day. The Lancaster East Plant is an ‘Open-Gate’ facility. The local rail yard delivers cars to the plant as they receive them. Donnelley Expediter no longer call NS to inform them of misplaced cars. The local yardmasters have a good handle on where the cars are going. The concern with this report is that the majority of the cars listed are not being shipped to the East Plant.

**Constructive Placement Report** – This report is sent from the NS Atlanta Customer Service Center identifying the cars that are ‘constructively placed’ at the local rail yard and ready to be delivered. The Lancaster West Plant is a ‘closed gate’ facility. The local rail yard notifies the receiving office that cars are available for delivery. The expediter then requests specific cars for each day’s delivery. The concern with this report is that a small percentage of the cars actually in the local yard are reflected on this report.

**Average Transit Time** – This is a measure the average travel time from individual mills to the Donnelley Locations. Time is measured from reported ship date to date received in Lancaster.

**On Time Delivery** – This is a measure of timeliness of delivery. The statistics are calculated by comparing the requested due date to the date actually received. Because of the wide swings in deliveries, both an average and a standard deviation are given.

Predictability is crucial as Donnelley moves more and more to a Just-In-Time inventory system. We can not allow a large deviation in average travel times and the timeliness of deliveries. Both press schedules and crewing levels depend on the rail shipments arriving as predicated. Large swings (whether early or late) add excessive cost to Donnelley’s operations in the form of lost production and increased overtime.

**Effect on Donnelley Operations** – R.R. Donnelley, like most major commercial printers, depends on rail service to move the large quantities of paper required in the printing industry. Relying on trucks to move these large quantities of paper is not cost effective for Donnelley, our paper suppliers, or our customers.
Dear Mr. King:

Attached is a letter I received from Bruce Ecker of Caseyville, Illinois.

As my constituent is very concerned, I would appreciate your giving this matter your immediate attention. It would also be helpful to me in responding to Mr. Ecker if you would provide Donna Eastman of my Marion office with a report of your findings.

Thank you for your time and consideration of this matter.

Sincerely,

Richard J. Durbin
United States Senator
September 13, 1999

Honorable Richard J. Durbin
364 Russell Senate Office Building
Washington, D.C. 20510-1304

Attention: Richard J. Durbin

To the Honorable Richard Durbin,

I wish to give you a brief background of my work history with Conrail (formally Penn Central Railroad – Pennsylvania side). I hired in on July 31, 1975 and established vehicle operator rights on 9/25/78. My seniority rank on Conrai1's 1999 Vehicle Operator Seniority Roster is number #29 which means that only 28 other employees could have out bid me or have bumped me off a vehicle operators position. In approximately 1990 I became a furloughed employee and have remained such. During the later 1980’s, it was hard for me to get 100 days of work a year before being laid-off from the railroad each year. When I was furloughed from Conrail I did everything that was required to do to protect my seniority.

Just recently Mr. I. C. Raypole retired from Conrail and they advertised his boom truck as a permanent position at Collinsville, IL (Position, PCSW/0030 Vehicle Operator 5R98-073). I placed a bid for this position. Mr. R.A. Hunt, Division Engineer sent me a letter stating I have no Seniority on the CSX. With the sale of Conrail to CSX and being furloughed at the time CSX took over I was simply eliminated from the seniority roster without any protection whatsoever. Mr. Durbin I was not even given the opportunity to return to the railroad or informed of any rule changes that would place my seniority in jeopardy while this reorganization was in progress.

You may be thinking this could or should be all handled through your Union Representative? I have exhausted this avenue. Mr. Wayde Ames, District Chairman my union representative hands are tied. It seems I have an unusual predicament. With all the new changes I am an individual that has slipped through the cracks and he cannot get anyone to listen that could persuade the Railroad Officials to allow me the courtesy to maintain my 24 years seniority and work this position at Collinsville, IL.

It has come to my attention that Mr. Freeburg is an instrumental figure whom negotiated the rule changes through the STB (Service Transportation Board) when Conrail was sold to the CSX Railroad. With Mr. Freeburg being a Convicted Felon, I find it hard to have such an individual take my best interest in his concerns and decisions. It is apparent to me that after 24 years with the railroad (16years active service) and my lifes future for my wife and family is absolutely insignificant to people like Mr. Freeburg and Mr. R.A. Hunt.

Mr. Wayde Ames lives in Peru, IN. His telephone number is: 765 473-7349, mobile phone is 765 473-2907 and his pager is 765 472-8785. Please feel free to contact him for any information that may help in understanding this situation. I have always felt he has been top notch with anything that has come up in the past. However, this time I am sure he would agree, he could use your help and I need your help. Thank you.

Sincerely,

Bruce S. Ecker

306 BETHEL MEADOWS RD.
CASEYVILLE, IL 62232-2507
CECKER@STLNET.COM
September 29, 1999

Mr. & Mrs. Peter Kasturas
139 West Shore Avenue
Bogota, New Jersey 07603

Dear Mr. & Mrs. Kasturas:

This responds to your recent letter to me, with an attached petition addressed to CSX Transportation, Inc. (CSXT), expressing the concerns of residents regarding railroad operations through the Borough of Bogota.

As you may know, there have been several meetings between CSXT and area residents and representatives to discuss issues regarding CSXT’s operations through the Borough and its plans for the construction of additional tracks. Our Office of Compliance and Enforcement (OCE) has been working informally with Borough representatives, including Borough Attorney Andrew Fede, and the railroad to help define ways in which accommodation might be reached. As CSXT’s Mr. Ruehling indicated to you in his letter of September 9, 1999, regarding your petition (copy enclosed), CSXT’s plans to restore a third track in an area where there were four tracks should help to eliminate parked trains in your area and thus reduce significantly the objectionable fumes from idling engines. I will have your letter, the petition, and my response made a part of the public docket for the Conrail proceeding. Regarding the issue of audible train warning devices such as horns, the Federal Railroad Administration’s safety rules require the use of such warning devices by railroads during train operations, and those rules address requirements both for the decibel level of the devices and the locations and distance requirements for use.

While the Board does not have direct jurisdiction over the safety or construction issues raised in your petition, we will continue our efforts to facilitate resolutions to problems involving rail carriers that are jurisdictional to the Board. In that regard, please do not hesitate to contact me on any issue in which you believe we might be helpful.

Sincerely,

[Signature]

Linda J. Morgan

Enclosure
Chairman Linda J. Morgan  
Surface Transportation Board  
1925 K Street N.W.  
Washington, DC 20423-0001

Attached is a copy of a petition sent to CSX Transportation expressing the concerns of the residents of the Borough of Bogota about the operation of the railroad in our community. This petition has been signed by 405 voting residents and we would appreciate any help you can give us to resolve this matter. Please use this petition as a formal complaint by the residents of Bogota concerning the health and welfare of those who reside in the vicinity of the railroad.

Mr. & Mrs. Peter Kasturas  
139 West Shore Ave.  
Bogota, NJ 07603
Mr. M. J. Ruehling  
Vice President-State Relations  
CSX Corporation  
One James Center  
901 E. Cary Street  
Richmond, VA 23219

We, the undersigned residents of the Borough of Bogota, New Jersey, are strongly opposed to the actions of CSX Transportation in the residential section of the Borough. The following is a list of our grievances to which we are seeking a resolution.

1. Since CSX Transportation took over Conrail, the number of freight trains passing through the Borough of Bogota has increased threefold causing an inordinate amount of noise and diesel pollution in the residential neighborhood bordering the railroad. This has not only deprived the residents of their right to peace and quiet but has also adversely affected the health and welfare of the neighborhood. The luxury of entertaining in the back yard or being able to have open windows practically doesn't exist. Constant running of the air conditioners and having to pay high electric bills has become the norm just to avoid the diesel fumes and the noise.

2. In the center of town there is a pedestrian crossing (no cars) that results in the blowing of the train whistles as they approach the crossing. This would not be so bad but at times, mostly after midnight, approaching trains will start blowing their whistles almost a mile before the crossing and not cease until they are well past the crossing. These are not just short blasts but a steady blaring of the whistle that literally throws you out of bed even with the windows closed. Obviously the whistles are not blown out of necessity but out of spite. The residents of Bogota endure many sleepless nights as a result of these inconsiderate actions.

3. The high speeds of the freight trains passing through the residential neighborhood are a danger to all that live here. Many of the cars carry such chemicals as sulfuric and nitric acid as well as chlorine and propane. If there were ever an accident the devastation to this community would be unimaginable.

4. CSX Transportation is now in the process of installing a third rail line through the Borough of Bogota to increase the number of freight trains passing through the community. As it stands now, some homes have had cracks appear in their foundations that can be directly attributed to the increase in the freight traffic through the borough. The constant rumbling of the freight trains can be felt in the houses as they pass through and that will only get worse as freight traffic is increased.

5. Lately, the area bordering the railroad has been turned into a junkyard. Railroad equipment and machinery is often left for weeks at a time creating an eyesore. Trees are not just trimmed but butchered and the debris is just left to rot on the ground. Pine trees, planted by the borough to beautify the area, are dying possibly due to the diesel pollution and their beauty is overshadowed by the railroad trash.
A solution has to be found for these very serious problems. We are prisoners in our homes and our health is in jeopardy because of the actions of CSX Transportation. The construction of a pedestrian bridge and the erection of sound barriers are something to be considered, but in any event CSX Transportation has to accept responsibility in this rapidly deteriorating situation. It is strongly advised that you take a personal interest in this matter and work with the elected officials and the residents of the Borough of Bogota to resolve these grievances.

Mr. & Mrs. Peter Kasturas
139 West Shore Ave.
Bogota, NJ 07603

Cc: Governor Christine Todd Whitman
    Mr. Robert C. Shinn, Jr., Commissioner – NJ State DEP
    Chairman Linda J. Morgan – Surface Transportation Board
    Sen. Frank Lautenberg
    Sen. Robert Torricelli
    Rep. Steven Rothman
    Sen. Byron M. Baer
    Assemblywoman Loretta Weinberg
    Assemblyman Charles Zisa
    Mayor Steve Lonegan – Borough of Bogota
    Jody Calendar - Managing Editor – The Record
<table>
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<tr>
<th><strong>NAME</strong></th>
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</tr>
</thead>
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<tr>
<td>1. Rita Marta</td>
<td>139 W. Shore Ave. Bogota, NJ 07603</td>
</tr>
<tr>
<td>2. Rita Kastners</td>
<td>139 W. Shore Ave. Bogota, NJ</td>
</tr>
<tr>
<td>4. Mimi Castelli</td>
<td>157 Palisade Ave. Bogota 07603</td>
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<tr>
<td>5. Pat Wilkins</td>
<td>400 Larch Dr. Bogota 07603</td>
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<td>7. Autie French</td>
<td>120 Chestnut Ave. Bogota 07603</td>
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<td>28. Catherine Zei</td>
<td>116 Pine St. Bogota</td>
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<td>34 Giovanna Frisina</td>
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<td>45 Charles Loforte</td>
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<td>48 Madeline Banks</td>
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<td>63. Fred D. Hallo</td>
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<td>85. Roy R. Adey</td>
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