United States Railway Association

Final System Plan

Volume I

VOLUME I (Parts I and II)

United States Railway Association
FINAL SYSTEM PLAN
for restructuring
Railroads in the Northeast and Midwest Region
pursuant to the
REGIONAL RAIL REORGANIZATION ACT OF 1973

JULY 26, 1975

UNITED STATES RAILWAY ASSOCIATION

BOARD OF DIRECTORS

The approval, adoption and release of this Final System Plan is an act of the Association's entire Board. In joining in this act, not every member of the Board necessarily concurs in every statement or determination in the report.

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Chairman and President, Denver & Rio Grande Western Railroad
Recommended by the Association of American Railroads

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Chairman of the Interstate Commerce Commission

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Edward G. Jordan (*1974 to July 8, 1975*)

James A. Hagen (*July 9, 1975 to present*)

The Board expresses its appreciation to the following duly authorized representatives who participated in many of the Board's deliberations:

Rodney Eyster, *General Counsel, Department of Transportation* (*1974 to June 30, 1975*)

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United States Railway Association
2100 Second Street, S.W.
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July 26, 1975

Honorable Nelson A. Rockefeller
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Washington, D.C. 20510

Honorable Carl B. Albert
Speaker of the House of Representatives
Washington, D.C. 20515

Honorable Warren G. Magnuson
Chairman, Committee on Commerce
U. S. Senate
Washington, D.C. 20510

Honorable Harley O. Staggers
Chairman, Committee on Interstate and Foreign Commerce
U. S. House of Representatives
Washington, D.C. 20515

Dear Sirs:

The Board of Directors of the United States Railway Association is pleased to submit its Final System Plan in accordance with Section 208(a) of the Regional Rail Reorganization Act of 1973 (P.L. 93-236), enacted January 2, 1974, as amended.

The Final System Plan is approved by the entire Board. Certain viewpoints of individual members relating to specific conclusions and recommendations are noted hereinafter.

The Board believes that this Plan will provide a system that will meet the rail service needs of the Region and that it conforms to the goals and purposes set forth in the Regional Rail Reorganization Act.

Sincerely,

William W. Scranton
Frank H. Blatz, Jr.
Charles B. Shuman
James E. Burke
Edward C. Schmults
William K. Smith
Samuel B. Payne
George M. Stafford

Please address all inquiries to the United States Railway Association, Office of Public and Governmental Affairs, Room 2110, 2100 Second Street, SW, Washington, D.C. 20595. Telephone (202) 426-4250.

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Foreword

With the submission of the Final System Plan (FSP), the United States Railway Association (USRA) meets its most important obligation under the Regional Rail Reorganization Act of 1973. The FSP is the culmination of many months of intensive study and planning, involving not only the Association but organizations and individuals throughout the general public, private industry, labor and federal, state and local government's. Publication of the FSP is a major step in the intricate process prescribed by the Act for reorganizing and restructuring bankrupt railroads in the Northeast and Midwest.

The FSP has been built upon the Preliminary System Plan (PSP) issued by the Association on February 26, 1975. It reflects USRA's consideration of the information, data and commentary submitted in response to the PSP. In developing the FSP, the Association carefully considered the results of the Rail Services Planning Office (RSPO) hearings and its evaluation of the PSP, as well as continuing efforts of the Association's staff. USRA also has collected and refined relevant data to develop more fully the aspects of the rail service plan which were still tentative on February 26. The FSP takes into account all the information received since publication of the PSP and provides a more specific resolution of the major issues involved in restructuring the rail system in the 17 state Region.

FSP Service Recommendations

The FSP establishes a program for providing an adequate and economically self-sustaining regional rail system for the Northeast and Midwest, for maintaining the benefits of railroad competition to the public and for creating a ConRail System to consolidate many of the operations of the railroads in reorganization into a new railroad operating in the private sector. One of the goals of the Act, the retention and promotion of competition in the Region, was difficult because virtually all the smaller carriers in the eastern part of the Region are bankrupt. The preservation of competition required specific steps either to bring other carriers into the area or to create two carriers out of the bankrupt railroads to provide that level of completion.

The Association found the best system could be developed by (1) establishing a Consolidated Rail Corporation (ConRail) comprised of the Central of New Jersey, the Lehigh Valley, the Lehigh & Hudson River, the Ann Arbor and the principal properties of the Penn Central and (2) inviting one or both of the major solvent carriers in the Region (the Chessie System and/or the Norfolk & Western) to provide competition to ConRail in many markets formerly served by the Reading, Erie Lackawanna and the Central of New Jersey. Alternative through service between New England and the west and the south could be provided effectively by extensions of the Delaware & Hudson to junction points served by one of these two carriers.

Since publication of the Preliminary System Plan, the Association has held many discussions with these carriers in efforts to achieve the PSP's recommendations. It is hoped that agreement can be reached with the Chessie System to bring that carrier into the eastern part of the Region on the schedule mandated in the Act. Similarly, USRA hopes that the Delaware & Hudson will accept offerings which would extend it to appropriate route junction points with both the Chessie and the Norfolk & Western. Competition and service also will be enhanced throughout the Region by scores of joint industry projects and other route changes approved in the FSP. Thus, the regional system will consist of three large carriers, ConRail, Chessie and the Norfolk & Western, supplemented substantially by the services of the smaller carriers. The new ConRail System will be the largest carrier in the Nation, as was Penn Central.

Finance

ConRail can be developed into a financially self-sustaining corporation provided certain preconditions are met.

- It must be relieved of extensive losses from unprofitable passenger and light density line operations as well as from the carriage of certain commodities which do not pay their way.
- Its pricing policies must be granted a greater degree of flexibility than has existed in the past.
- Government financing must supplement the private sector financing and internally generated funds necessary to fund ConRail's rehabilitation program, its early operating losses and its working capital requirements.
- Repayment of federal funding and the payment of interest or dividends on government financing must be related to ConRail's cash flow and cannot be a burden during the early years of its reorganization.

If these underlying conditions are met, a revitalized, profitable company can be brought into being. ConRail will be ready to provide efficient rail service essential to the economy of the Region and the Nation.

ConRail's ultimate self-sufficiency depends on federal capital assistance of at least $1.85 billion. USRA's financial analysis concludes that financial self-sufficiency cannot be achieved if ConRail is required to carry any form of federal funding which requires it to make cash payments of interest or dividends in the earlier years.

The PSP did not discuss the issues of a ConRail capital structure or the valuation of the assets of the railroads in reorganization. The Association now proposes a capital structure that provides for federal investment of $1.85 billion in Debentures and Preferred Stock as well as additional equity securities for the bankrupt estates. USRA also proposes that $250 million be appropriated to USRA as a financing margin of safety for ConRail and an additional $400 million be authorized to be used in the discretion of the Secretary of Transportation to further the purposes of the Act. This financial participation should permit an income-based reorganization of the bankrupt railroads.

In this regard, the Association reiterates that ConRail should be able to achieve a level of profitability about equal to the average for the larger carriers in the industry. That average, however, is substantially below the level of profitability achieved by American industry generally and below the level required to compete effectively in the private money markets.

The Act contemplates implementation of the FSP if neither House of Congress passes a resolution rejecting it within 60 calendar days of continuous session. As noted above, the FSP requires financial assistance beyond that currently provided by the Act and, therefore, additional legislation will be necessary for its full implementation. It also will be necessary to submit other amendments to the Act to meet essential objectives in the reorganization process. For example, USRA is now persuaded that to ensure competition in the eastern seaboard markets, it will be necessary to protect the Chessie System from any possible court judgment retroactively increasing the compensation it gives the estates in return for its major acquisitions.

Light Density Lines

Among the most sensitive issues raised during the planning process was that of light density or branch lines. The Act and its legislative history clearly obligated the Association to test the contribution of those lines to the regional rail system. Under the Act, those lines determined as excess to the system could be continued in service for up to 2 years through the offer of a rail service continuation subsidy.

Following the issuance of the Preliminary System Plan, RSPO held hearings throughout the Region which focused primarily on the light density line issue. Also, since publication of the PSP, the Association has reevaluated that report's recommendations on light-density lines completely. In the course of that reevaluation, USRA carefully and methodically considered the RSPO evaluation of the Preliminary System Plan and the information submitted in testimony before RSPO or directly to USRA by shippers, members of Congress and other public officials, groups and individuals. The changes made in the Final System Plan in large measure reflect this input.

Some criticism has been directed at the analytic process used by the Association. Many witnesses proposed that all light density lines remain in service for another 2 years to permit a further refinement of the study methods. USRA believes, however, that a compelling rebuttal is embodied in the summary results of the reevaluation. The Final System Plan calls for the exclusion of 6.918 miles of road from the system. These lines comprise 31 percent of the mileage of the railroads in reorganization but handle only 2.2 percent of the freight traffic carried by the railroads involved. These statistics support the analytic method used to evaluate light density lines. The Association is satisfied that further refinement would be of little value.

Future service on light density lines, however, is by no means a closed issue. For example, service on the lines not included in the FSP can be continued in several ways. First, there are the operating subsidy provisions of the Act; implementation in this case rests primarily with the states and local communities. Second, states have an opportunity to purchase many light density lines and arrange for continuing service on that basis. Third, light density lines may be acquired by solvent carriers whose proximity and traffic flows may permit viable service.

Context for Review of the FSP

The Association strongly believes that the FSP presents an adequate, efficient and economically self-sustaining rail system consistent with the goals of the Act. Not all interests will be satisfied by this plan. Testimony of public witnesses at the RSPO hearings on the PSP demonstrate the difficulty of balancing certain goals against the others. It would be impossible to meet all claims and demands on the rail system in the Region and unwise to give disproportionate attention to any single set of claims at the expense of other interests. The Association believes that the FSP detailed in this report is a fair and reasonable resolution of the purposes and goals of the Act. Most important, USRA believes the FSP is desirable from the perspective of overall transportation policy.

If ConRail is to be successful it must be launched with the determination in all quarters that it will be just that. No enterprise can succeed unless those responsible for its future are dedicated to achieving the goals set before them. The Association has had to prepare a plan heavily dependent on future projections of uncertain events. USRA projections must be studied with the awareness and understanding that broad underlying assumptions concerning economic conditions, competitive relationships and government policies are crucial to the validity of the forecasts. Detailed implementation of these plans constantly must reflect and respond to changes in the economic environment. Those charged with the responsibility of implementing the plans must be ready to recommend modifications, including such further restructuring and mergers as may be in the public interest.

There are no simple ways to revitalize the railroads in reorganization. The regional rail system described by the FSP will be wholly successful only if the economic environment of the entire rail industry improves. As stated in the PSP:

> "The Association can only plan a system and recommend methods of financial assistance. Others will have to share in the creation of an environment favorable to an economically viable rail system for the nation. The industry itself collectively must do these things which bring about a major improvement in utilization of cars, facilities and equipment. Future profitability of the industry also will depend in part on increases in productivity of people; organized rail labor must find a way to contribute to that increased productivity. Existing relationships of the Region's railroads to their customers and to the government will have to be altered. Shippers and passengers will have to bear a larger share of the costs of providing rail services. A smaller number of communities and shippers will have to be prepared to forego rail service where the provision of such service is no longer economical and subsidy funds are not forthcoming. In general, a vigorous effort must continue to identify those transport markets which rail serves best and to adapt rail service and operations to such optimal economic functions.
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> "In addition to the individual and local responsibility described above, federal, state and local governments must be prepared to change their policies toward transportation. Ultimately, economic viability for all transportation is a function of a realistic recognition of the necessity for the industry, and those who use it, to pay its costs and permit it to obtain a reasonable profit. If fundamental changes are not made in these factors, and those enumerated above, an alternative is nationalization, a solution no more desirable now than it has been in the past."

ConRail's Future

The Association continues to believe that nationalization of the rail industry must and can be avoided. ConRail is a test case supporting this belief. Its continued existence in the private sector can be ensured only through strong management and the existence of governmental policies which encourage innovation and adaptation. If federal and state governments burden ConRail and other railroads with unprofitable operations or create additional advantages for rail competitors, the effort to create a financially self-sustaining railroad will be stifled.

The Association believes ConRail can succeed as a viable private enterprise and is optimistic that the industry itself will remain in private operation. The public attitude toward the rail industry is changing from one of hostility or indifference to one of encouragement. With the resurgent use of coal to supply more and more of the Nation's energy needs, rail transportation will become even more important. With society concerned about the fragility of the environment, excessive consumption of petroleum and use of additional land for highway construction, greater recognition will be given to the railroad as a fuel-efficient, land-conserving and low-polluting method of transportation.

Thus, the Association's optimism for ConRail's future is not based solely on government support or new management. There is a changing public attitude toward regulatory policies, energy and the environment, a shift of attitudes that portend a fundamental turning point in the historical relationship between the Nation and its railroads.

ConRail can succeed. The Region can have an adequate rail system. The Nation can have the benefit of a rail industry which, operating in the private sector, serves its full and efficient role in the national transportation system. The Final System Plan is a single, but highly significant step toward achieving these goals for the benefit of the citizens of this Nation.

For the Board of Directors,

Arthur Lewis

ARTHUR D. LEWIS, *Chairman.*

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VOLUME I—PART I

Chapters 1 through 7

Introduction and Summary

Railroading was the first modern transportation technology and the nation's first big business. Railroads were the dominant form of intercity transportation, both freight and passenger, for about a century. Over the last 30 years, however, a far different industry has evolved. Railroads continue to be the largest carrier of intercity freight, measured by ton-miles, but they no longer dominate intercity transportation.

Among the causes of the relative decline of railroading are the development of efficient competing systems of transportation and the failure of rail cost performance and service quality to improve relative to competitive modes. Thus, the industry has not been able to hold its share of the transportation market. The traffic remaining on the railroads is not always profitable; railroads often are caught in a competitive squeeze between lower-cost waterway transport and faster service by trucks.

Today, large parts of the industry face financial difficulties. Railroad earnings are only three-quarters of their 1947 level, after adjusting for inflation. In recent years cash generated by the industry has been insufficient to meet capital requirements and rates of return on investment are so low that railroads have been unwilling or unable to raise new equity capital.

The railroads' declining market share and accompanying financial problems are most severe in the Northeast and Midwest Region of the country. Revenue ton-miles carried in the ICC's Eastern District (an area roughly equivalent to the Region defined by the Act) actually declined by 16 percent from 1947 to 1974; during the same period total U.S. rail ton-miles showed small absolute growth. Eight carriers in the Northeast and Midwest are bankrupt; outside the Region only the Chicago, Rock Island & Pacific is bankrupt but several others are in precarious financial condition.

Causes of the Decline of Railroading

The financial problems of the railroad industry are due to a number of interrelated factors.

- Railroad facilities are old by the standards of other industries—often poorly located, physically rundown or simply obsolete. A large portion of railroad costs is related to fixed facilities, which makes adaptation to changing circumstances difficult and often contributes to inadequate allocation of fixed facilities costs to specific commodities or movements. Costing difficulties contribute to problems of managing and marketing rail services. Railroad cost structures differ sharply from those of competing modes, a circumstance which poses difficulties in achieving balanced public policy toward all transport modes.
- The rapid rate of technological development in rival forms of transportation since 1920 radically changed the competitive position of the rail industry. Large-scale public support has promoted development of the newer auto, truck, barge, pipeline and airline technologies. Innovations in trucking and the development of modern highway systems have enabled motor carriers to capture 23 percent of total intercity freight ton-miles. The water carrier industry has matured with the development of extensive waterway improvements and modern efficient barge technology. Pipelines now move fluid petroleum and natural gas, and development of coal slurry (particles of coal suspended in water) pipelines may permit this mode to penetrate an-

other key railroad market. The emergence of the automobile and bus and the development of the high-speed, pressurized airplane for medium and long distance travel effectively eliminated the train as a competitor for long distance passenger services.

- Basic changes have taken place in underlying market conditions, such as shifts in the location of industrial activity and changes in types of freight normally suited to rail transportation. Railroads in the older eastern production centers have heavy investments in fixed facilities oriented toward these centers. As manufacturers relocate plants to newer growth centers, rail traffic at the old locations declines and excess rail capacity results. Industries which consume bulk raw materials from the agriculture, mining and forestry sectors of the economy, historically the basic generators of railroad freight, have been declining as a share of GNP as service-oriented, high technology industries advance.
- Railroads were the first large business to be regulated by the federal government and few other industries are regulated so pervasively. Regulation of railroads is related to the industry's technology, industrial organization and financial structure. Railroads are big businesses, ordinarily, because railroad operations are most efficient when conducted on a large volume, mass production basis; the high fixed investment associated with rail technology likewise implies large enterprise. The railroads' large scale of operations and a cost structure that enabled them to price some services monopolistically while engaging in "predatory" competition for other business led to regulation of the industry. Regulation, in turn, has contributed to the inflexibility of rail operations and investment, principally with respect to setting rates, abandoning costly routes and services and changing the corporate structure of the industry. In addition, public policy has restricted the rail industry from taking advantage of different methods of moving goods, except in the case of "grandfather" trucking rights owned by certain railroads.
- For a variety of reasons, there have been insufficient internal funds to maintain and upgrade facilities which, coupled with the lack of private capital or public funds, has resulted in deferred maintenance, further weakening the competitive position of the lines involved, thus completing the vicious cycle.

All these problems must be attacked if satisfactory rail freight service is to exist in the future. Progress can come from within the industry through improvement of operations and general management. Burdens imposed by public policy can be lessened and intermodal transport policies made more fair. If these changes are accomplished, the railroad industry will be able to overcome its current infirmities and become a more dynamic part of the American industrial economy.

Goals and Issues Underlying the FSP

In enacting the Regional Rail Reorganization Act of 1973 (Act), Congress provided a means for revitalizing rail service in the Northeast and Midwest Region.[1] The declared purposes of the Act are:

- Identification of an adequate rail service system for the Region,
- Reorganization of the Region's railroads into an economically viable system capable of providing adequate and efficient service,
- The establishment of the United States Railway Association and the Consolidated Rail Corporation.
- Assistance to the states and local and regional authorities for continuation of local rail services threatened with cessation and
- Necessary federal financial assistance at the lowest possible cost to the general taxpayer.

The statutory goals guiding preparation of the Final System Plan (FSP) are outlined in section 206 of the Act. These goals complement the purposes of the Act and offer further direction to the United States Railway Association (Association or USRA) and those who review the Association's work. The Act stipulates that the restructured regional rail system should:

- Be financially self-sustaining,
- Meet regional rail transportation needs adequately,
- Promote improved high-speed rail passenger service in the Northeast Corridor and reflect USRA's identification of other corridors in which major upgrading of track for high-speed passenger operation would yield substantial public benefits.
- Preserve, as much as possible, existing patterns of service,
- Preserve facilities and service for coal transport and conserve scarce energy resources,
- Retain and promote competition,
- Attain and maintain desirable environmental standards,
- Achieve efficiency in train operations and
- Minimize unemployment and adverse effects on communities.

In accordance with its statutory duties, the Association has engaged in extensive studies on a variety of subjects in order to develop an adequate factual background necessary for an appropriate balancing of the

[1] The Association has identified various desirable changes in this unusually complex and detailed Act. Many of these will be discussed in the body of the plan in connection with related subject matter. Other technical amendments will also prove useful. The Association's legislative proposals will be forwarded to Congress in the near future.

goals of the Act. Many of these studies were discussed in the Preliminary System Plan (PSP). The data and conclusions of the studies have been carefully considered and carried forward, as appropriate, into the decisions of the FSP and are reflected throughout the text.

The Association has attempted to meet the challenge of converting the broad purposes and goals of the Act into specific recommendations for the FSP and has made every attempt to resolve conflicts and balance competing interests. The Association believes the Plan will ensure the preservation of an adequate and financially self-sustaining rail service system, via a combination of coordinated service opportunities, rehabilitated facilities and improvements in operations.

The Regional Rail System (Chapter 1)

The Association recommends a rail structure for the Region made up of these key components:[2]

- ConRail, which combines most of the services of the Penn Central Transportation Co. (PC), the Central Railroad of New Jersey (CNJ), the Lehigh Valley (LV), the Lehigh & Hudson River (LHR), the Pennsylvania-Reading Seashore Lines (PRSL),[3] a limited section of the Ann Arbor Railroad (AA) and small portions of the Erie Lackawanna (EL) and Reading (RDG);
- The Chessie System, which is offered most EL freight services east of Sterling (Akron), Ohio, most Reading services, access to some CNJ traffic in the Greater Newark, N.J. area and the PC markets in the Charleston, W. Va. area;
- The Norfolk & Western Railroad (N&W), which essentially will continue in its present configuration but which is offered a few route extensions to improve connections with its own or affiliated lines;
- The Delaware & Hudson (D&H), with route extensions necessary to provide it with direct connections to the South and West;
- The other smaller railroads in the Region essentially maintaining their existing route structures;
- Southern Railway (SOU), which is offered the PC main lines on the Delmarva Peninsula and the car float from Cape Charles to Norfolk; and
- Amtrak, which is designated to acquire the Northeast Corridor from Boston to Washington for the development of high-speed passenger service. Most through freight service is expected to be provided over a bypass route, as described in Chapter 2.

The Association believes the indicated industry structure recommendations offer the best approach to reversing the financial plight of the Region's rail industry, while ensuring adequate competition. The Plan contemplates ultimate restoration of the Region's rail system to efficiency levels enjoyed by most railroads in the country. It can also serve as the basis for further evolutionary changes in the regional rail system as may be required.

This basic structure will offer competition between at least two railroads in major markets of the Region, supplemented by the services of the smaller railroads. It will enable such major railroads as Chessie and N&W to continue as solvent carriers, without undermining the chances for ConRail to attain solvency in the private sector. It also should serve to stabilize and in several instances enhance performance of the smaller solvent railroads.

Arriving at the Plan

In addition to performing studies and analyses mandated by the Act, the Association took several basic steps in arriving at the recommended FSP structure. First, USRA reviewed the record of public hearings conducted by ICC's Rail Services Planning Office (RSPO) on the PSP and considered comments from other outside sources. Second, a number of alternative structures were reexamined in detail. Third, the Association undertook negotiations with major solvent carriers in the Region, Chessie and N&W, in particular, to determine what role those lines would play in the restructuring.

Public Response.—Witnesses at the RSPO hearings presented a wide range of views relating to the industry structure recommendations in the PSP. A common concern was the need to retain competition between rail carriers, both to insure good service to shippers at fair rates and to assist in maintaining the economic self-sufficiency of existing solvent railroads. A number of witnesses expressed fears that the Consolidated Rail Corp. (ConRail), as a carrier of great size and market power receiving aid from the U.S. Government, would harm other railroads, shippers or localities. Some witnesses, therefore, thought that two or more carriers rather than one should be formed from the properties of the Region's bankrupt railroads. Other witnesses supported USRA's recommendations, saying they represent a proper balance of the Act's goals of regional rail system viability, maintenance of existing service and minimum cost to taxpayers—all within a competitive industry structure.

RSPO, in its own analysis of the PSP, found the structure recommendation less desirable than the formation of two carriers from the present railroads in reorganization. One system, identified as the "Mid-Atlantic Rail Corporation/Erie Lackawanna (MARC/EL), would be made up of lines of the LV, RDG, CNJ, LHR and the eastern portion of the EL. MARC/EL would feed traffic to the existing solvent carriers, thereby providing competition to a second ConRail,

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[2] Property and trackage rights acquisitions necessary to implement these recommendations are displayed in the color fold-out map which accompanies this Report. A second fold-out map shows the ConRail freight service network.

[3] PRSL is not in bankruptcy but has been included in USRA's planning process.

which would be made up of a restructured PC plus a small part of the AA.

These many comments, pro and con, were given careful consideration in USRA's preparation of the FSP.

Alternatives Considered.—In addition to its recommended alignment, the Association considered several other operating structure options.[4]

- The Association studied the possible establishment of a ConRail comprised of all the bankrupt carriers in the Region. USRA determined that such a solution is less desirable than the recommended FSP structure. The "Unified ConRail" structure, despite potential for improved efficiency in the long term, is not as responsive to the goals of the Act relative to competition, quality of service and preservation of existing routes and service patterns as the recommended structure. The "Unified ConRail" structure would be a less desirable precedent for other regions of the country. The Association's Board decided, however, that if Chessie does not accept the package of properties offered in the FSP, "Unified ConRail" would be the next preferred industry structure.
- USRA reevaluated the desirability of creating a "MARC/EL plus ConRail (PC–AA)" structure. Despite the well-stated arguments of RSPO, the Association found the MARC/EL plus ConRail (PC–AA) System option wanting on two basic grounds. First, it would not materially improve financial performance compared to the recommended structure. Second, creation of not one but two new and publicly aided institutions, for the purpose of providing competitive rail service on the eastern seaboard, would be both risky and unnecessary. In the place of achieving competition through the active participation of an existing financially strong and geographically dispersed carrier such as the Chessie, creation of the MARC/EL plus ConRail (PC–AA) System would mean that competitive service would be provided by a government sponsored company of limited on-line service capability and market penetration. The Association did not believe that government funded competition to ConRail could provide a sensible solution.
- After publication of the PSP, USRA restudied the possibility of transferring all lines of the railroads in reorganization (except nonviable light density lines) to solvent carriers. The Association's Board concluded from this study that the implementation of such a transfer program before establishment of the ConRail structure would not be feasible. On the other hand, USRA recognizes that after ConRail is established, further restructuring of the rail system may be feasible and appropriate. The Association recommends, therefore, the particular mechanism controlling ConRail which is described in Chapter 1. This mechanism will enable further sales of properties and/or mergers with other carriers, should public policy call for further restructuring.

The FSP includes recommendations for conveyance to solvent railroads, in accordance with procedures established in the Act, of a substantial number of properties now operated by the railroads in reorganization: major portions of Reading and Erie Lackawanna and the PC markets of Charleston, W. Va., Saginaw-Bay City-Midland, Mich. and the Delmarva Peninsula. In addition, the Association has reduced the size of ConRail's plant through joint use of facilities and trackage where feasible. The Association believes, as stated in the PSP, that the recommended structure allows for similar transfers and coordinations in the future.

Discussions with Solvent Carriers.—The key to successful achievement of the preferred structure was the willingness of either or both Chessie and N&W to participate in the recommended structure. Discussions began even before the PSP was published. Since then, Chessie has tentatively agreed to buy portions of EL and RDG and PC lines in the Charleston, W. Va. area for $22.1 million in cash and $82 million (face value) in Baltimore & Ohio 6 percent bonds. Chessie need not indicate its final acceptance of the transaction until 30 days after Congress has approved the Final System Plan. Within the time provided by the Act, USRA has been unable to reach an acceptable agreement with the N&W.

The Act mandates USRA to determine in the FSP which property designations shall be made to ConRail in the event a profitable railroad fails to accept an offer. In accordance with those provisions, USRA recommends that, with minor exceptions, all the property designated for offer to Chessie will be acquired by ConRail if the offer is not accepted.

Structure in Detail

Under the FSP, ConRail will account for about 37 percent of the Region's total net ton-miles yearly, the expanded Chessie System 32 percent, N&W 21 percent and the smaller solvent lines 10 percent. Besides the major transfer of EL and RDG properties, USRA proposes a number of trackage-rights exchanges and projects aimed at coordinating facilities and services among railroads. The aim is to reduce needless duplication and improve traffic routing patterns without reducing competition in major markets.

USRA recommends that the Region's rail system consist of service by three major railroads and several smaller solvent carriers, as follows:

ConRail.—The Consolidated Rail Corp. will be a

[4] A Consolidated Facilities Corp. (ConFac) also was studied, but was rejected as an undesirable solution. USRA will provide additional discussion of this subject in a supplemental report.

dominant east-west carrier between New England-New York/Newark-Philadelphia-Baltimore and Chicago-St. Louis. Its major north-south routes will connect Cincinnati to Detroit and Chicago and Washington, D.C. to Newark, upstate New York and New England.

Chessie.—Chessie's acquisition of most of the Reading and the Erie Lackawanna and access to some CNJ traffic would give Chessie a strong base in the Newark, Philadelphia and Allentown markets and would allow it to provide single-line service between Newark-Philadelphia-Baltimore and the Chicago-St. Louis markets. In conjunction with D&H and the Boston & Maine, it would become a major carrier between New England and the West and South. It will remain a significant carrier of West Virginia coal to the Virginia Tidewater and the Great Lakes and a major merchandise carrier in the North Central states.

Norfolk & Western.—N&W will continue to be a main conveyor of Pocahontas coal from the West Virginia fields to Norfolk in the east and Lake Erie in the north. Its Lake and Western Regions (former Nickel Plate and Wabash railroads) provides it with a comprehensive merchandise route structure in the Midwest.

The system also would be strengthened by the acquisition of two key connecting routes, one internal to its own system and one permitting through routing with the Delaware & Hudson. The former acquisition would enable N&W to link its lines via New Castle, Ind. through the purchase of PC lines, thereby shortening its route from Norfolk to St. Louis and Kansas City. The latter would provide trackage rights over PC lines from Hagerstown, Md. to Harrisburg, Pa., allowing it to connect with its subsidiary Delaware & Hudson (see below).

N&W, by not purchasing key lines of the bankrupt carriers, may lose some of its east-west merchandise traffic. It was apparent to the Association from its discussions with N&W that the carrier had fully considered this possibility. N&W still has a unique route structure by virtue of both connecting to and bypassing Chicago and St. Louis, and by reaching beyond to the Kansas City and Omaha gateways.

The Smaller Solvents.—The Delaware & Hudson-Boston & Maine route will have adequate connections with all three of the Region's major carriers. D&H is being offered the opportunity to acquire the line from Wilkes-Barre to Sunbury, Pa., with trackage rights to Harrisburg and trackage rights from Wilkes-Barre to Allentown. These extensions will give D&H direct connections with Chessie principally at Binghamton and Allentown, with ConRail at Harrisburg and Allentown, and with N&W at Harrisburg.

The Richmond, Fredericksburg & Potomac will continue as the principal north-south connection between the Seaboard Coast Line at Richmond and ConRail and Chessie at Potomac Yard outside Washington, D.C.

The Bessemer & Lake Erie will maintain its Pittsburgh to Conneaut, Ohio (Lake Erie) line. Another independent line, the Pittsburgh & Lake Erie, is being offered access to the coal and ore facilities at Ashtabula, Ohio, through trackage rights over lines designated for ConRail and certain other lesser markets in addition to providing its present services. USRA is offering the Grand Trunk Western an opportunity to acquire the present PC services in the Midland-Bay City-Saginaw, Mich. areas. The Toledo, Peoria & Western is being offered an opportunity to acquire trackage from its present junction with PC at Effner, Ind. eastward so it can connect directly with ConRail in north-central Indiana. The Detroit, Toledo & Ironton will gain direct access to Cincinnati, allowing it to provide single-line service between Detroit and Southern District carriers at the Cincinnati gateway.

Southern Railway is being offered PC properties on the Delmarva Peninsula including the carfloat across the mouth of the Chesapeake Bay, Edgemoor Yard in Wilmington and the Reading floats on the Delaware River.

Conclusion

A task so complex as the restructuring of the rail system in the Region must be evolutionary. The American economy owes its essential dynamism to the ability of individual firms to shift, to adjust, to adapt, to give incentives and to test new ideas and new markets. Other parties and interests must take this view of the restructuring plan. What is important is that economic forces be allowed to work themselves out within an established framework of fairness and guaranteed continuation of essential services. The very nature of the competitive market place requires flexibility so that corporations may adapt to changing conditions.

The major solvent carriers in the nation earn rates of return on investment that are low compared to most other industries. ConRail will be neither better nor worse than the major solvents and like them obviously will be vulnerable to economic fluctuations; thus, a 5-year plan for rehabilitation during an economic downturn may become a 7 or 10 year plan.

The Association has made no attempt to define precisely how Chessie might integrate operations of the Erie Lackawanna and Reading, or how N&W might adjust to changes in traditional connecting patterns. USRA's outline of ConRail's operating plan, similarly, is just that—an outline. It represents a best estimate of how the Association believes the system initially should be set up, although 10 years from now it easily could look very different. Indeed, the Association *could not* make such final determinations, for shippers and other carriers in the Region, acting on their own business instincts and exercising their transportation options, continually will make decisions that will alter any "definitive" plans USRA might adopt at this time.

The Association believes the recommended structure offers the best opportunity to achieve a revitalized, profitable and competitive rail service system in the Region under private management. USRA believes its recommendations meet and where necessary balance the various goals of the Act.

In the longer term, after the ConRail system is established, further sales, mergers, and consolidations of facilities may be desirable. ConRail should not be structured so as to preclude future changes in the industry structure of the Region, if such future changes ultimately are found desirable.

Passenger Services (Chapter 2)

The Act requires that the Association provide for improved high-speed rail passenger service in the Northeast Corridor and safe and efficient intercity and commuter passenger movement in the Region. USRA also must identify short to medium distance corridors in which upgrading to provide high-speed passenger service would be beneficial. The Association is required to coordinate its activities closely with the National Railroad Passenger Corporation (Amtrak) and it has done so.

In the PSP, USRA studied the scope and quality of passenger service in the Region including recommendations for:

- Identification of short to medium distance intercity corridors with the potential for successful development of modern to high-speed service,
- Identification of areas of possible operational and financial conflict between passenger and freight interests and
- Restructured operation of the heavily travelled Northeast Corridor, including a program for separating freight and passenger services.

USRA has held discussions with various passenger interests to advance implementation of the PSP's recommendations and to provide for property conveyances necessary to accomplish these recommendations.

The Association supports the establishment of a discrete high-speed passenger route in the Northeast Corridor consonant with the recommendations of the Secretary of Transportation's report of September 1971. The Corridor improvements should be completed by the earliest practicable date. USRA recommends that ConRail shift its through freight operation to parallel Reading/Lehigh Valley routes north of Philadelphia and acquire and improve the Chessie property between Washington and Philadelphia if satisfactory terms for such a transfer can be negotiated. USRA has worked closely with Amtrak, the Federal Railroad Administration and Chessie System in developing detailed plans for this alternative route. ConRail should not bear any acquisition and upgrading costs of this line in excess of those which would be incurred by ConRail in acquiring and rehabilitating the PC route; costs above that level should be borne by an entity other than ConRail. USRA contemplates continued through freight operations on the Corridor passenger route until such services can be transferred to the parallel route. Local freight services will be maintained on the Corridor.

In the PSP, USRA identified a number of short to medium distance routes outside the Corridor where upgrading for passenger service might return substantial benefits. With only minor revisions, the FSP reaffirms those identifications.

Outside the Northeast Corridor, ConRail should own all lines over which Amtrak operates, except for those already owned or leased by state or local transportation authorities and three lines that USRA proposes Amtrak or state agencies purchase or lease because of dominant or exclusive passenger use: Philadelphia to Harrisburg, Pa., New Haven, Conn. to Springfield, Mass. and Porter, Ind. to Kalamazoo, Mich. Amtrak and the states also should have the option to purchase or lease passenger related facilities outside the Northeast Corridor. Transfers to Amtrak of properties outside the Northeast Corridor would require amendments to the Act and USRA recommends that such amendments be made.

Further discussions with Amtrak have been aimed at assuring uninterrupted intercity passenger service and to coordinate ConRail's activities with improved passenger service. USRA also has been in close contact with state and local transportation authorities to ensure orderly and continued operation of vital commuter services in the Region.

Financial Analysis (Chapter 3)

A central goal is that ConRail become a part of a financially self-sustaining rail system providing adequate rail service to the Region. The Act mandates that *pro forma* earnings for the corporation be presented in the FSP and that they take into account restructured service patterns in the Region. These *pro forma* presentations are designed to facilitate evaluation of ConRail's financial prospects. The financial forecasts appearing in this chapter also permit estimates of the amount of federal assistance necessary to implement the plan. Chapter 3 presents such financial forecasts for ConRail for the period 1976 through 1985.

Approach to the Financial Forecasts

The Association developed a financial plan for ConRail in the form of a complete 10-year financial forecast incorporating the operating, marketing and capital improvement plans made by the Association for ConRail. Revenue and tonnage forecasts were prepared by consultants under contract to USRA. These forecasts are based on 10-year projections for the American economy which show a minor recession in 1978 followed by steady growth through 1985. The Association adjusted the revenue and tonnage forecasts for the 10-year planning period to include traffic diversions and selective rate increases. Traffic flows were simulated to determine the best operating network for ConRail. Estimates of annual expenses were prepared to reflect new operating efficiencies and improvements of roadbed and other new facilities.

Capital expenditures for equipment were determined from freight car and locomotive purchases, after considering the condition of the existing fleet and future requirements. Capital expenditures necessary for rehabilitation of ConRail's roadbed were determined from the simulated traffic flows and an inventory and estimate of the condition of present road facilities and equipment. Although the total amount of expenditures on road property would be the same under any accounting method, USRA turned to depreciation accounting as the most satisfactory way to present ConRail's earnings. Of the two other alternatives examined, USRA concluded that betterment accounting masked financial reality and modified betterment accounting would be difficult for ConRail to implement and therefore might not receive unqualified acceptance from the accounting profession.

Since a realistic analysis requires consideration of anticipated increases in general price levels, the Association developed inflation indices for each major expense factor in the ICC accounting system. These inflated financial forecasts are the most relevant set of estimates for projecting ConRail's cash requirements.

A computerized financial model was designed to generate *pro forma* financial forecasts for the various industry structure options studied by the Association. The model uses forecasts of uninflated revenues, expenses, capital programs, inflation indices and interest rates to calculate financial forecasts in accord with conditions specified by USRA. These conditions include: specification of the debt and equity configuration, rate increases estimated to be permitted by the regulatory agency (ICC) in recognition of increased costs, the value of assets to be conveyed, payment of dividends and alternative accounting methods.

The model then forecasts results directly in *pro forma* statement format. The generated statements fall into four general categories:

- Statements of net income (loss),
- Statements of financial condition (balance sheets),
- Statements of sources and uses of funds and required financing,
- Supplemental financial and statistical information.

Summary of Results

Figures 1, 2, and 3 summarize the financial forecasts and portray the financial condition of ConRail for the years 1976 through 1985.

Figure 1 illustrates projections that:

- ConRail will realize positive income from operations beginning in 1979 and
- ConRail will generate positive cash flow from operations beginning in 1979 and each year thereafter.

Figure 2 illustrates projections that:

- Government funding will total $1.85 billion and no new cash funding will be required after 1980.

To achieve improvements in operating efficiency and in earnings, ConRail must make very large expenditures to rehabilitate the existing road facilities and to purchase additional freight equipment.

FIGURE 1—*Annual Income and Fund Flow From Operations*

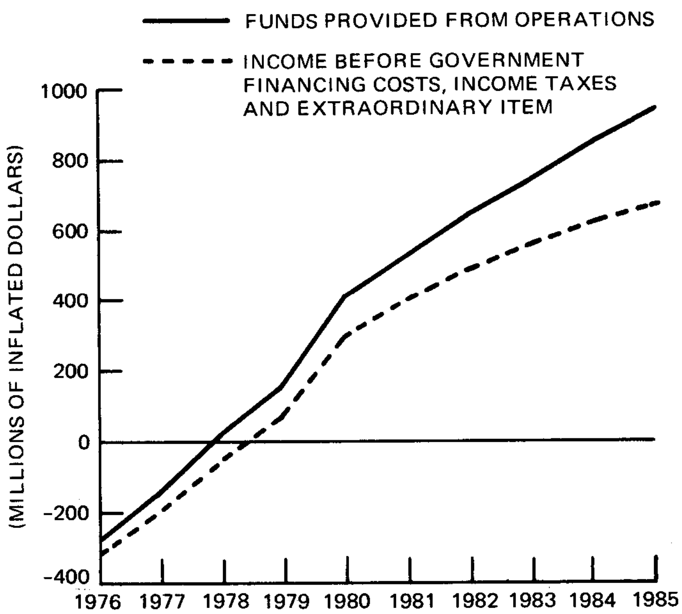
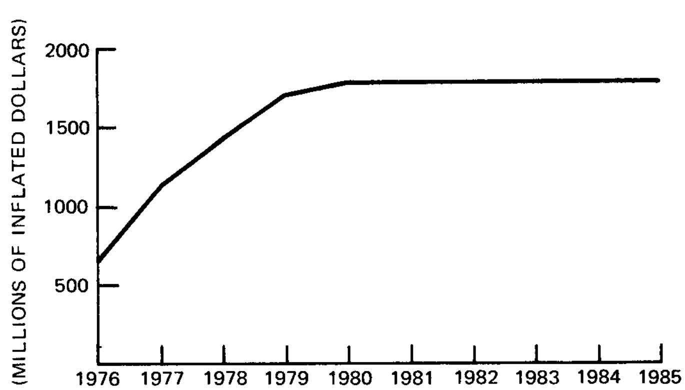
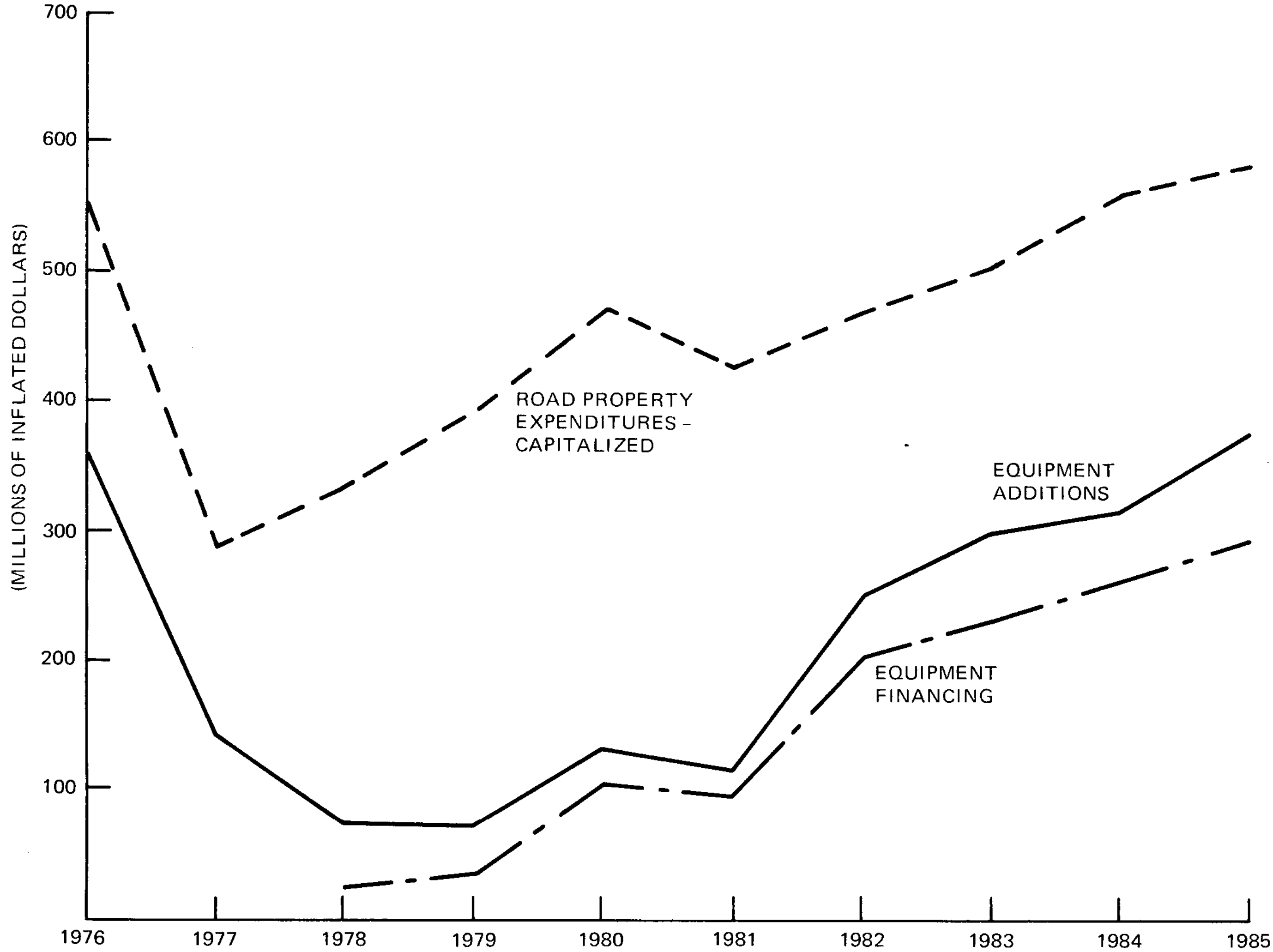


FIGURE 2—*Cumulative Funding Requirement—Government*[1]



[1] Exclusive of Series A Preferred Stock issued in lieu of interest and dividends.

FIGURE 3—*Annual additions to operating assets and equipment financing*



NOTE: 1976 property and equipment additions shown above include the assets conveyed from the railroads in reorganization and are reflected in the initial balance sheet as follows:

1) Road properties of $334 million which includes $44 million for land and
2) Equipment of $340 million.

Figure 3 shows that:

- Road property expenditures capitalized will total $4.2 billion during the period 1976 through 1985,
- Equipment additions will total $1.8 billion from 1976 through 1985 and
- New equipment financing will total $1.3 billion from 1976 through 1985.

Detailed financial forecasts and a discussion of the forecasts appear in Chapter 3.

Capital Structure and Financial Programs (Chapter 4)

In formulating ConRail's capital structure USRA sought to achieve five primary goals: to maximize financial flexibility; provide security for the public's investment; minimize the cost to the taxpayer; preserve private enterprise incentives and create a fair and equitable securities package as compensation for rail properties received from the predecessor railroads.

The capital structure is based on the projections of ConRail's operating performance. According to the *pro forma* financial statements, ConRail's needs for funds during the first 5 years of its operation will exceed its internally generated funds and funds from identifiable external sources, other than the government, including private sector equipment financing. The total needs are projected to be $1.85 billion. These funds will be required for rehabilitation and other capital improvements, equipment purchases, working capital needs and to make up operating losses.

Private sector financing is not available to provide these funds and therefore this funding requirement must be met by the federal government. It is proposed that the government finance ConRail through the purchase of the company's Debentures and Series A Preferred Stock. The $1.85 billion funding requirement will be met through the issuance of $1.0 billion of Debentures and $0.85 billion of Series A Preferred Stock to USRA.

The Debentures will pay interest at 7.5% and the Series A Preferred Stock will pay dividends at the same rate. ConRail will be authorized to pay interest on the Debentures and dividends on the Series A Preferred in the form of additional shares of Series A Preferred Stock during the years when cash is not available for these purposes.

USRA also proposes that an additional $250 million of budget authority be provided to USRA for possible purchase of additional ConRail securities. This amount will provide a reasonable margin of safety for ConRail to meet potential contingencies, possibly exceeding the projected requirement of $1.85 billion. The additional funding would be made available to ConRail at the discretion of the Government Investment Committee of the USRA Board, comprised of the Chairman of USRA and the Secretaries of Transportation and the Treasury. The Committee would operate in consultation with the USRA Board. The Association also supports the authorization of $400 million to be used in the discretion of the Secretary of Transportation for ConRail or otherwise to further the purposes of the Act, as amended.

USRA proposes that the estates of the railroads in reorganization receive Series B Preferred Stock, Common Stock and Certificates of Value. The Certificates of Value would be redeemable by the Association within 12 years under certain circumstances should the Series B Preferred and Common Stock fail to represent fair and equitable consideration for the rail properties acquired by ConRail.

Valuation (Chapter 5)

In fulfilling its valuation responsibilities, USRA was guided by the Act, its legislative history, principles suggested in the decisions of the Special Court and the Supreme Court in litigation involving the Act, Section 77 reorganization doctrines and other relevant legal principles.

The Act requires the Association to value all rail properties to be transferred to ConRail under the FSP. It also must certify that such transfers, in exchange for securities of ConRail and "other benefits," are fair and equitable and in the public interest. In reviewing the determinations of USRA, the Special Court is to be guided by the public interest and fair and equitable standards, and is further instructed to decide whether the transfers are more or less fair and equitable than is required as a constitutional minimum. The Act also requires the Association to formulate offering prices for conveyances of rail properties from railroads in reorganization to profitable railroads. In making such determinations the Association has been guided by its understanding of the standards that will be applied under the Act to such transactions by the Special Court.

The basic touchstones of the valuation process are the public interest, fairness and equity and constitutional minimum standards. The chapter discusses the meaning of these standards in the context of the Act and the FSP, and sets forth the rationale behind the Association's adoption of earning power and net liquidation as the appropriate methods for determining value.

Other portions of the chapter discuss the Section 77 valuation process, USRA's determination of net liquidation value and the special valuation problems posed by the transfer of assets from nonbankrupt entities. The chapter addresses the identification and valuation of "other benefits" and the valuation and allocation of ConRail securities.

Attached to the chapter is an appendix describing in detail the net liquidation valuation process.

Manpower (Chapter 6)

The economic impact of the FSP on individual employees is minimized by the employee protection provisions contained in Title V of the Act. The Act authorizes $250 million to fund the program.

In projecting manpower requirements for ConRail, USRA sought to match existing personnel with projected staffing needs as carefully as possible. This effort began with a thorough inquiry into all aspects of the restructuring process. Five factors were critical in determining ConRail's manpower requirements: industry structure, transactions with solvent carriers, volume projections, efficiency improvements and rehabilitation. ConRail's manpower requirements were determined by assessing the impact of these factors on several categories of employment: maintenance of way and structures, maintenance of equipment and stores, transportation and executive, professional and clerical staff.

Under the Act, ConRail will offer employment to approximately 90,000 employees of the railroads in reorganization at the time of conveyance. In addition, USRA estimates that approximately 8,100 employees will be offered jobs with solvent railroads acquiring properties from the railroads in reorganization, although this figure could vary.

USRA projects that during 1976 ConRail will require approximately 3,400 additional employees. The bulk of new manpower requirements is in maintenance of way and communications and signal due to the planned ConRail rehabilitation program. USRA projects a surplus of 3,300 employees in other crafts. These employees are protected by the displacement allowance, separation allowance, termination allowance and moving expense benefit provisions of the Act. Surplus employees will be offered an opportunity to fill the estimated 5,400 vacancies per year to be created by attrition. USRA expects, however, that many employees will choose not to accept a vacancy that requires a change in residence and instead will take the separation allowance.

It is not possible to determine precisely how many employees will be offered and accept jobs with the acquiring carriers and how many will elect to separate from ConRail rather than accept employment in a new location. There is uncertainty inherent in predicting job decisions to be made by individual employees and as a result USRA has come up with a wide range of estimated employee protection costs. Depending on initial assumptions, cumulative employee protection costs could range from $162 million to $200 million. The range of expenditures, given the current assumptions, indicates that the $250 million fund provided in Title V may be adequate. Should there be an unforeseen contraction of economic activity, however, the manpower requirements for ConRail would decline and employee protection costs could increase. If this does occur and costs exceed the $250 million fund, an amendment to the Act should be sought to increase the authorization.

Marketing (Chapter 7)

The railroads in reorganization, whose properties are subject to transfer under the FSP, are now losing more than $500 million annually, ConRail's first priority must be to reduce this loss and move towards profitability. An aggressive marketing program, including improvements in service, equipment use and pricing, holds much of the promise for achieving this goal.

In the short run, USRA believes, ConRail should focus on improving the profitability of present traffic. Efforts then can turn to identifying and developing new markets for rail service.

By 1985, ConRail's annual revenue should reach approximately $2.1 billion (measured in 1973 dollars)—an increase of $283.8 million over 1973. Between conveyance date and 1980, however, ConRail's revenue and tonnage will dip below the 1973 level, due to the current recession and an expected slow rate of economic growth through 1979. Revenue and tonnage should return to 1973 levels in 1980.

Designations (Part II/Chapter 8)

Part II of the FSP (Chapter 8 and an appendix) provides a description of the process of designating properties of the railroads in reorganization to ConRail, Amtrak, solvent railroads and other entities. The chapter details the specific actions USRA recommends in the disposition of those properties. The chapter lists present owners of rail property in the Region, including the railroads in reorganization, their subsidiaries and affiliates and the solvent railroads.

Chapter 8 describes the entities which will acquire the properties of the railroads in reorganization: ConRail, other railroads, passenger service entities and other agencies which could acquire property for public purposes other than rail transportation. The chapter examines the rail properties to be conveyed, including road properties (railroad lines, facilities, etc.), rolling stock equipment (freight cars, passenger cars, locomotives, other roadway related equipment and nonroadway related equipment), materials and supplies and general and administrative assets.

Light Density Lines and Community Impact (Part III/Chapter 9)

Light Density Lines

Part III of the FSP deals with several specific issues under this general heading. Since publication of the PSP, USRA has reviewed testimony from the RSPO hearings and reevaluated every facet of the branch line analytic method and data base. The issues raised in the testimony concerned mainly the study method employed, descriptions relating to the individual lines, traffic volumes in 1973 and anticipated future growth, size of crews required to operate certain branch line services, frequency of service and time required per round trip, freight revenue calculations and USRA's processing of information.

Light density lines are an important part of the total economic problem of railroads in the Region. Overcapacity and overlapping service, poor physical condition of the lines, operating deficits and high upgrading costs make continuation of service on many light density lines a costly proposition.

USRA has reaffirmed its basic line analysis method and the policy that only financially self-sufficient lines should be included in the system. Such lines have at least one of the following characteristics:

- They have the capability of generating sufficient revenue to cover the cost incurred on the light density line and the cost of serving branch-line-generated traffic beyond the branch itself.
- Although not currently self-sustaining, they can be made viable by reasonable rate adjustments.
- Although not currently self-sustaining, they can be made so because of identifiable traffic growth in the near future.

All other lines automatically become available for participation in the Act's subsidy program. If a line is not designated for inclusion in ConRail, and if the state and local interests fail to provide the subsidy, the Act permits the discontinuance of service and abandonment of the line.

USRA believes subsidies can ease many of the negative effects of the abandonment of light density lines. Rail service continuation subsidies can be used to cover the "cost of operating adequate and efficient rail service, including necessary improvement and maintenance of track and related facilities" (section 402(j)). The federal share of the subsidy for any light density line is 70 percent, with state and/or local government contributing the remaining 30 percent of the cost.

The restructured rail system for the Region will serve 97.8 percent of the freight currently carried by the railroads in reorganization. Excluded from the FSP are about 6,900 miles of roadway, of which about 5,750 miles are currently in service and 1,150 miles are out of service. In 1973 these lines carried only about 2.2 percent of all freight carried by the railroads in reorganization. Service on these lines may be maintained under the Act's service continuation subsidy program.

The total operating loss resulting from continuing service for the first year on all active light density lines not included in ConRail will be about $38 million. This means the federal share of the required subsidy would be about $27 million, with about $11 million being borne by state or local authorities. The cost of upgrading these lines to meet Class I safety standards (10 m.p.h.) is estimated to be at least $51 million.

Railroad Marine Operations

Car-ferry or barge-float service is more expensive than train operation on a per-mile basis. With the exception of certain New York Harbor locations, alternative and less costly all-rail routes exist. USRA recommends that the Ann Arbor ferry, the PC Cape Charles float service and the Reading Delaware River Float operations not be transferred to ConRail. The two latter services are offered to Southern Railway. Excluded services would be eligible for subsidy under Title IV of the Act.

USRA recommends that the New York harbor float service be continued, but that all operations be consolidated at Greenville Yard on the New Jersey side of the Harbor and the floating services be provided by the independent dock carriers (Brooklyn Eastern District Terminal Railroad and the New York Dock Railway).

Community Impact

Abandonment of rail service on individual light-density lines not included in ConRail will have isolated or relatively small impacts on communities, according to studies prepared under contract to USRA. Only seven counties of the total 279 having lines not recommended for inclusion in the PSP faced a change in employment exceeding 2 percent of total county employment. In 15 counties, the 1-percent level was exceeded. In only seven counties was the percentage change in income generated greater than 2 percent of total county personal income. The estimated change in income generated was greater than 1 percent in 22 counties. Only a single county was estimated to sustain a loss in real income close to 2 percent.

Net increases in employment and incomes from increased maintenance expenditures and rehabilitation should offset any negative impacts which might occur as a consequence of line abandonments.

USRA investigated the extent of increased employment and income that would result between 1976 and 1985 from the large new investment program envisioned in the FSP. A full report of these studies will be published subsequently. The following summary findings represent nationwide totals although obviously the bulk of the effects will be felt in the Region. It should be noted that the employment impacts reflected in this table include not only employees involved directly in the rehabilitation and maintenance program but also indirect and induced employment in the rail supply industries and elsewhere in the economy.

Summary of Employment and Income Effects of Rehabilitation [1]

Item	Employment (man-years)	Income (thousands of 1973 dollars)	
		Salaries and wages	Proprietary incomes [2]
Totals	913, 127	$9, 140, 054	$2, 559, 215
Annual	91, 313	914, 005	255, 922
Base year (1973)	66, 470	672, 414	188, 276
Annual increment	24, 843	241, 591	67, 646
10-year increment	248, 430	2, 415, 910	676, 460

[1] Sum of direct, indirect, and induced employment and income.
[2] Derived from salaries and wages using a factor of 28 percent of salaries and wages in 1973 from national income accounts.

Source: Jack Faucett Associates, "Employment Effects of the System Plan, July 1975," prepared for the U.S. Railway Association. To derive indirect and induced man years of employment and incomes, the multi-regional input-output (MRIO) model of the United States was used. Use of MRIO insures consistency between industrial and regional effects.

Supplemental Reports

The three part, nine chapter report summarized above constitutes the Association's FSP, required by law to be completed by July 26, 1975. USRA plans to issue a supplemental report or reports after July 26 which will examine in more detail various general issues bearing directly on the establishment of a profitable and efficient rail system in the Region.

A supplemental chapter on operations and facilities planning will contain USRA's recommendations for improving the efficiency with which rail freight is moved on ConRail. Moving trains, switching and related expenses consume about half the revenues on the railroads in reorganization and improved efficiency in this area will relate directly to ConRail's financial self-sufficiency. The chapter also will detail USRA's recommendations for restoring the facilities and equipment of the railroads in reorganization to a level that will enable ConRail to service the Region with the efficiency envisioned in the Act.

Another chapter will discuss the Act's financial assistance programs, updating Chapter 15 of the PSP. These programs provide federal aid to the railroads in reorganization to provide coverage of unpredicted cash requirements and to allow for rehabilitation work prior to conveyance of the properties. The chapter will contain a description of the assistance agreements, the rehabilitation planned for the period prior to conveyance, as well as the federal funds which have been committed to these programs.

Three other chapters will discuss in detail the impact of the restructured system on communities, the environment and employment, amplifying USRA's determination that adverse effects in these areas will be minimal.

In the course of USRA's efforts to prepare a successful plan, the Association has encountered a number of public policy issues of broad significance which will be treated in this or a second supplemental report. Public policy issues relate to financial structure and assistance, transport regulation and railroad operating improvements. These areas are at the heart of the nation's transportation policy and must receive the attention of Congress, the Executive Branch, regulatory agencies, the industry and the general public, if full efficiency of intercity freight transportation is to be achieved.

1

Regional Rail System

All issues facing the Association have been subsidiary to the central goals of how best to restructure the services and properties of the Region's railroads so as to achieve adequate and efficient rail service and a self-sustaining private sector ConRail at minimum cost to the taxpayer.

The structure the Association recommends would be built around three major integral systems: ConRail, with the Penn Central as its core and including elements of the smaller railroads in reorganization; an expanded Chessie System that would absorb major parts of some of these carriers; and Norfolk & Western and smaller solvent carriers operating in existing configurations with some new trackage rights and services.

Implementation of this structure depends on the Chessie System's final acceptance of its conditional agreement with USRA to acquire certain properties and services, an acceptance not required by law until after Congress allows the Final System Plan to go into effect under the statutory terms and timetable.

In the event Chessie does not accept the Plan's offer, *the Association recommends that ConRail acquire most of the properties and services of the railroads in reorganization, with the solvent railroads continuing in essentially their present configurations.*

The Association urges adoption of the recommended structure as the best achievable balance among the principal goals of the Act. This structure not only can help the Region's carriers to function more efficiently and economically than they have been able to in the past, it also can serve as a basis for further changes that may become necessary as the industry evolves.

The Association recommends a rail structure for the Region made up of:

- ConRail, which combines most of the services of the Penn Central (PC), the Central Railroad of New Jersey (CNJ), the Lehigh Valley (LV), the Lehigh & Hudson River (LHR), the Pennsylvania-Reading Seashore Lines (PRSL), a limited section of the Ann Arbor Railroad (AA), and small portions of the Erie Lackawanna (EL) and Reading (RDG) railroads;
- The Chessie System, which is being offered most EL freight services east of Sterling (Akron), Ohio, most Reading services, the Charleston, W. Va. market of the Penn Central and access to some CNJ traffic in the Elizabethport/Perth Amboy, N.J. area;
- The Norfolk & Western Railroad (N&W), which will continue, essentially, in its present configuration;
- The Delaware & Hudson (D&H), with certain route extensions that will provide it with direct connections to the south and west;
- The other smaller solvent railroads in the Region essentially maintaining their existing route structures;
- Southern Railway, which is being offered the PC lines on the Delmarva Peninsula and the car float from Cape Charles to Norfolk, Va., and
- Amtrak, which is being designated for acquisition through ConRail of the Northeast Corridor from Boston to Washington for development of high-speed passenger service.

The Association believes that this alignment offers the best approach to reversing the financial plight of the Region's rail industry and restoring it to levels of efficiency enjoyed by most railroads in the country. This basic structure would offer competition by at least two major railroads in almost every major market (origin-destination pairing) in the Region. It would make it possible for such major railroads as the Chessie System and Norfolk & Western to continue as solvent carriers without undermining the chances for ConRail to attain viability in the private sector. It should serve to stabilize and in some instances enhance performance of the smaller solvent railroads. It also can serve as the basis for further evolutionary changes, should they become desirable in the future. In these and other ways, this structure best meets the goals of the Regional Rail Reorganization Act of 1973.

Implementation of this structure depends on Congressional acceptance and the Chessie System's final agreement to acquire the properties the Association has offered it. Chessie has agreed in principle to acquire major portions of the Erie Lackawanna and the Reading, Penn Central's Charleston market and access to some CNJ Newark traffic at the offering price of $62.5 million which Chessie contemplates satisfying with $22.1 million in cash and $82 million (face amount) of long-term bonds.[1] Chessie is not required, however, to accept the USRA offer until 30 days after Congress approves the Final System Plan.

Should Chessie decide not to accept the offer or should Congress reject the recommended alignment, the Association proposes as an alternative a "Unified ConRail" to which would be designated essentially all of the properties being offered to Chessie.

The Association, in addition to the recommended structure and a Unified ConRail, considered:

- A ConRail system (PC–AA) comprised of the Penn Central and a small part of the Ann Arbor in competition with a second system, MARC/EL, comprised of the Erie Lackawanna, Lehigh Valley,

[1] The market value of the bonds will vary from time to time based upon market conditions, interest rates and other factors. At this time, USRA investment advisors estimate the present value of these bonds to be approximately $39 to $41 million.

Reading, Central of New Jersey and the Lehigh & Hudson River railroads.
- The controlled transfer of properties of the railroads in reorganization to solvent railroads both in and outside the Region, making creation of ConRail unnecessary.

The Association determined that controlled transfer of properties of the railroads in reorganization beyond those substantial conveyances to solvents already included in the recommended plan could not be accomplished in an orderly manner prior to the establishment of ConRail. The recommended structure of ConRail, however, has been fashioned to allow future transfers that may become desirable. And, as described later in this Chapter the Association is recommending to Congress amendments to the Act which would facilitate further restructuring of ConRail as a continuation of the process of reorganizing its rail properties.

The Association found the "MARC/EL plus ConRail (PC–AA)" option wanting on two grounds. First, establishment of not one but two publicly aided institutions for the sole purpose of retaining traditional competitive patterns, meanwhile passing by the opportunity for substantial financial and operational participation of the major solvent lines, would be risky and unnecessary. Second, it would not materially improve financial performance compared to the recommended structure.

In its Preliminary System Plan, the Association recommended a structure based on acquisition of the bankrupt properties by ConRail, the Chessie System and Norfolk & Western. In subsequent negotiations, N&W and the USRA were unable to agree on terms for N&W's participation, while Chessie and the USRA did reach an accord. In addition to these negotiations, the Association, in arriving at the Final System Plan, undertook an extensive review of earlier studies, initiated new analyses, considered the public comment on the PSP made in hearings held by the ICC's Rail Services Planning Office and in direct communications to the USRA, and took into account the ICC's determinations under section 206(d)(3) of the Act.

Under the Final System Plan, ConRail will account for about 37 percent of the Region's total net ton miles yearly, the expanded Chessie System 32 percent, N&W 21 percent and the smaller solvent lines 10 percent. Besides the major transfer of EL and RDG properties, USRA proposes a number of trackage rights exchanges and projects aimed at coordinating facilities and services among railroads, some of which already are being negotiated. Their aim is to reduce needless duplication and to improve traffic routing patterns without reducing competition in major markets.

The recommended route structure for ConRail was derived from estimates of the most efficient routings of projected freight traffic. From this, yard and through route requirements were determined and a recommended rehabilitation program established. First priority would be given to those lines that connect major traffic centers and key yards, and the tracks in those yards. Special attention also will be given to major "piggyback" routes, The main through routes carry over 66 percent of the traffic projected for ConRail. Bringing track on these routes up to 50 to 60 m.p.h. speeds for freight operations is cost-effective in terms of ConRail's competitive status. Lighter through traffic and feeder routes, carrying 27 percent of the traffic destined for ConRail, will be the next priority. The Associations studies indicate that once these lines and key yards are rehabilitated, there should be an annual reduction in costs from reduced train accidents, fuel consumption and labor expenses associated with slower speeds.

Lighter tonnage lines will receive attention as necessary and as justified by cost and revenue studies. Critical need for materials on other routes may make it necessary for carriers to use each other's routes to reach some lesser markets wherever feasible.

The Association believes the recommended structure offers the best opportunity to achieve a revitalized, profitable and competitive rail service system under private management in the Region. Other configurations would have been possible, but none held as much promise for achieving the Act's purposes and goals as does the recommended plan.

Arriving at the Final System Plan

In the Preliminary System Plan, the Association recommended a three carrier system that would have included:

- A ConRail consisting of the present PC, most of the RDG and LV, CNJ, LHR, AA and PRSL;
- Norfolk & Western, expanded to include operation of the present Erie Lackawanna from Buffalo into Newark, N.J. via Binghamton, N.Y.;
- Extension of the Chessie over present Reading lines through Harrisburg to the Philadelphia and Allentown markets;
- Acquisition by Delaware & Hudson of trackage rights over the existing Lehigh Valley line from Wilkes-Barre to Allentown, thus providing D&H a direct connection for its north-south and east-west traffic and
- The continued independent status of the Boston & Maine, the Maine Central. the Bangor & Aroostook, the Detroit, Toledo & Ironton, the Pittsburgh & Lake Erie and the Grand Trunk Western.

The Association determined that this structure best met the goals of the Regional Rail Reorganization Act of 1973. It also had several other distinct advantages. First, it maintained competition in major East Coast markets by line haul carriers, thereby avoiding the haphazard division of carrier responsibility which often affects service quality. Second, it minimized track and terminal duplication, thereby achieving a competitive system at the lowest possible federal cost. Third, it merged smaller properties with larger roads, historically the easiest way to effect a merger. Fourth, it maintained the existing major traffic flows and minimized the possible disruption of service which could occur under a more radical restructuring process.

Implementation of this structure depended on participation by the Norfolk & Western and the Chessie System. A very real possibility existed, however, that one or both carriers might not seek participation in the restructuring process. The PSP, therefore, outlined a preferred alternative structure based on participation by only one of the two major solvent carriers. That alternative envisioned acquisition of both the Reading and the Erie Lackawanna properties by the one participating solvent carrier. This, the Association believed, would maintain the integrity of the desired structure. The PSP also took into account that implementation of this alternative might require granting additional operating rights needed to integrate the EL and Reading systems.

In preparing the PSP, the Association had studied seven other alternatives. These were:

- Unified ConRail—a merger of all the railroads in reorganization;
- ConRail I/Neutral Terminal Companies—merger of the lines of the railroads in reorganization with concurrent provision of solvent carrier access to the major eastern markets;
- ConRail East and West—ConRail East as a large eastern terminal district railroad with the western lines of Penn Central as a ConRail West;
- ConRail North and South—essentially a breakup of the Penn Central along the lines of the former Pennsylvania and New York Central railroads;
- MARC/EL plus ConRail (PC–AA)—a ConRail consisting of the Penn Central and portions of the Corporation/Erie Lackawanna consisting of the RDG, LV, EL and other smaller bankrupt lines;
- ConFac—a Consolidated Facilities Corporation to hold fixed plant assets for ConRail and
- Controlled Transfer[2]—distribution of the assets of the railroads in reorganization to solvent carriers either within or outside the Region, making creation of ConRail unnecessary.

Public Response to the PSP

Publication of the Preliminary System Plan produced a large amount of public comment in extensive hearings held by the ICC's Rail Services Planning Office (RSPO), in communications directly to the Association and in the press.

Comments came from shippers, railroad executives, labor, state and local government officials and private citizens. A large majority accepted the three system structure and there was no consensus on a preferred alternative. Shippers in particular agreed that the structure met the goal of maintaining rail-rail competition in the Region. A joint statement by a number of corporations predicted that the structure would provide a financially sound rail system. One corporate executive noted that the structure would minimize governmental involvement and would provide quality service—two common themes among the favorable responses. Others noted how the recommended structure balanced the goals of the Act and maintained existing service at minimum cost to the taxpayers—all within a competitive framework.

Most of the negative comment focused on concern that ConRail, as a carrier of great size and market power receiving financial aid from the federal government, might weaken the solvent carriers in the Region, particularly the smaller ones, and also harm shippers and localities. Some individuals, therefore, thought that two or more carriers, rather than one, should be formed. RSPO, in its evaluation of the public response to the PSP, found the structure recommendation less desirable than creation of the MARC/EL-ConRail (PC–AA) proposal.

These many comments, pro and con, were given careful consideration in USRA's preparation of the Final System Plan.

Final System Plan Alternatives Considered

The substantial amount of public response and other factors prompted the Association to reexamine in depth three of the seven alternative structures discussed in the PSP—Unified ConRail, MARC/EL-ConRail (PC–AA) and controlled transfer. First, the Nation's economic recession produced significant changes in some PSP financial and traffic estimates. Second, the Administration and others indicated great interest in the controlled transfer alternative. Third, the RSPO, in its evaluation of the Association's plan, gave strong support to a MARC/EL solution.

Unified ConRail.—The PSP found that this option offered the greatest potential to rationalize facilities, increase efficiency and minimize government cost. Outweighing this, however, was the finding that such a structure would eliminate competition in a large and important area in the eastern part of the Region and, thus, would compromise one of the basic goals of the Act. The reevaluation indicated that a Unified ConRail would fare somewhat better financially and require less federal funding than would a competitive structure based on solvent carrier participation. USRA believes, however, that such a structure almost certainly would lead to more government regulation than would exist under a competitive structure. Also, public policy in other ways might not be as favorable for the larger

[2] Referred to as "controlled liquidation" in the PSP.

Con Rail. Should more restrictive regulatory practices and adverse public policies prevail, the projected earnings might not be realized fully. Similarly, quality of service might be harmed and existing routes and service patterns might be changed substantially.

MARC/EL-ConRail (PC–AA).—PSP consideration of this alternative necessarily was circumscribed because the Erie Lackawanna did not ask to be included in the reorganization planning process until only a few weeks before the PSP's publication. A subsequent indepth study indicated that while MARC/EL would have potential for success, it would be at the expense of ConRail (PC–AA) and the solvent carriers. Total performance of all the lines of the railroads in reorganization would be worse and government financial requirements greater than under the recommended FSP structure. In addition, creation of two relatively weak but competing carriers out of the railroads in reorganization—with no financial or operational participation of the major solvents—probably would result in more rather than less government involvement over the long run. Finally, in the place of active participation on the eastern seaboard by an existing, financially strong and geographically dispersed carrier such as Chessie, creation of a MARC/EL would mean that competitive service would be provided through government funding of a company at best capable of limited, on-line service capability and market penetration.

Controlled Transfer.—The PSP considered this option because of the large amount of federal aid that might be necessary to rehabilitate the facilities of the railroads in reorganization and the possibility that even a Unified ConRail might not be profitable. Following further review, it was the consensus of USRA's Board of Directors that the time required to effect a controlled transfer of all of the properties and routes of the bankrupt carriers would prevent its being accomplished in an orderly manner prior to the establishment of ConRail. The Association continues to recommend the establishment of ConRail and the start of rehabilitation of its properties before any broad program of controlled transfer is undertaken. A coherent transportation system for the Region must be developed, facilities should be rehabilitated and new management must take charge of the operation to create a profitable railway system in accordance with the recommendations in this Final System Plan. The Association recognizes, however, that after ConRail is established further restructuring of the rail system may be feasible and appropriate.

The proposed structure does include recommendations for the conveyance to solvent carriers of most of the Reading and Erie Lackawanna railroads and important markets of other railroads in reorganization. In addition, the Association has reduced the size of the recommended ConRail system through joint use of facilities and track, where feasible.

The Association recognizes, however, that the establishment of ConRail may not necessarily mark the conclusion of restructuring the rail system and completing the reorganization of the bankrupt carriers. It has concluded that further steps in the reorganization of the bankrupt estates under expedited procedures should not be foreclosed and is recommending amendments to the Rail Act that would permit such further restructuring and reorganizing under processes which would employ many features of the present Act.

Discussions With Solvents

During restudy of these alternatives, the Association began negotiations with the Region's two major solvent railroads, Chessie and Norfolk & Western, to try to implement the PSP's recommended three carrier structure. Subsequently, Chessie agreed in principle to acquire most of the Erie Lackawanna and the Reading, the Charleston, W. Va. lines of the Penn Central and access to the Elizabethport/Perth Amboy area traffic of Central Railroad of New Jersey.[3] Chessie would acquire these assets and other rights at the offering price of $62.5 million through compensation consisting of $22.1 million in cash and $82 million (face value) in long-term, Baltimore & Ohio 6 percent bonds.[4] Chessie does not have to accept the offer described in the Plan until 30 days after Congress has approved the Final System Plan.

The Act permits USRA to make ConRail the secondary designee in the event a solvent railroad fails to accept an offer. The Association recommends that, with minor exceptions, the properties and rights designated for offer to Chessie be acquired by ConRail if the offer is not consummated.

Under the terms and conditions proposed and within the time constraint of the Act, the Association was unable to reach an agreement with Norfolk & Western for participation of that railroad in major industry structure acquisitions.

The Association held many discussions with solvent carriers in arriving at its Final System Plan structure. These discussions are described in a later section of this chapter. The characteristics of the recommended regional rail service plan are outlined in the next section and displayed in a large fold-out map accompanying the FSP Report.

Recommended Structure for the Region

The Association recommends for the Region a rail transport structure built around three major integral

[3] USRA recommends that all industries in the CNJ Terminal District of Northern New Jersey should be made available to Chessie on an open switching basis.

[4] If N&W does not accept the offer of trackage rights between Hagerstown, Md. and Harrisburg, Pa., and the D&H does not accept the offer of lines and trackage rights between Wilkes-Barre and Harrisburg, USRA would require Chessie to provide an additional $10 million (face amount) in B&O bonds, having a present value of about $5 million. See also footnote 1.

systems: ConRail, with the Penn Central as its core and including elements of the smaller railroads in reorganization; an expanded Chessie System which would include most of the Erie Lackawanna and Reading and with access to portions of the Central of New Jersey, and Norfolk & Western operating its existing route structure. These services will be supplemented by the smaller solvent carriers.

ConRail

Altogether, ConRail would have about 38 percent of total freight revenues in the Region and will account for approximately 37 percent of total ton miles. Approximately 15,000 system route miles will be operated, excluding light density lines which will remain with the estates but which may be operated by ConRail under subsidy provisions of the Act. Actual mileage owned will be less because of proposed acquisitions by Amtrak and the use of other carriers' lines by ConRail. The ConRail configuration is shown in Figure 1.

ConRail would be a major carrier for east-west traffic flows in the eastern part of the Region. It will be a significant north-south carrier between Cincinnati and Cleveland–Detroit–Chicago, and along the eastern seaboard from Potomac Yard (outside Washington, D.C.) to Newark, New England and upstate New York. As was the PC, ConRail will be the largest railroad in the Nation.

ConRail would consist of most of the present Penn Central, Central Railroad of New Jersey, Lehigh Valley and Pennsylvania-Reading Seashore Lines, plus a small portion of the Ann Arbor and several Reading and Erie Lackawanna viable light density lines, less certain markets which have been recommended for conveyance to solvent carriers (e.g., Charleston, W. Va., Saginaw-Bay City-Midland, Mich. and the Delmarva Peninsula lines of PC). Under recommendations detailed in Chapter 2, the Northeast Corridor lines (Boston to Washington) of PC would be acquired by Amtrak for the development of high speed service. Alternate arrangements for through freight service will be made; local service on the Corridor will continue. In addition, arrangements will be made to offer to Amtrak these other line segments: Philadelphia to Harrisburg (via Lancaster); New Haven to Springfield, and Kalamazoo, Mich., to Porter, Ind., plus certain passenger terminals, yards and other exclusive passenger facilities. Implementation of these arrangements will require amendments to the Act.

Chessie System

Chessie, already the second largest carrier in the Region, would increase its share of regional ton miles from 26 to 31 percent and would account for approximately 30 percent of the Region's freight revenues. Total Chessie System route miles would be approximately 12,000, making it only somewhat smaller than ConRail. Chessie will remain a significant carrier of West Virginia coal both to the Virginia Tidewater and to the Great Lakes, and a major merchandise freight carrier in the Region. Figure 2 shows the Chessie configuration.

The acquisition by Chessie of almost all of the Reading and present Erie Lackawanna lines between Sterling, Ohio (just west of Akron) and Newark via Jamestown, Hornell (with connecting lines to Buffalo) and Binghamton would allow it to provide single line competition to ConRail between east coast markets and the Midwest, as well as competitive connecting service between the Midwest and South and New England via the Delaware & Hudson and the Boston & Maine. Chessie also has been offered the Charleston, W. Va., market of the Penn Central. This includes the PC lines south of Point Pleasant Bridge, W. Va., through Charleston to Swiss, including the Hitop and Peters Creek branches. In addition, it is proposed that Chessie acquire trackage rights over CNJ to the Elizabethport Yard and access to certain CNJ stations switched by ConRail in the Elizabethport/Perth Amboy, N.J., area. It also is proposed that Chessie acquire trackage rights on the LV between Wilkes-Barre and Greenville Yard, N.J.

Reading Exceptions.—The offerings of Reading properties and services to Chessie include all trackage and related facilities, yards, shops and specified rolling stock and locomotives, etc., except for:

- Lines northwest of Reading (Belt Line Junction), serving the general area of Pottsville and Williamsport, Pa. The viable portions of this trackage will be designated to ConRail.
- Nonviable light density lines except for the Wilmington & Northern, Stoney Creek and Gettysburg branch lines, acquisitions which are part of the the total Chessie offering price. These lines, while nonviable for local service, are required by Chessie for through freight services.
- All viable freight lines over which passenger services are operated. These lines will be conveyed to ConRail. Chessie will provide freight services through trackage rights and ConRail will operate passenger services under contract with the local commuter authorities.
- The viable light density line between Lancaster Junction and Columbia. It will be designated to ConRail because of the existence of a nonviable section between Lancaster Junction and Akron, Pa.

ConRail will acquire trackage rights for the operation of through freight trains between Harrisburg and Allentown and between Philadelphia and Reading, excluding traffic which originates or terminates in Allentown and Bethlehem proper. ConRail also will have rights between Philadelphia and Bound Brook, including access to the U.S. Steel Fairless Works and the Port Reading Yard (excluding the coal dumper).

Erie Lackawanna Exceptions.—The EL offerings to Chessie include all trackage and related facilities, including yards, shops and specified rolling stock and locomotives, etc., except for:

- All lines from Sterling, Ohio, west.
- Nonviable light density lines except for the lines from Pittston to Avoca, Pa., Washington, N.J. to Phillipsburg, N.J., North Alexander to Caledonia, N.Y., the NewCastle branch, the Montgomery branch and the extention to Bath, Pa. These lines are needed by Chessie for through route service.
- All viable freight lines in the New York-New Jersey metropolitan areas on which passenger services are operated. These lines will be transferred to ConRail. Chessie would have trackage rights to provide through and local freight service. ConRail, under contract with commuter agencies, will provide the passenger services. Chessie would acquire the EL line from Cleveland to Youngstown over which a nonsubsidized commuter train is operated.

USRA proposes that ConRail acquire trackage rights for the operation of through freight trains on the EL between Waverly and Buffalo, N.Y. and have trackage rights between East MQ Tower and Montgomery, N.Y.

Norfolk & Western

The Norfolk & Western, despite possible loss of some of its east-west traffic now handled in conjunction with the smaller eastern railroads in reorganization, will remain a very significant carrier with approximately 18 percent of the revenues and over 21 percent of the Region's ton miles. It will remain an important carrier of Pocohantas coal from the West Virginia fields to Norfolk in the East and Lake Erie in the North. Its Great Lakes and Western Region routes (former Nickel Plate and Wabash railroads) will remain major carriers in the midwestern states of Ohio, Indiana, Illinois, Michigan, Missouri, Iowa, and reaching to Omaha, Nebr. The N&W will remain the only major solvent in the Region which can bypass the Chicago and St. Louis gateways and provide direct service to the Kansas City and Omaha gateways.[5] It was the most profitable railroad in the Region in 1974 with a pretax net income of $171 million. Potential traffic losses as a result of the restructured system are not expected to affect its earning power significantly. The N&W configuration is shown in Figure 3.

Some N&W services should be improved by the proposed acquisition of two key connecting routes, one internal to its own system and one permitting through routing with its independent subsidiary, the Delaware & Hudson. The former acquisition would enable N&W to link its lines via New Castle, Ind., through the purchase of Penn Central lines. The latter would provide trackage rights over PC lines from Hagerstown, Md. to Harrisburg, Pa.

The New Castle acquisition would enable N&W to save almost 140 route miles for traffic dispatched from St. Louis to Norfolk, Va., a reduction of 11.2 percent. The Harrisburg extension would allow N&W to route traffic over its Shenandoah Valley line for connection with the extended Delaware & Hudson. This route would enable those carriers to compete with Chessie and ConRail for traffic between New England and the South.

The Smaller Solvents

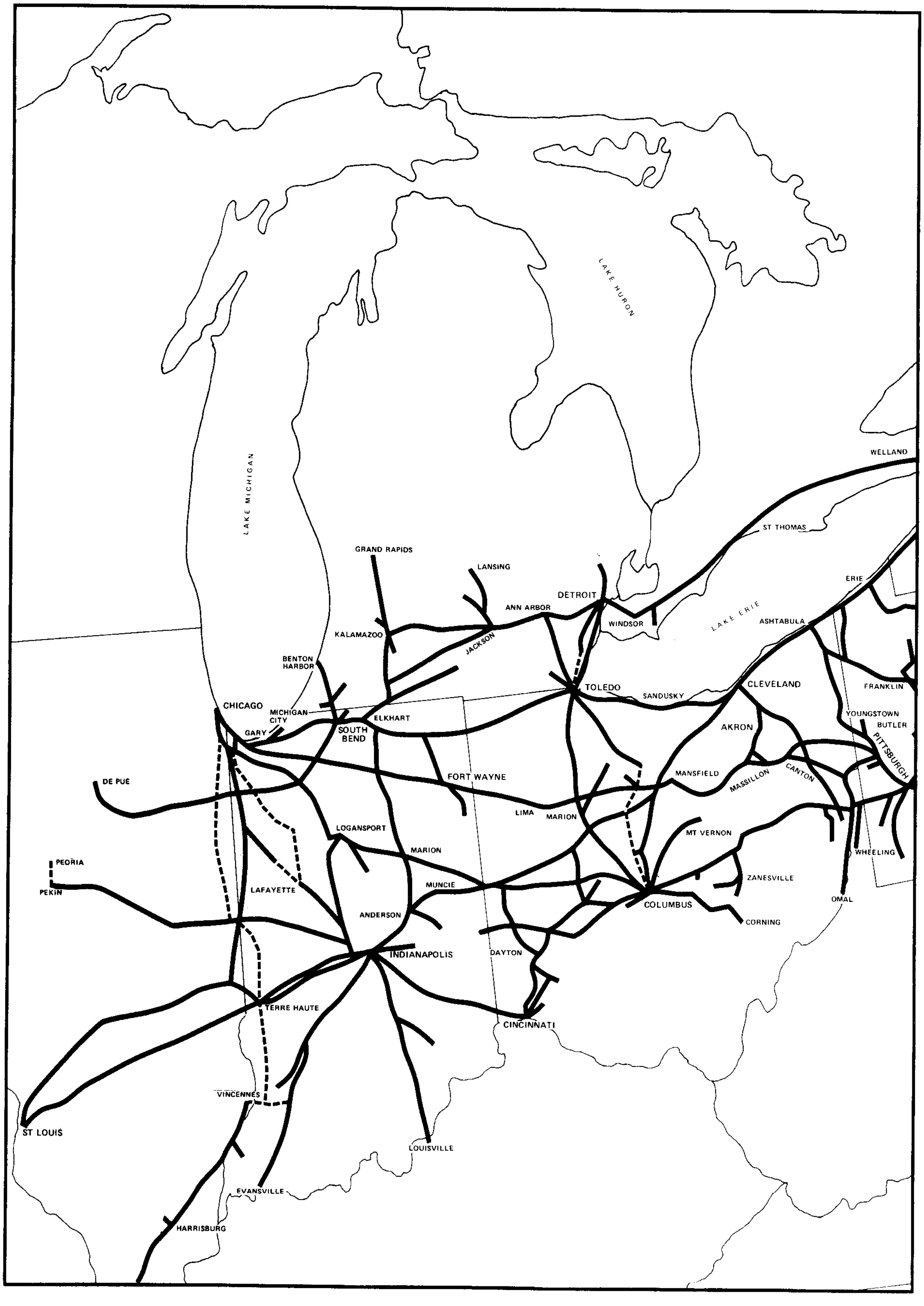
The Final System Plan does not guarantee that the Region's smaller carriers will retain all the traffic flows they now enjoy, nor can it assure that these carriers will survive all the competitive pressures in the Region. The Association believes, however, that its restructuring proposals will improve the economic prospects of the smaller carriers. In fact, the restructuring process in a number of instances will strengthen these lines directly. Most of them have route structures and/or online traffic generating capability which should enable them to withstand traffic shifts caused by the restructuring process. Implementation of the recommended structure, moreover, will begin to restore a level of certainty to rail services and routes in the Region which has not existed since the Penn Central bankruptcy. This will allow the smaller carriers to plan service and capital activities with a greater degree of confidence. A listing of the significant offerings to the Region's smaller solvents follows.

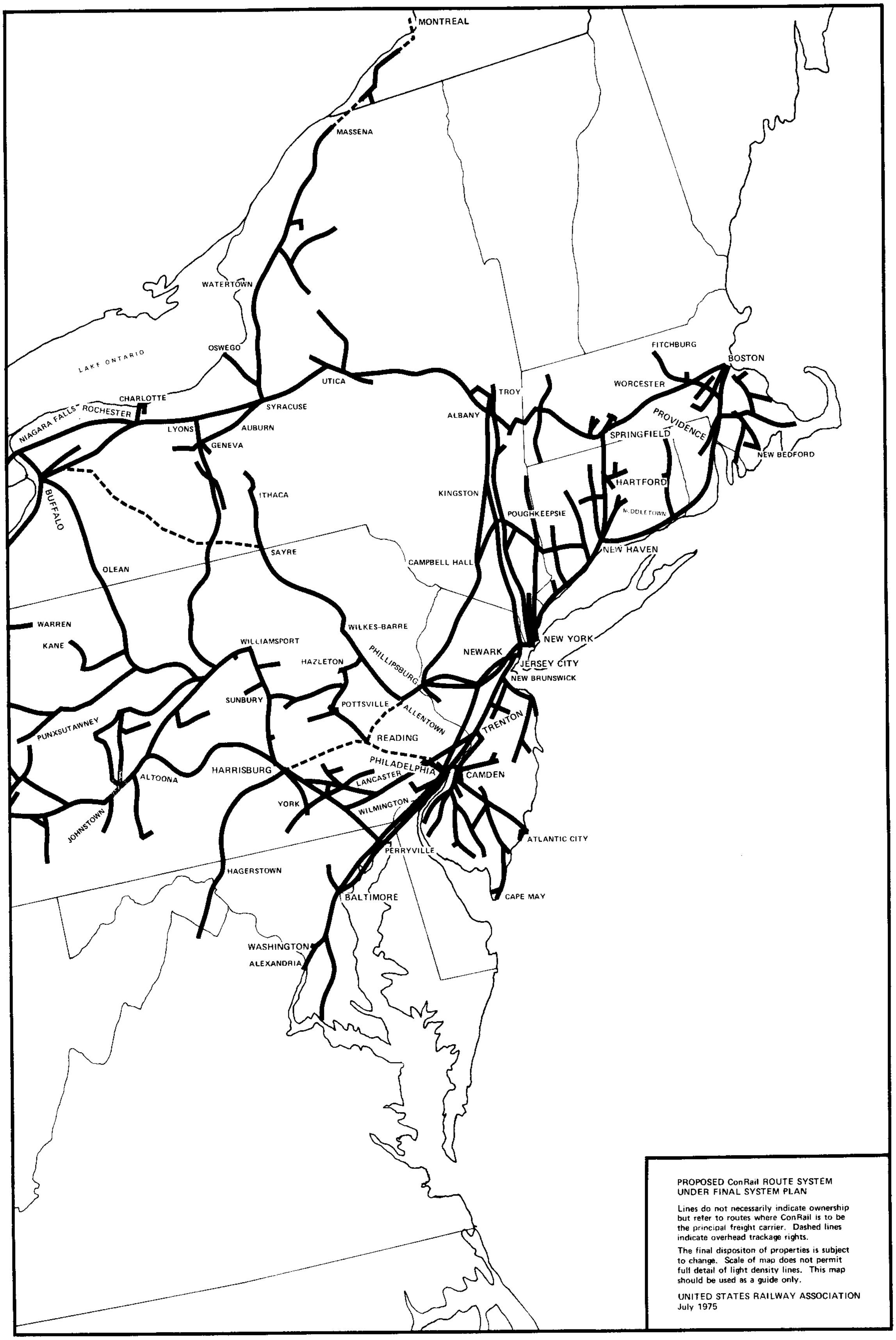
Delaware & Hudson.—D&H is being offered trackage rights over the Lehigh Valley between Wilkes-Barre and Allentown, Pa.; ownership of or trackage rights over PC between Wilkes-Barre and Sunbury, Pa., with trackage rights to Harrisburg, and trackage rights over the Erie Lackawanna between Binghamton and Buffalo, N.Y. in the event that Chessie does not acquire and operate these EL properties.[6] D&H also is being offered ownership of the Erie Lackawanna between Northumberland and Wilkes-Barre, Pa. and ownership of the Penn Central Crescent Industrial Track between Green

[5] In this regard, its midwestern lines (Lake and Western Region) resemble the operation of the Frisco (SLSF), which has maintained its profitability by serving as a bridge carrier between the West and South.

[6] The Association will propose an amendment to the Act to resolve any doubts concerning whether this form of alternate designation to profitable railroads is currently authorized.

FIGURE 1.—*Proposed ConRail route system under Final System Plan*





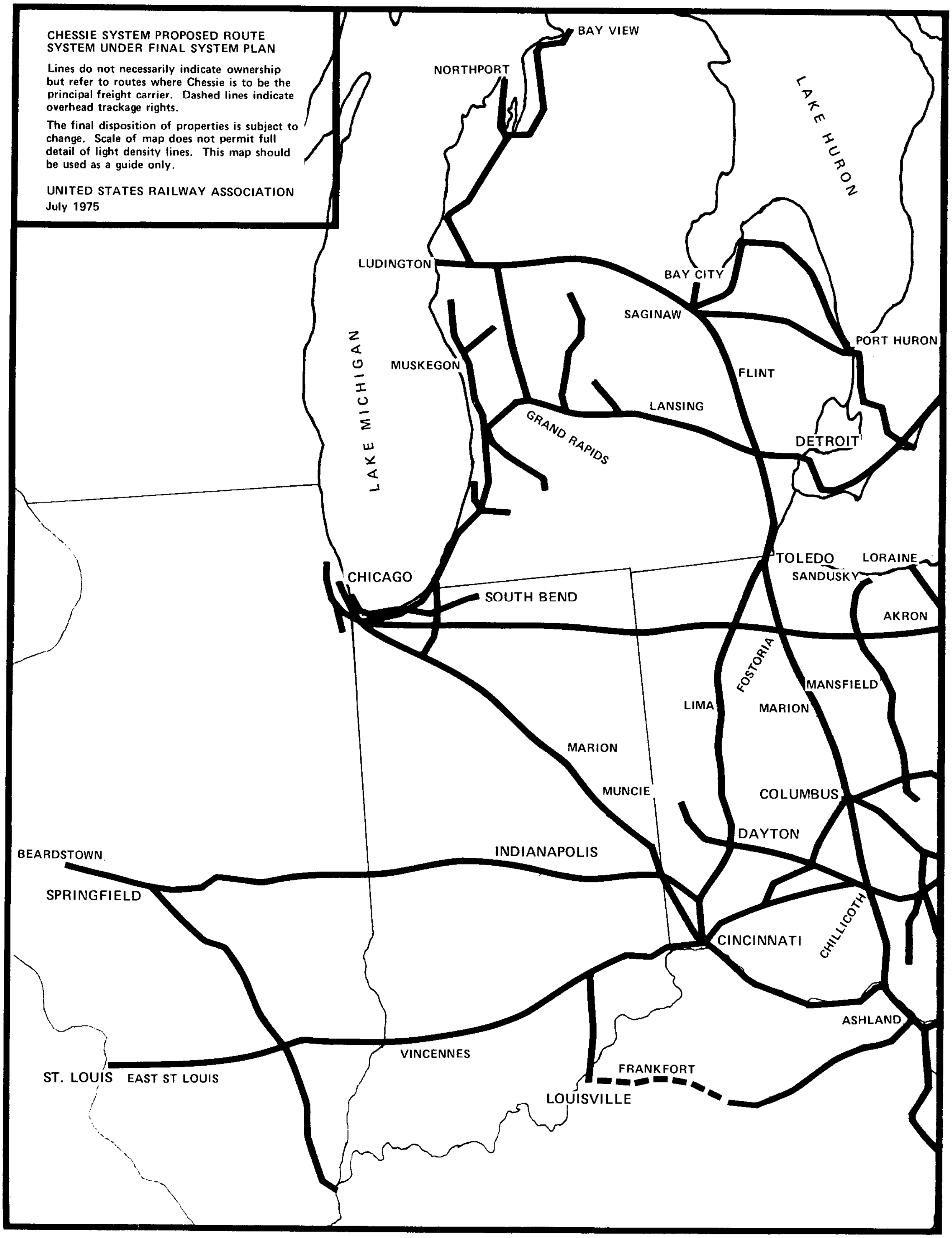
PROPOSED ConRail ROUTE SYSTEM
UNDER FINAL SYSTEM PLAN

Lines do not necessarily indicate ownership but refer to routes where ConRail is to be the principal freight carrier. Dashed lines indicate overhead trackage rights.

The final dispositon of properties is subject to change. Scale of map does not permit full detail of light density lines. This map should be used as a guide only.

UNITED STATES RAILWAY ASSOCIATION
July 1975

FIGURE 2.—*Chessie System proposed route system under Final System Plan*



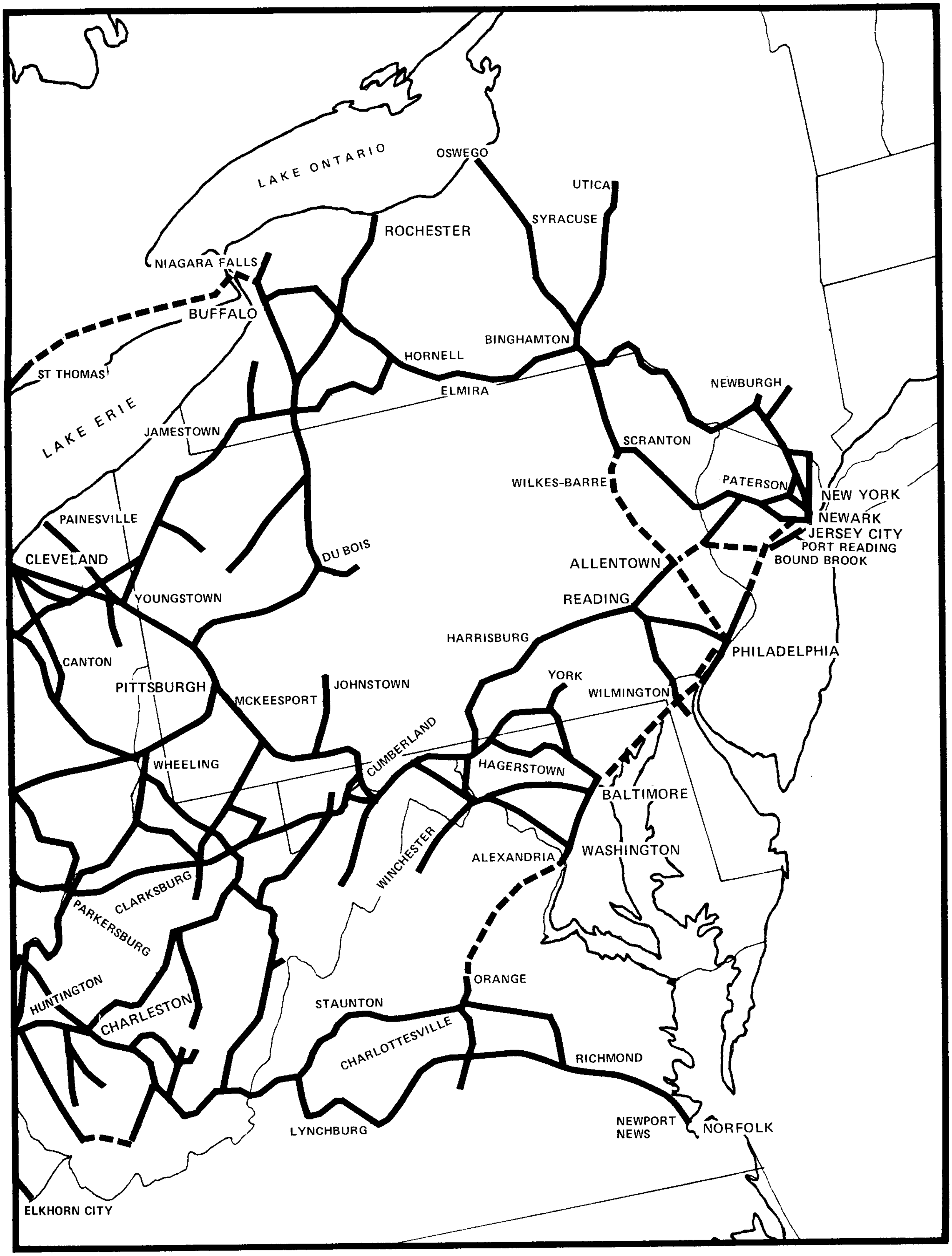
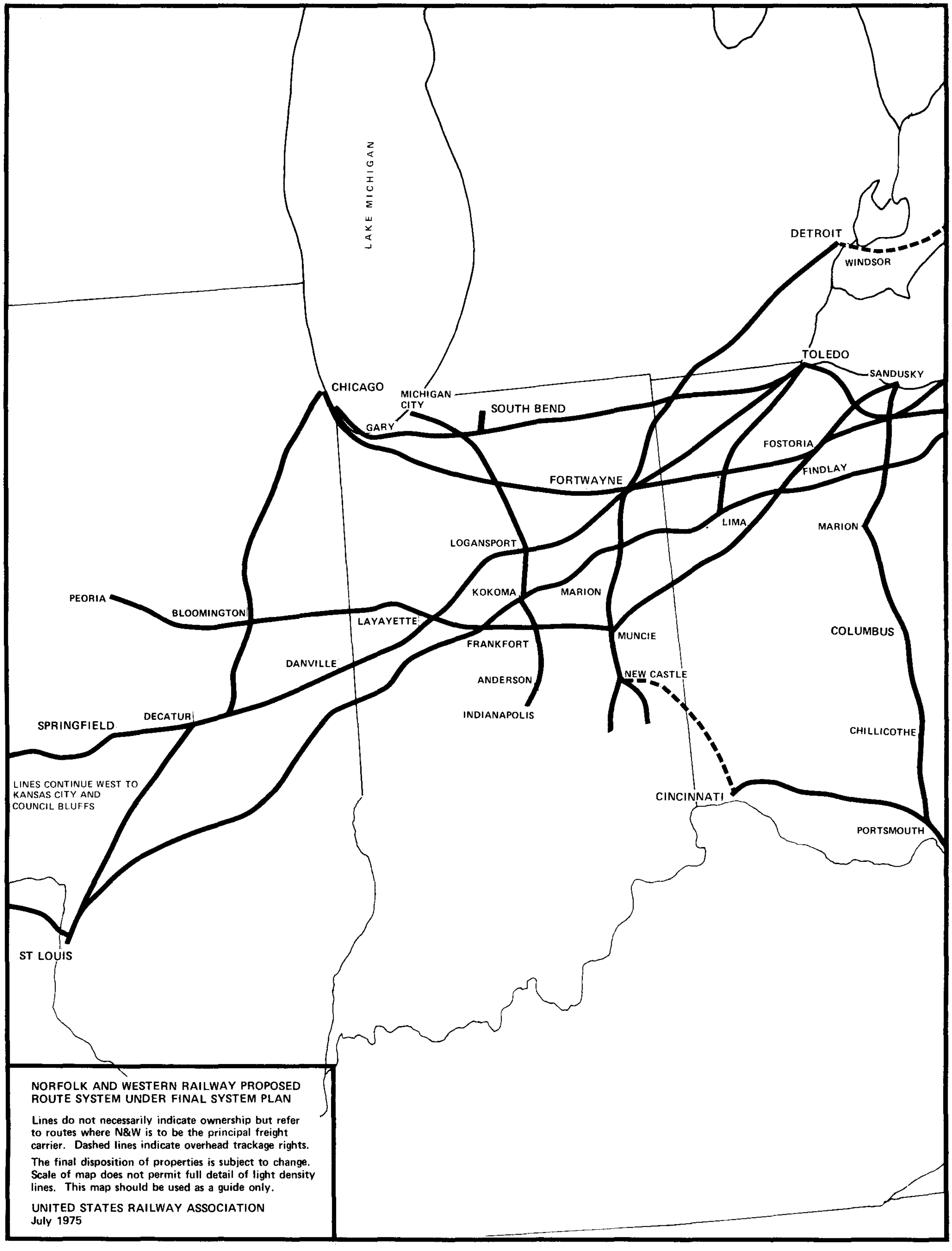

LAKE ONTARIO
OSWEGO
UTICA
SYRACUSE
ROCHESTER
NIAGARA FALLS
BUFFALO
BINGHAMTON
HORNELL
ST THOMAS
ELMIRA
NEWBURGH
LAKE ERIE
JAMESTOWN
SCRANTON
WILKES-BARRE
PATERSON
NEW YORK
NEWARK
JERSEY CITY
PORT READING
BOUND BROOK
PAINESVILLE
CLEVELAND
DU BOIS
ALLENTOWN
YOUNGSTOWN
READING
HARRISBURG
PHILADELPHIA
CANTON
PITTSBURGH
JOHNSTOWN
YORK
WILMINGTON
MCKEESPORT
CUMBERLAND
WHEELING
HAGERSTOWN
BALTIMORE
WINCHESTER
ALEXANDRIA
WASHINGTON
CLARKSBURG
PARKERSBURG
HUNTINGTON
ORANGE
STAUNTON
CHARLESTON
CHARLOTTESVILLE
RICHMOND
NEWPORT NEWS
NORFOLK
LYNCHBURG
ELKHORN CITY

FIGURE 3.—*Norfolk & Western Railway proposed route system under Final System Plan*



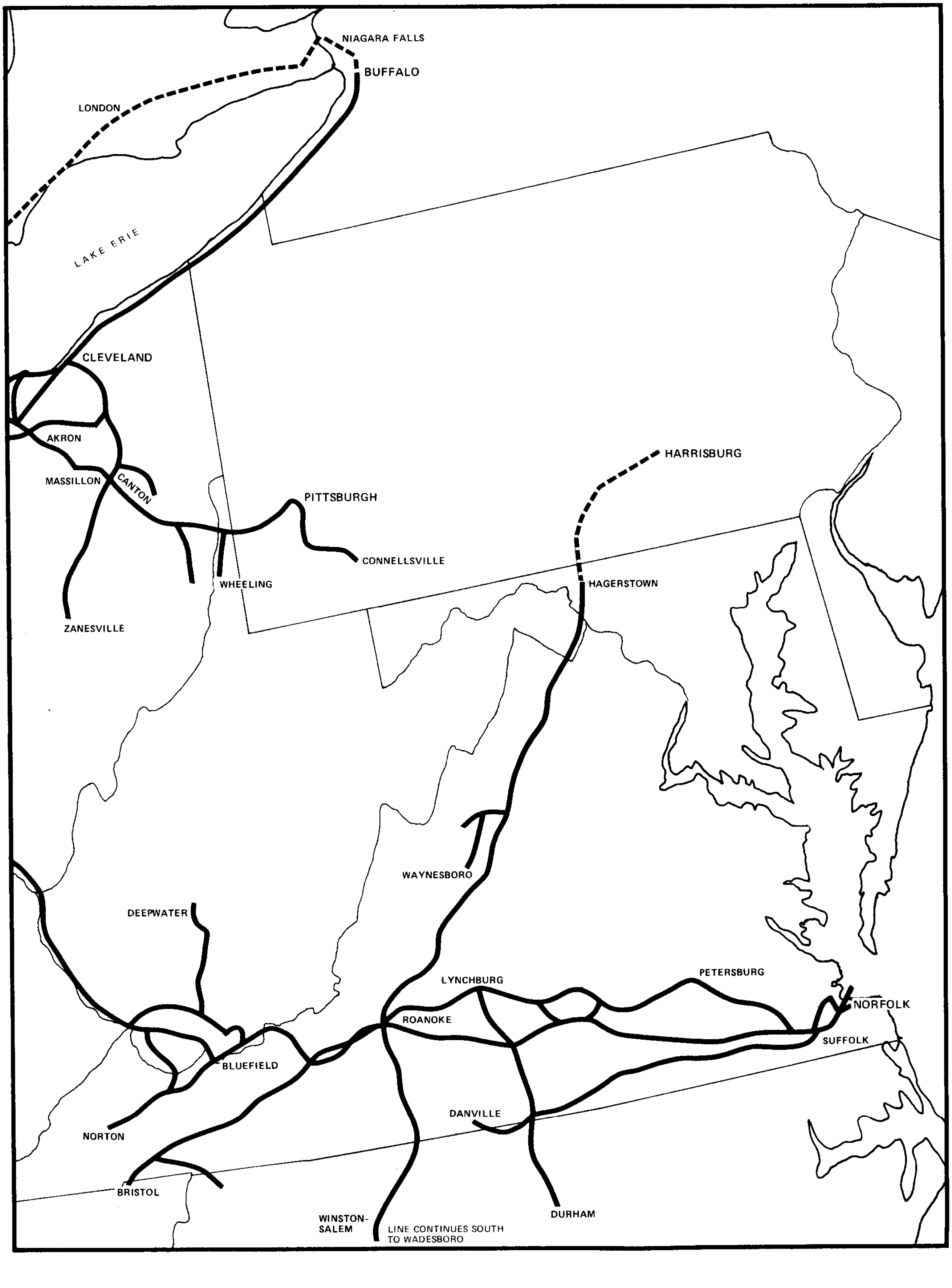
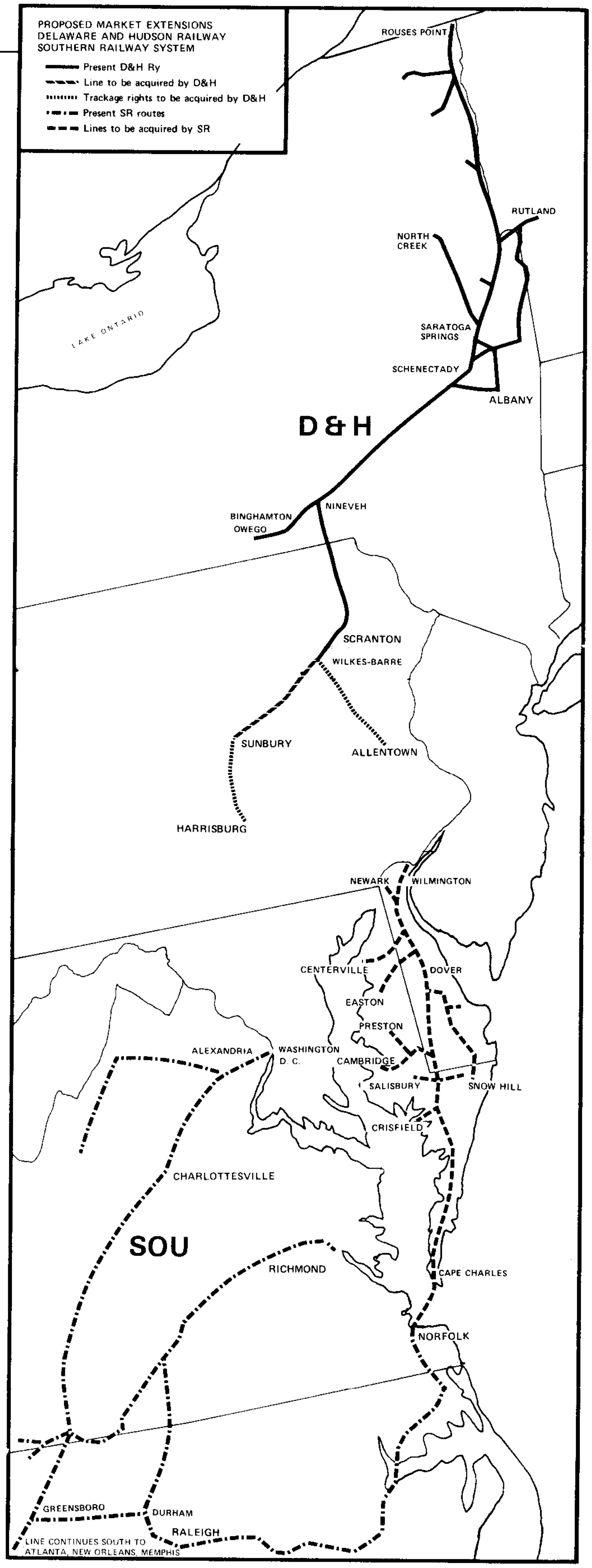

NIAGARA FALLS
BUFFALO
LONDON
LAKE ERIE
CLEVELAND
AKRON
MASSILLON
CANTON
PITTSBURGH
CONNELLSVILLE
WHEELING
ZANESVILLE
HARRISBURG
HAGERSTOWN
WAYNESBORO
DEEPWATER
LYNCHBURG
PETERSBURG
NORFOLK
ROANOKE
SUFFOLK
BLUEFIELD
DANVILLE
NORTON
BRISTOL
DURHAM
WINSTON-
SALEM
LINE CONTINUES SOUTH
TO WADESBORO

FIGURE 4.—*Proposed market extensions. Delaware & Hudson Railway, Southern Railway System*



Island and Crescent, N.Y.[7] Figure 4 shows the proposed D&H System.

In the New England market, as a result of these offerings the Delaware & Hudson-Boston & Maine route would have Chessie as a connection at Binghamton and Allentown and will connect directly with ConRail and N&W at Harrisburg. Thus, D&H's connections for both north-south and east-west traffic will be maintained. The Wilkes-Barre to Sunbury to Harisburg extension would give D&H a better operating connection with ConRail and a new direct connection with N&W. The Association also recommends that ConRail consider using D&H from Wilkes-Barre to Albany for certain north-south flows, which will increase traffic over its main line tracks and provide D&H with additional revenue. Before establishing such a route, however, ConRail must consider several alternatives which would use its own trackage.

Grand Trunk Western.—GTW is being offered Penn Central trackage and traffic in the Saginaw-Bay City-Midland (Tri-Cities), Mich. area; PC lines between Fuller (Grand Rapids) and Muskegon and between Muskegon and Muskegon Heights and other lesser segments of the PC and Ann Arbor railroads. The offering of the Michigan Tri-Cities services should strengthen GTW's position in that major market. The GTW route is displayed in Figure 5.

The Detroit, Toledo & Ironton.—DT&I is being offered direct access to Cincinnati and gains single carrier service capability between Detroit and Southern District carriers at that gateway. It will, in addition, retain its existing status as a major originator of automotive industry traffic. Figure 5 shows the DT&I routes.

Pittsburgh & Lake Erie.—P&LE is being offered access to Penn Central's Ashtabula, Ohio coal and iron ore transload facilties via trackage rights between Youngstown and Ashtabula and joint use of PC's Ashtabula Docks. This would allow it to provide single line service between Lake Erie and the important steel-producing Pittsburgh area. It also is being offered PC track and traffic on the line between Shippenport and Kobuta, Pa., and at Walford, Pa., and is recommended to have access to Wierton and Follansbee, W. Va. The P&LE routes are shown in Figure 5.

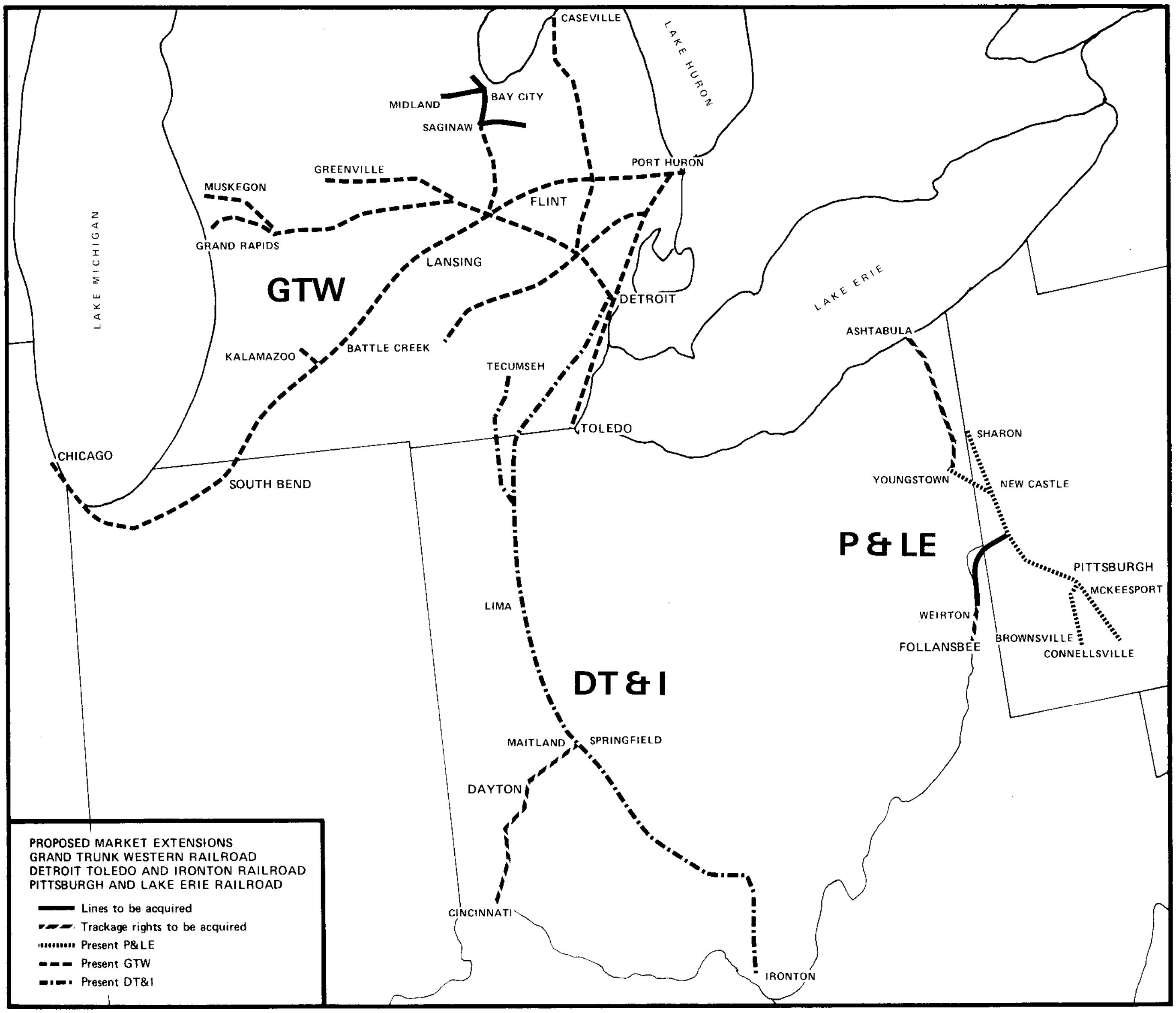
Other Railroads

Two railroads that have some traffic in the Region but which operate predominantly outside the Region also are being offered some acquisitions.

Southern Railway System.—SRS is being offered Edgemoor Yard (Wilmington, Delaware), to which ConRail will continue to have access, and all lines of

[7] USRA has also approved and the ICC has concurred in the granting of trackage rights to Delaware & Hudson to the Potomac Yard Gateway to protect its vital north-south flows should Chessie withdraw from this market as a part of the Northeast Corridor restructuring.

FIGURE 5.—*Proposed market extensions, Grand Trunk Western Railroad, Detroit Toledo & Ironton Railroad, and Pittsburgh & Lake Erie Railroad*



Penn Central east and south of Edgemoor to Cape Charles, Va., including the car float operation across the mouth of the Chesapeake Bay. Southern also is being offered branch lines on the Delmarva Peninsula and properties in the Wilmington area, including the RDG marine operations. This proposed transfer is shown in Figure 4. SOU also is being offered a portion of a PC line between Evansville, Ind., and Mt. Carmel, Ill.

The Toledo, Peoria & Western.—TP&W is being offered a portion of the Penn Central Effner secondary track between Kenneth and Effner, Ind. and trackage rights over PC between Kenneth and Logansport. This would allow TP&W to connect directly with the ConRail main line in north-central Indiana. It also would allow the TP&W to maintain its traditional role as a bypass route around the Chicago and St. Louis gateways for east-west traffic flows.

Recommended Structure if Chessie Does Not Acquire the Designated Properties

The possibility exists that the Chessie system may not accept the offer for the acquisitions described.

Should this occur, the Association recommends as the structure for the Region a Unified ConRail integrating into a single system most of the properties of the railroads in reorganization. That is, Unified ConRail would include all properties designated to ConRail in the FSP plus those EL, RDG and PC Charleston area properties that otherwise would have gone to Chessie under these designations. The property designations to Chessie include secondary designations to ConRail should Chessie decide not to participate.

Final terms and conditions for Chessie's proposed acquisitions still are being discussed. Chessie is not required to accept the offer until 30 days after Congress approves the Final System Plan.

One major condition considered not negotiable by Chessie is that it be protected against possible deficiency judgments for the acquisitions involved. USRA supports this position and urges that Congress enact an amendment making such protection possible. If Congress does not, the proposed structure cannot be implemented, unless Chessie were to change its view. There are other factors which could affect Chessie's position between now and the deadline for a binding agreement. An example is failure to implement agreements under section 508 of the Act relating to the transfer of personnel.

The Association weighed two alternative structures, described earlier in this chapter, should the agreement in principle with Chessie not be consummated—Unified ConRail and MARC/EL–ConRail (PC–AA).

In selecting the recommended structure, a critical factor was that a solvent, private sector railroad would provide competition with private funding. Chessie not only would absorb certain lines and services, but also would bear the cost of rehabilitation and would be responsible for integration of services.

If Chessie does not participate, that competitive factor no longer applies. The Association's determination of the preferred alternative structure, therefore, focused on whether competition on the eastern seaboard is worth both the estimated additional federal funding required (due to loss of efficiency) and the higher federal risk inherent in creating a competitive system without private sector financing.

USRA concluded that it is not. Creation of two public entities, ConRail and MARC/EL, would reduce the economic viability of one or both. In addition it would raise the risk that, in the final analysis, neither competition nor adequate rail service would be maintained.

Establishment of a Unified ConRail alone, on the other hand, would permit maximum efficiency and retention of adequate rail service—at the minimum cost to the taxpayer.

DISCUSSIONS WITH SOLVENTS

Following USRA Board approval of the structure proposed in the PSP, the Association began discussions with both the Chessie and N&W.[8]

The Preliminary System Plan indicated that the projects essential to the development of the proposed industry structure would not impair materially the profitability of ConRail or any other carrier operating in the Region. In addition, the ICC approved all such projects, making the necessary determinations pursuant to section 206(d)(3) of the Act.

Because of the limited time available between the publication of the PSP and the submission by USRA's Executive Committee of Final System Plan materials to the ICC on June 26, the Association developed tentative offerings concurrently for the N&W and Chessie of the same EL and Reading properties. An additional offering of the Penn Central Charleston, W. Va. market was made to the Chessie.[9]

These tentative offerings took into consideration the estimated worth to a particular solvent of acquiring

[8] The USRA also held discussions with the Delaware & Hudson on other aspects of the proposed industry structure and with other carriers on a large number of coordination projects related to industry structure.

[9] USRA also is recommending various other offerings as part of the Association's effort to improve regional rail system efficiency. Other examples include the proposals regarding the Delmarva Peninsula and the Tri-Cities area of Michigan.

specified rail properties of bankrupt carriers (going concern worth). This figure included the following key assumptions:

- The solvents would acquire all lines of the bankrupt carriers involved, except non-viable light density and commuter lines.
- ConRail would acquire the commuter lines to insulate the solvents from the possibility of having to provide money-losing commuter service. (As set forth elsewhere, the Plan assumes that subsidies will insulate ConRail from losses on this service.) The solvents would operate freight service in the commuter areas.
- Consideration was to be given to the opportunity cost for the solvents in each project; i.e., the net income impact on the solvent if the solvent did not make the acquisition.

The net liquidation values of the various bankrupt properties then were compared with the going concern worth figures. The initial offering price of each of the properties was determined by net liquidation value or going concern worth, whichever was higher.

The USRA Board authorized use of the tentative offering prices developed on this basis. These figures then were presented to each of the solvents and replies subsequently were received from both the Chessie and the N&W. It is worth noting that these two companies serve different markets and have different traffic flows and, therefore, the long term impact on earnings of acquiring the bankrupt lines offered could be expected to be different for N&W and Chessie. The responses made by each company reflected their individual perceptions of the value of the properties offered.

Chessie expressed willingness to acquire the EL, the Reading and PC's Charleston market at a price above net liquidation value. Chessie's offer did not propose the use of any federal financial aid for acquisition, rehabilitation or operating deficits. The N&W response on the EL was far below that of the Chessie and involved substantial federal funding. N&W's response on the Reading also was considerably below USRA's tentative offering price and, in addition, would have required federally guaranteed loans.

While transfer of the LV to the N&W was not one of the original offerings, USRA held discussions with the N&W concerning such a transaction. The N&W indicated it would be interested in acquiring trackage rights only on the LV between Allentown and Oak Island and that this would be contingent upon its acqusition of the Reading. It expressed no other interest in the LV.

Because the Chessie presented USRA with basically affirmative responses on both the Reading and the EL and because the N&W did not present USRA with an acceptable response on either, the Final System Plan makes offerings of portions of the Reading, the EL and PC's Charleston, W. Va. market for sale to Chessie, subject to the acceptance of satisfactory terms and conditions. LV will not be offered to the N&W because the Reading is designated to Chessie rather than to the N&W.

Chessie has indicated that for the above package, it would be prepared to pay $22.1 million in cash and $82 million in principal amount of B&O bonds. The proposed bonds will bear an interest rate of 6 percent and will mature in 50 years with a sinking fund commencing in the ninth year. The Association believes this offer represents fair and reasonable compensation for the properties involved.

Chessie has conditioned its offer on a legislative change, which USRA recommends Congress enact. This change would provide Chessie with deficiency judgment protection on the acquisitions covered above.[10]

The offering excludes nonviable light density lines, except those requested by Chessie, and trackage where commuter services are operated. ConRail will acquire this trackage and run the commuter services. Chessie, using trackage rights would provide freight operations on viable lines in commuter territory. The Chessie has agreed to undertake and maintain rail service on the acquired properties, subject to continuing ICC jurisdiction.

Under section 206(d)(4) of the Act, the Chessie will have until 30 days after Congress accepts the Final System Plan to decide if it desires to acquire these properties.

[10] Chessie also would want labor protection for its employees which would be adversely affected if the B&O line between Philadelphia and Washington is acquired by ConRail.

RESTRUCTURING SERVICE THROUGH COORDINATION

A principal tool for improving rail efficiency, minimizing public sector funding and serving other goals of the Act is the coordination of facilities and services among railroads. The proposed coordination projects outlined in the PSP are described in some detail in Chapter 8 and its appendix (Part II). There are several projects deserving special mention because of their scope and significance for future improvements in efficiency.

In the work leading to the PSP, a critical problem was identified in the north-south lines radiating from Chicago to Southern Illinois and Indiana. These lines provide ConRail with access to significant traffic and are necessary for the direct routing of freight. They are, however, in a terrible state of repair. Programed rehabilitation could not be achieved for a number of years because of priority needs on other lines. This fact, coupled with the existence of alternate, well-maintained routes of solvent carriers, led USRA to extensively study rerouting possibilities for points in Southern Illinois and Southern Indiana. Discussions were held with the Illinois Central Gulf (ICG), Chessie System, Chicago & Eastern Illinois (C&EI), Chicago & Western Indiana (C&WI), Milwaukee Road (CMStP&P) and the Louisville & Nashville (L&N). These discussions led to the following recommendations for route restructuring.

ConRail would route all of its Southern Illinois through traffic via Lawrenceville, Ill., thence eastward on the Chessie System (B&O) to Vincennes and then up the Louisville & Nashville/Chicago & Eastern Illinois to the Chicago area. L&N will be offered trackage rights into the Southern Illinois mines on lines designated for ConRail for the movement of south-bound coal, and USRA will support L&N's petition for these rights before the ICC. (Since this project was not approved under section 206(d)(3) as an acquisition by a solvent carrier, the project must go through normal Commission procedures).

Between Indianapolis and Chicago, ConRail will rebuild its line as far as Lafayette (as was proposed in the Preliminary System Plan) and will then obtain trackage rights over the Louisville & Nashville (formerly Monon) into the Chicago area.

In the Southern Indiana coal fields, it is proposed that Louisville & Nashville obtain trackage rights over lines being designated for ConRail between Straight Line Junction (just north of Evansville) and Oakland City and between Buckskin and Lynnville. The portion of the former proposal between Oakland City and Straight Line Junction already has been approved by the Commission in Docket 293 (Sub. No. 4). However, USRA recommends under section 206(g) that L&N be granted trackage rights over the ConRail Lynnville Branch. This will give Louisville & Nashville access to the Algiers, Winslow & Western Railway and certain on-line mines for coal movements to the south. In addition, ConRail will obtain trackage rights over the Chessie (B&O) from a point just west of Washington, Ind. to Vincennes, thence over the L&N/C&EI to Chicago. Thus, ConRail can consolidate its coal flows from Southern Illinois and Southern Indiana to the Chicago area over an existing high capacity and well maintained railroad.

There will be significant advantages to both L&N and ConRail from the recommended reroutings. The Louisville & Nashville would receive additional payments from ConRail for use of its tracks, thereby spreading the fixed ownership and the fixed portions of maintenance costs over a larger traffic base. ConRail will avoid the expenditures required to bring its presently deteriorated track (operation at 10 to 20 m.p.h.) up to a standard necessary for efficient movement of through trains. Inasmuch as these are not priority lines for ConRail rehabilitation, operating efficiency and shipper service would be improved more rapidly.

Amtrak will benefit, as its Cincinnati to Chicago service now is being detoured over the Chesapeake & Ohio and is missing the key market of Indianapolis. Without the proposed project, it would be three or more years before Amtrak service could be rerouted through Indianapolis. With the mileage required for rehabilitation sharply reduced through this coordination project, service improvement could be advanced by several years.

As a longer term project, USRA believes the Louisville & Nashville and ConRail should explore the possibilities of establishing a single high standard route between Louisville and Chicago for joint use. There are several possible alternatives. One would be to use the Penn Central from Louisville to Lafayette, thence the Monon to Chicago. Another would be to use the present Louisville & Nashville (Monon) with access to Indianapolis from Louisville over the PC line from Gosport.[11] Included in these studies should be the joint use of yards in the Louisville area—specifically, the Louisville & Nashville's rebuilt Strawberry Yard (scheduled for completion in 1977).

This is but one of the coordination opportunities identified for future implementation. It is recommended that ConRail pursue this project and other possibilities aggressively so that improvements in service will not depend totally on the speed with which it can rebuild its own lines and so that the total cost to the taxpayer can be reduced to the absolute minimum.

[11] USRA has already recommended and the ICC has made the necessary favorable determination concerning L&N trackage rights over properties designated to ConRail between Greencastle, Ind. and Indianapolis, thereby providing it with a more direct route for its traffic from Indianapolis to the South. Using the ConRail line through Martinsville would further reduce the L&N circuitry.

The ConRail System

This section describes ConRail's routes, secondary lines (or feeders) and major yard facilities. It also discusses USRA's recommendations with respect to the rehabilitation of key routes and terminals.

USRA performed many studies preparatory to decisions on the recommended routes and yards. Many of these studies were described in the PSP. Subsequent reports describing operations and facilities activities in greater detail will be published by USRA within a few weeks of this Report's publication. In sum, USRA:

- Analyzed all traffic of the ConRail system,
- Made forecasts of future traffic flows,
- Addressed terminal capabilities,
- Simulated existing and projected traffic flows over the ConRail network,
- Compared projected switching requirements at classification yards with existing capabilities and made blocking adjustments where necessary,
- Compared train movements over the major routes to line capabilities and made routing adjustments where capacity constraints were encountered,
- Made estimates of track and roadbed condition and rehabilitation costs and decided on a rehabilitation strategy and
- Adjusted line capacities where the routes used were not to be rehabilitated in the first round or where rehabilitation efforts at some future date would necessitate re-routing or cause some other constraints in normal line speeds.

ConRail Route Requirements

The ConRail freight routes with planned traffic densities of at least 5 million gross ton-miles per route-mile are listed, by density grouping, in Table 1. These are the routes which connect major terminals on the system. On a significant number of these routes, trackage rights on other railroads may be used for all or part of the distance.

Table 1 also shows the rehabilitation category for each line. The PSP incorporated maintenance and rehabilitation estimates based on restoring and maintaining all lines selected for inclusion in the consolidated system. Since the PSP, substantial changes have been made in rehabilitation estimates for the FSP by refining roadway improvements and maintenance more precisely to ConRail's operating and service needs. These refinements strike the appropriate balance between maintenance costs, operating efficiency, and the Act's goal of limiting overall costs to the taxpayer. Thus, USRA's financial projections are based on cost estimates for rehabilitation of selected lines, as follows.

- *First Priority Line Haul Rehabilitation.*—A 10-year program for those lines proposed to carry 20 million or more gross tons per track mile annually, plus those lines on which a freight train operating speed of 60 m.p.h. is desired.
- *Rehabilitation of Major Classification Yards.*
- *Second Priority Line Haul Rehabilitation.*—An extended program for those lines not included above but which carry in excess of five million gross tons per track mile annually.

TABLE 1.—*Projected Traffic on ConRail Routes—1985 Planning Assumptions*

(Freight Tonnage Only)

From	*To*	*Via*	*Rehabilitation priority*
Over 60 million GTM/yr:			
Chicago, Ill	Cleveland, Ohio	Toledo, Ohio	I
Cleveland, Ohio	Albany, N.Y	Buffalo, N.Y	I
Cleveland, Ohio	Pittsburgh, Pa	Alliance, Pa	I
Johnstown, Pa	Harrisburg, Pa	Altoona, Pa	I
Pittsburgh, Pa	Johnstown, Pa	Greensburg, Pa	I
Indianapolis, Ind	Union City, Ohio	Anderson, Ind	I
40 to 60 million GTM/yr:			
Harrisburg, Pa	Phillipsburg, N.J	Allentown, Pa.[1 2 4]	
Bucyrus, Ohio	Alliance, Ohio	Mansfield, Ohio	I
East St. Louis, Ill	Indianapolis, Ind	Effingham, Ill	I
Dayton, Ohio	Cincinnati, Ohio	Middletown, Ohio	I
Conway, Pa	Yellow Creek, Ohio		I
Union City, Ohio	Crestline, Ohio	Bellefontaine, Ohio	I
Youngstown, Ohio	Ashtabula, Ohio	Mann, Ohio	I
Perryville, Md	Baltimore, Md	[3 4]	
30 to 40 million GTM/yr:			
Pittsburgh, Pa	Johnstown, Pa	Kiski Jct., Pa	I
Reading, Pa	Philadelphia, Pa	Pottstown, Pa.[1 2 4]	
Toledo, Ohio	Detroit, Mich	Monroe, Mich	I
Albany, N.Y	Springfield, Mass	Pittsfield, Mass	II
Phillipsburg, N.J	Newark, N.J	Flemington Jct., N.J.[2]	I
Columbus, Ohio	Dayton, Ohio	Xenia, Ohio	I
Alexandria, Va	Baltimore, Md	Washington, D.C.[3 4]	
Ridgeway, Ohio	Toledo, Ohio	Findlay, Ohio	I
Yellow Creek, Ohio	Mingo Jct., Ohio		II

See footnotes at end of table.

TABLE 1.—Projected Traffic on ConRail Routes—1985 Planning Assumptions—Continued

(Freight Tonnage Only)

From	*To*	*Via*	*Rehabilitation priority*
30 to 40 million GTM/yr—Continued			
Safe Harbor, Md	Parkesburg, Pa		II
Crestline, Ohio	Cleveland, Ohio	New London, Ohio	I
Harrisburg, Pa	Perryville, Md	Safe Harbor, Md	I
Yellow Creek, Ohio	Alliance, Ohio	Bayard, Ohio	I
Perryville, Md	Philadelphia, Pa	Wilmington, Del.[3,4]	
20 to 30 million GTM/yr:			
Keating, Pa	Harrisburg, Pa	Newberry, Pa	I
Jackson, Mich	Detroit, Mich	Ann Arbor, Mich	I
Columbus, Ohio	Pittsburgh, Pa	Weirton, Pa	II
Philadelphia, Pa	Newark, N.J	W. Trenton and Bound Brook, N.J.[1,2]	II
Columbus, Ohio	Crestline, Ohio	Ashley, Ohio	I
Dayton, Ohio	Bellefontaine, Ohio	Springfield, Ohio	I
Wilkes-Barre, Pa	Allentown, Pa	Lehighton, Pa	I
Union City, Ohio	Columbus, Ohio	Urbana, Ohio	II
Elkhart, Ind	Three Rivers, Mich		I
Union City, Ohio	Middletown, Ohio	New Madison, Ohio	I
Springfield, Mass	Framingham, Mass	Worcester, Mass	II
Phillipsburg, N.J	Selkirk, N.Y	Warwick, N.J	I
Buffalo, N.Y	Niagara Falls, N.Y		I
10 to 20 million GTM/yr:			
Columbus, Ohio	Ridgeway, Ohio		II
Clearfield, Pa	Keating, Pa		II
Parkesburg, Pa	Philadelphia, Pa	Paoli, Pa.[1,2]	
Conway, Pa	Youngstown, Ohio		II
Three Rivers, Mich	Jackson, Mich		II
Three Rivers, Mich	Kalamazoo, Mich	Homer, Mich	II
Union City, Ind	Goshen, Ind	Marion, Ind	II
Framingham, Mass	Boston, Mass		II
Niagara Falls, N.Y	Detroit, Mich	St. Thomas, Ont.[1]	II
Syracuse, N.Y	Philadelphia, N.Y	Watertown, N.Y	II
Albany, N.Y	New York, N.Y	Poughkeepsie, N.Y	II
Bucyrus, Ohio	Chicago, Ill	Fort Wayne, Ind	I
Carothers, Ohio	Toledo, Ohio	Tiffin, Ohio	I
Newberry, Pa	Lyons, N.Y	Corning, N.Y	II
Sheff, Ind	Chicago, Ill	Schneider, Ind.[1,4]	
South Bend, Ind	Streator, Ill	Schneider, Ind	I
Indianapolis, Ind	Chicago, Ill	Lafayette, Ind.[1,4]	
Kalamazoo, Mich	Jackson, Mich	Battle Creek, Mich	II
Louisville, Ky	Indianapolis, Ind	Columbus, Ind	II
Marshall, Ill	Sheff, Ind	Danville, Ill.[1,4]	
Niagara Falls, N.Y	Rochester, N.Y	Middleport, N.Y	II
Keating, Pa	Buffalo, N.Y	Olean, N.Y	II
Springfield, Mass	New Haven, Conn	Hartford, Conn.[1,4]	
Newark, N.J	Kingston, N.Y	Haverstraw, N.Y	II
5 to 10 million GTM/yr:			
Anderson, Ind	Marion, Ind		II
Philadelphia, N.Y	Massena, N.Y		II
Ashby, Ind	Indianapolis, Ind	Rincon Jct., Ind.[1]	II
Framingham, Mass	Providence, R.I	Walpole, Mass	II
Harrisburg, Pa	Hagerstown, Md	Chambersburg, Pa.[1]	II
Morrisville, N.J	Newark, N.J	New Brunswick, N.J.[1]	None
Wilkes-Barre, Pa	Buffalo, N.Y	Sayre, Pa.[1,4]	
Kalamazoo, Mich	Grand Rapids, Mich	Shelbyville, Mich	II
Beacon, N.Y	New Haven, Conn	Danbury, Conn	II

[1] Possible ConRail use of trackage rights over solvent carrier or Amtrak track ge for all or part of this route.

[2] After corridor reroute complete.

[3] Present preferred plan calls for shifting through traffic to present B&O line.

[4] Possible joint facility for all or part of the route; rehabilitation priority subject to further negotiation.

Note: Certain additional lines may receive priority rehabilitation for passenger services. See Chapter 2.

Figure 6 shows the routes planned for first and second priority rehabilitation.

The FSP facilities strategy also includes:

- No rehabilitation, but normal maintenance,[12] on approximately 5,600 miles of track proposed to carry between 1 and 5 million gross tons per year, plus 1,500 miles of essential supporting yard tracks.
- Interim maintenance on approximately 6,300 miles of branch line, yard and way switching track to sustain operations at 10 m.p.h. and
- No maintenance on 2,000 miles of way switching and yard track.

The impact of the rehabilitation plan on operating costs and service is as follows.

- With 93 percent of the gross ton miles moving on rehabilitated lines, wreck clearing, crew and fuel expenses should be reduced following rehabilitation.
- Main line rehabilitation beyond that included in the FSP rehabilitation strategy would reduce overall car transit time by only about 1 percent, since cars spend less than 15 percent of their cycle time actually moving.
- The rehabilitation strategy is cost-effective because it removes bottlenecks (heaviest density tracks and yard tracks) rather than rebuilding the entire system.
- All trailer on flat car (TOFC) routes of significance have been included in the first priority rehabilitation category.
- The most important benefit of the rehabilitation strategy will be a continuing improvement of the reliability of train movements as rehabilitation progresses. This improvement will allow for better terminal planning and through train scheduling.

ConRail Yard Requirements

Yard requirements were developed on the basis of blocking simulations and yard operations studies for present and projected traffic levels. The operating plan for ConRail requires changes in the present classification yards. Certain yards will require capital improvements to handle new classification requirements or the projected workloads, but no major new classification yards will be necessary. A number of existing yards will be downgraded and some eventually may be closed. Several existing TOFC terminals will be consolidated and capacity increased where necessary to handle future combined volumes. A new TOFC block switching terminal is proposed for Crestline, Ohio.

The USRA blocking and scheduling model was used to simulate 1973 and 1985 line-haul operations and to determine the resulting yard loadings. It was found that by improving classification policies the amount of switching could have been reduced by 8 percent in 1973. To handle ConRail's switching requirements, blocking plans were revised to match the capacity of existing facilities; however, in nine major yards there is a need for expansion or significant rehabilitation to handle the projected requirements and to improve operational efficiency, as indicated in Table 2.

A number of yards which function primarily as industrial support yards also would be expanded and modernized, including the following.

Yard	*Location*
Greenwich	Philadelphia, Pa.
DeWitt	Syracuse, N.Y.
Burns Harbor	Portage, Ind.

The Penn Central intermodal terminal at 47th Street in Chicago would be combined with the present Erie Lackawanna terminal to provide additional capacity to handle increased traffic and to facilitate interline activities.

These major yard projects required to accommodate the proposed ConRail operation generally are phased over a 5-year period, from 1976 to 1980. Additional modernization and expansion, while not so extensive, are contemplated for the period between 1980 and 1985. These projects would focus primarily on operating efficiency improvements and local support activities.

Future Operating Changes

As traffic volume increases and flow patterns change, however, it will be necessary to monitor traffic flows and periodically revise and restructure ConRail line-haul operations. These changes will help maintain satisfactory customer service levels at the lowest possible cost.

The Association has made no attempt to define how Chessie might integrate operations of the Erie Lackawanna and Reading, or how N&W might adjust to changes in traditional connecting patterns. The outline of ConRail's operating plan, similarly, is just that—an outline. It represents a best estimate of how the Association believes the system initially should be set up, although 10 years from now it may look very different. Indeed, the Association could not make such final determinations, for shippers and other carriers in the Region, acting on their own business instincts and exercising their own options to route traffic, will make decisions over time that could alter substantially any "definitive" plans which USRA might recommend now.

The major solvent carriers in the Nation earn low rates of return on investment compared to most other industries. ConRail obviously will be vulnerable to eco-

[12] Rehabilitation covers activities which "catch up" on deferred maintenance to restore a line to a desired level of operation. It occurs when normal maintenance cycles have not been followed in past years. Normal maintenance covers those activities required to preserve a railroad's physical plant at a desired level of maintenance, recognizing such factors as traffic density and life of track materials. Interim maintenance enables continued freight train operations at 10 m.p.h.

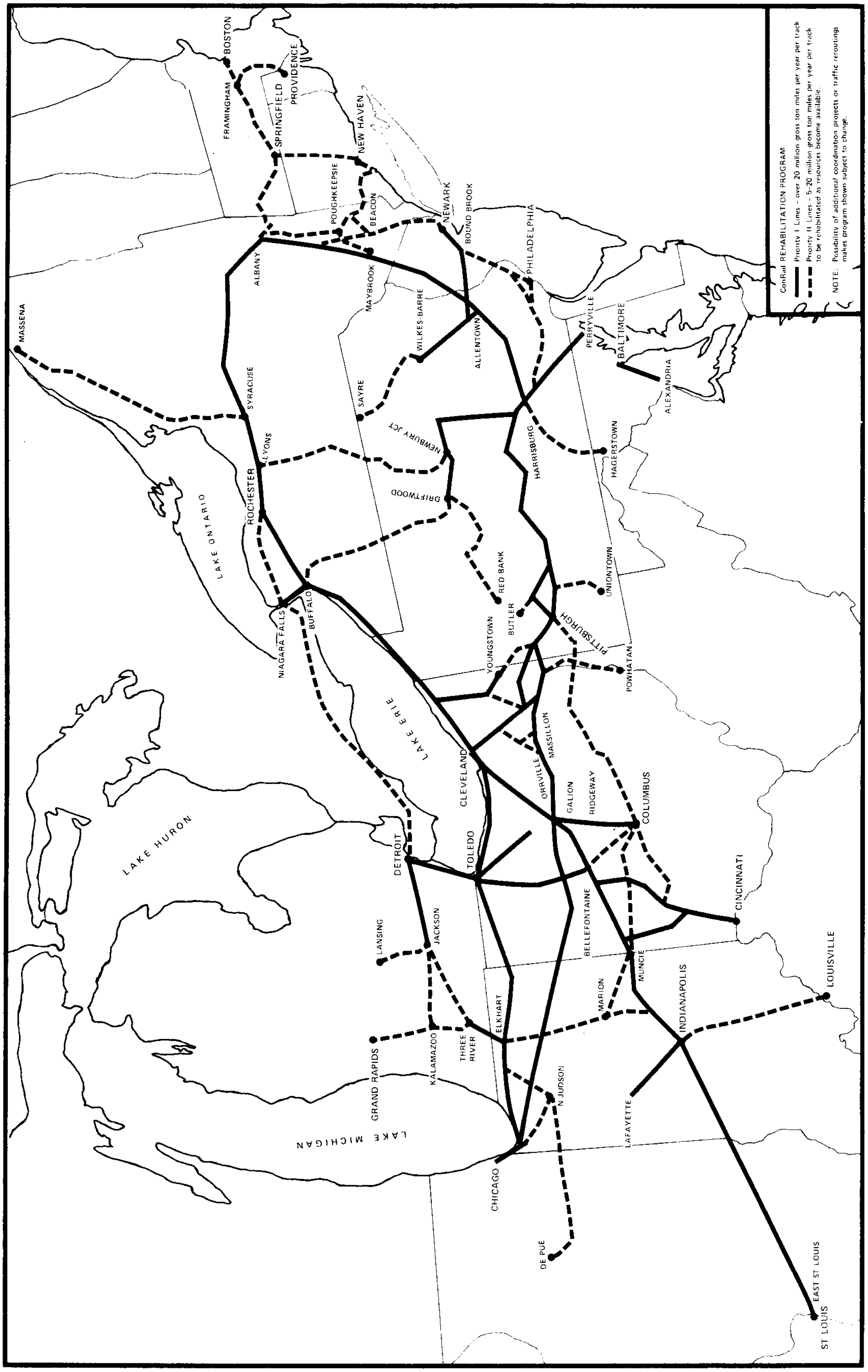


FIGURE 6.—*ConRail Rehabilitation Program*

TABLE 2.—Proposed major yard expansions and modifications

Yard	Location	Objective of project
Allentown	Allentown, Pa	Increase the number of classifications made.
Avon	Indianapolis, Ind	Increase car throughput.
Blue Island	Chicago, Ill	Improve yard operating efficiency.
Buckeye	Columbus, Ohio	Increase the number of classifications made.
Elkhart	Elkhart, Ind	Increase capacity and number of classifications made.
Frontier	Buffalo, N.Y	Increase the number of classifications made.
Junction	Detroit, Mich	Increase capacity and number of classifications made.
Oak Island	Newark, N.J	Increase capacity and number of classifications made.
Stanley	Toledo, Ohio	Increase capacity and number of classifications made.

nomic fluctuations; thus, a 5-year plan for rehabilitation during an economic reverse may become a 7- or 10-year plan. The very nature of the competitive marketplace requires flexibility so corporations may adapt to changing conditions.

Maintaining Future Flexibility

A task so complex as the restructuring of the rail system in the Region must be evolutionary. The American economy owes its essential dynamism to the ability of individual firms to shift, to adjust, to adapt, to give incentives, to test new ideas and new markets and to withdraw from unprofitable ventures. The restructuring plan should be viewed in this light. What is important is that economic forces be allowed to work themselves out within an established framework of fairness and guaranteed continuation of essential services.

The Association believes the recommended industry structure is the best that presently can be devised. It is not likely, however, that ConRail will emerge as a perfectly and permanently structured railroad immediately after the conveyances. It will require a substantial period of adjustment and nurture during which, with necessary government investment, it will attempt to achieve major physical rehabilitation and the efficient blending of a new aggregation of properties into a coherent system.

The present Act requires USRA to recommend a system plan that would be implemented through a single series of transfers and conveyances to ConRail and others. It provides almost no opportunities after these conveyances have occurred, however, to facilitate desirable adjustments in ownership and operating patterns in light of post-conveyance experience, or the emergence of new problems or opportunities, or even the discovery of errors. In these circumstances it seems highly useful, even essential, to confer upon the Special Court continuing jurisdiction, as appropriate, under which post-conveyance adjustments in system planning can be proposed and reviewed in a manner that flows logically and rationally from the planning that has occurred thus far and which is fair and equitable to all relevant interests.

USRA suggests that the Act be amended to provide for adjustments which might include acquisitions, dispositions or combinations. The Association contemplates that proposals for further adjustments in ownership and operating patterns, including agreed terms and conditions for transactions between ConRail and other carriers and governmental entities, could be formulated by the Department of Transportation, or other federal agencies with relevant concerns. Such proposals would be submitted to USRA for review to determine whether, in its judgment, they are in the public interest, are consistent with the evolving overall plan for rail services in the Region and are fair and equitable to the holders of ConRail securities. All interested parties (including ConRail's management) would have an opportunity to present their views on such proposals. USRA would be required to publish its evaluation within a specified time designed to assure prompt resolution of such proposals following an adequate opportunity for necessary public reaction.

After publication of USRA's evaluation, the Department of Transportation, in view of its significant concern in balancing the government's interest as investor with the need for an adequate and efficient railroad system, would have the right regardless of USRA's conclusions, and other proponents would have the right if USRA's conclusions were favorable, to move in the Special Court for any necessary and suitable orders requiring ConRail management to implement a proposal. The Special Court would review the proposal to determine whether it is in the public interest and fair and equitable to the holders of ConRail securities. In exercising its jurisdiction, the Special Court should have authority to provide for adequate representation of those security holders. If it upheld the public interest finding and found the terms fair and equitable, the Special Court would order ConRail to carry out the proposal. In the event of a negative determination, the Special Court normally would find it appropriate to set out the reasons for its ruling, and this explanation should provide guidance for possible reformulation of the rejected proposal. Again, in order to assure expedited consideration, time limits for the Special Court's consideration and expedited review of its judgments would be appropriate.

As a further step toward expediting these post-conveyance adjustments, it is recommended that certain special procedures of the Act, including its exemptions, be continued through this process. USRA would of course be required to make its evaluation with reference to the goals of the Act, including the promotion of competition, the attainment and maintenance of environmental standards and the provision of adequate rail service.

The application by the Special Court of the fair and equitable standards to post-conveyance proposals may be a complex process. For example, if it is proposed that ConRail transfer significant rail properties to a profitable railroad for specified consideration, judgments about the amount and terms of that consideration will require conclusions about the value of the properties. This value presumably would consist of several elements, including the value of the properties at conveyance, values added later by ConRail management and values added by government funds.

In determining what constitutes fair and equitable treatment as part of a reorganization process, the Special Court should give proper recognition to the contributions made to ConRail by all classes of security holders, including full recognition, consistent with constitutional principles applicable to a reorganization process, to the role of the government as the source of new capital. It is USRA's view that in making that determination it would be appropriate for the Special Court not to assign to the Series B Preferred Stock and Common Stock (see Chapter 4) any value added to those securities by reason of the government's investment in excess of that required by constitutional principles applicable to a reorganization process.

Conclusion

The Association believes the recommended structure offers the best opportunity to achieve a revitalized, profitable and competitive rail service system in the Region under private management. USRA has recognized the impossibility of developing a structure that will achieve completely all goals of the Act and at the same time be totally acceptable to all interested parties. But the Association believes the recommendations set forth best meet and balance those goals and interests.

After the ConRail system is established, further sales, mergers, and consolidations of facilities may be desirable. ConRail should be structured to allow future changes in the Region's rail industry if they ultimately are found desirable.

2

Passenger Service

The Association, in its Preliminary System Plan, discussed the quality, present scope and future potential of railroad passenger services in the Region. The PSP made several recommendations designed to eliminate or reduce the many operational and financial conflicts which have characterized the relationships between passenger and freight interests. USRA believes that passenger and most through freight service should be separated in the Northeast Corridor to help implement improved high-speed service. Ownership or lease and control of facilities in the Corridor and elsewhere should become the responsibility of the dominant user.

USRA reaffirms with minor modifications its recommendations for short to medium distance corridor service elsewhere in the Region. The planned rehabilitation of many freight service routes will be an important factor in the continuation and expansion of passenger service on these routes.

Since publication of the PSP, the Association has worked with Amtrak and other agencies to facilitate the Act's goals respecting improved passenger service. For those situations in which designation of rail facilities essential to passenger service can be made in the FSP, USRA has done so. With respect to certain predomi-

nantly or solely-related passenger properties outside the Northeast Corridor, legislative amendment will be required. Further action also will be needed to preserve commuter service over certain properties in the Region.

The Regional Rail Reorganization Act of 1973 directs the Association to consider the needs and service requirements of rail passengers, both intercity and commuter, in its plan to restructure rail service in the Region. Among the goals listed in the Act are:

- Establishment of improved high-speed rail passenger service in the Northeast Corridor (Boston to Washington, D.C.), consonant with the recommendations of the Secretary of Transportation in his report of September 1971,
- Efficient movement of both passengers and freight in the Region in a manner consistent with safe operation,
- Efficient and safe commuter rail service as well as intercity service,
- Coordination with the National Railroad Passenger Corporation (Amtrak) and similar entities and
- Identification of all short to medium distance corridors in densely populated areas in which major upgrading of rail lines for high-speed passenger operation would return substantial public benefits.

The responsibility for provision of intercity passenger service resides with Amtrak. As a rule, state and local agencies have the responsibility for development and operation of rail commuter services. They typically receive financial assistance for these services from the federal government's Urban Mass Transportation Administration (UMTA). Railroads in the Region operate rail commuter service in the metropolitan areas of New York, Philadelphia, Baltimore, Washington, D.C., Boston, Providence, Pittsburgh, Cleveland, Chicago and Detroit.

The railroads in reorganization currently operate more than 90 percent of Amtrak's passenger services in the Region and, in the major eastern seaboard metropolitan areas, most of the suburban commuter services. ConRail, as the successor railroad, thus will be an important factor in the continuation and expansion of passenger service. It is imperative that there be cooperation among ConRail, Amtrak and the various commuter agencies to help develop efficient rail passenger service.

USRA's role is to analyze future prospects for rail passenger services in the Region and to assure continued availability of rail facilities that may be required for the proper development of passenger service. USRA has established a series of recommendations aimed at alleviating the major causes of past conflicts between passenger and freight interests. The Association also has taken steps in the FSP to facilitate transfer of passenger facilities and operations from the railroads in reorganization to ConRail, Amtrak, the states and commuter agencies as appropriate.

Summary of Passenger Service Recommendations

Following are brief summaries of the recommendations for passenger service. Details of these recommendations are discussed in subsequent sections of this chapter.

- Passenger and freight traffic on the route between New York and Washington on the Northeast Corridor, optimally, should be separated by providing a parallel through freight route comprised of segments of the Baltimore & Ohio (B&O), Reading (RDG), Lehigh Valley (LV) and Central of New Jersey (CNJ) railroads.
- Amtrak should own or lease and provide the management for Northeast Corridor properties, except for segments already owned or leased by state or local transportation authorities.
- Amtrak and ConRail should agree to a series of cost-sharing principles proposed by USRA which are contingent on Amtrak's purchase or lease of the Northeast Corridor.
- Outside the Northeast Corridor, ConRail should own all lines over which Amtrak operates, except for those already owned or leased by state or local transportation authorities and three lines that USRA proposes Amtrak or state agencies purchase or lease because of dominant or exclusive passenger use: Philadelphia to Harrisburg, Pa., New Haven, Conn. to Springfield, Mass. and Porter, Ind. to Kalamazoo, Mich. Implementation of this proposal would require amendments to the Act. Amtrak, states or public authorities also should have the option to purchase or lease passenger related facilities outside the Northeast Corridor, subject to the concurrence of USRA. In the Final System Plan, USRA is designating to ConRail an option to purchase or lease these properties, an option which ConRail may exercise if either of two conditions is satisfied. First, ConRail may exercise the option and a state or public authority may acquire ConRail's interest in these properties or, if the Act is amended to permit such a transaction, Amtrak may purchase ConRail's interest in such properties located out-

side the Northeast Corridor. The second alternative is that ConRail may exercise the option and own the properties if it reaches agreement with Amtrak for full reimbursement of ConRail's costs in making these properties available for Amtrak use. USRA recommends that ConRail not exercise the option unless one of these conditions materializes.

- Because each local transportation authority's requirements are unique, USRA recommends that ownership and operation of commuter services be resolved individually between ConRail and the respective authorities. USRA has launched the necessary discussions and will continue to facilitate appropriate agreements.
- Because of the limited amount of funds available for all potential borrowers under section 211 of the Act, passenger authorities, wherever feasible, should pursue additional funding from other sources.

Development of the FSP Recommendations

In the Preliminary System Plan, USRA presented an assessment of the scope and quality of passenger service in the Region which detailed the kinds of service offered and the standards achieved by the various operators of intercity and commuter rail passenger services.

Recognizing the need to improve these services, USRA identified short to medium distance intercity corridors holding the potential for successful development of moderate to high-speed rail service, thereby providing social as well as economic benefits to those who might use them.

Also in the PSP, the Association identified areas of operational and financial complexity between passenger and freight service, with specific recommendations directed at eliminating, or at least reducing, conflicts which exist between passenger and freight interests. These recommendations addressed questions such as responsibility for facilities control, passenger service priority over freight and allocation of costs attributable to each service.

Finally, the PSP contained specific recommendations with respect to the special requirements of the Northeast Corridor and outlined a program for separating passenger and freight services on this heavily used route.

Witnesses testifying at the Rail Services Planning Office (RSPO) public hearings had mixed reactions to USRA's preliminary passenger recommendations. The comments fell into two general categories: favorable comments from communities where service improvements are recommended and unfavorable comments from communities which presently do not have service and are not recommended to receive service under proposed route expansion plans.

Communities and shippers throughout the Northeast Corridor expressed generally favorable reaction to USRA's recommendation to move most ConRail through freight to a parallel route in the Corridor. RSPO endorsed the Association's plan to separate passenger and freight traffic. Such criticism as was expressed at the RSPO hearings was based largely on the incorrect assumption that USRA proposed to remove *all* freight service from the Corridor. *Local freight services to shippers on the Penn Central (PC) line of the Northeast Corridor will continue under USRA's plan.*

Since publication of the PSP, USRA has held additional discussions with the various passenger agencies to facilitate the transfer of properties necessary to implement the PSP recommendations. USRA has been working very closely with Amtrak, the Chessie System and the Federal Railroad Administration to develop a final plan for the removal of through freight traffic from all or portions of the New York-Washington PC main line. These discussions centered around the purchase or lease by Amtrak of the PC Boston-Washington main line for improved high-speed passenger service and the use (by purchase, lease or other arrangement) by ConRail of B&O's Washington-Philadelphia main line for possible use as the through freight bypass route.

Additional discussions have been held with Amtrak to ensure that intercity passenger service throughout the Region will continue uninterrupted during the transition to ConRail and to coordinate ConRail's rehabilitation schedule with passenger service improvements.

Similar discussions have been held with the various state and regional transportation authorities having jurisdiction over suburban services. These discussions were aimed at facilitating orderly transition and continued operation of the Region's vital commuter rail systems in accordance with the Final System Plan. The discussions related to terms of existing and future contracts, subsidy arrangements, choice of operating agency for services, right-of-way improvements and provision of equipment.

Improvement Program for the Northeast Corridor

The eastern seaboard between Washington and Boston has more than 40 million inhabitants and generates the most intensive intercity rail travel in the country. Over 80 million passenger trips a year are made by all modes, of which 9 percent are by rail. The primary mode, auto, is subject to increased traffic congestion, poor fuel efficiency coupled with possible shortages of petroleum fuels and "spillover costs" in the form of air pollution and accidents. By 1990, the total intercity travel in the area is expected nearly to double, compounding the already severe pressures on the Boston-Washington corridor's transportation system. USRA's proposed rail improvement program is designed to alleviate these problems by attracting to the rail mode about 21 percent of the projected 1990 Northeast Corridor intercity traffic.

Merely holding the line or effecting minimal improvements to the rail plant will not achieve the best use of potential rail capacity. Comprehensive economic and market analyses of the Northeast Corridor conducted over the past 12 years concluded that fast, frequent service is a prime ingredient of increased passenger demand. Experience with improved high-speed rail in both Great Britain and Japan has confirmed this relationship. The Act requires the establishment of improved high-speed rail passenger service, consonant with the Secretary's 1971 report entitled "Recommendations for Northeast Corridor Transportation." That report, in turn, calls for a plan for service improvements to achieve trip times of approximately 2 hours and 30 minutes in the New York-Washington segment and approximately 3 hours in the New York-Boston segment, with intermediate stops. Nonstop service would reduce these schedules. These times are consistent with those demonstrated in the demand analyses as necessary to achieve a substantial ridership increase.

If a significant shift of future auto and air travel in the Corridor is not achieved, additional airport and highway construction to accommodate future traffic will be required. New investments of this type would be costly not only in dollar amount but also in environmental impact and fuel efficiency.

In the PSP, the Association strongly recommended the separation of passenger and through freight operations in the Northeast Corridor between New York and Washington. This plan offers the most reasonable way to improve passenger and freight operations and can be accomplished, in time, with a reasonable fixed-plant investment. The existing PC route could be released and upgraded for high-speed passenger service and all or some of the parallel route could be upgraded specifically for efficient freight operations, thereby accomplishing the optimum separation of passenger and freight traffic in the Corridor.

USRA has worked with the Department of Transportation to provide more details respecting specific improvements to the Northeast Corridor. The Federal Railroad Administration has developed frameworks for implementing the high-speed rail improvement programs which include several components (some of which are summarized below): System descriptions, operational requirements and the phasing and financing of improvements. The Chairman of USRA is sending a copy of this report to Congress. USRA has not reviewed these alternatives and therefore does not recommend any or all of the options therein discussed.

COST-SHARING PRINCIPLES

USRA made the following specific recommendations for the sharing of ownership and operating costs between passenger and freight operations in the PSP.

- The exclusive user of a facility should own the facility.
- Where passenger and freight services are mixed, the dominant user should own the facility and the other user should pay an avoidable cost for use of the facility.
- Passenger trains should be given priority over freight.
- There should be an incentive program between Amtrak and ConRail to encourage cooperation between the two entities.
- ConRail freight operations should not subsidize passenger operations.
- Passenger entities should make their own arrangements for financing.
- Through freight service should be removed from the PC's Northeast Corridor line between New York and Washington.
- ConRail should not be the owner of the Northeast Corridor.

These policies provide that properties used dominantly or exclusively by a passenger entity should be purchased or leased by that entity. If for some reason the passenger entity does not choose to own or lease a predominantly passenger facility that has viable freight service, ConRail should acquire the line and contract with the passenger entity to compensate ConRail for all the costs of that facility except those which could be avoided in the long term if ConRail, the minority user, were not present.

Since publication of the PSP, these guidelines have been modified slightly and now can be expressed as four principles. These principles have guided USRA in its discussions with Amtrak and the commuter authorities and are the recommended basis for agreement between ConRail and the passenger entities. First, ConRail has the responsibility to provide satisfactory passenger services on all lines in its system in accordance with the policies established above. Second, the provision of those services should not be subsidized by freight services and ConRail should not be burdened with any passenger deficit.[1] Third, passenger operations should have priority over freight operations. Fourth, the exclusive or dominant user of a facility or in some special cases a state or public agency should be its owner.

[1] The ConRail financial statements shown in Chapter 3 assume ConRail will bear no passenger deficit.

The following policies regarding ownership and allocation of costs flow from the four basic principles.

- Where facilities exist or are built for the exclusive use of one type of service, i.e., passenger or freight, that entity should bear the full cost of those facilities.
- In instances where two or more passenger entities jointly use an exclusive passenger facility, the responsibility for allocating costs on an equitable basis should lie with the users.
- Where freight and passenger operations both use a facility, the dominant user should own the facility and bear all the costs of that facility except those which could be avoided if the minority user were not present. To determine the dominant user, all passenger services, both intercity and commuter, should be considered as one entity and all freight services, regardless of carrier, should be considered as one entity.
- The minority user should bear exclusively the cost of any additional facilities it requires, both existing and proposed.
- Where passenger and freight operations both use a facility on an equal basis, the costs of owning and using the facility should be shared equitably.

System Description and Improvements

The trip time requirements of high-speed rail service necessitate train operating speeds substantially higher than those in effect presently. In turn, those speeds require a roadbed incorporating higher standards of track, allowable force levels, curvature and stability than exist at present.

As a result of the operating requirements for shorter trip times in compliance with the Act, the Corridor plan requires substantial improvements to the physical plant of the PC Washington-Boston main line. The right-of-way will be engineered to allow higher speeds through better track structure and curve improvements, including a limited number of major realignments. The power distribution (electrification) system will be modernized and will extend the entire length of the Corridor. Reliability and safety will call for new signalling and train-control systems and fencing of the right-of-way. To achieve the necessary trip times with comfort, vehicles must have high power ratings as well as suspension systems allowing a smooth ride. To permit the full freight and passenger separation, the Corridor program would include new connecting tracks between the passenger main line and the off-Corridor freight route to facilitate the efficient movement of local freight to and from the bypass route. These connections and the upgrading of the B&O south of Philadelphia would be accomplished as operational requirements dictate. Figure 1 describes the off-Corridor freight route between New York and Washington and shows these new connections with the high-speed passenger route.

Phasing the Improvements

Assumptions made in developing the program phases are as follows:

- The program should be phased so the project can be implemented incrementally, with each major element and phase resulting in a discrete improvement.
- Priority should be given to high benefit projects.
- Flexibility in selecting and scheduling of improvements should be maintained.
- There should be opportunity for review prior to major commitments.

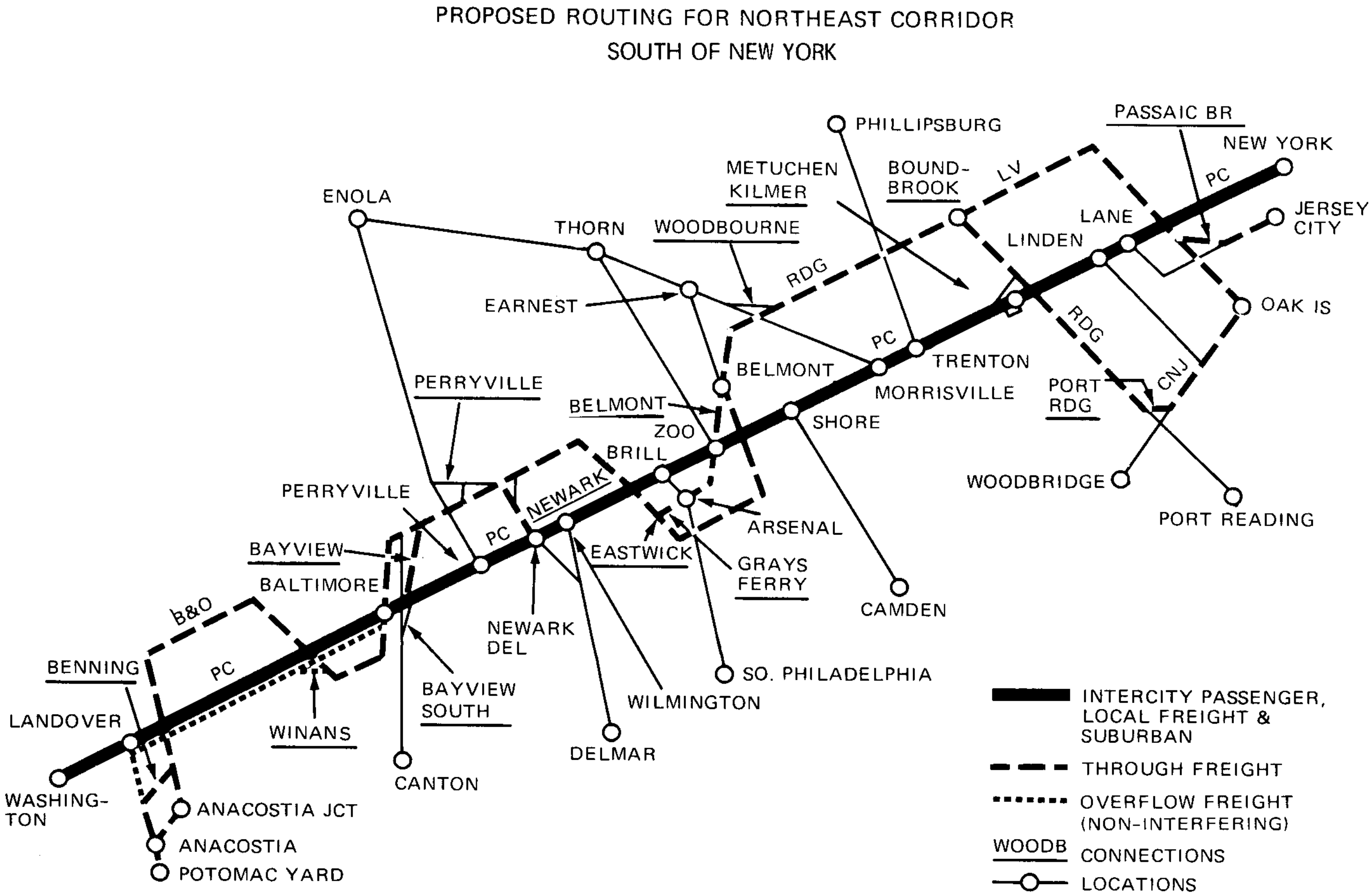
Phase I.—This phase restores the Northeast Corridor to 1969 Metroliner service standards. Facilities would be upgraded to support the improved service level. In addition, stations would be rehabilitated, high vandalism areas would be fenced and priority bridge work would commence. To facilitate moving freight service off the Corridor, connections would be constructed between the Corridor line and parallel freight tracks in appropriate geographic areas. Also preparatory work for subsequent phases would be commenced, entailing land acquisitions for track realignment and connections, electrification and signalling system design and vehicle engineering.

Phase II.—This phase, if desirable, would implement the right-of-way program between Washington and New York and between New Haven and Boston. (The New York-New Haven segment is discussed below.) Additional stations would be improved and the right-of-way upgrading program continued. The system test using new rolling stock would be undertaken. At the completion of Phase II, considerable improvements will have been made throughout the Corridor, including upgraded track structure, electrification and signalling. The stations would have undergone improvements and passengers would be enjoying the speed and comfort of a first-class railroad system.

Phase III.—This phase, if desirable, would complete the program, Track work will be completed between New York and New Haven, and yards, shops and maintenance facilities would be upgraded to support the new rolling stock.

USRA lends its support to the development of discrete high-speed passenger services between Boston and Washington consonant with the recommendations of the Secretary of Transportation in his report of September 1971, entitled "Recommendations for Northeast Corridor Transportation." USRA believes that the Cor-

FIGURE 1.—*Routing for Northeast Corridor through freight and passenger service*



ridor improvement program should be completed by the earliest practicable date.

Decisions reflecting the desirability of implementing any or all of these various phases necessarily depend on cost/benefit relationships which USRA has not studied. It should be noted that the costs associated with such improvements have multiplied severalfold since preparation of the Secretary's Report of 1971.

In the Newark-Washington segment, ConRail's through freight service on the passenger corridor would be continued pending orderly transfer of these operations to a bypass route as necessary; Newark-Philadelphia through freight service will be shifted first.

Financing Northeast Corridor Operations

Extensive analyses conducted by and on behalf of the Department of Transportation indicate that a high speed service level at competitive fares would divert substantial volumes of passenger traffic from other transportation modes and would generate more than enough revenues to cover operating costs. These revenues are not, however, expected to be sufficient to cover interest payments and initial capital costs.

Acquisition of the Northeast Corridor

In keeping with the requirements of the Act and subject to the approval of its Board of Directors, Amtrak intends to acquire the rail properties USRA has designated to be used in the Northeast Corridor improvement project. Amtrak would exercise its option to purchase or lease these properties from ConRail. This arrangement allows an unencumbered assumption of authority and responsibility that will simplify and accelerate the improvement program and afford maximum protection to the public investment.

Rail properties in the Corridor which currently are owned by several state and regional transportation authorities cannot be conveyed to Amtrak under the Act, but Amtrak will continue to exercise operating rights for intercity passenger service on these lines.

The Corridor is defined as such properties presently used in passenger operations on the PC main line route between Boston and Washington, D.C. via New London and the Hell Gate Bridge, including all main line tracks, structures, power and control systems, stations, platforms, passenger yards and shops.

Responsibility for continuation of commuter service should be resolved between the appropriate commuter agency and Amtrak on an equitable basis.

Details of the legal arrangements for designating properties to Amtrak are provided in Part II of this Report.

Operation of the Northeast Corridor

Full operational control of Northeast Corridor traffic now performed by PC should be vested with Amtrak. Amtrak should be responsible for all signalling, dispatching and maintenance in the Corridor. ConRail should provide operating crews, maintenance personnel and line management support under contract to the extent requested and required by Amtrak. Amtrak also should be designated as the single operating entity responsible for coordinating freight and passenger services in accordance with section 601(d)(4) of the Act. The Federal Railroad Administration has recommended the formation of an independent "Dispute Board" to reconcile major differences between intercity, commuter and freight users.

To implement high-speed passenger service, ConRail should continue negotiating with the Chessie System for purchase, lease or trackage rights on the parallel B&O line between Washington and Philadelphia. The ultimate price for these facilities has not been agreed to, but discussions are proceeding within the following framework:

- ConRail will acquire property or trackage rights over the present RDG/LV line between Philadelphia and Newark, N.J., for freight operations.
- ConRail should acquire property or trackage rights over Chessie's line between Philadelphia and Washington, D.C.
- ConRail should not assume the acquisition and improvement costs of the Chessie property, to the extent that such costs exceed those which would be incurred by ConRail in acquiring and rehabilitating the PC route for freight service.

Use of the Chessie route between Philadelphia and Washington appears to be the most effective means to implement the high-speed rail passenger program. As discussions regarding acquisition or use of this line are not complete and because extensive physical improvements will be necessary, the rerouting of through freight trains between Philadelphia and Washington may take a number of years to accomplish. This, however, should not delay implementation of high-speed Corridor passenger services.

Since ConRail will have rights to RDG/LV tracks at the time of conveyance and because only limited physical improvements are required, the rerouting of through freight trains between Philadelphia and Newark can be achieved fairly rapidly. Shifting freight trains from this, the most congested portion of the Corridor, will allow plant improvements to be made on the passenger line with minimum disruption to intercity and commuter passenger service.

Alternative engineering plans have been developed for continued use of the PC right-of-way between Philadelphia and Washington which would enable the goals of the Corridor improvement program to be achieved even if discussions with Chessie are not successfully completed by the date of conveyance.

Other Amtrak Services

In the PSP, USRA identified a number of short to medium distance corridors where upgrading for passenger service might return substantial benefits. These corridors are listed in Table 1 and, with minor revisions from the map shown at p. 305 of the PSP, displayed as an integrated corridor network in Figure 2. The recommendations are purely advisory; USRA believes Amtrak should have the final responsibility for determining routes to be operated. Additional routes or higher service levels may also result from state-sponsored programs, such as those proposed by New York. With these same qualifications, USRA reaffirms as its final recommendations pursuant to section 206(a)(7) of the Act the routes shown in Table 1 and Figure 2.

TABLE 1.—*Summary of recommended Corridor services*

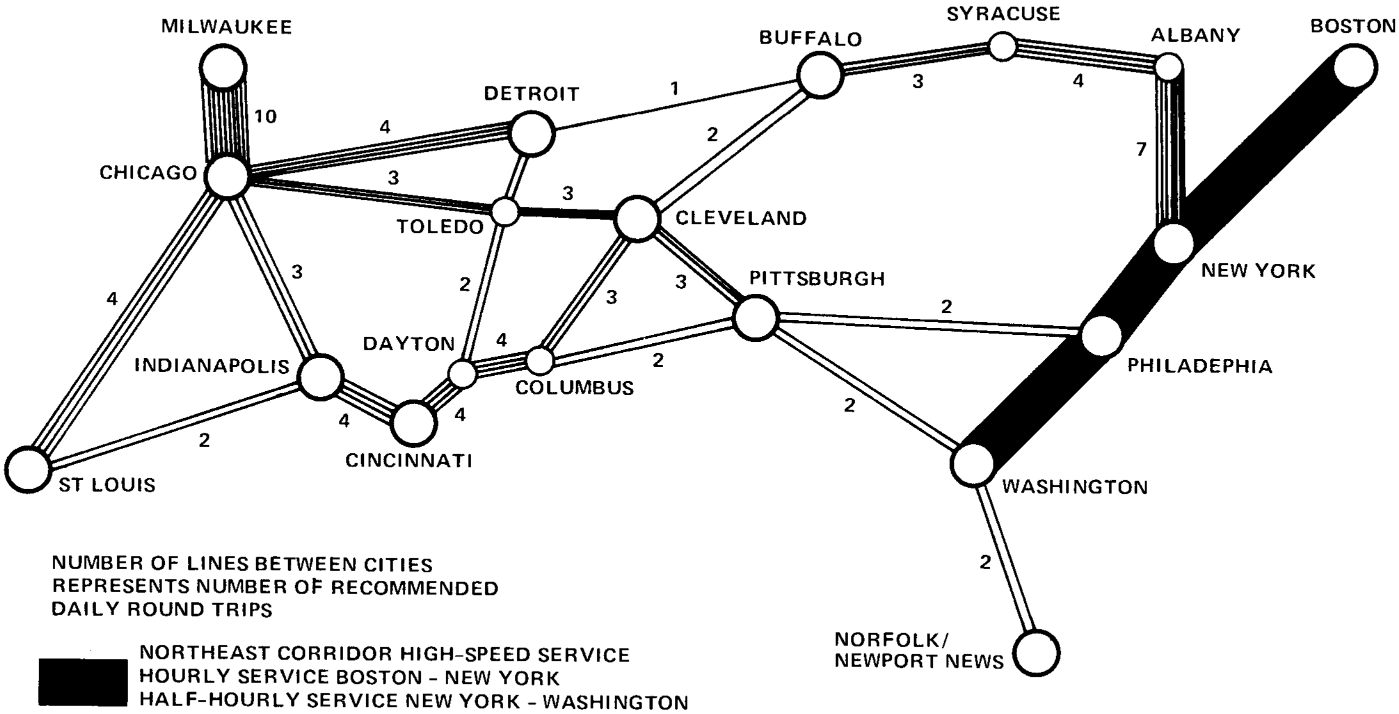
Chicago to Milwaukee	Cleveland to Cincinnati
New York to Buffalo	Cleveland to Buffalo
Chicago to St. Louis	Philadelphia to Pittsburgh
Chicago to Detroit	Washington to Pittsburgh
Detroit to Cincinnati	Washington to Norfolk
Pittsburgh to Indianapolis	Detroit to Buffalo
Chicago to Cincinnati	Cleveland to Chicago
Cleveland to Pittsburgh	Indianapolis to St. Louis

A major concern in the restructuring process was the protection of existing passenger service patterns. Amtrak passenger services outside the Northeast Corridor will continue to operate over present routes, with minor exceptions. The problem plaguing these services today is the poor condition of track and roadbed.

Since most of Amtrak's routes correspond to ConRail's main line freight routes, the cost of rehabilitating these lines to the level needed for freight operations should be borne by ConRail. In addition, based on the results of USRA-Amtrak discussions, ConRail should agree to assume the costs of rehabilitating certain limited lines to a level above that needed for ConRail freight service but vital to Amtrak passenger service, for example, the line from Cincinnati to Indianapolis. This line is important for Amtrak's Chicago-Cincinnati trains but is not planned as a principal freight route.

Except for several routes discussed below, all lines required for Amtrak operations should be rehabilitated to a condition permitting the reliable operation of schedules comparable to those in effect on May 1, 1971, provided these lines were used for passenger service at that time, have been in continuous service since then and are incorporated for freight purposes in the ConRail System. Upon completion of the rehabilitation program, Amtrak will be able to operate passenger trains between end points on schedules at least equivalent to those of

FIGURE 2.—*Proposed integrated passenger Corridor network*



May 1971. The rehabilitation program, coupled with the policy of giving passenger trains priority over freight, should reduce the scheduled times of passenger trains on most routes in the Region. Ride quality also will be enhanced by the improved track structure. USRA anticipates that most of the rehabilitation program on Amtrak routes can be completed within 5 years.

The recommended ConRail route structure generally will meet Amtrak's requirements. There are several exceptions, however. Some line segments are not recommended for inclusion in the FSP because they are not viable for freight service. These dispositions will affect the routing of Amtrak's intercity service unless alternative arrangements are made. The routes affected are:

- Portions of the Philadelphia to Harrisburg line used by Amtrak's New York to Chicago, New York to Kansas City and Philadelphia to Harrisburg services,
- The line segment from Richmond, Indiana to Indianapolis which is currently used by Amtrak's New York to Kansas City service and
- The segment from Porter, Ind. to Kalamazoo, Mich. which is part of Amtrak's Chicago-Detroit and Chicago-Port Huron services.

USRA has worked closely with Amtrak to find reasonable alternatives. In the case of the Philadelphia-Harrisburg and Porter-Kalamazoo segments, Amtrak, states or other public agencies will be offered an option to purchase or to lease the lines should the Act be amended to permit these transactions. Alternatively, the line segments could remain with the estate and Amtrak, states or other public agencies could acquire it from that entity. The Richmond-Indianapolis segment will not be used for passenger service because Amtrak is planning to reroute its New York-Kansas City trains via Dayton and Cincinnati on the Columbus-Indianapolis segment. With rehabilitated right-of-way, this diversion will not increase travel time.[2]

As a result of these arrangements, USRA believes that the needs of Amtrak's intercity rail passenger services will be met and that Amtrak's Board of Directors will approve the essential features of this arrangement.

Details of the legal property designations for intercity passenger service are found in Part II of this Report.

Commuter Services

During the several months prior to the preparation of the Final System Plan, USRA staff met with officials of the various state, local and regional transportation authorities responsible for funding and operating commuter rail services in the Region. USRA's purpose was to explain the effect of the Act and the Association's Plan on their respective services. Throughout these discussions, USRA emphasized its desire to see a smooth transition and orderly continuation of commuter service after conveyance.

Following USRA's stated policies that there should be no cross-subsidization and that the dominant user of

[2] Pending rehabilitation of Cincinnati-Indianapolis, alternate routes (probably via Union City, Ind.) will be required.

a facility should be the owner, the Association recommended that commuter authorities purchase or lease those lines over which they are the dominant user. The authorities generally indicated a willingness to acquire such properties, although in most cases a lack of available funds will preclude this possibility in time for designation in the FSP.

USRA indicated that ConRail would be available to operate commuter services, providing suitable compensation is offered. The authorities have the option of choosing a carrier other than ConRail.

A number of the commuter operations provided by railroads in reorganization are protected by a provision in the Act which requires ConRail to honor contracts which were in force at the time of passage of the Act and still effective. These include PC services in New York and Connecticut radiating from Grand Central Terminal in New York and EL services in New York and New Jersey radiating from Hoboken, N.J.

There are, however, a number of other services which, because of the nature of existing arrangements, will require new contracts prior to conveyance if present services are to be continued. In addition, there are services not under contract which will require both negotiations for a contract as well as a determination as to which agency will be responsible for such a contract. For these services, USRA recommends that ConRail negotiate with the appropriate authorities for a new operating agreement.[3] These negotiations must be completed prior to conveyance if services are to be continued.

Because of the technical nature of the Act and the various options available to ConRail for continuing service, the following sections list the various existing services and provide a more detailed description of the actions required by local authorities to ensure continuation of passenger operations.

Services Covered by Pre-Act Leases or Contracts

The following suburban services are operated under the terms of a pre-Act lease or contract which is still in effect today. ConRail will assume these contracts and will operate the rail commuter services listed below.

Services in this category are:

- All EL suburban services in New York and New Jersey. These services are operated under contract with the Metropolitan Transportation Authority (MTA) and New Jersey Department of Transportation (NJ DOT).
- All commuter services operated by PC radiating from Grand Central Terminal over former New York Central and New Haven lines. These services are operated under contract with MTA and the Connecticut Transportation Authority (CTA).

Although certain lines[4] necessary for the operation of these services are not required for ConRail's freight operations, an option to purchase or lease these properties for subsequent transfer to commuter authorities has been designated. In the event these options are not exercised, the properties will remain with the estates and arrangements will have to be made by ConRail or the commuter authority to gain access to these facilities.

Services Not Covered by Pre-Act Leases or Contracts

A number of commuter services are operated under the terms of a contract executed after the date of the Act or under the terms of an interim contract (e.g., a year-to-year contract in effect at the time of the Act but subsequently extended). For these commuter services, ConRail is obligated to provide only those which operate over lines acquired for freight service; it does not have to operate service on lines which are excluded. Inasmuch as the excluded properties encompass lines into the major passenger terminals or other line segments fundamental to these operations, continuation of present service patterns will require that commuter authorities acquire rights to use these facilities by lease, purchase or other arrangement from either the estates, or Amtrak, as appropriate. Such negotiations must be completed prior to conveyance if present commuter service patterns are to be maintained.

Commuter services falling into this category include:

- All RDG services in the Philadelphia area operated for the account of Southeastern Pennsylvania Transportation Authority (SEPTA),

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[3] Key provisions of the model agreement proposed by USRA are that:
- ConRail ("Railroad") operate the service.
- The suburban authority pay "net avoidable cost" of providing service which represents the difference between all *revenue attributable* to the service, including fares, food, and beverage revenues, equipment rentals, concession and real-estate rentals and *expenses attributable* to the service including out-of-pocket operating expenses (e.g., fuel, salaries and labor benefits, yard costs, equipment rentals, electric power consumed), maintenance expenses attributable to passenger service, overhead expenses attributable to passenger service, rents (other than equipment) attributable to passenger service, return on investment on additional railroad facilities required for operation of passenger service, trackage rights fees, if any, and estimated charges for freight train delay attributable to passenger service.
- Payments to be made in equal monthly installments. ConRail may, upon 30 days notice, terminate the agreement if payments are not made because of insufficient legislative appropriations.
- Payments be adjusted according to quantity and quality of service. Poor service attributable to causes beyond control of the railroad should be excused.
- The service contract run for 5-year period. It may be terminated after the first year by giving 1 year's notice.
- If service should make a profit during any complete calendar year wholly within the term of the agreement, the railroad and the authority shall agree to divide the profit between them.
- The railroad and the authority work towards a capital improvement program to improve service and reduce costs. Improvements for sole benefit of one party shall be paid for by that party.
- A service contract cover use of all equipment dedicated to the service.
- Disputes be subject to arbitration.
- The service contract establish policy as to who shall file tariffs, collect fares, promote service, determine schedules and consists, pass policy, etc.

[4] Examples of such lines are the approaches and connecting tracks leading to Erie Lackawanna Hoboken Terminal and Grand Central Terminal.

- All PC services in the Philadelphia area operated for the account of SEPTA.
- All Pennsylvania-Reading Seashore Line (PRSL) services operated in the Philadelphia area for the account of NJ DOT,
- All CNJ services operated in the New York-Newark area for the account of NJ DOT,
- All PC services operated in the New York-Newark area for the account of NJ DOT and
- All PC services operated between Providence and Westerly, Rhode Island for the account of Rhode Island Department of Transportation (RI DOT).

Services Not Covered by Pre-Act Leases or Contracts but Operated Over Facilities Owned by Public Agencies

In this case, the commuter authority has access to all necessary properties and there is no need to deal with the estates. It must, however, negotiate a satisfactory operating agreement with ConRail or a carrier of its choice for the operation of trains. Such arrangements must be completed prior to conveyance. These services, all in the Boston metropolitan area, are PC services radiating from Boston on the Boston & Albany line to Framingham, on the Shore Line to Sharon and various branches off the Shore Line. These services are operated for the account of the Massachusetts Bay Transportation Authority (MBTA).

Services Never Covered by Leases or Contracts and Operated Over Lines To Be Acquired by ConRail, Chessie or Amtrak

These services will be continued on the day of conveyance. USRA recommends that ConRail seek a satisfactory subsidy arrangement for provision of these services. If such agreements have not been executed by time of conveyance, USRA recommends that ConRail post these services for discontinuance. Approval for such discontinuances must be obtained from the proper regulatory authorities.

The services along with the recommended owner of the property after conveyance are:

- PC service between Chicago and Valparaiso, Ind. (ConRail),
- PC service between Baltimore and Washington (Amtrak),
- RDG service between Philadelphia and Newark, N.J. via Bound Brook, N.J. (ConRail),[5]
- EL service between Cleveland and Youngstown, Ohio (Chessie) and
- Services which cross jurisdictional boundaries, including:

  —PC services operated beyond Marcus Hook, Pa. to Wilmington and Newark, Del. which lie outside the SEPTA commuter jurisdiction (Amtrak),

  —RDG services operated beyond Pottstown to Reading and Pottsville, Pa. and beyond Quakertown to Bethlehem, Pa. which lie outside the SEPTA jurisdiction (ConRail)[6] and

  —PC services operated beyond Sharon, Mass. to Providence, R.I. (Amtrak), and beyond Framingham to Worcester, Mass. (ConRail) which lie beyond the MBTA commuter jurisdiction.

Details of the legal property designations for commuter service can be found in Part II of this Report.

The Association believes that these arrangements between ConRail and the passenger entities will aid in the attainment of the goals of the Act by establishing a rail system that meets the requirements of commuter and intercity rail passenger service without impairing the ability of ConRail to be financially self-sustaining.

[5] During the discussions with Chessie for acquisition of the Reading and Erie Lackawanna properties, it became clear that as a condition of purchasing these properties, Chessie did not want to assume the obligation of negotiations with the commuter authorities. For this reason and also for the purpose of enabling SEPTA and NJ DOT to work with a single entity for the provision of commuter services, USRA recommends that ConRail assume this function by purchasing these commuter lines.

[6] See previous footnote.

3

Financial Analysis

A primary concern of Congress and the public is ConRail's ability to become a financially self-sustaining rail system which will serve the transportation needs of the Region adequately. The Act mandates that pro forma *earnings for ConRail which reasonably reflect the consolidation and rehabilitation effects of reorganization be presented in the FSP. The financial forecasts provide the basis for the amount of federal assistance necessary to implement the plan as well as the basis for satisfying the claims of the estates' creditors. This chapter presents the financial forecasts for ConRail from 1976 through 1985.*

The financial analysis is critical in the decisions to be made by Congress and the courts; therefore, great care was taken in designing the best approach for the forecasts. This involved the integration of numerous marketing, operating and facility studies into statements which set forth financial requirements. These requirements then were integrated with the capital structure described in Chapter 4 in order to produce a complete set of financial statements. In addition, the certified public accounting firm of Coopers & Lybrand was engaged to review the compilation of the pro forma

financial statements. As a result of this review, Coopers & Lybrand issued a letter to the Association's Board of Directors. A copy of this letter follows the notes to the financial statements in this chapter.

The development of financial forecasts for ConRail as mandated by the Act was an intricate task. It included the following: preparation of traffic forecasts in an uncertain environment; planning of consolidated and improved rail operations; planning the rehabilitation of rail facilities; integration of various industry structure and light density line decisions; estimation of manpower requirements; preparation of ConRail's capital structure; and valuation of the properties conveyed. Financial and accounting policies had to be prepared and approved by the Association's Board. Financial data were derived from these items and in turn had to be verified and integrated into *pro forma* financial forecasts. Finally, the *pro formas* themselves were developed by the Association's staff and then were reviewed by the Board. The Association believes that this process has resulted in estimates which fairly and accurately portray financial expectations for the Consolidated Rail Corp.

A brief review of the methods and key assumptions follows to help the reader better understand the financial forecasts. An abbreviated description of the approach and how the various components interrelate appears in Figure 1, while a more detailed discussion of the development of the *pro formas* appears later in this chapter.

Summary of the Approach

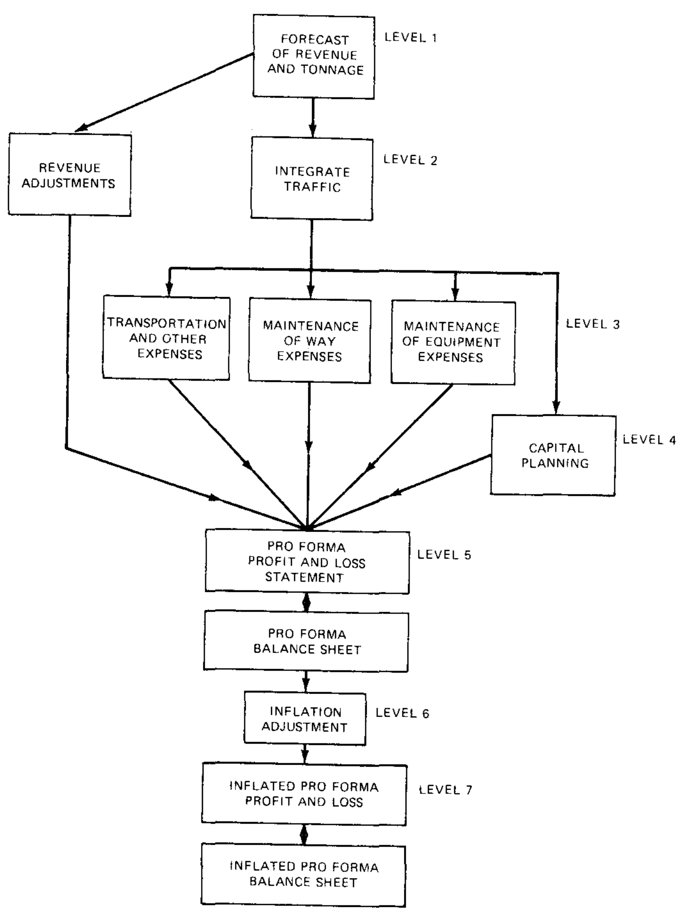
Temple, Barker, & Sloane, Inc. (TBS), under contract to USRA, prepared revenue and tonnage forecasts (Figure 1, level 1) based on economic projections prepared by Chase Econometric Associates, Inc. (Chase). The economic projections show a recession in 1978 followed by steady growth through 1985.

The Association adjusted the revenue and tonnage forecasts for the planning period to include traffic diversions and selective rate increases. Integrated traffic flows were used to determine the network configuration (Figure 1, level 2). Improvements in the operating efficiency and the quality of the roadbed, equipment utilization and traffic activity became bases for determining annual expenses (Figure 1, level 3).

Capital expenditures necessary to accomplish the consolidation, rehabilitation and modernization of the railroads in reorganization were determined using forecasted traffic flows and information dealing with the condition of the present road facilities and equipment fleet (Figure 1, level 4). Equipment capital expenditures were determined for freight car and locomotive purchases after considering the condition of the existing fleet and future fleet requirements. Road capital expenditures for rehabilitation and modernization were developed by determining the required operating track condition and other necessary investments and then estimating the cost of bringing the properties up to the desired condition. Although the total amount of expenditures on road property would be the same under any accounting method; to present ConRail's earnings fairly, USRA chose to use depreciation accounting in the FSP (Figure 1, level 5).

The above narrative briefly describes the approach to developing the *pro formas* on a constant (1973) dollar basis. Since a realistic analysis requires that the effect of inflation be incorporated, the Association developed inflation indexes for each major Interstate Commerce Commission (ICC) account and applied these indexes to the uninflated data (Figure 1, level 6). These inflated financial forecasts (Figure 1, level 7) were the primary basis for projecting the cash needs for ConRail.

FIGURE 1.—*Preparation process for the FSP financial forecasts*



A computerized financial model was designed to generate *pro forma* financial forecasts for the various industry structure options considered by the Association. As a basis for calculations, the model uses forecasts of uninflated revenues, expenses, capital programs, inflation indexes and interest rates which are stored in the data bank. Once input parameters are specified, the model then calculates uninflated or inflated financial forecasts. These parameters include specification of the debt and equity configuration, rate increases associated with increased costs, the value of assets to be conveyed, payment of dividends and the accounting method to be applied.

The model prints the forecast results directly in *pro-forma* statement format. The generated statements fall into four general categories:

- Statements of net income (loss) and retained earnings (deficit),
- Statements of financial condition (balance sheets),
- Statements of sources and uses of funds and required financing and
- Supplemental financial and statistical information.

Summary of Results

Figures 2, 3 and 4 summarize the financial forecasts and portray the financial condition of ConRail for the years 1976 through 1985.

Figure 2 illustrates that:

- ConRail will realize income from operations beginning in 1979 and
- ConRail will generate positive cash flow from operations beginning in 1979 and each year thereafter.

Figure 3 illustrates that:

- Government funding will total $1.85 billion [1] and no new cash funding will be required after 1980.

Figure 4 illustrates that:

- Road property expenditures capitalized will total $4.2 billion from 1976 through 1985,
- Equipment additions will total $1.8 billion from 1976 through 1985 and
- New equipment financing will total $1.3 billion from 1976 through 1985.

Detailed financial forecasts and a discussion of the forecasts appear in the following sections.

FIGURE 2.—*Annual income and fund flow from operations*

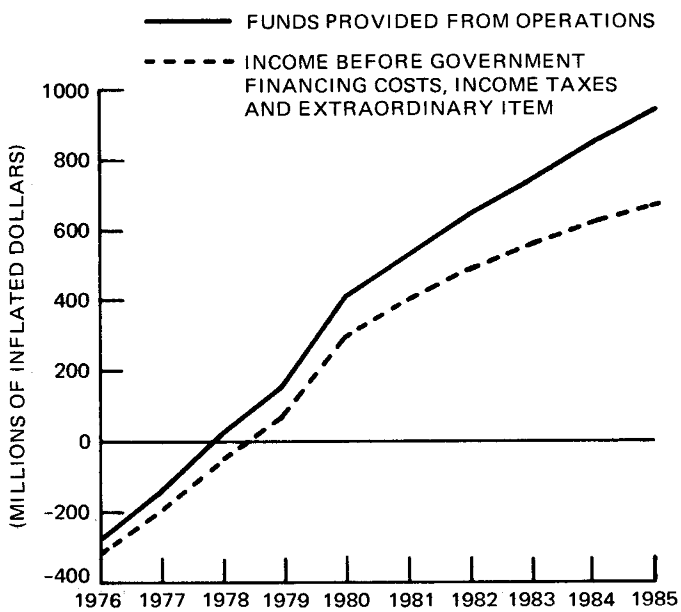
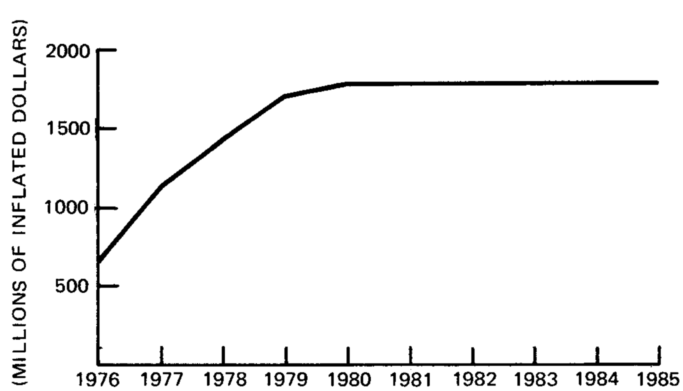
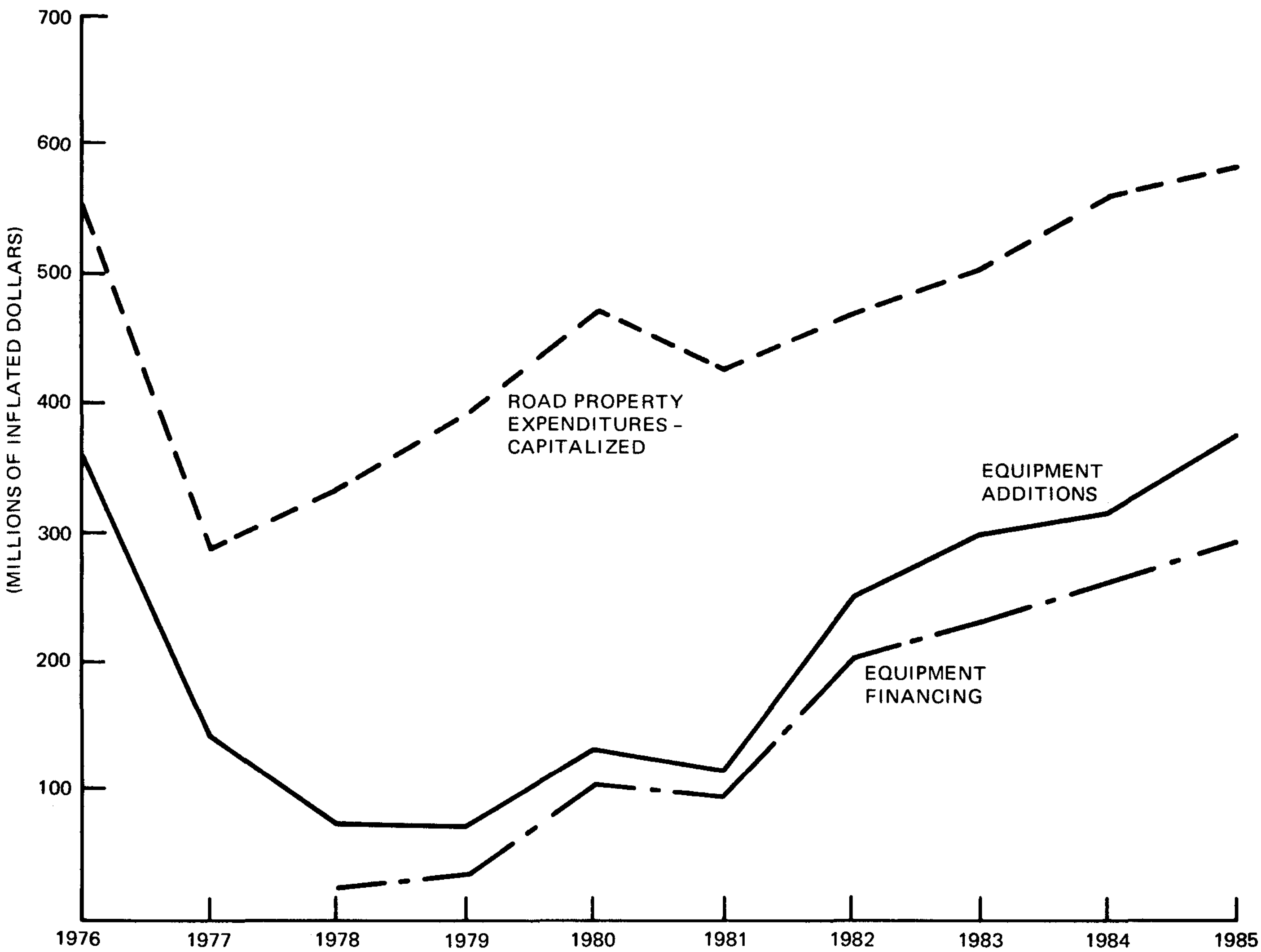


FIGURE 3.—*Government funding requirement (cumulative)*



[1] USRA's formal recommendations, as explained in Chapter 4, is to provide for a $1.85 billion cash investment in ConRail. The derived value from the financial *pro formas* is $1.841 billion.

FIGURE 4.—*Annual additions to operating assets and equipment financing.*



NOTE: 1976 property and equipment additions shown above include the assets conveyed from the railroads in reorganization which are reflected in the initial balance sheet as:

1) Road properties of $334 million which includes $44 million for land and
2) Equipment of $340 million

UNIFIED CONRAIL

In the event the implementation of the desired ConRail industry structure is not possible, the Association recommends the adoption of the "Unified ConRail" alternative. A more comprehensive discussion of the operating characteristics of the "Unified ConRail" structure and the reasons for choosing it as the preferred alternative are discussed in Chapter 1.

Detailed financial statements on the "Unified ConRail" option are currently being prepared and will be issued in a supplemental report to be published in August 1975. Interim analyses indicate that the results of operation of this "Unified ConRail" option depend upon the extent of traffic protection guaranteed to solvent railroads which now interchange freight with the railroads in reorganization. The financial performance of "Unified ConRail" probably will be materially better in terms of projected net income but these gains will be offset, at least in part, by higher capital investment levels and the greater amount of assets conveyed.

ConRail pro forma statements of net income (loss) (Note 1) [Millions of inflated dollars]

	Years ending December 31,									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Operating revenues:										
Freight	$2, 177	$2, 476	$2, 588	$2, 843	$3, 288	$3, 619	$3, 941	$4, 282	$4, 657	$5, 059
Other	113	131	126	128	139	143	147	152	156	161
Freight revenues	2, 290	2, 607	2, 714	2, 971	3, 427	3, 762	4, 088	4, 434	4, 813	5, 220
Passenger revenues and operating loss subsidies (Note 4)	525	567	611	658	707	756	801	851	904	964
Total railway operating revenues	2, 815	3, 174	3, 325	3, 629	4, 134	4, 518	4, 889	5, 285	5, 717	6, 184
Operating expenses:										
Maintenance of way	317	353	342	387	433	483	524	570	622	679
Maintenance of equipment	405	431	457	472	493	542	568	609	657	712
Transportation	1, 183	1, 269	1, 233	1, 303	1, 422	1, 531	1, 635	1, 751	1, 877	2, 018
General, administrative and other expenses	163	171	166	177	196	213	229	246	267	291
Freight	2, 068	2, 224	2, 198	2, 339	2, 544	2, 769	2, 956	3, 176	3, 423	3, 700
Passenger (Note 4)	525	567	611	658	707	756	801	851	904	964
Total railway operating expenses	2, 593	2, 791	2, 809	2, 997	3, 251	3, 525	3, 757	4, 027	4, 327	4, 664
Net railway operating revenues	222	383	516	632	883	993	1, 132	1, 258	1, 390	1, 520
Other income (expenses):										
Net car hire	(245)	(274)	(263)	(239)	(237)	(231)	(256)	(293)	(330)	(367)
Payroll taxes	(201)	(216)	(212)	(222)	(240)	(258)	(272)	(290)	(312)	(337)
Other taxes	(54)	(58)	(61)	(65)	(68)	(71)	(75)	(79)	(84)	(89)
Other income and expenses	(27)	(18)	(18)	(22)	(21)	(13)	(10)	(2)	13	19
Total other expenses, net	(527)	(566)	(554)	(548)	(566)	(573)	(613)	(664)	(713)	(774)
Income (loss) before interest expense, income tax expense and extraordinary item	(305)	(183)	(38)	84	317	420	519	594	677	746
Interest expense	27	37	41	48	58	66	106	119	133	149
Income (loss) before income tax expense and extraordinary item	(332)	(220)	(79)	36	259	354	413	475	544	597
Income tax expense (Notes 3 and 8):										
Tax effect of loss carryforward	—	—	—	1	80	120	140	30	—	—
Deferred	—	—	—	—	—	—	—	130	190	200
Total income tax expense	—	—	—	1	80	120	140	160	190	200
Income (loss) before extraordinary item	(332)	(220)	(79)	35	179	234	273	315	354	397
Extraordinary item—reduction of income tax expense arising from carryforward of prior years' operating losses (Note 16)	—	—	—	1	80	120	140	30	—	—
Net income (loss)	$(332)	$(220)	$(79)	$36	$259	$354	$413	$345	$354	$397
Net income (loss) applicable to common stock:										
Net income (loss)	(332)	(220)	(79)	36	259	354	413	345	354	397
Dividends on preferred stock (Note 13)	—	—	—	30	47	59	90	100	110	117
Accretion of mandatory redemption price of Series A Preferred Stock (Note 13)	1	2	5	7	9	11	12	13	13	13
Net income (loss) applicable to common stock	$(333)	$(222)	$(84)	$(1)	$203	$284	$311	$232	$231	$267
Net income (loss) per share of common stock (Note 3):										
Income (loss) before extraordinary item	(15. 86)	(10. 57)	(4. 00)	(. 10)	5. 86	7. 81	8. 14	9. 62	11. 00	12. 71
Extraordinary item	—	—	—	. 05	3. 81	5. 71	6. 67	1. 43	—	—
Net income (loss)	$(15. 86)	$(10. 57)	$(4. 00)	$(. 05)	$9. 67	$13. 52	$14. 81	$11. 05	$11. 00	$12. 71

The accompanying notes are an integral part of these *pro forma* financial forecasts.

ConRail pro forma balance sheets (Note 1)

[Millions of inflated dollars]

	December 31, 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
ASSETS										
Current assets:										
Cash	$22	$23	$23	$25	$27	$68	$46	$49	$85	$130
Temporary cash investments	158	169	168	179	194	210	224	241	259	279
Accounts receivable less allowance for doubtful accounts	298	339	353	386	445	489	531	576	626	679
Material and supplies, at average cost	233	250	257	275	292	321	339	361	386	415
Other current assets	56	63	64	70	79	86	93	101	109	118
Total current assets	767	844	865	935	1, 037	1, 174	1, 233	1, 328	1, 465	1, 621
Property and equipment, at cost (Notes 2, 3, 5, 6, 9 and 15):										
Road and facilities	506	798	1, 129	1, 522	1, 998	2, 430	2, 897	3, 399	3, 940	4, 525
Transportation equipment	337	458	518	577	702	806	1, 044	1, 328	1, 629	1, 984
	843	1, 256	1, 647	2, 099	2, 700	3, 236	3, 941	4, 727	5, 569	6, 509
Less accumulated depreciation	37	91	158	241	347	482	648	849	1, 088	1, 369
	806	1, 165	1, 489	1, 858	2, 353	2, 754	3, 293	3, 878	4, 481	5, 140
Land	44	44	44	44	44	44	44	44	44	44
Net property and equipment	850	1, 209	1, 533	1, 902	2, 397	2, 798	3, 337	3, 922	4, 525	5, 184
Other assets	54	61	63	69	80	88	95	103	112	121
Net passenger assets (Note 4)	173	187	205	240	277	315	356	398	442	488
Total assets	$1, 844	$2, 301	$2, 666	$3, 146	$3, 791	$4, 375	$5, 021	$5, 751	$6, 544	$7, 414

The accompanying notes are an integral part of these *pro forma* financial forecasts.

ConRail pro forma balance sheets (Note 1)

[Millions of inflated dollars]

	December 31,									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
LIABILITIES AND EQUITY										
Current liabilities:										
Accounts and wages payable	$151	$162	$161	$172	$186	$202	$215	$231	$248	$268
Accrued liabilities	313	336	334	356	385	418	446	478	514	555
Other current liabilities	96	109	114	125	144	158	172	186	202	219
Current portion of equipment obligations	36	35	35	32	31	35	43	57	71	83
Total current liabilities	596	642	644	685	746	813	876	952	1, 035	1, 125
Long-term debt, less current portion (Notes 9 and 17):										
7.50% Debentures	698	1, 000	1, 000	1, 000	1, 000	1, 000	1, 000	1, 000	1, 000	1, 000
Equipment obligations	175	140	131	135	215	275	433	614	794	1, 005
Other noncurrent liabilities:										
Pension liability (Notes 2, 3 and 10)	29	27	24	21	18	15	12	8	4	—
Casualty reserve (Note 7)	26	59	87	91	103	109	113	115	119	124
Deferred income taxes (Notes 3 and 8)	—	—	—	—	—	—	—	130	320	520
Other	62	103	144	157	183	200	217	238	260	278
Total liabilities	1, 586	1, 971	2, 030	2, 089	2, 265	2, 412	2, 651	3, 057	3, 532	4, 052
Commitments and contingencies (Notes 11 and 12)										
Excess of passenger assets over liabilities and freight equity (Notes 1 and 4)	151	165	183	218	255	293	334	376	420	466
Equity:										
Preferred stock (Notes 9, 13 and 17):										
Series A, $1 par value	—	3	7	11	14	15	16	17	17	17
Series B, $1 par value	21	21	21	21	21	21	21	21	21	21
Common stock, $1 par value (Note 13)	21	21	21	21	21	21	21	21	21	21
Paid-in capital (Note 13)	389	613	929	1, 274	1, 441	1, 555	1, 609	1, 658	1, 701	1, 738
Reimbursement for passenger corridor expenditures (Note 5)	9	62	114	152	211	211	211	211	211	211
Retained earnings (deficit)	(333)	(555)	(639)	(640)	(437)	(153)	158	390	621	888
Total equity	107	165	453	839	1, 271	1, 670	2, 036	2, 318	2, 592	2, 896
Total liabilities and equity	$1, 844	$2, 301	$2, 666	$3, 146	$3, 791	$4, 375	$5, 021	$5, 751	$6, 544	$7, 414

The accompanying notes are an integral part of these *pro forma* financial forecasts.

ConRail pro forma sources and uses of funds and required financing (Note 1)

[Millions of inflated dollars]

	Years ending December 31,									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Sources of funds:										
Income (loss) before extraordinary item	$(332)	$(220)	$(79)	$35	$179	$234	$273	$315	$354	$397
Add expenses not requiring outlay of funds:										
Depreciation—road and facilities	19	29	41	55	71	89	106	124	143	164
Depreciation — transportation equipment	26	29	33	36	40	46	55	68	83	100
Series A Preferred Stock issued in lieu of interest	9	22	28	35	40	45	—	—	—	—
Deferred income tax expense	—	—	—	—	—	—	—	130	190	200
Funds provided from (used in) operations before extraordinary item	(278)	(140)	(23)	161	330	414	434	637	770	861
Extraordinary item—reduction of income tax expense arising from carryforward of prior years' operating losses	—	—	—	1	80	120	140	30	—	—
Funds provided from (used in) operations	(278)	(140)	(23)	162	410	534	574	667	770	861
Net proceeds from road and facilities retired	4	6	2	1	4	8	10	15	16	20
Net proceeds from transportation equipment retired	4	5	5	5	6	8	9	10	11	13
Increase in other noncurrent liabilities	117	72	66	14	35	20	18	19	22	19
Total sources of funds, excluding financing	(153)	(57)	96	182	455	570	611	711	819	913
Uses of funds:										
Payment of dividends, charged to:										
Series B Preferred Stock paid-in capital	—	3	13	—	—	—	—	—	—	—
Retained earnings	—	—	—	30	47	59	90	100	110	117
	—	3	13	30	47	59	90	100	110	117
Accretion of mandatory redemption price of Series A Preferred Stock	1	2	5	7	9	11	12	13	13	13
Additions to road and facilities	551	293	332	394	478	433	468	504	542	587
Additions to transportation equipment	352	135	73	72	138	119	251	298	314	369
Increase in net passenger assets	173	14	18	35	37	38	41	42	44	46
Repayment of equipment obligations	39	36	35	35	32	31	35	43	57	71
Increase in other assets	54	7	2	6	11	8	7	8	9	9
Increase in working capital (excluding current portion of equipment obligations)	207	30	19	26	40	74	4	33	68	78
Total uses of funds	1, 377	520	497	605	792	773	908	1, 041	1, 157	1, 290
New financing required	$1, 530	$577	$401	$423	$337	$203	$297	$330	$338	$377

Continued

ConRail pro forma sources and uses of funds and required financing (Note 1)—Continued

[Millions of inflated dollars]

	Years ending December 31,									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Sources of financing:										
Sold to Government:										
Series A Preferred Stock	—	203	287	277	74	—	—	—	—	—
7.50% Debentures	698	302	—	—	—	—	—	—	—	—
	698	505	287	277	74	—	—	—	—	—
Series A Preferred Stock issued in lieu of dividends	—	3	13	30	47	59	43	37	30	24
Accretion of mandatory redemption price of Series A Preferred Stock	1	2	5	7	9	11	12	13	13	13
Series B Preferred Stock	400	—	—	—	—	—	—	—	—	—
Common stock	21	—	—	—	—	—	—	—	—	—
Equipment obligations	250	—	26	36	111	95	201	238	251	294
Subsidies for passenger working capital and net asset additions	65	14	18	35	37	38	41	42	44	46
Reimbursement for removing freight traffic from the Northeast Corridor	9	53	52	38	59	—	—	—	—	—
Amount assigned to conveyance passenger assets	86	—	—	—	—	—	—	—	—	—
Total financing	$1, 530	$577	$401	$423	$337	$203	$297	$330	$338	$377
Increase (decrease) in working capital (excluding current portion of equipment obligations):										
Increase (decrease) in current assets:										
Cash	22	1	—	2	2	41	(22)	3	36	45
Temporary cash investments	158	11	(1)	11	15	16	14	17	18	20
Accounts receivable less allowance for doubtful accounts	298	41	14	33	59	44	42	45	50	53
Material and supplies	233	17	7	18	17	29	18	22	25	29
Other current assets	56	7	1	6	9	7	7	8	8	9
(Increase) decrease in current liabilities:										
Accounts and wages payable	(151)	(11)	1	(11)	(14)	(16)	(13)	(16)	(17)	(20)
Accrued liabilities	(313)	(23)	2	(22)	(29)	(33)	(28)	(32)	(36)	(41)
Other current liabilities	(96)	(13)	(5)	(11)	(19)	(14)	(14)	(14)	(16)	(17)
Increase in working capital (excluding current portion of equipment obligations)	$207	$30	$19	$26	$40	$74	$4	$33	$68	$78

The accompanying notes are an integral part of these *pro forma* financial forecasts.

ConRail pro forma statements of retained earnings (deficit) (Note 1)

[Millions of inflated dollars]

	Years ending December 31,									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Retained earnings (deficit), beginning of year	—	$(333)	$(555)	$(639)	$(640)	$(437)	$(153)	$158	$390	$621
Net income (loss)	$(332)	(220)	(79)	36	259	354	413	345	354	397
Dividends paid (Note 13)	—	—	—	30	47	59	90	100	110	117
Accretion of mandatory redemption price of Series A Preferred Stock (Note 13)	1	2	5	7	9	11	12	13	13	13
Retained earnings (deficit), end of year	$(333)	$(555)	$(639)	$(640)	$(437)	$(153)	$158	$390	$621	$888

The accompanying notes are an integral part of these *pro forma* financial forecasts.

Notes to the Pro Forma Forecasts

Note 1—Basis of Statement Presentation

Consolidated Rail Corporation (ConRail) was established on October 25, 1974 pursuant to the Regional Rail Reorganization Act of 1973 (the Act) to acquire, operate, rehabilitate, improve and modernize rail properties of railroads in reorganization (see Chapter 1) to be conveyed to it under the Final System Plan.

The accompanying *pro forma* financial statements (forecasts) have been prepared to reflect the acquisition of these properties (see Note 2) and the projected financial position, results of operations and sources and uses of funds and required financing resulting from ConRail's projected operations for the years 1976 through 1985.

The forecasts primarily reflect the proposed freight operations of ConRail. It has been assumed that if ConRail is to manage the passenger operations of the railroads in reorganization, it will do so on a custodial basis whereby Amtrak or local commuter authorities will finance capital projects, provide funds for working capital and fully subsidize operating deficits. Accordingly, the results of passenger operations are segregated from and included only in summary form in the results of freight operations. The forecasts reflect the net assets of the passenger operations as separate offsetting captions in the balance sheets and the passenger results of operations as separate offsetting captions in the statements of net income (loss).

As more fully discussed in Note 5, substantially all of ConRail's through freight operations on the Northeast Corridor are to be transferred to other rail track to make the Corridor available for improved passenger service. The net liquidation value of the Northeast Corridor as well as that of the other assets used in passenger service is included in passenger assets. This procedure has been elected by the Association because of the current uncertainty regarding the eventual ownership of these assets. The FSP designates to ConRail, Amtrak and the commuter authorities options to buy and/or lease these assets. In addition, should Amtrak and/or the commuter authorities take title to these assets they have the option to negotiate contractual arrangements with ConRail for continued operation of the services or to assume operating responsibilities themselves.

The initial freight road assets acquired do not include light density lines categorized as "available for subsidy." Title to these assets is assumed to remain with the estates of the railroads in reorganization and it is assumed that ConRail will be fully reimbursed for any losses incurred in operating these light lines for the 2-year subsidy period presently specified in the Act. However, arrangements have not yet been finalized for such reimbursements. No provision has been made in the forecasts for subsequent operations, if any, or for the additional costs (and subsidies) which would be required in the 2-year period, and thereafter, if plans are made to operate the light lines on a long-term basis.

The major assumptions and information used to prepare these forecasts were developed by the Association and are included in the "Development of the Financial Forecasts" section of this chapter. In addition, the forecasts reflect expected inflationary cost increases during each year of the forecast period. The significant accounting policies used in preparing the forecasts are discussed in Note 3.

Note 2—Acquisition of Assets

Acquisition of the assets of the railroads in reorganization has been reflected in the accompanying balance sheets under the purchase method of accounting. The total amount assigned to the conveyance assets has been allocated to the assets on the basis of their estimated fair values and is represented by the following:

	Millions
Securities to be issued to the estates of the railroads in reorganization representing an amount equal to the net liquidation value of the conveyed assets (see Notes 4 and 13)	$422
Government funding of section 215 assets (see below and Note 9)	64
Assumption of equipment obligations of the estates of the railroads in reorganization (see Note 9)	250
Assumption of the estimated pension liabilities of freight operations of the railroads in reorganization representing an estimate of the excess of the actuarially computed value of vested pension benefits over the amount of the pension funds of the estates of the railroads in reorganization at the date of asset conveyance (see Note 10)	31
	$767

The government funding included in the initial balance sheet relates to section 215 obligations issued under the Act for acquisition of and improvements to property and equipment prior to the date of asset conveyance to ConRail. The amount recorded in the initial balance sheet does not represent the full amount of section 215 expenditures which are estimated to be made prior to the date of asset conveyance ($300 million) because the Association has assumed that a substantial amount of such obligations ($236 million) will be forgiven by the Secretary of Transportation as provided by the February 1975 amendment to the Act. It is proposed that the remaining $64 million be refinanced by issuance of ConRail 7.50% Debentures to the Association as described in Chapter 4.

To facilitate an orderly transfer of business operations, ConRail management and the managements of the railroads in reorganization may enter into agreements whereby ConRail would, for reasonable compensation, process the accounts receivable, as well as certain other assets and liabilities that exist at the date of asset conveyance. The forecasts assume that if such items are processed by ConRail, ConRail will not receive title to such assets and liabilities, but will act solely as agent for the estates of the railroads in reorganization and will refund any excess cash ultimately realized or bill the estates for any cash deficiencies incurred from the processing. Accordingly, such assets and liabilities are not reflected in the initial balance sheet.

The amounts assigned to the initial assets and liabilities are as follows:

	Millions
Freight assets acquired:	
Material and supplies	$70
Investment in affiliated companies (nominal value assigned) (see Note 12)	1
Property and equipment:	
Road and facilities	290
Transportation equipment	340
Land	44
Total property and equipment	674
Total freight assets acquired	745
Freight equity in passenger net assets (see Note 4)	22
	767
Freight liabilities assumed:	
Equipment obligations (see Note 9)	250
Excess of vested pension benefits over amount of pension funds (see Note 10)	31
	281
Government funding of Section 215 assets	64
Total freight liabilities assumed	345
Total net assets acquired	$422

The Act mandates that the Special Court established pursuant to section 209 of the Act will determine whether or not the securities and other benefits offered to the estates of the railroads in reorganization constitute a fair and equitable exchange for the assets conveyed to ConRail. If the Special Court determines that the exchange is not fair and equitable, it may order ConRail to transfer other securities to the estates in such nature and amount as would make the exchange fair and equitable, or it may reallocate the securities previously transferred among the several estates in such manner as to make the several exchanges fair and equitable. In the event that issuance of additional securities does not completely satisfy the fair and equitable test, the Special Court is empowered to enter a judgment against ConRail. Moreover, the United States Supreme Court has held that if the consideration conveyed by ConRail to the estates is less than the constitutional minimum, the estates would be entitled to seek recovery from the government under the Tucker Act.

Any future adjustment to the purchase price as determined by the Special Court will be allocated to property and equipment on the basis of their estimated relative fair values at the date of asset conveyance. Amounts paid by the United States Government under the Tucker Act, if any, may also result in a future adjustment to the purchase price. Future adjustments, if any, would also increase the depreciation expense and reduce net income from the amounts currently included in the forecasts. In addition, because of the uncertainties surrounding the entire transaction, no provision has been made for the possible imposition of state transfer taxes on the conveyed assets. If such taxes are imposed by some or all states involved and deemed to be a liability of ConRail, adjustments similar to the aforementioned would result.

The forecasts have been prepared on the assumption that ConRail will succeed to the tax basis of the properties of the railroads in reorganization which would be the case if the acquisitions qualified as tax-free reorganizations within the meaning of Section 374 of the Internal Revenue Code. Substantial arguments are available that the acquisitions will so qualify. However, counsel has advised the Association that the matter is uncertain and the Internal Revenue Service has indicated that it will not issue a favorable ruling in advance of the transaction. Consequently, the Association is recommending that legislation be enacted which would eliminate this uncertainty by assuring that ConRail will succeed to the tax basis of the properties in the hands of the railroads in reorganization. If such legislation is enacted, or if the acquisitions are otherwise held to qualify as reorganizations under Section 374 of the Internal Revenue Code, depreciation deductions will be substantially higher, as indicated in Note 8, for income-tax purposes than for financial reporting purposes. In the event that ConRail does not succeed to the tax basis of the railroads in reorganization, these depreciation deductions, ranging from $26 million to $46 million annually, will not be available and income tax expense will be increased for the years 1979 through 1985.

The forecasts assume that ConRail will not succeed to the preconveyance net operating losses of the railroads in reorganization.

The forecasts also assume that ConRail will be permitted to deduct for tax purposes substantial portions of its rehabilitation costs. This would normally be so under betterment accounting but, in ConRail's circumstances, it is not certain. It is difficult to isolate that portion of the rehabilitation costs that may not be deductible. The amounts could be substantial. Even if substantial, the Association believes there are depreciation elections available to minimize the tax effect during the forecast period. In any event, the Association proposes to clarify the situation by seeking a tax ruling or appropriate tax legislation.

The deduction of rehabilitation expenditures financed by the government, and the right to claim investment credit with respect thereto, is also dependent upon the government's contribution to ConRail not being characterized as a subsidy for federal income tax purposes. The government's contribution should not be so characterized if, at the time the contribution is actually made, the *pro forma* forecasts, considered in light of actual performance, do not suggest an inevitability, or a very high likelihood, that the government's contribution (represented by debentures and preferred stock) will be forgiven in whole or in part. It is the Association's view that the government financing recommended in the proposed capital structure should not be characterized as a subsidy if the forecasted earnings are achieved.

Note 3—Summary of Significant Accounting Policies

The forecasts have been prepared on the basis of generally accepted accounting principles. The following summarizes the significant accounting policies used in preparing the forecasts:

- Property and Equipment. The investment in property and equipment is stated at cost. Additions and renewals constituting a unit of property and improvements are capitalized; expenditures for repairs and maintenance are charged to operations as incurred. Depreciation accounting has been adopted for all property, including track structure. The provision for depreciation has been computed on a group composite straight-line method, adjusted for usage as appropriate, over the estimated useful lives of the property. The ranges for composite annual depreciation rates by major category are as follows:

Road and facilities:	
Track structure	3.33 to 6.67 percent
Facilities	1.43 to 20.00 percent
Buildings	2.50 to 5.00 percent
Transportation equipment	5.26 to 7.69 percent

  Under the group composite method of depreciation, no gain or loss is recognized when assets are retired. The original cost of assets retired is charged to accumulated depreciation; salvage proceeds, less costs to remove, are credited to accumulated depreciation.

- Income Taxes. Deferred income taxes are provided for differences between financial and tax accounting methods to the extent of the amount of net income reported, after exhausting recognized loss and investment tax credit carryforwards. Investment tax credits are used to reduce income tax expense on a flow-through basis in the year in which the credits are recognized for financial reporting purposes.

- Pension Plans. Pension costs charged to earnings include charges for current service cost and amortization of past service cost over 30 years. The excess of vested pension benefits over the amount of the pension funds of the railroads in reorganization at the date of asset conveyance has been reflected as a liability assumed by ConRail at the date of asset conveyance (see Notes 2 and 10). Accordingly, payments funding this liability are reflected in the forecasts as uses of funds but do not affect ConRail's forecasted income statement.

- Net Income (Loss) Per Share. Per share data is based on the weighted average number of common shares outstanding during each year (21 million) after reducing earnings for dividends on the preferred shares and accretion of the mandatory redemption price of the Series A Preferred Stock. There are no convertible securities or stock options or warrants which would require a presentation of fully diluted earnings per share data.

Note 4—Passenger Operations

A summary of the *pro forma* financial forecasts and expected government payments for the passenger operations during the forecast period appears below. As stated in Note 1, ConRail will manage passenger operations on a custodial basis whereby Amtrak or local commuter authorities will finance capital projects and working capital needs and will fully subsidize operating deficits. No provision has been made in the forecasts for major road improvements and equipment acquisition programs. For development of forecasted costs the Association has assumed that Amtrak would not purchase or lease the corridor.

Revenues were based on the amount of conductor and agent receipts and commuter authority subsidy payments actually received by the railroads in reorganization in 1973. Costs were developed using 1973 data as reported by the railroads in reorganization in filings with the ICC and avoidable costs estimated by the railroads in reorganization. This costing approach is consistent with the ICC's Determination of Compensation ruling of September 19, 1973 covering Amtrak operations over Penn Central Transportation Co. (PC) properties.[1] Using this approach, each regional commuter and Amtrak passenger contract was analyzed separately and the results were aggregated to ascertain the total amount of operating deficit recovery ConRail should receive for passenger service at 1973 operating levels. The deficit recovery was then inflated by the composite annual expense inflation index to determine the annual deficit recoveries reflected in the forecasts.

To implement the assumption of appropriate cost remuneration, ConRail will have to negotiate revisions to most existing contracts with passenger authorities. Negotiations are presently under way with Amtrak and local commuter authorities which will affect passenger subsidies and are discussed in detail in Chapter 2. If none of the contracts are renegotiated, and if no additional subsidies are received over the level prevailing in 1973, the passenger operations will generate an estimated cash deficit of $1.65 billion (inflated) over the forecast period. Since the precise terms and conditions under which passenger-deficit reimbursements will be paid are still to be negotiated, these forecasts, which assume that these cash deficits will be reimbursed, are subject to modification.

[1] This arbitration ruling arose from a dispute between Amtrak and PC concerning the appropriate cost reimbursement method used in the contract.

ConRail passenger operations pro forma balance sheets

[Millions of inflated dollars]

	Initial	December 31, 1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
ASSETS											
Current assets	$7	$183	$198	$215	$231	$248	$265	$281	$298	$316	$338
Property and equipment	114	137	163	197	234	274	317	363	412	465	521
Less accumulated depreciation	—	2	6	10	16	23	32	42	54	69	85
Net property and equipment[1]	114	135	157	187	218	251	285	321	358	396	436
Other assets	—	13	14	15	16	17	18	19	20	22	23
Total assets	121	331	369	417	465	516	568	621	676	734	797
LIABILITIES AND EXCESS OF ASSETS OVER LIABILITIES AND FREIGHT EQUITY											
Current liabilities	—	127	136	148	160	171	183	194	206	218	233
Noncurrent liabilities	1	20	36	55	57	61	65	67	69	73	76
Pension liability (Note 10)	12	11	10	9	8	7	5	4	3	1	—
Excess of assets over liabilities and freight equity	[2,4] 86	151	165	183	218	255	293	334	376	420	466
	99	309	347	395	443	494	546	599	654	712	775
Freight equity in passenger net assets (Notes 1, 2 and 3)	[3,4] 22	22	22	22	22	22	22	22	22	22	22

[1] The increase in net property and equipment capitalized stems from the use of the depreciation accounting method. Under ICC betterment accounting, there would not be an increase in this account.

[2] Represents an amount equal to the net liquidation value of the Northeast Corridor at the date of asset conveyance.

[3] Represents an amount equal to the net liquidation value of other assets used in passenger operations at the date of asset conveyance.

[4] These amounts plus the assumed liabilties have been allocated to the assets on the basis of their estimated fair values.

ConRail passenger operations pro forma statements of results of operations and government payments

[Millions of inflated dollars]

	For the years ending December 31,										
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1976–85 Total
Results of operations:											
Operating revenues	$434	$468	$505	$545	$586	$625	$665	$703	$747	$796	$6,074
Operating expenses	525	567	611	658	707	756	801	851	904	964	7,344
Operating loss	91	99	106	113	121	131	136	148	157	168	1,270
Payments from government entities	156	113	124	148	158	169	177	190	201	214	1,650
Excess of payments from government entities over operating loss	$65	$14	$18	$35	$37	$38	$41	$42	$44	$46	$380
Government payments to passenger operations:											
Net operating loss	91	99	106	113	121	131	136	148	157	168	1,270
Net track expenditures capitalized under depreciation accounting	23	24	29	32	34	34	38	37	40	41	332
Net operating loss under ICC betterment accounting	114	123	135	145	155	165	174	185	197	209	1,602
Working capital deficit (excess)	42	(10)	(11)	3	3	4	3	5	4	5	48
Total government payments to passenger operations	$156	$113	$124	$148	$158	$169	$177	$190	$201	$214	$1,650
Total outside funding:											
Government payments to passenger operations	156	113	124	148	158	169	177	190	201	214	1,650
Payments to ConRail for certain costs of diverting freight traffic from the electrified Northeast Corridor (Note 5)[1]	9	53	52	38	59	—	—	—	—	—	211
Total funding	$165	$166	$176	$186	$217	$169	$177	$190	$201	$214	$1,861

[1] A Government entity must provide funds for the purchase of the Baltimore & Ohio Railroad (B & O) tracks between Washington and Philadelphia for ConRail freight operations so that the electrified Northeast Corridor can be devoted to passenger service. Because a purchase price has not yet been determined, the purchase of the B & O tracks has not been reflected in the schedule of outside funding required.

Note 5—Passenger Corridor Expenditures

To improve passenger service on the Northeast Corridor, ConRail freight operations (except local service) should be transferred to other rail trackage such as the Baltimore & Ohio Railroad's (B&O) tracks between Washington, D.C. and Philadelphia. Because the transfer from the corridor is for the convenience of the passenger operations, the Association has decided that the freight operations should not be expected to bear the costs of the purchase of the B&O tracks and other direct capital costs associated with eliminating freight interference with the passenger operation.

Since a purchase price for the B&O tracks has not been determined, and since the precise terms and conditions under which reimbursement will be paid are still to be negotiated, the acquisition of these tracks and the subsequent reimbursement to ConRail have not been reflected in the forecasts. Consequently, the results of freight operations for the forecast period do not include depreciation charges for the Northeast Corridor or the B&O tracks. Upon determination of the purchase price, operating expenses will be increased and income before taxes and extraordinary item will be reduced to the extent of the depreciation charges.

The other direct capital costs consist principally of the purchase of 81 diesel locomotives to replace electric locomotives which cannot be used on the B&O tracks, "double tracking" the B&O line, providing interconnections, installing central traffic control (CTC) and making certain other improvements that are required to enable the B&O tracks to carry significantly greater traffic volume. A summary of these costs follows:

[Millions of inflated dollars]

	Equipment additions	Road additions	Total
Year:			
1976	—	$9	$9
1977	$21	32	53
1978	23	29	52
1979	—	38	38
1980	—	59	59
	$44	$167	$211

These costs and the related reimbursements are reflected in the freight balance sheets as property and equipment with offsetting amounts included in the equity section.

Note 6—Property and Equipment

The following tables summarize various information relating to property and equipment for the forecast period:

Net investment in property and equipment

[Millions of inflated dollars]

Year	Conveyed assets [1]	Additions	Total net book value
1976	$625	$225	$850
1977	575	634	1, 209
1978	530	1, 003	1, 533
1979	488	1, 414	1, 902
1980	443	1, 954	2, 397
1981	393	2, 405	2, 798
1982	341	2, 996	3, 337
1983	284	3, 638	3, 922
1984	226	4, 299	4, 525
1985	163	5, 021	5, 184

[1] See Note 2.

Road property expenditures

[Millions of inflated dollars]

Year	Additions and improvements	Track structure replacements: Deferred [1]	Track structure replacements: Current	Amounts capitalized	Removal costs	Maintenance of way [2] expenses	Total
1976	$75	$37	$105	$217	$16	$298	$531
1977	120	58	115	293	19	324	636
1978	115	86	131	332	24	301	657
1979	129	119	146	394	29	332	755
1980	164	159	155	478	34	362	874
1981	87	172	174	433	37	394	864
1982	92	184	192	468	40	418	926
1983	99	196	209	504	42	446	992
1984	106	208	228	542	46	479	1, 067
1985	113	223	251	587	49	515	1, 151
	$1, 100	$1, 442	$1, 706	$4, 248	$336	$3, 869	$8, 453

[1] The deferred track structure expenditures represent an engineering estimate of the portion of the replacements required because of the deteriorated condition of the system at the date of asset conveyance.

[2] Engineers estimate that approximately $290 million of these expenditures during the forecast period pertain to the correction of the maintenance conditions existing at the date of asset conveyance on road assets other than track structure.

Road property salvage and retirements

[Millions of inflated dollars]

Year	Gross salvage proceeds	Estimated removal costs	Net salvage proceeds [1]	Original cost of assets retired
1976	$20	$16	$4	$1
1977	25	19	6	1
1978	26	24	2	1
1979	30	29	1	1
1980	38	34	4	2
1981	45	37	8	1
1982	50	40	10	1
1983	57	42	15	2
1984	62	46	16	1
1985	69	49	20	2
	$422	$336	$86	$13

[1] Credited to accumulated depreciation.

Freight equipment additions, net salvage proceeds and retirements

[Millions of inflated dollars]

Year	Additions: Locomotives	Additions: Freight cars	Additions: Miscellaneous equipment	Additions: Total	Net salvage proceeds [1]	Original cost of assets retired
1976	—	$3	$9	$12	$4	$15
1977	$98	29	8	135	5	14
1978	51	14	8	73	5	13
1979	57	4	11	72	5	13
1980	130	4	4	138	6	14
1981	62	56	1	119	8	15
1982	67	184	—	251	9	14
1983	84	214	—	298	10	13
1984	90	224	—	314	11	13
1985	101	268	—	369	13	13
	$740	$1, 000	$41	$1, 781	$76	$137

[1] Credited to accumulated depreciation.

NOTE: The above amounts include equipment additions necessitated by diverting freight traffic from the Northeast Corridor (see Note 5). Because the average age of the existing fleet is over 13 years, no capitalizable equipment rebuilds have been assumed; instead, the present fleet is maintained with heavy repairs as needed.

Note 7—Casualty Reserve

ConRail is liable for certain uninsured risks, principally casualty and accident claims, arising from operations. These claims are charged to operations as incurred. The casualty reserve represents an estimate of unsettled claims and losses incurred but not yet reported as of each balance sheet date.

A general self-insurance reserve for losses, which has traditionally been provided by railroads, is no longer permitted under generally accepted accounting principles. Accordingly, all insurance expenses reflected in the forecasts represent payments made to insurance carriers for needed protection or payments made or to be made to compensate for losses actually suffered.

Note 8—Taxes on Income

No provision has been made for income taxes during the years 1976 through 1978 due to projected losses from operations in those years. Subsequent to 1978, when net income is projected, a provision for income taxes has been made. To the extent net operating loss carryforwards are recognized in these income years, an extraordinary item (see Note 16) has been recorded to reflect the resulting reduction in income taxes arising from the use of the carryforward amounts. As stated in Note 2, the forecasts assume that ConRail will not succeed to the preconveyance net operating losses of the railroads in reorganization.

The provision for deferred taxes principally relates to the use of betterment accounting (see the "Accounting Policies" section of this chapter) for tax purposes. Although income taxes are not expected to be paid during the forecast period provided the tax assumptions described in Note 2 are valid and assuming no significant changes in the tax laws, deferred income taxes must be provided to conform with generally accepted accounting principles. The effective income tax rate varies from the current federal rate of 48 percent because of the effect of the following items:

[Millions of inflated dollars]

	1979		1980		1981		1982		1983		1984		1985	
	Percent of pretax income	Amount	Percent of pretax income	Amount	Percent of pretax income	Amount	Percent of pretax income	Amount	Percent of pretax income	Amount	Percent of pretax income	Amount	Percent of pretax income	Amount
Tax provision at the basic rate	48	$17	48	$124	48	$169	48	$198	48	$228	48	$261	48	$287
Effective reduction in taxes resulting from:														
Difference between book basis and tax basis of assets originaally conveyed to ConRail (see Note 2)	(46)	(16)	(7)	(17)	(5)	(18)	(4)	(19)	(4)	(21)	(4)	(22)	(4)	(23)
State income taxes, less federal tax effect	2	1	2	5	2	7	2	8	2	9	2	11	2	12
Investment tax credit	—	—	(13)	(33)	(12)	(44)	(12)	(50)	(11)	(54)	(12)	(65)	(12)	(72)
Other	(2)	(1)	1	1	1	6	—	3	(1)	(2)	1	5	—	(4)
Income tax expense for financial reporting purposes	2	$1	31	$80	34	$120	34	$140	34	$160	35	$190	34	$200

The recognition of investment tax credits has been limited to the tax effect of current timing differences expected to reverse in the investment tax credit carryforward periods.

For federal income tax purposes, it is projected (on the basis of the assumptions herein described) that ConRail will have net operating loss and investment tax credit carryforwards of $206 million and $367 million, respectively, as of December 31, 1985 to offset future taxable income, if any (see Note 2 for other tax information related to ConRail). The expiration of the carryforward amounts at December 31, 1985, assuming no change in existing law, is as follows:

[Millions of inflated dollars]

Year of expiration	*Operating loss*	*Investment credit*
1986	$197	$35
1987	9	46
1988	—	41
1989	—	53
1990	—	59
1991	—	63
1992	—	70

The above tax provisions and carryforward amounts have been based upon existing tax laws and upon certain assumptions with respect to the proper interpretation thereof (e.g. Note 2), and upon certain tax elections that ordinarily would be determined each year prior to filing the tax return. Since tax laws are subject to change, the interpretive assumptions in some instances cannot be certain, and since tax elections will be affected by actual circumstances at the time of filing, ConRail's actual tax elections and its future tax provisions may differ from those employed in the forecasts.

Note 9—Long-term Debt

The equipment obligations are collateralized by substantially all of the carrying value of the equipment assets initially acquired from the estates of the railroads in reorganization and by 100 percent of equipment assets purchased beginning in 1978. Equipment additions in 1976 and 1977 have been assumed to be purchased for cash and are not pledged as collateral for debt.

Equipment obligations finance up to 50 percent of the equipment acquired in 1978 and 1979 and 80 percent of the equipment acquired in 1980 and thereafter at interest rates which vary from 7.3 to 10.2 percent. Principal is scheduled to be repaid in 15 equal annual installments commencing in July of the year following the year the debt is issued.

The equipment obligations presented in the forecasts represent equipment trust obligations rather than leases. However, it may be more appropriate for ConRail to utilize leasing as a financing medium for equipment additions.

The initial equipment obligations assumed (see Note 2) bear interest at rates varying from 4.3 to 10.5 percent with a weighted average rate of 7.6 percent and the related principal amounts are payable in equal annual amounts over terms varying from 1 to 20 years.

The repayment of long-term equipment debt during the years 1976 through 1985 is reflected in the accompanying *pro forma* forecasts of sources and uses of funds and required financing. Principal repayments of the equipment debt existing at December 31, 1985 for the 5 years subsequent thereto are as follows:

[Millions of inflated dollars]

Year:	
1986	$90
1987	86
1988	86
1989	85
1990	84

7.50% Debentures (with full preference in liquidation) in the amount of $1 billion are expected to be purchased by USRA during 1976 and 1977. The Debentures bear interest at the rate of 7.5 percent per annum which is payable in cash, if available (see Note 13), as defined, or in shares of Series A Preferred Stock based on a redemption price of $100 per share (see Note 13). The issuance of shares in lieu of cash interest payments are recorded at estimated fair market value when issued.

The 7.50% Debentures are convertible into Series A Preferred Stock anytime, at the option of the holder, at a conversion ratio of 10 shares per $1,000 of Debentures. In addition, the Debentures are callable at any time without penalty and are redeemable, beginning in 1986 out of available cash, as defined (see Note 13), after payment of interest on the Debentures, dividends on Series A Preferred Stock and dividends on Series B Preferred Stock. In any event, all Debentures must be redeemed by the year 2011.

Although an indenture agreement will ultimately be designed for these Debentures, the nature of other restrictions, if any, on ConRail as a result of the agreement is not known at the present time. However, the Association has assumed that consent by the holders of the Debentures and Series A Preferred Stock (see Note 13) will be required for:

- Any material change in the charter or by-laws.
- Incurrence of any debt other than equipment debt, permitted short term debt (accounts payable, accrued liabilities and short term borrowings, the amount of which is yet undetermined) and long term debt in an amount to be determined.
- Any mortgage or lien other than in the normal course of business.
- Any material change in the business.
- Any issuance of securities (other than as contemplated by the Final System Plan) that would adversely affect the government's interest.

Note 10—Pension Plans

Pensions are provided under the Railroad Retirement Act for all rail employees. In addition, ConRail will assume from the railroads in reorganization the liability for various other pension plans which provide benefits for substantially all management employees and certain personnel covered by labor union agreements. Recently enacted legislation, the Employee Retirement Income Security Act of 1974 (ERISA), has an effect on the plans assumed from the railroads in reorganization. The estimated value of vested pension benefits for these other pension plans, including an estimate of the effect of ERISA, exceeds the sum of the pension funds and balance sheet accruals by $43 million (subject to final determination at conveyance date), based on the most recent actuarial studies available to the Association. Of this amount, $31 million is estimated to be attributable to freight operations, and $12 million is estimated to be attributable to passenger operations. These estimated liabilities have been reflected in the initial balance sheets (see Notes 2 and 4) and are being funded over 10 years.

The annual pension expense (exclusive of passenger operations) contained in the accompanying statements of operations and ConRail's expected annual pension fund contributions (excluding passenger operations) are as follows:

[Millions of inflated dollars]

Year	Railroad Retirement Act pension expense and contribution	Other pension plans: Current expense	Other pension plans: Contribution relating to funding of liability existing at date of asset conveyance	Other pension plans: Total contribution
1976	$181	$6	$2	$8
1977	195	6	2	8
1978	190	6	3	9
1979	200	7	3	10
1980	216	7	3	10
1981	232	7	3	10
1982	245	7	3	10
1983	261	8	4	12
1984	281	8	4	12
1985	303	8	4	12

Since a formal pension plan has not yet been adopted by ConRail, the Association estimated the other pension plan expense and contribution by surveying existing plans and previous experience of the railroads in reorganization, adjusted for changes in the number of employees and inflationary factors such as wage increases. Information was not available to incorporate the effect of ERISA on the amount of the other pension plan expense. The design of the ultimate plan adopted by ConRail and a determination of the effect of ERISA could significantly affect the future pension expense over the projection period. In addition, the amount of the Railroad Retirement Act pension expense and contribution has been based upon the previous experience of the railroads in reorganization adjusted for the factors described above. To the extent of any changes in the Railroad Retirement Act, the actual pension expense and contribution could differ from the amounts included in the forecasts.

Note 11—Leases

The following rental expense and lease commitment information is based on the assumption that ConRail will assume certain long-term equipment leases from the railroads in reorganization, and will not enter into any new long-term lease agreements. ConRail may elect to finance its equipment additions with leases; however, for presentation purposes in the forecasts, all equipment financing has been reflected on the balance sheet as debt obligations (see Note 9).

In addition, it is assumed that ConRail will acquire the underlying assets of substantially all of the lines currently leased by the railroads in reorganization that are deemed necessary for the proposed railroad system. Accordingly, all current leased lines are reflected as owned assets in the forecasts and are not considered as lease commitments in the following tabulations even though some leases (immaterial in amount) may ultimately be assumed by ConRail.

Amounts payable under all long-term leases other than noncapitalized financing leases are immaterial. The lease commitment and noncapitalized financing lease information is based on the lease information currently available to the Association. To the extent of information not currently available, the related commitment and lease information amounts are understated. This understatement applies only to the additional lease disclosure information presented below; it does not affect the rental expense reflected in the forecasts because rental expense was developed from historical information and not from the leases themselves. Except for rental expense, amounts payable under these other long-term leases have been excluded from the information tabulated below. Total rental expense also include amounts payable under short-term leases.

Rental Expense

[Millions]

	Noncapitalized financing leases	Total
Year:		
1976	$84	$295
1977	82	324
1978	81	312
1979	76	290
1980	63	289
1981	57	275
1982	56	300
1983	52	329
1984	46	358
1985	37	393

The minimum rental commitment at December 31, 1985 under noncapitalized financing leases is as follows:

Year:	*Millions*
1986	$26
1987	13
1988	4
1989	2
1990	2
1991 through 1995	2
1996 through 2000	—
2001 through 2005	—
2006 and after	—

The present value of the minimum lease commitments for noncapitalized financing leases and the weighted average interest rate and the range of interest rates used in computing the present value are as follows:

	Present value of minimum rental commitments (millions)	Weighted average interest rates (percent)	Range of interest rates (percent)
December 31:			
1976	$422	7.75	4.4–13.7
1977	373	8.13	4.4–13.7
1978	321	8.19	4.4–13.7
1979	272	8.28	4.4–13.7
1980	233	8.05	4.4–13.7
1981	194	8.08	4.4–13.4
1982	153	8.16	4.4–13.4
1983	112	8.74	4.4–13.4
1984	73	8.78	4.4–13.4
1985	43	8.56	4.7–13.4

If all noncapitalized financing leases were capitalized, and related assets were amortized on a straight-line basis with interest costs accrued on the basis of outstanding lease liability, the impact on net income for each year an income statement is presented would be less than three percent of the average net income for the most recent three years preceding the respective income statement presented except for the following years:

[Millions]

	Rental expense as recorded	Amortization of assets if capitalized	Interest cost on outstanding lease liability	Increase in net income
Year:				
1979..	$76	$44	$24	$8
1980..	63	35	21	7
1981..	57	32	18	7

Note 12—Contingencies

- Liabilities of the Railroads in Reorganization. Since ConRail is not required under the Act to assume liabilities of the railroads in reorganization, no provision has been made in the forecasts for such liabilities (except as stated in Note 2). These unassumed liabilities include income taxes, real estate and other taxes, accounts payable in default and other obligations.
- Employee Protection. The Act provides employees of the railroads in reorganization with mandatory offers of employment subject to the employee protection provisions specified in the Act. This provision provides up to $250 million for monthly displacement allowances, separation and termination allowances and moving expense benefits to meet the manpower requirements of ConRail and, to the extent appropriate, certain other railroads and the Association. Generally, displaced employees may receive allowances to age 65, provided such employees have completed 5 or more years of service with one of the railroads in reorganization at the effective date of the Act. The Railroad Retirement Board is obligated to reimburse ConRail and certain other railroads for expenditures made by them to protected employees from funds appropriated for the purpose.
  At the present time, the total protective cost payments to be made by ConRail cannot be reasonably estimated. ConRail's portion of the $250 million would not affect the operating results because payments made to protected employees would be reimbursed by the Railroad Retirement Board. Since such payments are reimburseable, ConRail only acts in a fiduciary role in disbursing these funds. Accordingly, the disbursements of these funds have not been reflected in the forecasts. Expenditures in excess of the $250 million, if required, will affect ConRail's financial and operating condition, unless additional federal funding is available to cover such excess. At present, there is no certainty that additional funding, if required, will be made available (see Chapter 6). The forecasts assume that no residual employee protection liability is borne by ConRail without reimbursement.
- Affiliated Companies. The initial assets to be acquired by ConRail from the railroads in reorganization include certain investments in affiliated companies (see Note 2). In conjunction with these investments, ConRail may be responsible for various loan guarantees. At the present time, the amount of these guarantees, if any, is not known.
- Other contingencies are discussed in Note 2 (possible additional consideration for conveyed assets) and Note 4 (passenger deficit recoveries).

Note 13—Capital Stock

The following summarizes the anticipated activity in the capital stock accounts during the forecast period:

Capital Stock

[Inflated dollars]

Year	Series A Preferred Stock, 40,000,000 shares authorized						Series B Preferred Stock, 30,000,000 shares authorized				Common Stock, 250,000,000 shares authorized				Increase in capital	Total capital
	Number of shares: Issued	Number of shares: Total	Issued in lieu of interest (Note 9)	Issued in lieu of cash dividends	Sold to government	Additional paid-in capital [1]	Number of shares: Issued	Number of shares: Total	Par value	Additional paid-in capital	Number of shares: Issued	Number of shares: Total	Par value	Additional paid-in capital		
Conveyance date....	—	—	—	—	—	—	21,000,000	21,000,000	$21,000,000	$380,000,000	21,000,000	21,000,000	$21,000,000	—	$422,000,000	$422,000,000
1976	285,280	285,280	$285,280	—	—	$9,320,520	—	21,000,000	—	—	—	21,000,000	—	—	9,605,800	431,605,800
1977	2,765,220	3,050,500	636,280	[2] $97,570	$2,031,370	[2] 227,772,617	—	21,000,000	—	[2] (3,327,137)	—	21,000,000	—	—	227,210,700	658,816,500
1978	3,952,400	7,002,900	750,000	[2] 336,270	2,866,130	[2] 328,079,127	—	21,000,000	—	[2] (12,637,027)	—	21,000,000	—	—	319,394,500	978,211,000
1979	4,149,110	11,152,010	750,000	629,090	2,770,020	344,853,401	—	21,000,000	—	—	—	21,000,000	—	—	349,002,511	1,327,213,511
1980	2,354,010	13,506,020	750,000	864,150	739,860	168,288,769	—	21,000,000	—	—	—	21,000,000	—	—	170,642,779	1,497,856,290
1981	1,762,950	15,268,970	750,000	1,012,950	—	112,919,197	—	21,000,000	—	—	—	21,000,000	—	—	114,682,147	1,612,538,437
1982	675,170	15,944,140	—	675,170	—	54,402,224	—	21,000,000	—	—	—	21,000,000	—	—	55,077,394	1,667,615,831
1983	570,810	16,514,950	—	570,810	—	49,595,772	—	21,000,000	—	—	—	21,000,000	—	—	50,166,582	1,717,782,413
1984	441,120	16,956,070	—	441,120	—	42,603,773	—	21,000,000	—	—	—	21,000,000	—	—	43,044,893	1,760,827,306
1985	341,710	17,297,780	—	341,710	—	37,045,498	—	21,000,000	—	—	—	21,000,000	—	—	37,387,208	1,798,214,514
Total			$3,921,560	$4,968,840	$8,407,380	$1,374,880,898			$21,000,000	$364,035,836			$21,000,000			

[1] In accordance with a recent Securities and Exchange Commission policy, amounts include accretion, based on expected redemption dates, for the difference between the mandatory redemption price and the fair market value, at the date of issuance, of the Series A Preferred Stock issued in lieu of interest and cash dividends. This accretion has been charged to retained earnings.

[2] Due to the unavailability of sufficient earnings for the payment of dividends in these years, additional paid-in capital relating to the Series B Preferred Stock has been charged, as permitted by Delaware law, for the estimated fair market value of the related shares of Series A Preferred Stock issued in lieu of cash dividends.

The outstanding Series A Preferred Stock is purchased by USRA at an issue price of $100 per share during the years 1977 to 1980 after the 7.50% Debentures are issued (see Note 9). The Series B Preferred Stock and common stock outstanding are issued to the estates of the railroads in reorganization (see Note 2) and are recorded on the basis of their estimated fair values. As stated in Note 2, the Act empowers the Special Court to determine whether or not the securities and other benefits offered to the estates of the railroads in reorganization constitute a fair and equitable exchange for the assets conveyed to ConRail. In the event the Special Court determines the exchange is not fair and equitable, it may order ConRail to provide for the transfer of other securities to the estates.

The Series A Preferred Stock is entitled to an annual dividend of $7.50 per share which is payable in cash, if available, as defined below, or in shares of Series A Preferred Stock based on the redemption price of $100 per share. Dividends paid in the form of additional shares are valued at the estimated fair market value at the time of issuance. Each share is entitled to $100 upon liquidation, with full preference over Series B Preferred Stock and common stock, and will be redeemed out of available cash, as defined, after payment of interest on the 7.50% Debentures (see Note 9), dividends on Series A Preferred Stock, and Series B Preferred Stock, and redemption of the 7.50% Debentures (see Note 9). Accelerated redemption will be required upon material events of default. Each share is callable at anytime at $100 per share.

The Series B Preferred Stock is entitled to an annual cash dividend of $5 per share which is noncumulative and is payable only after full payment of cash dividends on Series A Preferred Stock. Total Series A and Series B dividends are restricted to available cash, as defined below. Each share of Series B is entitled to $50 upon liquidation, with full preference over common stock, and is callable anytime after 1987 at $50 per share, after redemption of Series A Preferred Stock.

No dividends are payable on the common stock while any Debentures or Series A Preferred Stock are outstanding.

Available cash is defined in the equity agreements as zero during 1976 through 1980, 25 percent of available income (net income increased by the provision for deferred income taxes and interest expense on the debentures as recorded in the income statement) in each year from 1981 through 1985 and 50 percent of available income in each year after 1985 provided that, immediately after any such payment in any year, the cumulative income available exceeds cumulative payments by at least $500 million.

"Restricted payments" each year are to be made out of, and in amount no greater than, available cash, as defined above, according to the following schedule of priorities:

- Interest on 7.50% Debentures
- Dividends on Series A Preferred Stock
- Dividends on Series B Preferred Stock
- Redemption in full 7.50% Debentures
- Redemption in full of Series A Preferred Stock

In any year, no "restricted payment" may be made to a given level of priority unless all "restricted payments" have been made with respect to all higher levels of priority.

In addition to the Series B Preferred Stock and common stock that have been assumed to be issued to the estates of the railroads in reorganization, each estate will receive Certificates of Value in an amount based on the net liquidation value of the property received from the estate, subject to various adjustments, as determined by the Association subject to adjustment based on the findings of the Special Court. The Certificates of Value are a full faith and credit obligation of the United States and are redeemable, on or before December 31, 1987, by the Association. These certificates have not been reflected in the forecasts as ConRail obligations. (See Chapter 4—Appendix A for specific terms of the certificates.)

Note 14—Regulatory Accounting

ConRail will be regulated by the ICC which prescribes accounting rules and regulations for reports to be filed with it. These reports will differ from the forecasts principally in the areas of accounting for track structure. Depreciation accounting is reflected in the forecasts (see Note 3), but it is anticipated that betterment accounting will be used in reports to the ICC (see the "Accounting Policies" section of this chapter).

The following is a reconciliation of the income (loss) reflected in the accompanying forecasts to the income (loss) which would be reported to the ICC for each year of the forecast period.

[Millions of inflated dollars]

	Income (loss) [1] per forecast	Betterment/ depreciation difference	Income (loss) [1] reportable to the ICC
Year:			
1976	$(332)	$(132)	$(464)
1977	(220)	(155)	(375)
1978	(79)	(192)	(271)
1979	36	(228)	(192)
1980	259	(261)	(2)
1981	354	(273)	81
1982	413	(284)	129
1983	475	(295)	180
1984	544	(307)	237
1985	597	(322)	275

[1] Before income taxes and extraordinary item.

Note 15—Effect of Replacement Costs

The following summarizes the expected replacement cost of the investment in property and equipment (except for property initially conveyed, to which only an inflation factor has been applied) and the related depreciation and income changes which have been computed on the replacement basis of the investment at the end of each year:

[Millions of inflated dollars]

	Investment in property and equipment		Depreciation		Income (loss) [1]	
	As reported	Replacement basis	As reported	Replacement basis	As reported	Replacement basis
Year:						
1976	$887	$950	$45	$48	$(332)	$(335)
1977	1,300	1,440	58	65	(220)	(227)
1978	1,691	1,954	74	88	(79)	(93)
1979	2,143	2,562	91	112	36	15
1980	2,744	3,336	111	141	259	229
1981	3,280	4,096	135	170	354	319
1982	3,985	5,049	161	210	413	364
1983	4,771	6,148	192	255	475	412
1984	5,613	7,363	226	305	544	465
1985	6,553	8,782	264	364	597	497

[1] Before income taxes and extraordinary item.

Note 16—Extraordinary Item—Reduction of Income Tax Expense From Carryforward of Prior Years' Operating Losses

Net operating losses projected by ConRail during the years 1976 through 1978 are utilized as carryforwards in the years 1979 through 1982, when income from operations is projected. When income is projected, an extraordinary item is recorded in accordance with generally accepted accounting principles to reflect the reduction in income taxes resulting from the utilization of these carryforward amounts. As stated in Note 8, assuming no significant changes in tax laws and assuming the validity of the tax assumptions described in Note 2, income taxes are not expected to be paid during the forecast period.

Note 17—Limitation on Government Financing

The government financing described in Notes 9 and 13 has been based on the assumption that the conditions for financing (e.g., compliance with convenants and absence of defined defaults) have been satisfied. The final terms of the financing have not yet been determined; however, it appears that the financing could be conditioned on ConRail's achieving, within an agreed margin, the projected financial results included in the accompanying forecasts. If it is determined that ConRail has failed substantially to meet expectations or that ConRail will require substantially more government funds than projected, the funding may be terminated.

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

1800 M STREET N. W.
WASHINGTON, D. C. 20036
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Board of Directors,
United States Railway Association
2100 Second Street S.W.
Washington, D.C. 20595

Gentlemen:

We have reviewed the compilation of the pro forma balance sheets of Consolidated Rail Corporation as of December 31, 1976 through 1985, and the related pro forma statements of net income (loss), retained earnings (deficit) and sources and uses of funds and required financing for the ten years then ending (expressed in millions of inflated dollars) as shown in Chapter 3 of the USRA Final System Plan (FSP) dated July 26, 1975. The scope of our review is outlined more fully below.

Description of the Final System Plan

The FSP represents the projected performance of a new corporation, the Consolidated Rail Corporation (ConRail), established to acquire rail properties of certain bankrupt railroads in the Midwest and Northeast regions of the United States pursuant to the Regional Rail Reorganization Act of 1973. The ten-year pro forma financial statements were reviewed and approved by the Board of Directors. They encompass the assumptions of USRA officers and staff and its contractors, who were retained to supply certain expert information in specialized areas of the proposed operations of ConRail. The pro forma financial statements in the FSP were developed through the use of a series of interrelated planning models, as illustrated in Exhibit I, which generated projections that formed the basis of the plan.

As part of its planning process, USRA evaluated reports of its contractors and the projections generated by its planning models to determine their appropriateness under the circumstances. Their review included the following:

* A review by USRA officers and staff who are generally familiar with the rail operations involved and with current events related to these operations;
* A comparison to the historical financial and statistical operating trends of the railroads in reorganization whose properties will comprise the proposed rail system; and
* A review by railroad operating experts who are not currently employed by either USRA or the railroads to be included in the ConRail system.

Following their review, certain revisions and modifications were made by USRA to the information generated by the planning models.

A financial model compiled the projections into pro forma financial statements which reflect ConRail's expected future results of operations, cash flow, and financial position. This financial model enabled USRA to test various assumptions with regard to the sensitivity to critical variables within the financial projections.

Although the assumptions contained in the FSP are those of USRA officers and staff, as approved by the Board of Directors, the responsibility for the implementation thereof is that of a ConRail management structure which, except for the appointment of its president, has not yet been formed.

Scope of Review

Our review of the compiliations of the projected financial statements contained in the FSP consisted of the following:

* Gaining an understanding, sufficient for our purposes, of the process by which the projections were developed;
* Determining the consistency of the data and assumptions utilized in the projection process;
* Evaluating the controls utilized by USRA to ensure the projections had been compiled in a proper manner - this input information was also reviewed to determine its consistency with other assumptions being utilized and that these assumptions, in fact, had been authorized by appropriate USRA management; and
* Determining that generally accepted accounting principles had been applied on a consistent basis.

The economic, financial and statistical data were not subjected to any auditing procedures, and we have not evaluated the reasonableness of the assumptions used. However, in order to determine that appropriate system descriptions and disclosures had been properly made, we reviewed both the "Notes to the Pro Forma Forecasts" and the "Development of the Financial Forecasts" which are presented in Chapter 3 of the FSP.

Limitations of Review

Assumptions used for purposes of the projections represent estimates of future events and are subject to uncertainties as to possible changes in economic, legislative and other circumstances. As a result, the identification and interpretation of data and their use in developing and selecting assumptions, from among reasonable alternatives, require the exercise of judgment. To the extent that the assumed events do not materialize, the outcome may vary substantially from that shown in the pro forma financial statements, and accordingly, we cannot express an opinion on the reasonableness or achievability of the results reflected in the statements or on the reasonableness or appropriateness of the assumptions or data used or the reasonableness of the projected outcome.

Conclusion

In our opinion, the pro forma balance sheets of Consolidated Rail Corporation as of December 31, 1976 through 1985, and the related pro forma statements of net income (loss), retained earnings (deficit) and sources and uses of funds and required financing for the ten years then ending have been compiled in accordance with the basis set forth in the assumptions. Also, the accounting policies prescribed by USRA underlying the pro forma financial statements are in accordance with generally accepted accounting principles and have been applied on a consistent basis through the ten-year projection period.

The Final System Plan dated July 26, 1975, should be evaluated in the light of subsequent reports and special assessments as well as any events and changes in circumstances occurring after the date of the report.

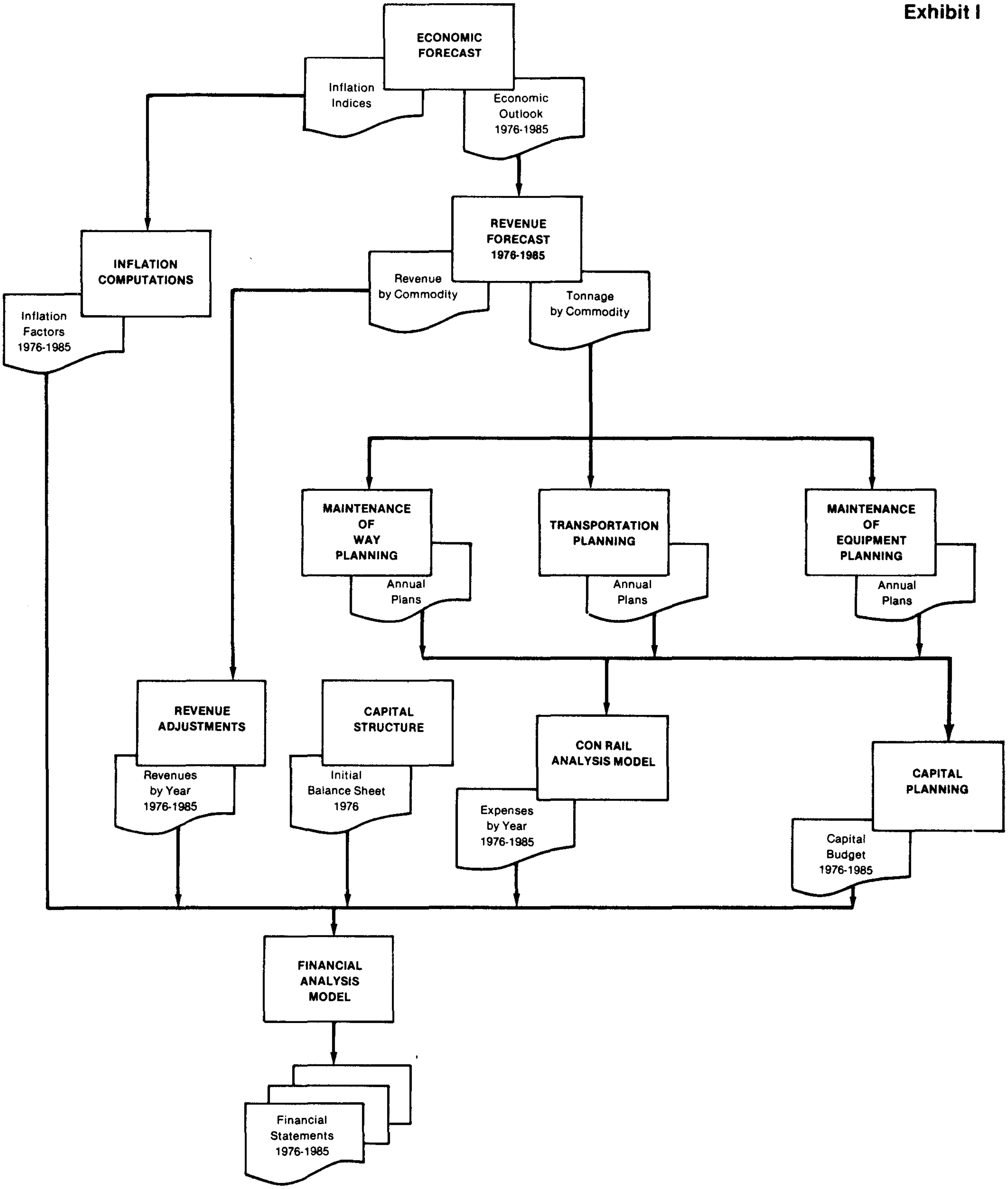
Coopers + Lybrand

Coopers & Lybrand

Washington, D.C.
July 25, 1975.

U.S.R.A.
FINAL SYSTEM PLAN
DEVELOPMENT OF PRO FORMA FINANCIAL STATEMENTS

Exhibit I



ConRail pro forma statements of income (loss) before interest on 7. 50% Debentures, income taxes and extraordinary item

[Millions of 1973 dollars]

	Years ending December 31									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Operating revenues:										
Freight	$1,604	$1,695	$1,634	$1,667	$1,802	$1,855	$1,909	$1,967	$2,030	$2,090
Other	113	131	126	128	139	142	147	151	155	160
Freight revenues	1,717	1,826	1,760	1,795	1,941	1,997	2,056	2,118	2,185	2,250
Passenger revenues and operating loss subsidies	377	377	374	375	376	376	377	377	378	379
Total railway operating revenues	2,094	2,203	2,134	2,170	2,317	2,373	2,433	2,495	2,563	2,629
Operating expenses:										
Maintenance-of-way	241	248	223	235	246	258	266	274	283	293
Maintenance of equipment	310	308	304	294	289	298	297	302	310	318
Transportation	833	828	740	724	734	739	744	750	756	763
General and administrative and other expenses	124	119	107	105	108	109	111	112	114	116
Freight operating expenses	1,508	1,503	1,374	1,358	1,377	1,404	1,418	1,438	1,463	1,490
Passenger operating expenses	377	377	374	375	376	376	377	377	378	379
Total railway operating expenses	1,885	1,880	1,748	1,733	1,753	1,780	1,795	1,815	1,841	1,869
Net railway operating revenues	209	323	386	437	564	593	638	680	722	760
Other income (expenses):										
Net car hire	(208)	(224)	(207)	(181)	(173)	(162)	(172)	(189)	(205)	(219)
Payroll taxes	(121)	(120)	(108)	(106)	(106)	(107)	(107)	(108)	(109)	(110)
Other taxes	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)	(47)
Other income and expenses	(24)	(19)	(15)	(18)	(18)	(11)	(10)	(3)	4	7
Total other expenses, net	(400)	(410)	(377)	(352)	(344)	(327)	(336)	(347)	(357)	(369)
Income (loss) before interest expense, income taxes, and extraordinary item	(191)	(87)	9	85	220	266	302	333	365	391
Interest expense (excluding interest on 7.50% Debentures)	18	15	13	12	13	15	18	24	30	36
Income (loss) before interest on 7.50% Debentures, income taxes and extraordinary item	$(209)	$(102)	$(4)	$73	$207	$251	$284	$309	$335	$355

These forecasts are presented primarily for the purpose of comparing operating results and, therefore, exclude 7.50% Debentures and the related interest thereon, income taxes, and the capital structure.

ConRail pro forma balance sheets

[Millions of 1973 dollars]

	December 31,									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
ASSETS										
Current assets:										
Cash	$16	$16	$14	$14	$34	$103	$134	$164	$198	$223
Temporary cash investments	115	114	105	104	105	106	106	108	109	111
Accounts receivable less allowance for doubtful accounts	223	237	229	233	252	260	267	275	284	293
Materials and supplies, at average cost	174	173	164	163	161	165	165	165	166	167
Other current assets	41	43	41	42	44	45	46	47	48	50
Total current assets	569	583	553	556	596	679	718	759	805	844
Property and equipment, at cost:										
Road and facilities	451	652	860	1,088	1,345	1,562	1,782	2,004	2,228	2,454
Transportation equipment	334	413	447	476	534	580	694	822	949	1,091
	785	1,065	1,307	1,564	1,879	2,142	2,476	2,826	3,177	3,545
Less accumulated depreciation	36	81	136	199	275	362	461	575	704	849
	749	984	1,171	1,365	1,604	1,780	2,015	2,251	2,473	2,696
Land	44	44	44	44	44	44	44	44	44	44
Net property and equipment	793	1,028	1,215	1,409	1,648	1,824	2,059	2,295	2,517	2,740
Other assets	40	42	40	40	45	46	47	48	50	52
Net passenger assets	141	148	157	176	194	211	228	244	259	274
Total assets	$1,543	$1,801	$1,965	$2,181	$2,483	$2,760	$3,052	$3,346	$3,631	$3,910

(Continued)

ConRail pro forma balance sheets—Continued

[Millions of 1973 dollars]

	December 31									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
LIABILITIES AND EQUITY										
Current liabilities:										
Accounts and wages payable	110	110	101	99	100	102	102	104	105	106
Accrued liabilities	228	227	209	206	208	211	212	215	217	220
Other current liabilities	72	77	74	75	82	84	86	89	92	95
Current portion of equipment obligations	36	35	34	30	26	27	28	34	39	40
Total current liabilities	446	449	418	410	416	424	428	442	453	461
Long-term debt (excluding 7.50% Debentures), less current portion of equipment obligations	175	140	123	114	145	167	241	320	394	478
Other noncurrent liabilities (excluding deferred income taxes):										
Pension liability	29	27	24	21	18	15	11	8	4	
Casualty reserve	20	41	57	55	58	58	57	55	54	53
Other	45	71	92	94	102	105	108	111	115	118
Total liabilities (excluding 7.50% Debentures and deferred income taxes)	715	728	714	694	739	769	845	936	1,020	1,110
Commitments and contingencies	—	—	—	—	—	—	—	—	—	—
Excess of passenger assets over liabilities and freight equity	119	126	135	154	172	189	206	222	237	252
Excess of assets over liabilities (excluding 7.50% Debentures and deferred income taxes)	709	947	1,116	1,333	1,572	1,802	2,001	2,188	2,374	2,548
Total liabilities and equity	$1,543	$1,801	$1,965	$2,181	$2,483	$2,760	$3,052	$3,346	$3,631	$3,910

These forecasts are presented primarily for the purpose of comparing operating results and, therefore, exclude 7.50% debentures and the related interest thereon, income taxes, and the capital structure.

ConRail pro forma sources and uses of funds and required financing

[Millions of 1973 dollars]

	Years ending December 31									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Sources of funds:										
Income (loss) before interest on 7.50% Debentures, income taxes, and extraordinary item	$(209)	$(102)	$(4)	$73	$207	$251	$284	$309	$335	$355
Add expenses not requiring outlay of funds:										
Depreciation—road and facilities	18	25	33	41	50	59	68	76	84	93
Depreciation—transportation equipment	26	27	30	31	33	36	40	46	52	59
Funds provided from (used in) operations before interest on 7.50% Debentures, income taxes, and extraordinary item	(165)	(50)	59	145	290	346	392	431	471	507
Net proceeds from road and facilities retired	4	2	3	2	4	4	1	4	5	3
Net proceeds from transportation equipment retired	4	4	3	3	4	4	4	4	4	4
Increase (decrease) in other noncurrent liabilities	94	45	34	(3)	5	—	(2)	(2)	(1)	(2)
Total sources of funds, excluding financing, interest on 7.50% Debentures and income taxes and extraordinary item	(63)	1	99	147	303	354	395	437	479	512
Uses of funds (excluding repayment of 7.50% Debentures and dividends):										
Additions to road and facilities	496	201	209	229	258	218	221	224	226	228
Additions to transportation equipment	349	92	47	42	72	61	127	142	141	154
Increase in net passenger assets	141	7	9	19	18	17	17	16	15	15
Repayment of equipment obligations	39	36	35	34	30	26	27	28	34	39
Increase (decrease) in other assets	40	2	(2)	—	2	1	1	1	2	—
Increase in working capital (excluding current portion of equipment obligations)	159	10	—	7	30	76	36	33	40	32
Total uses of funds (excluding repayment of 7.50% Debentures and dividends)	1,224	348	298	331	410	399	429	444	458	468
New financing required (excluding income taxes, repayments, and interest on 7.50% Debentures and dividends)	$1,287	$347	$199	$184	$107	$45	$34	$7	$(21)	$(44)

(*Continued*)

ConRail pro forma sources and uses of funds and required financing—Continued

[Millions of 1973 dollars]

	Years ending December 31									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Sources of financing:										
Equipment obligations	$250	—	$17	$21	$57	$49	$102	$113	$113	$122
Excess of passenger assets over liabilities and freight equity	119	$7	9	19	18	17	17	16	15	15
Additional financing provided by capital stock and 7.50% Debentures, net of interest on 7.50% debentures, income taxes and extraordinary item	918	340	173	144	32	(21)	(85)	(122)	(149)	(181)
Total financing	$1,287	$347	$199	$184	$107	$45	$34	$7	$(21)	$(44)
Increase (decrease) in working capital (excluding current portion of equipment obligations):										
Increase (decrease) in current assets:										
Cash	16	—	(2)	—	20	69	31	30	34	25
Temporary cash investments	115	(1)	(9)	(1)	1	1	—	2	1	2
Accounts receivable less allowance for doubtful accounts	223	14	(8)	4	19	8	7	8	9	9
Material and supplies	174	(1)	(9)	(1)	(2)	4	—	—	1	1
Other current assets	41	2	(2)	1	2	1	1	1	1	2
(Increase) decrease in current liabilities:										
Accounts and wages payable	(110)	—	9	2	(1)	(2)	—	(2)	(1)	(1)
Accrued liabilities	(228)	1	18	3	(2)	(3)	(1)	(3)	(2)	(3)
Other current liabilities	(72)	(5)	3	(1)	(7)	(2)	(2)	(3)	(3)	(3)
Increase in working capital (excluding current portion of equipment obligations)	$159	$10	—	$7	$30	$76	$36	$33	$40	$32

NOTE.—These forecasts are presented primarily for the purpose of comparing operating results and, therefore, exclude 7.50% Debentures and the related interest thereon, income taxes and the capital structure.

Cause of Change Analysis

A "cause of change analysis", as its name implies, represents an effort to trace causal relationships in the behavior of forecast results between two time periods or two sets of assumptions. USRA performed such an analysis in order to understand the reasons why ConRail's net income over the planning period is projected to improve. That is, the analysis reconciles ConRail's financial performance to 1973 operations for the railroads in reorganization. Summary results of the cause of change analysis are shown in Tables 1 and 2. The analysis was calculated on an uninflated (1973 dollar) basis to separate the effects of inflation from changes associated with the reorganization and rehabilitation of the plant. The preceding supplemental financial information shows the uninflated financial forecasts (1973 dollars) and provides a basis for comparison with the inflated forecasts which appear earlier in this chapter. Another analysis is included which reflects the deterioration in operating results occurring in 1974 and 1975, verifying that the 1976 forecasts are consistent with expected 1975 results. A discussion of the specific factors responsible for the changes follows.

Revenues

Total freight operating revenues are expected to decrease $208 million from 1973 to 1976 because of general economic conditions and because ConRail will operate a smaller plant than did the combined railroads in reorganization. In the following years, ConRail revenues show a substantial improvement, with the gain in total freight operating revenues over 1973 estimated to be $325 million by 1985. The major reasons for the improvement are increases in selective rates and services, ConRail's increased share of long-haul traffic in the Region and a substantial increase after 1980 in physical volume of traffic. Each of these sources of revenue gain is discussed below.

USRA assumes that the ICC will grant selective freight rate increases on shipments of specific commodities which move under rates not fully covering their costs. General rate increases are not included in the cause of change analysis because they usually pertain to inflationary cost increases. Projected selective rate increases add revenues in an amount rising from $21 million in 1977 to $53 million in 1979.

The Association assumes that ConRail will be reimbursed for any losses incurred in operating light density lines during the 2-year period as specified in the Act. Light density line subsidy receipts by ConRail are estimated to be $23 million in 1976 and $24 million in 1977.[2] The subsidy does not include a return on investment because the Association assumed that title to the light line assets will either be retained by the estates of the railroads in reorganization or acquired by another entity such as a State government.

[2] Inflated light line subsidies are $33 million and $36 million respectively in 1976 and 1977.

TABLE 1.—*ConRail, cause of change analysis, reconciliation of ConRail income statement with bankrupt carriers*

[Millions of 1973 dollars]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Freight only										
Income before government financing costs, income taxes and extraordinary item:										
1976-85 period (depreciation basis)	$(209)	$(102)	$(4)	$73	$207	$251	$284	$309	$335	$355
1973-base year	(161)	(161)	(161)	(161)	(161)	(161)	(161)	(161)	(161)	(161)
Difference	(48)	59	156	234	368	412	445	469	496	516
Operating revenue	(208)	(100)	(166)	(131)	15	72	130	193	261	325
Operating expenses:										
Maintenance-of-way:										
Expenses	(17)	(17)	16	12	10	7	8	8	7	6
Depreciation	8	1	(7)	(15)	(24)	(34)	(42)	(50)	(58)	(67)
	(9)	(16)	9	(3)	(14)	(26)	(34)	(42)	(51)	(61)
Maintenance of equipment:										
Expenses	(43)	(40)	(33)	(22)	(15)	(22)	(16)	(16)	(17)	(18)
Depreciation	31	30	27	26	24	21	17	11	5	(2)
	(12)	(10)	(6)	4	9	—	1	(5)	(12)	(20)
Traffic	2	2	2	1	—	—	(1)	(2)	(3)	(4)
Transportation	76	81	171	186	176	171	166	160	154	147
Miscellaneous	—	—	—	—	—	—	—	—	—	—
General	(8)	(4)	8	10	9	9	8	7	6	5
Operating expenses	49	53	184	198	179	152	140	118	93	67
Net car hire	39	23	40	66	74	85	75	58	42	27
Payroll taxes	(18)	(16)	(4)	(2)	(2)	(4)	(4)	(4)	(5)	(6)
Income tax credit [1]	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Property taxes	5	5	5	5	5	5	5	5	5	5
Other rents, interest and miscellaneous income and expenses [1]	(33)	(27)	(25)	(26)	(26)	(19)	(19)	(12)	(6)	(3)
Interest expense:										
Defaulted interest [1]	82	82	82	82	82	82	82	82	82	82
Equipment and miscellaneous interest	14	17	19	20	19	17	14	8	2	(4)
Leased line payments [1]	30	30	30	30	30	30	30	30	30	30
Total other	111	106	139	167	174	188	175	159	142	124
Total difference	$(48)	$59	$157	$234	$368	$412	$445	$470	$496	$516

[1] Changes due primarily to reorganization and restructuring of bankrupt roads.

Note: All amounts shown increase or (decrease) net income, i.e., positive values increase net income and negative values ( ) decrease income.

TABLE 2.—*ConRail, cause of change analysis, derivation of increase in revenues, due to changes in volume/mix and other factors*

	Millions of 1973 dollars									
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
FREIGHT ONLY										
Total gain in operating revenue	$(208)	$(100)	$(166)	$(131)	$15	$72	$130	$193	$261	$325
Gains not related to volume:										
Selective rate increases	—	21	52	53	53	53	53	53	53	53
Light line subsidy	23	24	—	—	—	—	—	—	—	—
Total	23	45	52	53	53	53	53	53	53	53
Revenue increase due to diversions	5	15	26	30	30	30	30	30	30	30
Revenue increase due to volume/mix	(236)	(160)	(244)	(214)	(68)	(11)	47	110	178	242
Total gain in operating revenues	(208)	(100)	(166)	(131)	15	72	130	193	261	325

NOTE.—All amounts shown increase or (decrease) net income.

Revenue increases associated with diversions of long haul traffic to ConRail are estimated to rise $5 million in 1976 over the 1973 level and ultimately to increase by $30 million in 1979. After that year, the level of revenues related to increasing ConRail's average length of haul is expected to remain constant.

Until 1980, revenue changes attributable to traffic volume or commodity mix are estimated to show a significant decline from the 1973 level. Included in volume-related changes are demurrage, switching and other freight revenues which bear a direct relationship to total volume. The estimated decrease in revenues is attributable to the decline in volume and shifts in the mix of traffic shipped resulting from the reduced rail system size and the state of the economy. After 1981, revenues should increase dramatically due to increased volume. In 1985, the total freight operating revenue increase over 1973 is expected to reach $325 million. Of this amount, $242 million is attributable to increases in volume and mix of commodities shipped.

Expenses

Maintenance of way (MOW) expenses reflect the cost of maintaining ConRail's road and structure facilities, and appear in the cause of change analysis as expenses requiring cash and noncash charges, i.e. depreciation. These expenses are lower throughout the planning period than in 1973 because of the planned smaller system size and the impact of depreciation accounting. MOW expenses are higher in 1976 and 1977 than in later years because ConRail will operate over light density lines excluded from the FSP, which, nevertheless must be maintained as long as they are served under subsidy. After 1976, net income will systematically reflect the impact of capitalizing and subsequently depreciating assets under depreciation accounting. The effect after 1978 will be to reduce net income as depreciation expenses steadily increase. Depreciation expense in 1976 will be less than in 1973, because the road assets acquired have a lower book value.

Maintenance of equipment (MOE) expenses are separated into two categories and are displayed in Table 1 as expenses requiring cash and noncash charges, i.e. depreciation. Since the equipment assets ConRail will acquire have a low book value, the depreciation expense associated with these assets will be lower in the first 9 years than in 1973. MOE expenses are expected to be higher throughout the planning period than in 1973, reflecting a higher level of heavy repair expense. The net effect is that total MOE expense remains relatively close to the level of MOE expenses incurred in 1973.

Transportation expenses are expected to be significantly lower throughout the planning period than in 1973. Since transportation is the largest single expense category, this reduction is a major factor in improving net profit until 1982 when revenues begin to increase significantly. The reduction in expense ranges from $76 million in 1976 to a high of $186 million in 1979. The decrease in transportation expense from the 1973 level results from the implementation of improved car handling procedures and systems, coordinated and consolidated operations of the several constituent railroads, the rehabilitation of facilities and improved management planning and control procedures.

Net car hire paid consists of net per diem and mileage payments and car leases. This account is expected to be between $23 million and $85 million lower than the 1973 level because of the improved car distribution systems, greater transit speeds resulting from the rehabilitation program and purchase rather than the lease of new cars.

Payroll taxes are greater than in 1973 due to increased direct labor costs.

Income tax credit represents a reduction in operating expenses on the 1973 financial statements of Penn Central Transportation Company (PC) stemming from tax allocation agreements between PC and its various subsidiaries and other miscellaneous adjustments of the parent company's income tax liability.

Property and other taxes are estimated to be $5 million less than in 1973 throughout the planning period, primarily because ConRail will own less property than did the railroads in reorganization.

Other rents, interest and miscellaneous income and expenses are expected to reduce net income from the 1973 level because ConRail will not have the income from nonoperating real estate properties that PC had. In later years, ConRail's interest income from short-term investments reduces this difference.

Defaulted interest is $82 million less than was incurred by the railroads in reorganization since ConRail will not be assuming these carriers' outstanding debt currently in default.

Equipment interest declines in ConRail's first years as a result of lower equipment indebtedness. As ConRail acquires new equipment under traditional methods from the private capital markets, equipment interest expense increases.

Leased line payments are $30 million less than the amount incurred by the railroads in reorganization in 1973 since the underlying assets, rather than the leases themselves, would be conveyed to ConRail.

Freight Operating Expenses—1975 Compared to Forecasted 1976

Since the freight operating environment facing ConRail in 1976 will be similar to the actual 1975 experience of the railroads in reorganization, it is important that USRA's 1976 forecasts be comparable to and consistent with the expected results of 1975. To compare the respective levels of operating expenses properly, all values were recast in 1973 dollars to isolate the effect of inflation. Table 3 presents a forecast of operating expenses for 1975 and 1976, demonstrating reasonable comparability between 1975 and 1976 operating expense projections. The major differences between the two years result from a higher estimated level of MOW expenses, a 5 percent increase in tonnage, and the initial costs of merging the seven rail operations. MOE and traffic expenses are expected to remain virtually unchanged relative to 1975. Aside from these factors, the 1976 operating plan is comparable to the expected 1975 results and is also consistent with the 1973 to 1976 cause of change analysis.

TABLE 3.—*Comparative analysis of freight operating expenses (excluding depreciation)*

[Millions of 1973 dollars]

Expense category	Carriers projected 1975 expenses	USRA projected 1976 expenses [1]	Differential from USRA plan
Maintenance-of-way	$261	$296	$35
Maintenance of equipment	290	284	(6)
Traffic	20	20	0
Transportation	801	833	32
Miscellaneous	1	2	1
General	86	102	16
Total operating expenses	1,459	1,537	78

[1] As adjusted for the differences in accounting methods (see section on accounting policies).

Operating Ratio Analysis

In order to show projected improvements in operating efficiency, USRA performed a ratio analysis which traces the source of ConRail's anticipated improvement in operations and in financial performance. Like the cause of change, the ratio analysis helps to determine if the projected improvements are reasonable.

All passenger revenues and expenses were removed from data used to calculate the ratios for ConRail and the solvent carriers. This was done so the ratios would be on a more comparable basis.

Revenues used in the ratio calculation reflect selective rate increases in the years 1977 through 1985. ConRail's revenues also include projected light density line subsidies of $23 million in 1976 and $24 million in 1977. Excluding these subsidies from revenues would have the effect of increasing the transportation ratio by 0.006 in 1976 and 0.007 in 1977.

The operating ratios shown exclude MOW expenses because of the difficulty in comparing MOW expenses of ConRail and the solvents due to the major rehabilitation program and the different accounting method used by ConRail. MOW expenses are isolated and appear in section IV of Table 4.

The ratios in Table 4 indicate a continuing, favorable trend in ConRail's operating efficiency. Although ConRail's predicted operating ratios will be above the industry average in its early years, operating efficiencies ultimately will take effect and yield lower ratios. ConRail's projected ratios, however, are being compared only to the solvent carriers' 1973 ratios and the performance of the solvent carriers also could be improved during the next decade. To that extent, ConRail's position relative to other railroads may not improve as significantly as projected in Table 4.

Sensitivity Analyses

The following analyses show the degree to which ConRail's future financial position is sensitive to changes in various assumptions. The key assumptions considered fall into four categories: regulatory factors, economic factors, efficiency factors and extending the forecast period by 5 years. Significant changes could occur in ConRail's future operational performance, both negatively and positively, as a result of changing some of these assumptions. The sensitivity analyses estimate the degree to which ConRail's financial position would be affected by such changes and delineate possible changes in required financing, net income and cash position.

TABLE 4.—*Freight operating ratios*

[Excluding depreciation expenses]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	
I. ConRail (1973 dollars):											
Operating expenses excluding MOW/operating revenue	0.722	0.673	0.637	0.609	0.566	0.556	0.541	0.528	0.516	0.506	
Maintenance of equipment/operating revenue	.165	.154	.156	.146	.132	.132	.125	.121	.118	.115	
Traffic expense/operating revenue	.012	.011	.011	.011	.011	.012	.012	.012	.012	.012	
Transportation expense/operating revenue	.485	.454	.420	.403	.378	.370	.362	.354	.346	.339	
Miscellaneous expense/operating revenue	.001	.001	.001	.001	.001	.001	.001	.001	.001	.001	
General expense/operating revenue	.059	.053	.048	.048	.044	.041	.041	.040	.039	.039	
II. ConRail (inflated):											
Operating expenses excluding MOW/operating revenue	.753	.706	.672	.645	.604	.595	.581	.573	.564	.559	
Maintenance of equipment/operating revenue	.166	.154	.156	.147	.132	.132	.125	.122	.119	.117	
Traffic expenses/operating revenue	.012	.011	.011	.011	.012	.012	.012	.012	.012	.012	
Transportation expense/operating revenue	.516	.487	.455	.439	.415	.407	.400	.395	.390	.387	
Miscellaneous expense/operating revenue	.001	.001	.011	.001	.001	.001	.001	.001	.001	.001	
General expense/operating revenue	.058	.053	.049	.047	.044	.043	.043	.043	.042	.042	
III. Selected Class I Railroads (1973 dollars):	ATSF	Chessie [1]	BN	Milw.	ICG	N&W	PC	SOU [2]	SP [3]	SCL	UP
Operating expenses excluding MOW/operating revenue	.585	.590	.615	.604	.560	.545	.655	.477	.589	.578	.543
Maintenance of equipment expenses/operating revenue	.138	.122	.123	.110	.116	.116	.123	.111	.129	.137	.112
Traffic expenses/operating revenues	.023	.021	.025	.028	.023	.021	.011	.020	.017	.021	.023
Transportation expenses/operating revenues	.379	.383	.411	.410	.368	.359	.473	.302	.388	.379	.353
Miscellaneous expenses/operating revenues	—	—	—	—	—	—	.001	—	—	—	.002
General expenses/operating revenues	.046	.064	.056	.057	.054	.049	.047	.045	.055	.039	.053
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	
IV. Maintenance of Way Expenses/Operating Revenues:											
ConRail (1973 dollars):											
Depreciation accounting including depreciation [4]	.140	.136	.127	.131	.127	.129	.129	.129	.130	.130	
Modified betterment accounting excluding depreciation	.172	.163	.154	.156	.145	.144	.142	.138	.135	.133	
ConRail (inflated):											
Depreciation accounting including depreciation [4]	.139	.135	.126	.130	.126	.128	.128	.129	.129	.130	
Modified betterment accounting excluding depreciation	.173	.166	.159	.161	.152	.152	.151	.149	.148	.148	
Selected Class I Railroads (1973 dollars).	ATSF	Chessie [1]	BN	Milw.	ICG	N&W	PC	SOU [2]	SP [3]	SCL	UP
Betterment accounting excluding depreciation	.143	.108	.147	.150	.123	.104	.106	.149	.112	.130	.12-

[1] Consolidated companies include: C&O, B&O, WM.
[2] Consolidated companies include: Southern Railway Company, C of Ga., GS&F, CNO&TP, AGS.
[3] Consolidated companies include: SP, SLSW.
[4] Depreciation expenses included to facilitate comparison.

Regulatory Factors

Three key areas of ConRail's operations will be subject to the control of regulatory agencies and/or transportation authorities. Although the Association believes that its assumptions are reasonable, it is possible that the regulatory authorities involved may make decisions different from those anticipated. If so, the results reflected in the *pro formas* could be changed significantly. The areas examined were: policies regarding the subsidization of light density lines, policies regarding the subsidization of passenger operations, and policies regarding the granting of future rate increases.

Light density line subsidies.—The *pro forma* forecasts reflect the assumption that ConRail will receive a subsidy, calculated on an avoidable cost basis, for operating light density lines in 1976 and 1977 under terms of the rail service continuation program authorized in Title IV of the Act. If ConRail were required to operate light density lines excluded from the FSP wihout subsidy and beyond the 2-year period, the extra cost to

ConRail would increase its cash expenditures over the 1976 through 1985 planning period by $670 million on an inflated basis. This amount includes $68 million ($52 million uninflated) for upgrading the lines to a Class I standard.

Passenger operating subsidies.—The *pro forma* financial statements reflect the assumption that ConRail will perform passenger operations solely on a custodial basis. USRA has recommended that Amtrak and local commuter authorities finance capital projects and fully subsidize any operating deficits. If operating deficits are not fully subsidized, ConRail would realize a cash shortfall of $1.65 billion on an inflated basis. In addition, ConRail would have to use substantial amounts of funds to rehabilitate existing road and equipment assets and purchase new capital assets. If ConRail had to fund the capital improvements required to divert freight traffic from the Northeast Corridor, the cost to ConRail would be an additional $211 million over the planning period.

Rate increases.—In adjusting the *pro forma* forecasts for inflation, the Association assumed that ConRail would be granted periodic rate increases to cover increasing costs. Historically there has been a lag between the time the rate increase is needed and the time the increase takes effect. Based on an analysis of historical experiences the Association assumed that this lag would be 8 months for the first 2 years of ConRail's operations, 7 months for the following 3 years and 6 months thereafter. If this lag were to be 9 months throughout the planning period, however, ConRail's revenues would be $423 million less than anticipated. On the other hand, if the lag were 6 months throughout the planning period, ConRail's revenues would be $107 million greater than anticipated.

If during 1976 through 1985, the industry and ConRail were to obtain special *ex parte* rate increases based on receiving an equitable return on the cost of investment in operating properties (such as were received previously in *ex parte* 267 and *ex parte* 305), ConRail's freight revenues would increase significantly over the forecast period. A 4-percent rate increase in 1980 to improve return on investment, assuming the rail industry's competitive posture can absorb such an increase, would have the effect of increasing total freight revenues by an estimated $750 million from 1980 through 1985.

Economic Factors

Effect of an optimistic economic forecast.—USRA's freight revenue projections were based on the most recent available long-term forecast of the economy, published by Chase Econometric Associates, Inc. The Chase forecast includes a projected recession in 1978 which severely dampens the annual growth of freight revenues over the 10-year planning period. (More recently Chase officials informally forecast that the 1978 recession will be more severe.) Other eminent economists are more optimistic about recent economic developments and the probable long-term influence of government economic policies.

In the event the national economy performs better than the Chase prediction, ConRail would achieve a greater improvement in freight revenues. To assess the impact of an improved economic outlook, USRA undertook an analysis which adjusted the Temple, Barker, and Sloane, Inc. (TBS) original freight revenue forecast of October, 1974 for USRA's revised Trailer on Flat Car (TOFC) market forecast. The original TBS forecast has a steady annual real freight revenue growth rate from 1976 through 1985 of 2.97 percent compared to the current forecasted annual real freight revenue growth rate of 2.73 percent. The improved real freight revenue growth rate would increase retained income in 1985 by $305 million. Since this improved economic outlook generates an estimated $160 million more in cash in the first 5 years, ConRail could reduce its amount of required financing by a like amount.

Revenue sensitivity.—Actual growth in TOFC and coal traffic may be substantially greater over the planning period than reflected in the plan. In recent years railroads have suffered sizeable market diversion to intercity trucking at least partly due to the interstate highway program. ConRail should be able, however, to offer substantially better service to TOFC shippers than its predecessors. The plan does not reflect any increased market share resulting from such service improvement.

Additionally, the forecast of coal traffic in the plan does not consider any traffic gains from *Project Independence* (see chapter 7). This program should result in increased use of domestic energy and reduce reliance on imported oil. There have been a variety of estimates of the impact on ConRail tonnage from *Project Independence*, all of which would increase ConRail tonnage. An accelerated program could increase coal tonnage as much as 85 percent or 100 million tons annually by 1985.

An analysis to measure the extent to which ConRail could be affected by a potential increase in both TOFC and coal traffic has been undertaken. In the more optimistic scenario, TOFC revenues were increased by $183 million to reflect the forecasted impact of a concerted effort to divert tonnage from intercity trucking. Reebie Associates, under contract to USRA, estimated this to be a potential 26 percent increase in 1985 over the most recent TBS forecast, discussed in Chapter 7. A USRA staff forecast calculated that the implementation of a modest *Project Independence* program over the planning period (one-third of the coal tonnage increase noted in the previous paragraph) would generate an increase in total coal revenues of 35 percent over the period, or $371 million more than the present TBS forecasts. This optimistic scenario would increase cash by $150 million over the planning period.

Decreased coal tonnage, although highly unlikely due to continuing strong demand for energy in the future, would have an opposite effect on ConRail's net income and cash flow. Coal revenues would decline more rapidly than operating expenses under this pessimistic scenario, thus affecting ConRail's net income and cash position adversely.

ConRail Efficiency Factors

The *pro forma* forecasts assume that ConRail can implement significant operating efficiencies over the 1976 through 1985 period. A majority of the factors on which these projected improvements were based are subject to ConRail's control. For example, the projection that car utilization will improve 28 percent over the 10-year period stemmed from the assumptions that ConRail will have enough funds to meet equipment requirements, that its network configuration will be the one set forth in the FSP; that the blocking and scheduling of trains will be done in a more efficient manner; and that a disciplined, centralized car distribution system will be implemented.

In an effort to determine the sensitivity of the *pro forma* projections to factors subject to ConRail's control, the following anticipated operating efficiencies were isolated for analysis:

- *Equipment utilization.*—The FSP projections assume that car utilization is improved 28 percent over present levels and that 223 fewer locomotive units than currently used will be needed to service ConRail's traffic.
- *Blocking improvements.*—The FSP projections assume that blocking improvements are implemented which will reduce present yard operating expenses by 8 percent.
- *Yard rehabilitation improvements.*—The FSP assumes that yard expenses are reduced by 6 percent when certain yards are rehabilitated and after certain operating efficiencies are achieved.
- *Cost system implementation.*—The FSP assumes that revenues are improved by $53 million annually through the implementation of a cost system which enables ConRail to better define its existing noncompensatory traffic and adjust rates accordingly.

The realization of these operating efficiencies will depend upon a multitude of improvements which ConRail's management team can implement and control. These improvements include the effectiveness in which corporate strategies and line activity reports are communicated, the manner in which a functional cost control system is established and the ability of the Corporation to attract key personnel.

ConRail's funding requirements may increase by as much as $1 billion if the following negative factors materialize: if implementation of the improved car utilization and cost systems is delayed 2 years and is only 50 percent as effective as planned when it is eventually implemented; if yard rehabilitation never occurs; if only 75 percent of the blocking improvements are implemented; and if operating expenses are increased 3 percent above FSP projections during the first 2 years of ConRail operations due to implementation shortcomings.

Fifteen-Year Financial Forecasts

To aid the assessment of ConRail's chances of becoming a self-sustaining rail system, the Association prepared 15 year financial forecasts. The FSP financial forecasts presented earlier in this chapter display only the first 10 years of ConRail operations. The Association believes that 10 years is the longest period for which reliable forecasts incorporating all of the factors which were applied to the projections can be made. In any field of endeavor, forecasts yield less reliable results as they are extended further into the future.

Nonetheless, the Association prepared abbreviated projections of ConRail's operations for the eleventh through the fifteenth year to determine whether the conclusions drawn from the 10-year forecasts would still apply after observations of trends over a longer period.

The 15-year forecasts extend the results attained by ConRail in its tenth year and then adjust each year's projections for inflation and various other factors depending on the alternative assumptions described below. In all the 15-year forecasts, capital expenditures for road improvements and new equipment equal or exceed their peak level for the basic 10-year period. The results of each forecast are shown in Figure 5.

The first forecast scenario is very conservative because it assumes no real growth in freight revenues, a continuation of rate relief based solely on inflationary cost increases, and no further operational improvements notwithstanding very large capital expenditures are made in the last 5 years. Even though this revenue scenario does not provide for a return on capital assets directly through additional revenues or indirectly through operational savings, ConRail remains self-sustaining and has $1 billion available in excess cash by 1990. The excess cash represents the difference between the amount invested by the government in ConRail and ConRail's operating cash needs. It is available to pay interest on 7.50% Debentures, pay dividends and/or redeem government investment in ConRail.

The later years of the first forecast scenario indicate that a cash shortfall will reoccur unless rate relief is received in the form of recovering full cost increases, in the form of a return on undepreciated capital investments [3] or in the form of growth in real traffic volume.

[3] Since rate increases are based on industry averages and industry needs as opposed to ConRail's needs, the increases forecast for ConRail are not truly responsive to the massive increases being made to ConRail's investment base.

Since rate relief predicated on return on investment is not common in the railroad industry, two additional 15 year forecasts were prepared. These forecasts reflect the same percentage relationship of cash flow from operations to total revenues through 1990 that will exist in 1985. The cash flow from operations is used to purchase capital assets, finance working capital, repay debt, service debt and equity and reduce the government's investment in ConRail. Maintaining this relationship is appropriate since, in times of inflation, additional cash from operations must be generated to purchase capital assets, to fund working capital, and to maintain debt service on asset purchases financed. If cash flow from operations decreases with time, ConRail would be unable to maintain its capital plant by purchasing needed replacements.

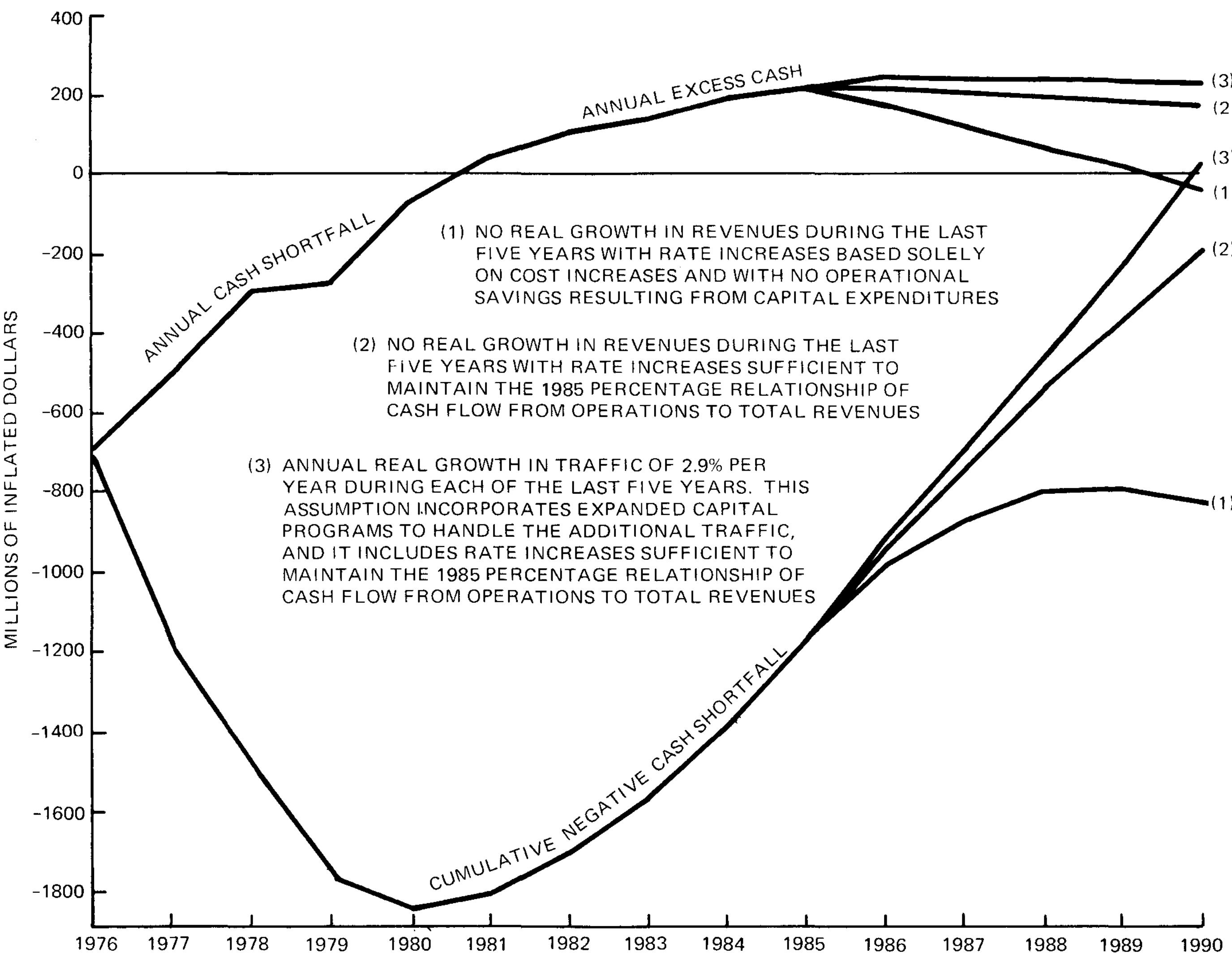
The second forecast shown in Figure 5 depicts a revenue scenario which maintains cash flow from operations as a constant 1985 percentage of freight revenues, assuming no real growth in traffic. Nevertheless, this scenario provides over $1.6 billion in excess cash by 1990. The third forecast includes real freight revenue growth at an annual rate of 2.9 percent during the last 5 years. If this revenue growth projection materializes, ConRail may have $2.2 billion in excess cash by 1990.

Development of the Financial Forecasts

The *pro forma* financial forecasts reflect the proposed reorganization, rehabilitation and equipment acquisition programs. To differentiate between proposed freight and passenger operations, separate financial forecasts were compiled for each. To emphasize the effects of efficiency gains attributable to the reorganization and beneficial effects from rehabilitation of the railroads in reorganization, the Association developed uninflated forecasts in constant (1973) dollars. The Association also prepared forecasts which reflect the impact of inflation.

For planning purposes the Association has assumed that conveyance of the assets and assumption of the liabilities of the railroads in reorganization occurs on

FIGURE 5.—*Cash requirements for ConRail based on various revenue assumptions (15 years)*



January 1, 1976. Although conveyance may well take place after this date, the operating, investing, and financing activity of ConRail during the planning horizon will still be implemented at the planned level of effort. Comparison of estimated annual operating performance with actual results, however, will be affected by the delay and additional inflation during that period.

Derivation of Income Statement

Freight operating revenues.—*Pro forma* freight revenues were developed from a forecast of ConRail's potential annual revenue and tonnage over the planning period. This forecast, prepared by TBS under contract to USRA employs economic forecasts developed by Chase Econometrics. Estimated shifts in traffic brought about by ConRail's new configuration were incorporated into the revenue forecasts, as was the assumption that losses incurred as a result of operating light density lines for the estates of the railroads in reorganization or other entities would be reimbursed in 1976 and 1977. Chapter 7 discusses the freight revenues and tonnage forecasts in more detail.

Freight operating expenses.—These expenses were developed based on TBS tonnage forecasts. Using the commodity tonnage forecasts, Stanford Research Institute (SRI), under contract to USRA and working with the USRA staff, developed a model used to determine the network configuration and traffic patterns necessary to efficiently handle the forecasted tonnage. The transportation activities and the operating efficiencies developed by USRA will be discussed at length in studies to be published by USRA shortly after release of the FSP. The operating requirements and the operating expenses are discussed at length in the "ConRail Analysis Model" (CRAM) section, CRAM was the basis for the transportation, general and administrative and other expense accounts protrayed in the *pro forma* financial forecases.

Maintenance of way (MOW).—These expenses were developed by the USRA staff on the basis of traffic densities over all track segments provided by the ConRail Analysis Model (CRAM). The MOW expenses were integrated with data from a study managed by Bechtel Incorporated (Bechtel) documenting the condition of the road structures as of August, 1974. Both of these efforts provided the basis for determining the locations, timing and priorities of rehabilitation and maintenance expenditures.

An implicit assumption underlying the MOW costs estimates is that only maintenance necessary to enable continued operation will be performed on approximately 6,000 miles of track to be conveyed to ConRail. The Association has determined that some of these lines should be downgraded from secondary main lines and feeder lines to branch lines, and finds little economic justification to invest large amounts of money to rehabilitate them due to the limited traffic they will handle.

Maintenance of equipment (MOE).—Repair expenses, determined by the USRA staff, represent the most significant factor in total MOE expenses. Under contract to the Association, Strong, Wishart and Associates, Inc. conducted an equipment utilization study to determine the future requirement for freight cars. This study considered the present age and condition of the fleet, and projected annual requirements and the production capacity of repair shops. Emerson Consultants, Inc. conducted a similar study which supplied information for determining locomotive repair expenses. Other elements of MOE expense were developed by the ConRail Analysis Model, discussed later in this chapter.

Net car hire.—This expense consists of three elements: net per diem and mileage paid, trailer rents and existing freight car lease payments. The Strong, Wishart and Associates, Inc. equipment utilization study was the basis for future freight car requirements and net per diem and mileage paid. Trailer per diem was developed by the USRA staff considering projected TOFC tonnage during the planning period.

Payroll taxes.—These expenses are a function of direct labor cost.

Other taxes.—These expenses consist of real estate taxes, personal property taxes, gross receipts taxes, and other miscellaneous taxes.

Other income and expenses.—These items represent the income and expenses for joint facility rents and locomotive rents. Income from easements (access rights to property) and income from temporary cash investments are also included in this account.

Derivation of the Balance Sheet

Significant accounts were derived as follows:

Cash and temporary cash investments.—Based on a study of the levels of cash maintained by other railroads, the total of these accounts was set equal to approximately 1 month's total operating expenses.

Property and equipment (land, road and facilities and transportation equipment).—These accounts represent the book value of the railroad's investment held for use as transportation property at the date of the balance sheet.

The Association estimated future expenditures for freight cars and locomotives using the TBS study of projected tonnage by commodity, in conjunction with data about the present condition and age of the fleet. To aid in the estimation of equipment expenditures, the Association engaged Strong, Wishart and Associates, Inc. to conduct an equipment utilization study to determine the future supply of freight cars in light of the TBS study of future demands for freight cars. Emerson Consultants, Inc. conducted a similar study for the Association to help determine future locomotive requirements for ConRail. These studies considered projected annual retirements as well as efficiencies gained from the reorganization and rehabilitation of the system. As a result of these studies, freight car and locomotive purchase in each year needed to fulfill the supply and demand projections were determined.

Current portion of equipment obligations.—This account represents the projected amount of equipment obligations scheduled for repayment during the following year.

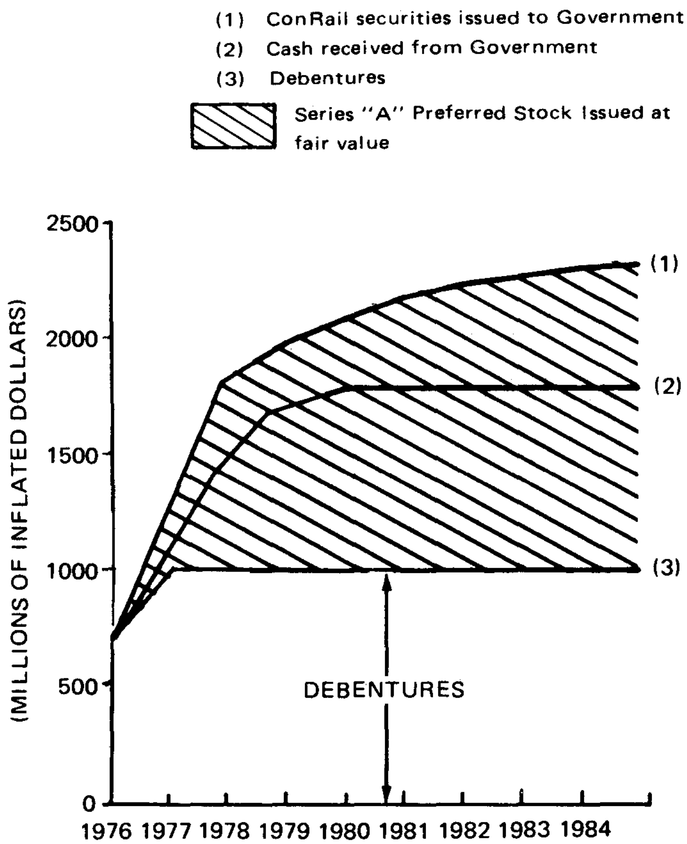
Equipment obligations.—This account reflects the amount of new equipment obligations plus the existing level of outstanding debt on equipment originally purchased by the railroads in reorganization and scheduled to be transferred to ConRail. This debt has been reduced for amounts which fall due within the next year.

Equity and 7.50% Debentures.—The first $1 billion in cash requirements is funded by government purchases of 7.50% Debentures. Additional cash requirements of $841 million are funded by government purchases of Series A Preferred Stock. Both 7.50% Debentures and the Series A Preferred Stock earn 7.5 percent rates of interest and dividends respectively. When sufficient cash is not available to pay interest and dividends, additional shares of Series A Preferred Stock are issued in lieu of cash payments. While interest payments paid in preferred stock are charged to earnings annually, stock dividends and dividends on Series A Preferred Stock are paid out of additional paid-in capital when sufficient earnings are not available in 1977 and 1978. Thereafter, sufficient earnings are available to pay them out of retained earnings. The amount of Series A Preferred Stock issued in excess of $841 million represents additional securities issued to pay interest and dividends, 7.5% Debentures and Series A Preferred Stock, as they relate to ConRail's nonequipment funding requirements, are illustrated in Figure 6.

Series B Preferred Stock, Common Stock and paid-in capital represent the value of the assets transferred to ConRail. 21,000,000 shares of Series B Preferred Stock ($1 par value) and 21,000,000 shares of Common Stock ($1 par value) will be issued to the estates of the railroads in reorganization. Paid-in capital represents the excess of the amount assigned to the securities over the par value.

Reimbursement for passenger corridor expenditures represents direct capital costs of diverting freight traffic from the electrified Northeast Corridor (see note 5 of the *pro forma* forecasts).

FIGURE 6.—*Obligations issued to the government to fund ConRail's cash requirements (cumulative)*



Retained earnings represent the cumulative amount of net income less dividends paid and accretion (see Note 13).

Accounts receivable, materials and supplies, other current assets, other assets, accounts and wages payable, other current liabilities and other noncurrent liabilities.—These accounts bear relationships to specific elements of income or expense and are calculated accordingly. The percentages applied were based on historical trends of the railroads in reorganization and of all Class I railroads.

CONRAIL ANALYSIS MODEL

Operating expenses appearing in the Final System Plan were developed with a computer simulation model using USRA data and contractor inputs. The analysis was undertaken by Penn Central Transportation Company (PC) under contract to the Association. To support this endeavor, the PC employed Day and Zimmermann, Inc. and Wyer, Dick and Company. A set of computer programs called the Operations/Cost Model was used for the analysis. This same model aided in the development of operating expenses for the Preliminary System Plan. The contract with PC required these firms to adapt the Operations/Cost Model to the analysis of operating expenses for the ConRail system as recommended in the Final System Plan.

The result of the adaptation effort was an enhanced set of computer programs called the ConRail Analysis Model (CRAM). CRAM is unique to USRA. Its data files principally contain information developed by the USRA staff or for USRA under contract.

The adaptations, which resulted in significant and comprehensive changes to the basic model, involved:

- Expansion of the railroad network description to include Central of New Jersey, Lehigh Valley, Lehigh & Hudson River, Ann Arbor, Pennsylvania-Reading Seashore Lines, Lehigh & New England, New York & Long Branch, Ironton, Buffalo Creek, Chicago River & Indiana, Raritan River, Raritan Terminal & Transportation, certain parts of the Reading and Erie Lackawanna, new trackage rights and the light line segments eligible for subsidy which will not be conveyed to ConRail.
- Creation of a traffic data file, describing commodity volumes over the planning period and the type and proportion of traffic flowing between sets of origination and destination (O–D) pairs. The traffic forecasts of TBS were used to project volumes and the USRA consolidated traffic file, developed from October, 1973 accounting records, was used to determine traffic flows.
- Creation of a transportation data file that describes routing paths between points and determines the operational inputs required to handle given volume levels. The blocking strategy and train path routing developed by SRI was used. A variety of USRA data were used to define operating requirements.
- Development of a costing algorithm that would convert units of projected transportation activity into annual operating expenses by Wyer, Dick and Company and the Association's staff. The impact of efficiency gains due to consolidation and rehabilitation were developed by the USRA staff and were included in the costing algorithm.

CRAM has two functional phases of operation. The first phase constitutes the task of simulating ConRail rail operations. The traffic forecast provides the basis for this simulation. From the October, 1973 consolidated traffic file of the consolidated railroads, a set of traffic forecasts for each year was constructed using TBS traffic data and the 1973 consolidated traffic file. During the forecast process, all piggyback traffic was moved from the consolidated file to a separate file; it was later treated as a special analysis. The remaining traffic flows were examined for potential unit train moves. When volumes of coal, ore or grain moving between two points were found sufficient to warrant a unit train, that volume was also removed from the consolidated traffic file to separate files. The consolidated traffic file thus consisted of general merchandise and some casual moves of coal, ore and grain. Ultimately, five sets of traffic flows were used to simulate all of ConRail's transportation needs.

The operating requirements for coal, ore and grain unit trains were handled separately. The analysis of unit trains began with an examination of the appropriate origin-destination traffic file, which indicated volumes and points of origin and destination using SRI routes. Train size and power requirements were based on each route's volume requirements and tonnage ratings along the route. The size of the train varied from year to year with the volume. Piggyback routing, volumes and growth by traffic lanes were developed by the USRA staff in conjunction with Reebie Associates. General freight operations were more complex elements of the model. The routing between origin-destination pairs and train operations were developed by SRI. Train requirements were then based on projections of the volume on network segments, tonnage ratings and on the extent to which empty cars needed to be handled.

With these specifications of operating requirements, traffic flows for each forecast year were incorporated into the CRAM model. The model then generates reports indicating the level of transportation activity needed to handle the traffic at each yard and over each line segment.

Conversion of these data into operating expenses was the second functional phase of CRAM. Operating expenses were developed by ICC primary account in a variety of ways. For the most part, however, expenses were determined by relating each account (e.g. switch engine hours or train miles) to its activity level in the base year 1973. Final expenses were modified to reflect efficiency gains expected to flow from rehabilitation and modernization expenditures, as well as improved management and control procedures. MOW expenses were, for the most part, related to tonnage density by track mile density and were calculated by the USRA staff. Overhead expenses were a function of the direct expense accounts.

Economic Forecast and Outlook

Two primary considerations in USRA's planning were the future course of the economy and the effect of inflation. Each was seen as having a significant effect on ConRail's projected revenues and costs.

The manner in which future railroad revenues and costs will be affected by changing economic conditions was a key element in planning the rail reorganization in the Region. Chase Econometric Associates, Inc. prepared the economic forecasts underlying the financial projections. Chase's forecast was completed May 5, 1975, and was used by USRA to develop revenue and financial forecasts and the operating plan. The economic forecast contained in the May 5th report appears pessimistic and has an adverse effect on the Association's projections for ConRail's outlook. Macro-economic factors, railroad economic factors, and projected inflation indices are cited in Tables 5 and 6, while the impact of a more favorable economic outlook is discussed earlier in the "Sensitivity Analysis" section.

TABLE 5.—*Long-Term Economic Forecasts, FSP* [1]

	Macro economic indicators		Railroad economic factors				
			Railroad materials price index				
	Real growth GNP *Percent*	Inflation CPI *Percent*	*Annual Percent*	*Cumulative Percent*	Labor wages [2] *Percent*	Government Bond rate [3] *Percent*	Equipment trust certificate *Percent*
1973	5. 9	6. 2	—	100. 00	—	6. 30	7. 57
1974	−2. 1	11. 0	14. 50	114. 54	5. 4	6. 98	8. 83
1975	−3. 4	9. 1	10. 90	127. 02	11. 5	7. 43	9. 45
1976	5. 8	6. 7	8. 00	137. 18	9. 4	8. 18	10. 64
1977	4. 3	6. 8	5. 69	144. 94	8. 3	8. 60	10. 92
1978	−0. 1	6. 2	5. 00	152. 19	10. 3	8. 69	10. 24
1979	2. 9	4. 8	4. 57	159. 14	9. 5	8. 49	8. 89
1980	7. 7	3. 6	4. 93	166. 99	8. 5	7. 52	8. 01
1981	8. 2	3. 5	5. 00	175. 33	8. 0	7. 18	7. 49
1982	5. 4	4. 2	3. 98	182. 31	7. 0	7. 09	7. 28
1983	3. 8	4. 6	4. 22	189. 99	7. 0	7. 20	7. 31
1984	3. 4	5. 1	3. 85	197. 30	7. 2	7. 41	7. 64
1985	2. 9	6. 3	4. 67	206. 51	7. 5	7. 59	8. 01

[1] Source: Chase Econometric Study, May 5, 1975 and historical information as supplied by Chase.

[2] Adjusted for effects of agreement, January 1975.

[3] Yield on full faith and credit obligations of the United States with an average term of 30 years.

TABLE 6.—*Composite Inflation Indices by Major ICC Account Classification* [1]

	1975	1980	1985
Cumulative percent change from 1973 base year to:			
Expense category:			
Maintenance of way	21. 6	85. 1	157. 4
Maintenance of equipment	22. 3	77. 1	136. 5
Transportation	29. 1	93. 6	164. 5
Payroll taxes	49. 1	125. 1	205. 5
Property taxes	8. 9	45. 9	89. 9
Net rents	12. 9	37. 3	67. 0
Equipment acquisitions:			
Freight cars	25. 0	67. 9	128. 0
Locomotives	18. 3	94. 6	174. 4

[1] Developed from price indices for specific commodities, interest and labor costs from study by Chase Econometrics in May 1975 for USRA. Revised to reflect January, 1975 labor-management wage agreement.

Based on the May 5th Chase report, USRA forecasts assume that real GNP will rise by approximately 4 percent per year. This growth is expected to fluctuate through 1979 with steady growth in the GNP developing between 1980 through 1985. Specifically, Chase forecasts that the current recession will bottom out by mid-1975 and a period of economic growth will follow until mid-1977. The major causes of this economic upturn are the $22.8 billion tax cut, a reduction in the rate of inflation from 1974 levels, the return to a more moderate monetary policy and a move to more stable inventory levels.

The Chase study anticipates a return to higher inflation rates in 1977 and an economic slowdown in 1978. The downturn will have an adverse effect on railroad revenues and corporate profits in general. The rate of inflation during this period, however, is not expected to reach 1974 levels. Nevertheless, interest rates are expected to rise to high levels as a result of a restrictive monetary policy and heavy demands on the supply of loanable funds. The severity of the 1978 slowdown is not expected to equal that of the 1974 through 1975 recession. A subsequent economic recovery during 1979 and 1980 is projected, which should lead to a more vigorous growth rate in the GNP. Continued economic growth in the 1980's is projected on the expectation that existing tax laws will be revised to stimulate capital spending and that a greater commitment to a stable monetary policy will prevail. Although economic, energy and transportation policies are beyond the control of the Association, developments in these areas will vitally affect the financial well-being of ConRail. The Sensitivity Analysis section discusses the effect of these policies more thoroughly.

Effect of Inflation

Although financial forecasts in constant 1973 dollars are useful in evaluating the planning decisions for ConRail and for illustrating consolidation and rehabilitation effects, financial planning over a long period of time requires that assumptions be made concerning the future state of the economy and the effects of inflation. With the Nation experiencing double-digit inflation during 1974 and early 1975, the costs of fuel, rail, wages and other railroad expenses have risen rapidly. The Railroad Materials Price Index (Table 5) shows a 14.5 percent increase in 1974 and a predicted 10.9 percent increase in 1975.

The most immediate effect of inflation on ConRail's financial health will be an increase in its operating expenses. It has been assumed that these increases will be passed on to shippers in the form of higher rates. Freight rate increases, therefore, were included in the forecasted revenues. Realizing that inflation will affect both costs and revenues, the Association studied the impact inflation will have on both sides of the ledger. Inflation will also affect capital expenditures for road and equipment significantly. ConRail's *pro forma* balance sheet reflects the Association's judgment as to the extent inflation will alter these costs.

Effect of inflation on costs.—To project inflated railroad expenses, the Association developed inflation indices for the major ICC expense accounts. Included in the analysis of these accounts were annual rates of inflation for each category of operating expense, as well as net car hire, payroll and other taxes. The analysis was developed using price indices for specific commodities, interest and labor costs from the Chase study May 5, 1975. In developing the inflated *pro formas*, the Association applied the inflation indices to the uninflated expenses as they appear in the 1973 constant-dollar *pro forma* forecasts.

Effect of inflation on revenues.—Realizing that inflated costs could ultimately affect the competitive posture of the railroads, the Association conducted a study to evaluate the relative change in railroad-versus-highway costs resulting from inflation. The study provides the basis for assumptions regarding diversion of traffic between the two transportation modes and the revenue adjustments caused by these diversions.

The first step in the study was the preparation of a traffic flow data base disaggregated by major commodity groups. PC's 1973 traffic flow data were costed by use of rail and truck profiles developed from Rail Form A and cost profiles of owner-operator trucking. Projections of the flow of rail traffic to trucks took into consideration factors such as commodity density and the type of truck required to absorb the rail traffic. Inflation indices prepared by Chase were applied to the cost profiles. The empirical data used in the study indicated that the competitive posture of motor carriers compared to railroads during the planning period would not be significantly altered as a direct result of inflationary cost increases, since the relative cost levels of truck and rail did not appear to change.

Several qualitative factors could cause a shift of traffic from either rail carriers to motor carriers or vice versa. Some specific factors which could shift traffic to rail carriers are a more liberalized policy toward price regulation, increased productivity from railway labor, a fuel shortage which would increase rail traffic and increased highway taxes on trucks. On the other hand, various factors could affect the competitive position in favor of motor carriers including general truck weight and size limits, further liberalization of regulations governing motor carrier gateways and improvements of highways.

A panel of transportation experts and qualified economists associated with the Association of American Railroads, Harvard University, the Department of Transportation, the Interstate Commerce Commission (retired), and USRA was assembled to review the study and interpret the results. The varied backgrounds of the panel members enabled review from the viewpoint of both rail and motor carriers. After considering both qualitative and quantitative factors, the panel concluded that ConRail's projected revenues should not be adjusted to reflect a shift in traffic toward either rail or motor carriers.

Recognizing that a multitude of factors will come into play should ConRail seek rate increases as a result of increased costs, a study was performed to identify these factors and determine their effect on rail freight rate increases. This study was the basis for the freight revenue projections contained in the inflated version of the *pro forma* financial statements. The rate of inflation is expected to average more than 6 percent annually through 1985. The factors leading to requests and authorization for freight rate increases were analyzed and incorporated into a mathematical model used to forecast ConRail revenues. The model compares the rate increase required to offset the effects of inflation on costs with the actual amount of rate relief likely to be enjoyed by the carrier.

Ideally, rail carriers prefer a rate increase which would match all increases in costs. Rate increases, however, are granted by the ICC only after the need for an increase is established. During this time, costs continue to rise. Thus, there is always a "lag" between the time a rate increase is needed and the effecive date of the increase. This lag, which delays the required rate increase needed to offset increased costs, was incorporated into the mathematical model.

Rate increases are generally based on the average increased costs of the entire industry. Thus, a carrier whose efficiency, as measured by the operating ratios, is less than the industry average will not recover the entire benefit of the rate increase. The revenue model includes an efficiency factor which reflects the impact of the relative carrier efficiency on the rates received. ConRail's projected operating ratio are higher than the industry average until 1981, implying a lower level of operating efficiency. This inefficiency further reduces the effective rate increase to be realized by ConRail.

Two other factors reduce the size of rate increases which may be sought to offset the effects of inflation. Rate increases approved by the ICC are subject to "hold-downs" and "exceptions" to protect economically troubled industries and export-import relationships. Similarly, each railroad within a district may wish to exclude specific commodities from general rate action for regionally competitive reasons.

To forecast revenues, the rate relief model uses the above four factors to determine the rate increase required to offset the annual effect of inflation on costs. A summary of these factors appears in Table 7 and their net effect reduces the required rate increase to an effective or actual rate increase.

The model does not assume that all increases in costs due to inflation will be passed on to shippers immediately. Any shortfall in rate increases are applied for in the next requested rate increase. This carryover due to previous shortfalls is based on regulatory "hold-downs" and "exceptions" and the district yields. The shortfall carryover does not, however, include the relative carrier efficiency effect which is absorbed by the railroad. The model mathematically applies the factors in the table below to an inflated cost factor and the product becomes the basis for forecasting inflated freight revenues.

Accounting Policies

The financial forecasts were prepared in conformity with generally accepted accounting principles and, with one exception, in conformity with the Uniform System of Accounts of the ICC. The forecasts account for track structures (rails, ties, ballast, other track materials and labor to install) on a standard depreciation basis instead of the ICC's "retirement-replacement-betterment" basis (betterment accounting) because of the unique situation resulting from ConRail's major rehabilitation program coupled with the recording of initial assets at values markedly lower than their historical values. The characteristics of the rehabilitation program are shown in Figure 7, which depicts the average annual number of crossties to be replaced and new rail track miles to be laid by ConRail during the planning period compared to the average number replaced and laid by the railroads in reorganization during the 1964 through 1973 period.

The Association considered three alternative methods of accounting for railway track structure expenditures. Although the expenditures for these track structure replacements would be the same regardless of the accounting method used, the three methods affect the balance sheet and income statements differently, as demonstrated in Figure 8.

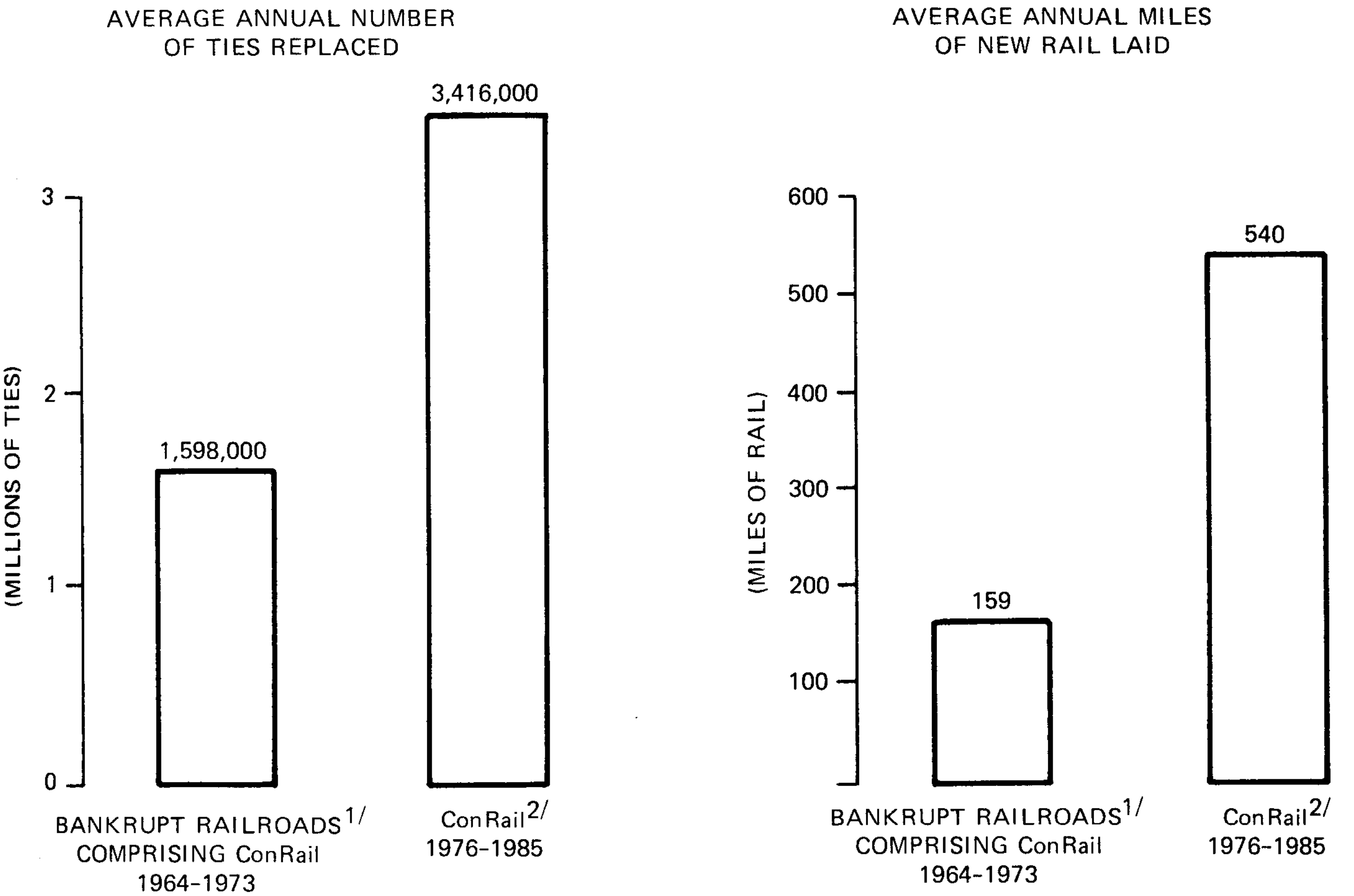
The first accounting method considered was the traditional railroad industry method referred to as betterment accounting. This method charges all track structure replacement expenditures to operating expenses in the year they are made. Since ConRail's road properties are subject to massive rehabilitation, this method causes maintenance of way (MOW) expenses to be much higher, resulting in the operating income being unfairly distorted. To present such extraordinary charges as ordinary expenses would mask reality.

The second accounting alternative, modified betterment accounting, capitalizes the properties initially acquired and all future track structure rehabilitation costs (i.e., replacements which were deferred prior to conveyance) as incurred. Other expenditures for track replacements arising from normal business operations would be charged to current operating expense in accordance with betterment accounting principles. This alternative attempts to isolate the effect of rehabilitation expenditures from other elements of the MOW program. This procedure is logical in concept and was used in the Preliminary System Plan's projections.

TABLE 7.—*Summary of Key Factors for Revenue Forecast*

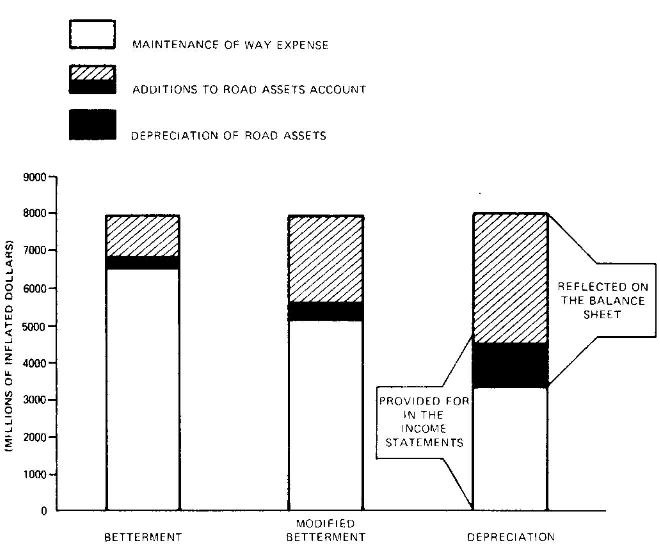
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Total lag time in months	8	8	7	7	7	6	6	6	6	6
Relative carrier efficiencies	.89	.92	.95	.96	.98	1.00	1.00	1.00	1.00	1.00
Industry regulatory yield (hold-downs and exceptions)	.89	.89	.89	.89	.89	.89	.89	.89	.89	.89
Carrier district yield	.92	.92	.92	.92	.92	.92	.92	.92	.92	.92
Annual rate of inflation for ConRail	.089	.074	.080	.074	.070	.066	.058	.059	.060	.064

FIGURE 7.—*Comparison of units of property to be replaced annually: ConRail vs. the bankrupt railroads comprising ConRail.*



[1] SOURCE: Moody's Transportation Manual, [2] SOURCE: United States Railway Association.

FIGURE 8.—*Accounting comparison expenditures (cumulative for 10 years: 1976–1985).*
(Inflated dollars)



Although modified betterment accounting is conceptually logical, implementation of the method would present some major practical problems since rail, tie and ballast replacements integral to the rehabilitation program are physically indistinguishable from those integral to the normal maintenance effort. Because rehabilitation expenditures generally represent only an accelerated rate of track structure replacements done by the same work crews, a rigorous and continual engineering analysis would have to be conducted to distinguish between "normal" and "rehabilitation (deferred)" replacements of the track structure.

Modified betterment not only would require expensive engineering analyses, it also would impose extraordinary requirements for detailed records to monitor separately the deferred replacements arising prior to and subsequent to the conveyance date. Under modified betterment accounting, deferred replacements arising subsequent to conveyance date would not qualify for capitalization. In addition, the Association concluded that even with extensive analysis and control, the final separation of these expenditures would ultimately depend upon arbitrary judgments which would become more difficult as time passes. As a result, this method would probably not receive total acceptance from the accounting profession.

For these reasons, the Association turned to depreciation accounting, the method used by most businesses to account for operating assets and expenditures. Under this method, expenditures for track structure replacements which substantially extend the life of the operating properties are capitalized and depreciated over the useful lives of the replacements. A benefit of this method is that the costs associated with an asset are amortized over the useful life of that asset. Although problems associated with designating a specific unit of road property and determining its useful life are present under the depreciation method, they can be overcome. Therefore, the implementation of this method would be less costly to administer and would be a less arbitrary method than attempting to separate "normal" from "rehabilitation" replacements which is a requirement of modified betterment accounting. Figure 9 depicts the variances in the annual level of net income among betterment, modified betterment and depreciation accounting methods.

Similar to non-track road assets, transportation equipment is traditionally depreciated under the ICC standards. Accordingly, the forecasts have adopted the traditional ICC practices of capitalizing and depreciating all new equipment. Costs of heavy repairs as well as normal maintenance expenditures are charged to current operating expenses when incurred pursuant to present ICC practices.

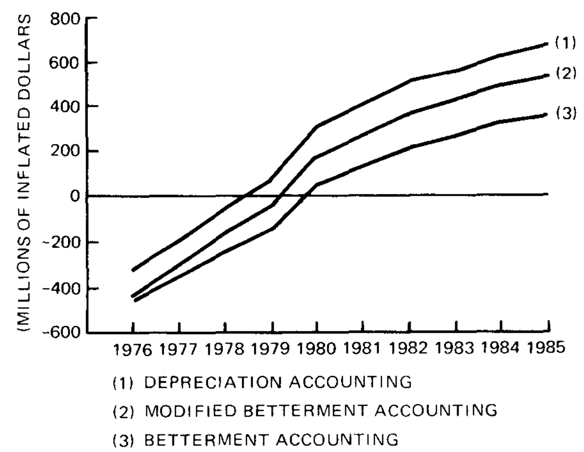
To comply with generally accepted accounting principles, the Association has made provisions in its forecasts for income tax expense. In ConRail's situation, generally accepted accounting principles require a provision for income taxes when income is reflected for financial reporting purposes. However, assuming no significant changes in the tax laws, and assuming the validity of the Tax Assumptions described in Note 2 to the *pro forma* financial forecasts, it is projected that ConRail will have adequate means to defer the actual payment of federal income taxes during the forecast period.

The entire income tax expense provided in the years 1979–1982 and a portion of the 1983 provision are projected to be fully recovered as an extraordinary item due to operating loss carryover from 1976–1978. Generally accepted accounting principles require that the tax expense and the offsetting extraordinary item be presented separately in the income statement.

The deferred income tax expenses, which are projected to commence in 1983, represent the tax effect of timing differences between financial and taxable income. However, as discussed above, ConRail should be able to defer the actual payment of income taxes until the end of the forecast period.

In addition to the above, generally accepted accounting principles and the Securities and Exchange Commission require certain additional disclosures, such as lease commitments and rental expense, the capitalized value of leases, contingencies and other information contained in the notes to the *pro forma* financial forecasts. These notes are an integral part of the financial forecasts and are, therefore, required for full disclosure to conform with generally accepted accounting principles.

FIGURE 9.—*Accounting comparison of ConRail income before government financing costs, income taxes and extraordinary items.*



4

Capital Structure and Financial Programs

This Chapter sets forth a capital structure for ConRail and describes the analytic process used to formulate that structure. The capital structure contains a mix of securities to be issued by ConRail to the United States Railway Association and by ConRail and USRA to the estates of the railroads in reorganization. Furthermore, provision is made for the financing of certain short-term needs and equipment obligations in the private sector. An attempt has been made to analyze the total projected funding requirements of ConRail for the next 10 years and to plan a flexible base of government support along with increasing amounts of private sector funding to satisfy these requirements.

The latter part of this Chapter reviews the financial assistance programs available under the Act. Two appendices describe the terms and conditions of all securities to be issued by ConRail and analyze the feasibility of using an Employee Stock Ownership Plan.

A capital structure for ConRail should provide the financial framework of the proposed new rail service system in the Region in compliance with the goals of the Act. ConRail's capital structure was developed after a careful study of the financial requirements of the company and the availability and effect of different forms of financing.

Based on projections of earnings and capital expenditures, ConRail's total funding requirements were determined. Funds available from internal operations and existing external sources were identified. The result was a projected shortfall in the early years between the need for funds and the availability of funds. Because of the uncertainty associated with launching a new enterprise the size of ConRail, the large amounts of capital needed, and the general difficulty railroads have experienced in obtaining funds from the private capital markets, the Association concluded that the funds needed to meet this shortfall would have to be provided by the federal government. The last step, therefore, was to determine the form of federal investment which would best complement the other forms of financing to be used by ConRail.

Goals for the Capital Structure

In formulating ConRail's capital structure USRA sought to satisfy the following five objectives.

- Maximize ConRail's financial flexibility,
- Provide security for the public's investment,
- Minimize the cost to the public sector,
- Preserve private enterprise incentives and
- Create a fair and equitable securities package.

Because several of these objectives are somewhat conflicting in nature, the Association had to order its priorities and balance the objectives in such a way as to satisfy the overall purpose of the capital structure in fulfillment of the Act.

Maximize ConRail's Financial Flexibility

The reorganization of seven bankrupt carriers into a single profitable railroad will take time. The Association expects ConRail to sustain sizeable losses until the benefits of consolidation, rehabilitation, traffic growth, rate changes and new direction from management are realized. Recognizing that the early years of operation will be critical for ConRail, the Association sought to design a capital structure which would provide the new railroad with as much initial permanent financing as possible in a form which would not jeopardize ConRail's long-term financial position, be adaptable enough to allow additional financing to be obtained in the event of future economic changes, and be flexible enough to enable the company to meet future long-term financing needs. While USRA cannot predict the conditions under which capital may be raised 15 or 20 years from now, prudence dictates ConRail's initial capital structure be such that unused borrowing capacity will be available.

The Association sought, therefore, to devise a capital structure which would satisfy ConRail's projected funding requirements, maximize ConRail's chances of becoming self-sustaining and give ConRail many financial alternatives for the future.

Provide Security for the Public's Investment

When a substantial amount of public money is committed to an essentially private concern such as ConRail, the government should receive adequate security in return. The best security for the public or any lender is to have a claim on the cash flow of a solvent company so as to ensure the repayment of the investment and provide a fair return. The public's investment should rank senior to all securities, other than equipment obligations, for the payment of dividends or interest and for redemption. While it is not necessary for the government to have a mortgage on ConRail's assets, it should have the right to approve the creation of major future liens or the incurrence of senior debt. The government should also receive absolute preference over other equity and debt securities holders in the event of a subsequent insolvency and reorganization or liquidation. On the other hand, ConRail's capital structure should not be unrealistically severe in its requirements for the amount and timing of interest or dividend payments.

Minimize the Cost to the Public Sector

In keeping with the Act's mandate to create a financially self-sustaining rail service system in the Region, the Association sought to minimize the amount and duration of the public's financial involvement in ConRail's reorganization while meeting the goals of the Act. Toward this objective every effort was made to assure that, as provided in the Act, the railroads in reorganization would receive fair and equitable value for assets conveyed to ConRail. However, the value should not be more than the constitutional minimum (see Chapter 5) and proposals for public financing should be limited to those amounts critical to ConRail's ultimate success for which no other source is available at reasonable terms.

Although the amount of projected federal assistance is more than originally authorized in the Act, the Association concluded that a lesser amount or a different type of federal support from that proposed would unduly jeopardize ConRail's chances of becoming self-sustaining. If the initial federal assistance is enough to get ConRail started, but not enough to establish a financially viable company, the cost to the public in the long run may be greater than now contemplated.

Preserve Private Enterprise Incentives

Based on the assumptions enumerated in Chapter 3, the Association forecasts that ConRail's operations will be profitable by 1979. The prospect of earnings alone, however, is not enough to ensure that ConRail will continue as a private enterprise carrier over the long term. For that to happen, earnings must be large and relatively stable enough to justify future private investment in the company and to support other long-term liabilities assumed by ConRail in meeting its total funding requirements.

Preservation of private enterprise incentives will be important to ConRail's future management as well as its future owners. Recruitment of good management will hinge on ConRail's earning prospects and its ability to offer executives an opportunity to work in a profit oriented environment. The Association felt a responsibility, therefore, to balance the government's need to monitor its investment in ConRail against the need to preserve private sector incentives.

Create a Fair and Equitable Securities Package

The Act contemplates issuance of ConRail common stock and, as appropriate, other securities to the trustees of the railroads in reorganization and other transferors in exchange for rail properties transferred to ConRail under the plan. The Act further states that the transfers of rail properties for ConRail securities and other benefits must be "fair and equitable and in the public interest" (section 209(c)(4)). Under terms of the Act, a Special Court will review the proposed securities and other benefits package to determine whether or not it meets this test and is neither more or less than the constitutional minimum. If the Special Court finds the securities package does not constitute adequate value for properties conveyed to ConRail, it can enter a judgment reallocating the securities in a fair and equitable manner, order ConRail to issue additional securities or enter a judgment against ConRail. In addition to these remedies, the Supreme Court, in an opinion upholding the constitutionality of the Act, held that claimants could bring suit against the United States under the Tucker Act for any deficiencies resulting from any constitutional inadequacy of the securities and other benefits.

Summary of Proposed Capital Structure

In order to meet the objectives described above, the Association proposes a capital structure for ConRail which would finance ConRail's projected public sector capital needs through purchase by USRA of ConRail Debentures and Series A Preferred Stock. Both securities will have a 7.50% return, but interest on the debenture and dividends on the preferred will be payable in cash only if the necessary amounts are available from earnings. The Association projects that such payments will begin in 1982. When cash is not available, USRA will accept additional shares of Series A Preferred Stock from ConRail as payment of interest and dividends.

The estates of the railroads in reorganization, and in turn their creditors, will receive (i) ConRail Series B Preferred Stock; (ii) ConRail Common Stock, and (iii) Certificates of Value. The securities issued to the government will have seniority, but the securities issued to the estates (including 100 percent of the common stock) will have a greater participation in the future benefits of a successful income-based reorganization. In addition, the Certificates of Value, as a full faith and credit obligation of the United States, will assure that the value of the package of securities issued to the estates will approximate the net liquidation value of the assets at the date of conveyance.

USRA projects that during the years 1976 through 1980 ConRail's requirement for funds for rehabilitation and capital improvements, working capital and equipment acquisitions will exceed its receipt of funds from operations and identifiable external sources by about $1.85 billion. To meet that shortfall it is proposed that USRA be able to purchase over a 5 year period ending December 31, 1980, or sooner, up to $1.85 billion of securities issued by ConRail.

USRA also proposes that an incremental $250 million in budget authority (obligational authority) be granted to USRA for possible purchase of additional Series A Preferred Stock. This amount will provide a reasonable margin of safety for ConRail to meet potential contingencies, possibly exceeding the projected requirement of $1.85 billion. The additional funding would be made available to ConRail at the discretion of the Government Investment Committee of the USRA Board, comprised of the Chairman of USRA and the Secretaries of Transportation and Treasury. The Committee would operate in consultation with the USRA Board. The Association also supports the authorization of $400 million to be used in the discretion of the Secretary of Transportation for ConRail or otherwise to further the purposes of the Act, as amended. In addition, USRA recommends legislation authorizing immediate issuance of Certificates of Value redeemable in a maximum amount of $1.05 billion by December 31, 1987. These certificates would be backed by the full faith and credit of the United States.

USRA proposes that it be granted immediate budget authority (obligational authority) for the total funding ($2.1 billion) indicated above. The Association will submit to Congress suggested legislation for implementing the capital structure. The success of ConRail is largely dependent on a guaranteed source of capital during its first critical years. Hence, it is important that the Association seek the total obligational authority needed at the outset. ConRail's chances for becoming financially self-sustaining will be jeopardized without the assurance that its capital needs will be met. If the government does not provide the needed capital and ConRail falters, the eventual cost to the government could be greater than the amount of the government investment recommended in the Final System Plan.

By providing the Association with the needed front-end obligational authority, the Congress will help create for the future a private and self-sustaining ConRail in furtherance of the goals of the Act. Although accountable for its financial performance to the Association, which represents the public interest, ConRail, because of the front-end obligational authority, will have greater assurance of achieving successful operations.

When Congress passed the Act, it assumed that all of the financing required for ConRail's success would not be available from conventional private sources. The Association has determined that the financing and terms available under section 210 of the Act will not provide ConRail with sufficient capital or financial flexibility to achieve success. Therefore, as directed in section 206 (h) of the Act, the Association is recommending the "amount of obligations of the Association which are necessary to enable it to implement the final system plan". It is clear from section 201(h) that Congress recognized the limit on the Association's obligational authority provided in the Act might be too low, but considering the benefits from maintaining adequate rail freight service in the Region as vital to the national interest, the Congress wisely allowed for consideration of any changes recommended by the Association to achieve the purposes of the Act.

Description of Securities Issued to USRA

USRA will help finance ConRail through its purchase of two types of ConRail's securities. In Appendix A the terms of those securities are presented and compared to the terms of the securities to be issued by ConRail to the estates.

In the order of their issuance, the securities to be issued by ConRail and purchased by the USRA are 7.50% Debentures and Series A Preferred Stock.

7.50% Debentures

Up to $1.0 billion principal amount of 7.50% Debentures will be authorized for issuance by ConRail and purchased by USRA. As indicated in Table 1, USRA forecasts that the full amount will be purchased during 1976 and 1977. The proceeds from the sale of the Debentures will be used by ConRail to fund its rehabilitation program and other capital programs, to purchase equipment, to fund its working capital requirements and to finance section 215 obligations assumed by ConRail at conveyance.[1]

[1] As authorized under section 215 of the Act, USRA has issued more than $25 million of obligations and will issue additional amounts totaling nearly $300 million prior to ConRail's start up, to begin rehabilitation and fund ongoing maintenance of properties scheduled to be conveyed to ConRail from five of the railroads in reorganization. Since the expenditure of these funds will benefit ConRail, the Act requires ConRail to assume the obligations unless a recommendation for forgiveness is made by the Association and approved by the Secretary of Transportation in the FSP. The Association recommends, and the Department of Transportation concurs, that ConRail assume an amount of obligations equal to the value added to the properties conveyed to ConRail by reason of the section 215 program, including acquisition of property for ConRail, and that the balance of the section 215 obligations be forgiven. Based on the net liquidation method of valuation, the Association estimates that properties being conveyed to ConRail will include assets with a net liquidation value of $64 million acquired as a result of the section 215 program. Consequently, the *pro forma* financial statements incorporate the assumption by ConRail of $64 million of obligations on the date of conveyance. Immediately thereafter, ConRail is expected to redeem these obligations with funds received from USRA's purchase of ConRail 7.50% Debentures. A portion of those obligations will be secured by equipment and interests in purchase money obligations acquired with section 215 funds.

TABLE 1.—*Summary of projected annual issuance by ConRail of securities to the USRA*

[Millions of dollars]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Total
Uses of funds:											
Rehabilitation of roadway—Freight	$37	$58	$86	$119	$159	$172	$184	$196	$208	$223	$1,442
Other capital improvements—Freight	180	235	246	275	319	261	284	308	334	364	2,806
Equipment acquisitions	12	135	73	72	138	119	251	298	314	369	1,781
Section 215 loan payable	64	—	—	—	—	—	—	—	—	—	64
Working capital and other	414	130	(17)	47	38	77	9	40	85	106	929
Total	$707	$558	$388	$513	$654	$629	$728	$842	$941	$1,062	$7,022
Sources of funds:											
Internally generated funds	$—	$—	$23	$162	$410	$534	[1] $527	[1] $604	[1] $690	[1] $768	$3,718
Corridor expenditure reimbursement	9	53	52	38	59	—	—	—	—	—	211
Equipment financing	—	—	26	36	111	95	201	238	251	294	1,252
Net investment required (see funding below)	698	505	287	277	74	—	—	—	—	—	1,841
Total	$707	$558	$388	$513	$654	$629	$728	$842	$941	$1,062	$7,022
Investment funding through issuance of:											
Debentures	$698	$302	$—	$—	$—	$—	$—	$—	$—	$—	$1,000
Series A Preferred Stock	—	203	287	277	74	—	—	—	—	—	8416
Total	$698	$505	$287	$277	$74	$—	$—	$—	$—	$—	1,841
Series A Preferred Stock issued in lieu of cash interest and cash dividends	$9	$25	$41	$65	$88	$103	$43	$38	$30	$24	$466

[1] In these years internally generated funds from operations are actually in excess of the amounts shown. For purposes of this table only the amount necessary to meet the funding requirement in each year is shown. The surplus funds generated in these years flow into retained earnings and will be used for interest, dividends and redemption of securities as described in the chapter and Appendix A.

The Debentures:

- Will have an issuance price of 100 percent of their principal amount;
- Will earn interest at a rate of 7.50 percent per annum. Such interest will be paid in cash if, according to the provisions of the "Cash Available" formula (see Definition No. 4 of Appendix A), there is cash available for such purpose and retained earnings exceed $500 million; otherwise interest will be payable through the issuance by ConRail of Series A Preferred Stock. For this purpose, each such share will be valued at $100;
- Will have a claim on assets and earnings equal to 100 percent of the principal amount, senior to the Series A Preferred Stock, Series B Preferred Stock and Common Stock;
- Will be entitled to mandatory annual redemptions, if there is "Cash Available" for such purpose; Debentures not yet redeemed will be due on January 1, 2011;
- Will be callable at a price of 100 percent; and
- Will be entitled to protection, through negative covenants, from changes, among other things, in ConRail's charter or by-laws, issuance of other debt by ConRail, the disposition or acquisition of assets by ConRail and changes in the nature of ConRail's business;
- Will have accelerated repayment requirement upon material events of default.

USRA, as owner of the Debentures, will be entitled to certain voting and other rights which will be exercised through the Government Investment Committee.

Series A Preferred Stock

ConRail will be authorized to issue up to 40 million shares of Series A Preferred Stock with a price per share of $100. USRA will purchase up to 8.5 million of these shares for a total price of $850 million. ConRail will use the proceeds of the sale for the same purposes as in the case of the Debentures. Series A Preferred Stock may not be issued by ConRail for these purposes until all of the authorized Debentures have been issued.

It is projected that ConRail will also issue about 9 million of the 40 million shares to the USRA in lieu of cash payments for the annual interest due on the 7.50% Debentures and for dividends due on any outstanding Series A Preferred Stock. Each year, in accordance with the provision of the "Cash Available" formula, outlined in Appendix A, a determination will be made as to whether and in what amount Series A Preferred Stock will be issued in lieu of cash payments.

The Series A Preferred Stock:

- Will be entitled to an annual $7.50 dividend per share. This dividend will be paid if there is "Cash Available"; otherwise, dividends will be payable in Series A Preferred Stock. For this purpose, each share will be valued at $100;
- Will have a par value of $1 and a liquidation value of $100 per share, with full preference over the Series B Preferred Stock and Common Stock;
- Will be entitled to mandatory annual redemptions, if there is "Cash Available";
- Will be callable at a price of $100 per share;
- Will be entitled to protection, through negative covenants, from changes, among other things, in ConRail's charter or by-laws, issuance of other debt by ConRail, the disposition or acquisition of assets by ConRail and changes in the nature of ConRail's business; and
- Will have accelerated redemption requirements upon material events of default.

USRA, as owner of the Series A Preferred Stock, will be entitled to certain voting and other rights which will be exercised through the Government Investment Committee.

The sale to USRA of Debentures and Series A Preferred Stock for funding rehabilitation and other capital improvements, working capital and the purchase of equipment will not be tied to a specific schedule. ConRail will be authorized to issue securities for these purposes at any time, subject to USRA approval. Prior to each issuance, the Association would require a statement of proposed use of proceeds and a reconciliation of the previous statement of proposed use of proceeds with the actual application of the funds. The Association would also receive statements reconciling current financial conditions and future financial prospects with projections previously found acceptable by USRA. The reconciliation would indicate the reasons for any deviations from the projections. The projected annual issuance of securities by ConRail is presented in Table 1.

As indicated above, both the Debentures and the Series A Preferred Stock will be redeemed from "Cash Available". Based on ConRail's projected performance through 1985 and on certain assumptions for the period beyond 1985, the Association has calculated that the Debentures will be fully redeemed by 2005 and the Series A Preferred Stock will be fully redeemed by 2017 as shown in Table 2.

Government Investment Committee

As indicated, government assistance to ConRail cannot be limited to the $1 billion of USRA obligations now authorized by the Act, but should take the form of direct long-term loans and Government acquisition of ConRail's Series A Preferred Stock in significantly larger aggregate amounts. It also has become apparent that neither the lender nor ConRail should be bound over the long term by a single set of inflexible terms and conditions drafted at the outset; instead, there must

TABLE 2.—*Schedule of interest, dividends and redemption*

[Millions]

Year	Cash available for restricted cash payments	7.50% Debentures: Outstanding	7.50% Debentures: Cash interest	7.50% Debentures: Redemption	Series A, Preferred Stock: Outstanding	Series A, Preferred Stock: Cash dividend	Series A, Preferred Stock: Redemption	Series B Preferred Stock: Cash dividend
1976	$0	$698	$0	$0	$29	$0	$0	$0
1977	0	1,000	0	0	305	0	0	0
1978	0	1,000	0	0	700	0	0	0
1979	0	1,000	0	0	1,115	0	0	0
1980	0	1,000	0	0	1,351	0	0	0
1981	0	1,000	0	0	1,527	0	0	0
1982	122	1,000	75	0	1,594	47	0	0
1983	138	1,000	75	0	1,651	63	0	0
1984	155	1,000	75	0	1,696	80	0	0
1985	168	1,000	75	0	1,730	93	0	0
1986	336	974	75	26	1,730	130	0	105
1987	336	946	73	28	1,730	130	0	105
1988	336	916	71	30	1,730	130	0	105
1989	336	884	69	32	1,730	130	0	105
1990	336	849	66	35	1,730	130	0	105
1991	336	812	64	37	1,730	130	0	105
1992	336	772	61	40	1,730	130	0	105
1993	336	729	58	43	1,730	130	0	105
1994	336	683	55	46	1,730	130	0	105
1995	336	633	51	50	1,730	130	0	105
1996	336	579	47	54	1,730	130	0	105
1997	336	521	43	58	1,730	130	0	105
1998	336	459	39	62	1,730	130	0	105
1999	336	392	34	67	1,730	130	0	105
2000	336	320	29	72	1,730	130	0	105
2001	336	243	24	77	1,730	130	0	105
2002	336	160	18	83	1,730	130	0	105
2003	336	71	12	89	1,730	130	0	105
2004	336	0	5	71	1,704	130	25	105
2005	336	0	0	0	1,601	128	103	105
2006	336	0	0	0	1,490	120	111	105
2007	336	0	0	0	1,371	112	119	105
2008	336	0	0	0	1,243	103	128	105
2009	336	0	0	0	1,105	93	138	105
2010	336	0	0	0	957	83	148	105
2011	336	0	0	0	798	72	159	105
2012	336	0	0	0	627	60	171	105
2013	336	0	0	0	443	47	184	105
2014	336	0	0	0	245	33	198	105
2015	336	0	0	0	32	18	213	105
2016	336	0	0	0	0	2	32	105

be the flexibility to make such adjustments in terms as circumstances may warrant.

Accordingly, after consultation with the Departments of Transportation and Treasury, USRA proposes the formation of a special three-member committee of its Board, consisting of its Chairman and the Secretaries of Transportation and Treasury (or their authorized representatives), to make decisions concerning the Government's investment. The inclusion of the cabinet officers or their authorized representatives reflects the fact that the primary governmental concern of this Committee will be the exercise of the government's rights as lender and investor.

The Government Investment Committee will have four tasks. First, it will exercise the lender's and shareholder's rights in connection with the Debentures and Series A Preferred Stock issued to USRA. Such rights would include that of electing directors representing the Debentures and Series A Preferred Stock. In addition, these instruments will contain covenants, usual in major loan transactions in the private sector, requiring the lender's consent for certain corporate actions. Such actions requiring consent would include, but not be limited to, charter or by-law changes materially affecting the lender's position; incurring of new debt other than equipment debt, permitted short-term debt and a specified level of long-term debt; new mortgages or liens, subject to normal exceptions; material dispositions or acquisitions of assets outside the ordinary course of business; material changes in the business conducted by ConRail; and issuance of securities, other than as contemplated by this Plan, that would adversely affect the government's interest. These customary negative covenants are not expected to interfere with day-to-day operations of ConRail or with management's ability to operate ConRail as a railroad. The function of the Government Investment Committee in this area would be to grant or withhold consent to actions of the type described above, depending upon its evaluation of the particular circumstances.

The second main function of the Government Investment Committee would be to determine, as drawdowns (purchase of ConRail securities by USRA) are requested, whether the conditions for drawdowns have been satisfied. (It is contemplated that the government investment in ConRail will be drawn down over a period of 5 years.) These conditions will include compliance with covenants and absence of defined defaults. In addition, in order to protect the government's interest, should a change in circumstances make further investment appear financially imprudent, the Committee would have the right to condition drawdowns on ConRail's achievement, within an agreed margin, of the projected operating and financial results included in the Plan.

This recommendation should not be interpreted as a qualification on the federal commitment to fund ConRail so long as it remains substantially within acceptable projected levels of operation. In view of the size of the undertaking and the time required for its completion, however, prudence dictates arrangements under which the public's resources are not irrevocably committed regardless of future circumstances. In general, it is recommended that circumstances be evaluated by reference to ConRail's overall business progress and future financial prospects, as compared with projections in this Plan. If the Committee determines at any time that ConRail has failed substantially to meet expectations or that ConRail will require substantially more government funds than projected in this Plan or revised forecasts accepted by the Government Investment Committee, the Committee would have the right to terminate funding.

The third function of the Government Investment Committee would be to recommend, and in some respects make, necessary or appropriate changes in the terms of Government funding. These include the authority to defer payments of interest, principal or dividends under suitable circumstances and the authority to forgive accrued interest or accumulated dividends entirely, if circumstances warrant such actions.

Finally, the Government Investment Committee will also have discretionary authority over the commitment of an additional $250 million of appropriated funds for investments in ConRail, as it may deem advisable. These investments would be through the purchase of additional Series A Preferred Stock.[2]

Description of Securities Issued to Estates

On the conveyance date, three types of securities will be issued to the estates in exchange for assets transferred to ConRail:

Series B Preferred Stock

Twenty-one million shares of Series B Preferred Stock will be issued by ConRail.[3] Each share:

- Will be entitled to a $5 noncumulative dividend, payable each year if there is "Cash Available".
- Will have a par value of $1 and a liquidation value of $50, with full preference over the Common Stock; and
- Will be callable at a price of $50 per share at any time after redemption of the Series A Preferred Stock.

There will be no sinking fund provisions for the Series B Preferred Stock. The holders of the Series B Preferred Stock will have voting rights with respect to representation on ConRail's Board of Directors (see section on "ConRail's Board of Directors").

Common Stock

Twenty-one million shares of Common Stock will be issued by ConRail. Each share:

- Will be entitled to dividends, as declared by the Board of Directors of ConRail, although such dividends may be declared and paid only after the Debentures and Series A Preferred Stock have been fully redeemed;
- Will have a par value of $1; and
- Will have rights in liquidation junior to the Series B Preferred Stock.

The Directors will have the right to call the Series B Preferred Stock at any time after redemption of the Series A Preferred Stock. The Common stockholders will have voting rights with respect to representation on ConRail's Board of Directors.

Certificates of Value

Certificates of Value will be issued by USRA in 83 series,[4] one for each transferor. The Certificates of Value will not receive interest or dividends and will not entitle their holders to an ownership interest in ConRail. Each Certificate of Value, however, will be redeemed on or before December 31, 1987, by USRA. The obligation to redeem the Certificates will be a full faith and credit obligation of the United States, which will require an amendment to the present Act, and may ultimately require federal funds in addition to the funds required for the Debentures and Series A Preferred Stock.

Certificates of Value will have terms defined as follows:

- "Redemption Date"—the date to be designated by USRA on which the Certificates will be redeemed, but not later than December 31, 1987;
- "Notice Date"—a date, designated by USRA, to be not less than 30 days or more than 90 days prior to the Redemption Date;

[2] As noted elsewhere, a separate amount of $400 million is proposed for authorization for use at the discretion of the Secretary of Transportation for ConRail and for otherwise furthering the purposes of the Act, as amended.

[3] In order to provide for the issuance of additional shares of Series B Preferred Stock, 30 million shares will be authorized initially.

[4] One series of Certificates will be issued to each of the 83 transferors of assets to ConRail by whom they may be divided for further distributions. The 83 transferors are comprised of the seven roads in reorganization and various affiliates.

- "Valuation Base"—for each Certificate in each year, the amount indicated in the following schedule:

If redeemed during the year ending Dec. 31—	*Valuation base (assuming 21 million certificates)*
1976	$21.44
1977	23.16
1978	25.01
1979	27.01
1980	29.17
1981	31.51
1982	34.03
1983	36.75
1984	39.69
1985	42.87
1986	46.30
1987	50.00

- "Redemption Price "—for each series, the redemption price of one certificate will be an amount equal to the "Valuation Base" (i) minus the value of one share of Series B Preferred Stock, (ii) minus the product of (a) the value of one share of Common Stock times (b) a fraction, the numerator of which is the number of shares of Common Stock allocated to the recipient of such series at the conveyance date, and the denominator of which is the number of shares of Series B Preferred Stock allocated to the recipient of such series at the conveyance date, (iii) minus the sum of the dividends paid by ConRail per share of Series B Preferred Stock to the Redemption Date.

If a *bona fide* trading market exists for Series B Preferred Stock and Common Stock, the value of such shares will be considered to be the average of the market prices for such shares for a period of 20 consecutive trading days ending 5 trading days prior to the Notice Date. If a *bona fide* trading market does not exist for such shares, then the fair market value 5 days before the Notice Date of such shares will be determined by three independent investment banking firms, one to be selected by the Government Investment Committee, one to be selected by those Directors of ConRail representing the holders of the Series B Preferred Stock and Common Stock, and one to be selected by the two firms so selected. The three firms shall, within the time prescribed, issue their joint opinion on the fair market value of the shares.

REDEMPTION PRICE FORMULA FOR EACH CERTIFICATE OF VALUE

Redemption Price Equals:

Valuation Base *MINUS* the value of one share of Series B Preferred Stock

MINUS [The value of one share of Common Stock] *TIMES* [Shares of Common Stock allocated to each estate. / Shares of Series B Preferred Stock allocated to each estate.]

MINUS Dividends paid on the Series B Preferred Stock

The terms of the securities issued to the estates are presented in Appendix A, where they are also compared to the terms of the securities to be issued to USRA.

Rationale for Capital Structure

The capital structure was designed to meet, in a balanced manner, the five objectives described earlier in the chapter. This section discusses the ways in which the proposed structure satisfies those objectives.

Maximize ConRail's Financial Flexibility

The proposed capital structure gives ConRail financial flexibility in a variety of ways. First, it provides a mechanism by which ConRail can obtain its total projected funding requirements for 10 years. Second, the process by which the bulk of these requirements will be met is flexible and straightforward: ConRail will issue securities to USRA in exchange for financial assistance on an "as needed" basis subject to predetermined conditions of closing. Yet ConRail will also have the government's commitment at the outset that the entire $1.85 billion dollars needed will be available, if performance meets predetermined tests. This commitment will not only contribute to the value of the securities being issued to the estates but should also enhance ConRail's ability to obtain equipment financing from the private sector. Third, the proposed capital structure limits cash interest, dividend and redemption requirements on Debentures and Preferred Stock until the critical start-up period is completed and ConRail has begun to realize the benefits of its rehabilitation program. To have done otherwise would have significantly increased the size of the financial assistance required, deferred the advent of profitability and threatened private enterprise incentives required to attract the management necessary to achieve the projected operating efficiencies. Under the proposed capital structure, ConRail's ratio of debt to total capitalization would also enable it eventually to borrow additional money in the private capital markets if forecasts are realized and the government is willing to subordinate its senior position.

Provide Security for the Public's Investment

The Association sought to protect the public's extensive investment in ConRail in several ways. First, the Debentures and Series A Preferred Stock to be issued in exchange for the government's financial assistance will be senior to the securities issued to the estates, both in terms of preference in liquidation and in terms of payments for interest, dividends and redemption. Second, the terms of the securities issued to the government provide negative covenants with respect to ConRail's future actions, among other things, and, third, as long as these Debentures and Series A Preferred Stock are outstanding, the government will have representation on ConRail's Board of Directors (see section on ConRail's Board of Directors). Finally, the public's continuing investment will be carefully monitored by the Association and future public expenditures controlled through the Government Investment Committee.

Minimize Cost to the Public Sector

The Association made every effort to minimize the amount and duration of the public's involvement in ConRail. Toward that end the Association tried to ensure that the financial projections incorporated the attainment of all realizable operating efficiencies and reductions in cost, and to ensure that ConRail's funding requirements were justified, and that available sources of private financing were used before recommending that the government purchase securities. USRA also sought to compensate the former estates with ConRail securities requiring no additional government funding except for the conditional obligation of the Certificates of Value. While limiting the amount of public monies initially committed to ConRail, USRA also attempted to reflect the government's cost of financing in the securities to be purchased. A 7.50% return on the Debentures and Series A Preferred Stock was provided to approximate the interest cost to the government on its borrowed funds. The Association sought to limit the duration of the government's involvement by providing for redemption as stated in the terms of the securities issued to the government. ConRail will be required to use "cash available" to repurchase these securities. In addition, ConRail should refinance the government investment in the private sector as soon as it would be beneficial to do so.

Preservation of Private Enterprise Incentives

The Association has attempted to preserve private enterprise incentives primarily by keeping ConRail's Common Stock ownership in private hands. Under the proposed capital structure, the claimants against the estates of the railroads in reorganization will be the future stockholders and thus owners of ConRail. By limiting the amount of federal debt incurred by ConRail and by tying interest, dividend and redemption requirements to ConRail's projected "Cash Available," the proposed capital structure gives ConRail the flexibility it needs to attain and maintain solvency. As cash becomes available, ConRail's owners will receive dividends and interest payments on their securities. In addition, when the Series A Preferred Stock and 7.50% Debentures are redeemed, the Common Stock will be entitled to control and the full benefit of ConRail's earnings growth.

Create a Fair and Equitable Securities Package

To meet this objective, USRA feels it is essential that each estate be given a securities package with a value on conveyance date approximately equal to the net liquidation value of the assets conveyed to ConRail. Yet USRA recognizes that because of the uncertainties associated with the establishment of any new company such as ConRail the Series B Preferred Stock and Common Stock may not equal that value at that time. Therefore, Certificates of Value guaranteed by the government and having a redemption price which grows at an annual rate of 8 percent will be issued to the estates. For purposes of the *pro forma projections*, 21 million Certificates of Value with an ultimate value of $1.05 billion in 1987 have been assumed. When discounted at 8 percent per annum this has a present value of approximately $417 million. The number of Certificates issued at conveyance will be adjusted so that their present value will approximate the net liquidation value of the rail freight assets as determined by the Association. In the opinion of USRA, the package of securities issued to the estates will have a value no less than net liquidation value of the properties conveyed on the conveyance date as explained in Chapter 5.

ConRail's Board of Directors

Section 301(c) of the Act provides that the executive committee of USRA's board of directors shall be the incorporators of ConRail and shall serve as its board of directors until its securities are distributed by order of the Special Court. Section 201(h) provides that USRA's executive committee shall consist of the Chairman of the Board, the Secretary of Transportation, the Chairman of the ICC and two other members of USRA's board. Accordingly, these five individuals caused ConRail to be incorporated and are now serving as its board of directors.

Section 301(d) of the Act provides that after ConRail's securities are distributed its board of directors shall consist of fifteen members chosen by its securityholders in accordance with its articles and by-laws. There is, however, an important proviso: as long as 50 percent or more of ConRail's debt consists of USRA obligations or is owing to or guaranteed by the United States, the fifteen directors must include the Secretary of Transportation, the Chairman and President of USRA, and five other persons nominated by the President of the United States and confirmed by the Senate.

The present statutory provisions thus recognize the possibility that the government might become the major source of funds for ConRail, and hence the proposed government investment in ConRail would not of itself require any change in the Act's provisions for ConRail's board of directors. However, USRA believes that certain changes in the statutory provisions governing ConRail's board of directors will better effectuate the purposes of the Act in light of the findings and recommendations made elsewhere in this Plan. The first such change is that the transition from the 5-member board to the 15-member board should not await distribution of ConRail's securities but should occur when rail properties are conveyed to ConRail, or as soon thereafter as all of the presidential appointees have been confirmed.

One reason for this recommendation is that in view of USRA's continuing role in implementing the present Plan and reviewing and reporting on further proposals, it seems appropriate to eliminate the existing total overlap between USRA's executive committee and ConRail's board. A related point is that the Chairman of the ICC, who serves on USRA's executive committee, should not, in the opinion of the Association, be a ConRail director when it is an operating railroad subject to ICC regulation on a normal basis. Moreover, although ConRail's securities deposited with the Special Court will not be distributed immediately, they represent the ultimate private ownership of ConRail, and USRA believes they should be represented from the beginning on ConRail's board.

Two further considerations have led the Association to recommend changes in the composition of the 15-member board. First, to ensure a balanced representation, the Chairman and President of ConRail should be members. This recommendation, which does not preclude additional "inside" directors, will assure an appropriate connection between the board and management. Second, the substantial long-term investment by USRA, and the provision of two different equity securities for distribution to the transferors of rail property, suggest separate representation of these classes on the board. Accordingly, USRA recommends amendment of the Act to provide that the first post-conveyance board of directors of ConRail shall consist of the following 15 persons:

- the President of USRA,
- the Chairman and the President of ConRail,
- two persons elected by the holders of the Debentures and the Series A Preferred Stock, voting as a class,
- two persons elected by a voting trustee, or trustees, appointed by the Special Court for the Series B Preferred Stock,
- two persons elected by a voting trustee, or trustees, appointed by the Special Court for the Common Stock and
- six persons appointed by the President of the United States and confirmed by the Senate.

As soon as the Series B Preferred Stock and Common Stock are distributed, the voting trusts would be dissolved and these securities would be voted by their holders. All directors would, of course, hold office until their successors have qualified.

The foregoing composition of the ConRail board would exist during the period (estimated to be 5 years) in which USRA will make its $1.85 billion estimated investment in ConRail Debentures and Series A Preferred Stock, and during which USRA will receive additional Series A Preferred Stock in interest and dividend payments. Thereafter, directors appointed by the President and directors representing securities held by USRA would resign from the board on the following schedule and be replaced by directors representing the Series B Preferred Stock and Common Stock (in accordance with ConRail's charter) as follows:

- one presidential appointee would resign whenever the aggregate face amount of ConRail Debentures and Preferred Stock held by USRA or any agency of the United States goes below each of the following amounts: $2 billion; $1.6 billion; $1.2 billion; $.8 billion; $.4 billion;
- the two remaining directors elected by the holders of the Debentures and the Series A Preferred Stock would resign when the government's capital investment in ConRail is entirely repaid.

The purpose of this gradual replacement of directors elected or appointed by federal officials with directors elected by the Series B Preferred Stock and Common Stock is to recognize that the preponderance of investment in ConRail gradually shifts from the United States to private hands.

Funding Requirements for ConRail Operations

ConRail's funding requirements were estimated through a network of interrelated and interdependent planning decisions which yielded a specific final plan and indicated the funding needed, if that plan is accomplished.

Assumptions

The following sections summarize the key elements of the financial plan and discuss the primary purposes for which ConRail will require funds.

Financial Policy.—The Association adopted two financial policies that are reflected in the financial projections. First, USRA decided for planning purposes that ConRail should not cross-subsidize operations which generate operating losses. In adopting this policy, the Association anticipated that ConRail would be compensated fully for the services it provides to state and local passenger authorities and for the operation of unprofitable light density lines.[5] It was further assumed that selective rate increases would be granted to eliminate losses on traffic carried on a noncompensatory basis.

[5] The Act does not permit ConRail to discontinue during a 2-year period passenger operations on any lines where such service is now provided, nor does it compel the subsidization of such service over ConRail lines. It is the Association's belief, however, that Congress intended the costs of such losing operations to be met through external subsidies rather than through hidden cross-subsidies from ConRail's freight operations.

Second, the Association used the "depreciation" method for accounting for right-of-way expenditures instead of the traditional ICC method of "betterment" accounting. Under the former method certain expenditures necessary to restore the right-of-way property to a normal condition are capitalized and subsequently depreciated. Under the latter method the entire amount of such an expenditure is recorded as an expense in the year incurred. The method used does not in any way change ConRail's cash requirements.

Financial Projections.—The financial requirements are derived from the Association's projection of ConRail's operating results and capital requirements for the years 1976–85. These projections, detailed in Chapter 3, represent operating, rehabilitation and capital improvement plans made for ConRail and present the effects of efficiency gains expected over the period. The projections include the estimated impact of inflation in future years on ConRail's operating results and capital needs. They also incorporate the estimated rate increases which will be granted and realized to offset cost inflation.

Rehabilitation and Other Capital Improvements

The deteriorated physical plants of the railroads in reorganization must be rehabilitated to create an economically sound railroad system in the region. The proposed rehabilitation and capital improvements program for freight operations outlined in Chapter 1 and reflected in the *pro forma* forecasts is expected to cost about $4.2 billion over the 1976–85 period as indicated in Table 1.

The net requirements in Table 1 were based on the amount of work needed to consolidate facilities and to rehabilitate roadways and structures to predetermined standards against constraints imposed by the availability of labor and material and by financial considerations.

Equipment Acquisitions

Over the 10-year planning period ConRail is expected to acquire new equipment costing $1.78 billion. Of this amount, $1.25 billion is forecast to be financed from private sources. This $1.25 billion does not include $250 million of currently outstanding equipment obligations which ConRail will assume from the railroads in reorganization at conveyance. Annual new equipment requirements in the years, 1977–81 are less than in later years because gains in equipment utilization are projected for the earlier period. After these efficiencies are realized, ConRail will require additional equipment to accommodate traffic growth. Beginning in 1982, private financing requirements are in excess of $200 million per year, with a total of $984 million required for the 4-year period, 1982–85.

Projected equipment purchases are detailed in Table 3.

Working Capital

Working capital is a firm's current assets, including cash, short-term investments, accounts receivable and materials and supplies, less its current liabilities, which are its obligations payable within 1 year. Working capital may be divided into a short-term portion needed to meet seasonal fluctuations related to the volume and timing of business activities and a permanent portion. The permanent working capital portion is generally financed with long-term equity or debt while the short-term needs are met with short-term financing or by temporarily varying the net working capital position.

The amount of permanent working capital needed by a company is dependent on the degree of liquidity or margin of safety management wishes to maintain to meet its current obligations. Generally, the higher the level of net working capital and liquidity, the lower the risk of technical insolvency and the greater the flexibility of management.

The working capital positions of the railroads in reorganization have been severely depleted for years. Inadequate working capital greatly constrains the ability of management to operate properly and contributes to higher operating costs. The railroads in reorganization have been forced to finance working capital needs by deferring maintenance and capital im-

TABLE 3.—*ConRail equipment purchases 1976–85*

[Millions]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Total
ConRail's net down payments	$8	$109	$20	$31	$21	$16	$41	$50	$52	$62	$410
External financing	—	—	26	36	111	95	201	238	251	294	1,252
Total equipment additions	$8	$109	$46	$67	$132	$111	$242	$288	$303	$356	[1] $1,662
(Number of units)											
Locomotive purchases	—	214	95	103	208	95	95	113	114	117	1,154
Car purchases	—	925	388	—	—	1,423	4,904	5,357	5,281	5,877	24,155

[1] This total reconciles to the new equipment acquisitions of $1.781 billion by adding back credits for corridor equipment sold of $43 million and proceeds from retired equipment of $76 million.

provements. Such action has had a debilitating effect on the fixed plant and, if continued, would ultimately render the fixed plant unusable.

To avoid a recurrence of this situation, the Plan provides that ConRail will have an adequate amount of working capital from the outset including a reasonable margin of safety. The Plan provides that ConRail should maintain a minimum cash position equal to 31 days of freight operating expenses, and a current ratio, the ratio of current assets to current liabilities, of about 1.4:1.

ConRail's initial working capital will have to be replenished to absorb the $418 million of cash operating losses the carrier is expected to incur during its first 2 years of operations. ConRail's total working capital requirement is, therefore, that amount which will provide management with sufficient liquidity to function in a normal manner and meet required expenditures on schedule, and also to cover initial operating losses. The amounts of working capital forecast to be needed during the planning period are presented in Table 4.

Interest, Dividends and Redemption of Securities

The capital structure described earlier in the chapter proposed that ConRail make interest and dividend payments in cash on securities issued to USRA and the estates if "Cash Available" is sufficient to do so. If "Cash Available" is not sufficient, interest on the 7.50% Debentures and dividends on the Series A Preferred Stock are to be payable in shares of Series A Preferred Stock. Based on the financial projections presented in Chapter 3, the Association estimates that all interest and dividends on the Debentures and Series A Preferred Stock will be payable in shares of Series A Preferred Stock prior to 1982. Beginning in 1982, cash payments will commence in accordance with the "Priority Schedule for Restricted Cash Payments." [6] Table 2 presents a schedule of ConRail's cash requirements for interest, dividends and redemptions. The Table is based on the financial projections for 1976–85 and the assumption that "Income Available" for all years beginning in 1986 stays constant at the 1985 level.

Requirements Summary

Over the 10-year planning period the Association projects a need for federal financing for ConRail totaling $1.85 billion, in addition to a need of $1.25 billion in equipment financing from the private capital markets. It is also anticipated and assumed that ConRail will require and receive $1.65 billion of compensation for cash deficits attributable to passenger services provided, $69 million to cover losses from operations over light density lines and approximately $200 million for labor protection costs.

Finally, USRA has assumed that the acquisition by ConRail of properties in the Northeast Corridor and their subsequent transfer to Amtrak will impose no economic cost on or result in any economic gain to ConRail. The Act, as interpreted by the Special Court, does not permit the Final System Plan to set the terms of the transfer to Amtrak, and the terms and conditions of this transfer will have to be negotiated by ConRail and Amtrak.[7]

Funding Sources for ConRail Operations

ConRail's funding requirements will be met from internally generated funds, private sector financing, funding from mandated public subsidies, and other public sector financing. The first three sources are discussed below. ConRail will obtain other funds from the public sector as detailed in the section describing the securities to be issued to USRA.

Internally Generated Funds

Internally generated funds will constitute one of ConRail's major funding sources. The net amount of funds expected to be generated over the 10-year planning period is $3.6 billion. This amount is equal to the sum of net income (loss) and all noncash expenses. The *pro forma* statements reflect the application of all of the internally generated funds to ConRail's funding requirements prior to 1982. From that point, a portion of internally generated funds will be used to pay interest and dividends in cash on outstanding securities and to redeem securities held by the government, if cash is available as defined in Appendix A (see sections on Description of Securities Issued to USRA and the Estates).

Internally generated funds are contingent primarily on profit-making operations. The turnaround in profit performance is expected to come from: profit improve-

[6] See Appendix A number 16.

[7] *See In the Matter of Penn Central Transportation Co.*, 384 F. Supp. 895, 978–81 (E.D. Pa. 1974).

TABLE 4.—*Funds needed for working capital and other*

[Millions]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Total
Increase in net current assets	$207	$30	$19	$26	$40	$74	$4	$33	$68	$78	$579
Cash operating losses	278	140	—	—	—	—	—	—	—	—	418
Other (including net salvage proceeds)	(71)	(40)	(36)	21	(2)	3	5	7	17	28	(68)
Funds needed for working capital and other	$414	$130	$(17)	$47	$38	$77	$9	$40	$85	$106	$929

ment due to revenue increases from greater tonnage shipped; rate adjustments; cost reductions from system rehabilitation; better equipment utilization; and other operating efficiencies.

The amount of internally generated funds over the planning period is presented in Table 5.

TABLE 5.—*Internally generated funds from operations*

[Millions]

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	Total
Income (loss) before extraordinary item	$(332)	$(220)	$(79)	$35	$179	$234	$273	$315	$354	$397	$1,156
Depreciation	45	58	74	91	111	135	161	192	226	264	1,357
Series A Preferred Stock issued in lieu of interest	9	22	28	35	40	45	—	—	—	—	179
Deferred income taxes and tax loss carry forward	—	—	—	1	80	120	140	160	190	200	891
Internally generated funds	$(278)	$(140)	$23	$162	$410	$534	$574	$667	$770	$861	$3,583

Private Sector Financing

Current and Noncurrent Liabilities.—Projections for ConRail's current and noncurrent liabilities were based on the assumption that these items would provide a source of funds at the same relative level as maintained in the railroad industry. Thus, the balances for these accounts were derived as functions of expense or revenue accounts on the basis of average ratio relationships developed for the total industry over the period 1964–71. This methodology is reasonable assuming future operating conditions for the industry are similar to those of the past.

The amounts of ICC accounts related to pension, welfare and insurance reserves were not determined on the basis of an historical relationship. The balance of the pension and welfare reserve account was determined on the basis of a compilation of the most recent available actuarial calculations of the unfunded pension liability of the railroads in reorganization. It is assumed that future pension fund expenses will be fully provided for in the period incurred. The insurance reserve account has been eliminated in accordance with the Financial Accounting Standards Board Statement No. 5 which disallows a provision for losses not yet incurred.

Banking Relationships.—ConRail is expected to establish relationships with a number of commercial banks and to use a full range of their services. These include establishing lock boxes to accelerate deposits and employing automatic transfer checks to consolidate receipts. These methods will contribute to the efficient management of the company's working capital. ConRail is expected to seek bank letters of credit in instances where ConRail's suppliers require guaranteed payment. In addition, ConRail may seek to obtain lines of credit to ease temporary demands on its working capital. The commitment by the public sector to provide financial assistance to ConRail should facilitate the extension of lines of credit.

The company is not expected to incur any long-term bank debt or to borrow short-term funds to any large extent. The interest expense of short-term borrowings is expected to be negligible during the 10-year planning period and not increase the amount of financial assistance required by ConRail. The *pro forma* financial statements do not include provision for the interest expense of short-term bank borrowings.

Equipment Obligations.—Because of the unique nature and history of the equipment debt obligations market, private financing is expected to be a source of funds for meeting ConRail's $1.25 billion equipment financing requirement.

There are five basic financing alternatives for obtaining new equipment: cash purchases; short-term rentals; Philadelphia Plan equipment trust certificates (ETC's); conditional sales agreements (CSA's) and leasing. The last three are instruments of the equipment obligations market and bear further description.

The Philadelphia Plan equipment trust certificate is a legal device employed by railroads and other enterprises in financing the purchase of equipment by the sale of equipment obligations. Under this plan, equipment obligations usually are issued by a trustee who holds title to the rolling stock which is leased to the railroad. The railroad is required to make periodic rental payments to the trustee, sufficient to pay interest and serial maturities. When the last payment has been made and all the equipment trust certificates have been paid off, title to the equipment is conveyed to the railroad.

Equipment trust certificates issued under the Philadelphia Plan are secured by the equipment leased to the railroad and the lease, both of which are held by the trustee in trust for the benefit of the holders of the interests represented by the ETC's. Also, the certificates usually are guaranteed by the railroad leasing the equipment. Historically, ETC's have generally offered the lowest net interest cost to the railroads.

The equipment trust certificate market involves public competitive bidding and serves investors seeking specific maturities for special needs such as savings banks, pension funds, and state and municipal funds. Many fiduciaries are required by law to purchase only securities rated A or higher.

The conditional sales agreement is similar to the Philadelphia Plan except that instead of leasing the equipment, the railroad contracts to purchase the equipment under an installment or deferred plan. Legal title to the equipment is held by a trustee, and the equipment together with the conditional sales agreement constitute the security against which equipment trust certificates are issued. The CSA market is one of private placement (negotiated agreements) and includes large and sophisticated investors such as banks, insurance companies, mutual funds and large pension funds. On A-rated or better instruments the interest differential between ETC's and CSA's is small. CSA's generally are not available to railroads with less than A-rated equipment obligations.

Lease equipment financing is structured around an insurance company, commercial bank, independent leasing company, or leasing subsidiary of a manufacturer undertaking the purchase of railroad equipment and then leasing the equipment to the railroads. This transaction is based on two documents. One is a purchase agreement with the manufacturer whereby the lessor purchases the equipment to be leased either for cash in total or cash down payment and an agreement to pay the balance over a stipulated period. The other document is a contract leasing the equipment to the railroad for an initial term usually of 15 years with an option to renew the lease of any or all the equipment for an additional period at a fair rate or to purchase the equipment at fair market value. The lease rentals over the first 15 years are calculated to return the purchase price with interest and a profit to the lessor. The lessee railroad must maintain the equipment and is required to pay taxes on it. This method of financing also is negotiated privately.

An important aspect of equipment financing is that the equipment serves as its own collateral. Because the collateral is in discrete units, is easily transferable, and usually has a useful life substantially longer than the financing instrument, there is substantial security for the equipment obligation. Holders of equipment obligations, moreover, have a secured claim on the equipment and a right of repossession which puts the claim of ETC's and CSA's ahead of other funded debt to the extent provided by the right of repossession. Under the provisions of Section 77(j) of the Federal Bankruptcy Act, holders of ETC's and CSA's are allowed to enforce their lien on rolling stock during reorganization proceedings. Lessors, of course, own the equipment financed and thus have the highest available claim on their assets. Finally, equipment obligations have been historically one of the safest investments with virtually a default-free record. For these reasons, even railroads in weak financial condition have found equipment financing relatively easier to obtain than other financing.

Despite the security of equipment obligations and their historical record, the market still places an emphasis on the credit worthiness of the company as measured by various financial ratios. The Association conducted a study analyzing the six largest railroads having A-rated equipment obligations to develop an average profile of their financial characteristics. Table 6 presents the results of this study and demonstrates that if ConRail meets its financial projections during the 10-year planning period, its ETC's would in all likelihood earn an A or AA rating by the end of the period.

ConRail's private equipment financing needs over the 1976–85 period are projected to total $1.25 billion,[8] with $984 million needed in the years 1982–85. In the *pro forma* projections USRA conservatively assumed that ConRail would purchase equipment in its first 2 years of operation with government funding. The following 2 years it was assumed that 50 percent of the cost of new equipment would be financed through secured equipment instruments. Beginning in the fifth year, it was assumed traditional financing would be arranged with the 20 percent downpayment coming from internally generated funds and the remainder from the private capital markets.

TABLE 6.—*Financial profile of ConRail 1982–85 compared to profile of six railroads with equipment rating of A*

	A-rated railroads [1]							
	A	B	C	D	E	F	Average	ConRail [2]
Days cash reserve,[3] all operations	25	36	32	9	11	46	26	28
Days net working capital reserve, all operations [3]	1	2	0	15	0	4	4	37
Current ratio	0.90	1.02	0.92	1.10	0.79	0.99	0.95	1.43
Operating ratio [4]	80.16	73.35	77.53	77.83	82.47	74.07	77.57	71.48
Times fixed charges earned [5]	1.24X	2.03X	2.05X	3.13X	1.27X	3.03X	2.12X	[6] 5.00X
Margin of safety [7]	1.05%	4.23%	6.70%	6.29%	1.20%	6.81%	4.38%	10.87%
Debt to total long-term capitalization	N/A	36.8%	47.3%	31.3%	40.5%	57.5%	42.7%	[7] 34.0%

[1] Source: Moody's Transportation Manual 1974 and ICC R-1 Reports; average of years 1970–74.
[2] Average of 1982–85.
[3] Days of operating expenses in cash or net working capital.
[4] Freight operations only.
[5] Income available for fixed charges before federal income taxes divided by fixed charges.
[6] Under the proposed capital structure ConRail has no long-term debt other than equipment obligations and the 7.50% Debentures.
[7] Net income (after fixed charges and taxes) plus federal income taxes divided by gross freight revenues; represents the amount by which gross freight revenues could decline, assuming no drop in freight operating expenses, before endangering fixed charge coverage.

ConRail may elect to lease rather than purchase part or all of its equipment needs during the forecast period. For purposes of the projections, all equipment additions have been assumed to be purchases, since this assumption more clearly portrays total financing requirements.

The Association recognizes that the level of equipment financing to be issued from 1982 through 1985 is sizable and will represent a significant portion of the total equipment obligation market, but a small sum in

[8] This amount does not include equipment presently owned by the railroads in reorganization and scheduled to be conveyed to ConRail. ConRail will assume the ETC's, CSA's and leases on conveyed equipment. Equipment obligations (excluding leases) assumed by ConRail at conveyance will total $250 million as shown in Note No. 2 to the *pro forma* statements in Chapter 3.

the context of the entire capital markets. Further, by 1982, when ConRail will proceed with significant equipment financing, its management will have had an opportunity to demonstrate an operating record. By then, if projections have been met, management can present a profitable company with attractive financial ratios. A successful track record should engender confidence and enable ConRail to obtain the needed equipment debt.

It will be necessary for ConRail's financial management to work with an experienced equipment obligations banker in developing an appropriate mix of the equipment debt instruments and in balancing and spacing equipment debt issues over the time period involved. The choice between instruments will be made at any period of time on the basis of relative cost and the state of the respective markets.

With successful operations that meet the projections, ConRail will have sufficient cash resources and flexibility to increase, if necessary, the equity downpayments somewhat above the usual 20 percent thus enhancing the marketability of various issues in the private capital markets. The lack of any long-term debt other than the 7.50% Debentures in ConRail's capital structure should further enhance the marketability of the equipment issues.

Considering the nature of the equipment obligations market and ConRail's financial status at the time it would begin seeking extensive equipment financing, it is reasonable to believe private sector financing will be available to meet ConRail's needs in the amounts forecasted in the *pro forma* statements.

Employee Stock Ownership Plan.—USRA has determined there is no present financial advantage or likely increase in employee motivation for ConRail in the establishment of an employee stock ownership plan. The use of an ESOP as a potential source of funds for ConRail is discussed in appendix B of this chapter.

Long-Term Borrowing From the Private Sector.—The railroad industry has had severely limited access to the equity markets since before World War II, thus forcing railroads' capital needs to be met through internally generated funds or through the issuance of debt. Because of poor profitability and debt-heavy capital structures, however, internal and external funds have been increasingly unavailable to the industry.

According to statistics published by the Association of American Railroads, the rate of return for Class I railroads in the U.S. has not been as high as 4 percent in the past 15 years. With this low level of profitability, financial ratios have suffered badly. At the same time the cost to railroads for needed capital, when available, has risen to between 8 and 11 percent.

As a result, since World War II the industry has not been able to compete effectively for private capital, except for equipment financing. Since 1955, the absolute dollar holdings of insurance companies in railroad bonds have been declining. Only a few railroads still are able to issue long-term bonds and these tend to be holding companies which are issuing the debt on the strength of their nonrail as well as rail earnings. In 6 of the 10 years ended in 1973 there were no new railroad bond issues. For those few debt securities issued, the trend has been away from traditional mortgage bonds to the general obligation negative pledge debt.

Since 1962 the deficit of cash flow in relation to capital expenditures for the industry has been nearly $6 billion (see accompanying Table 7) with the principal means of meeting this cash deficit being equipment financing. Funded debt for the industry currently totals about $10.5 billion, of which $1.3 billion will mature in the next 10 years. The prospect of rolling over this debt is dim, particularly in light of the fact that only about $300 million in new conventional long-term debt was raised in the last 5 years. Deferred maintenance and capital improvements are estimated to total $7.2 billion, reflecting insufficient earnings and inability to borrow. The total of funded debt, deferred maintenance and lease obligations amounts to $19 billion, but industry income in 1974, a relatively profitable year, was only $750 million. With this difficult situation and no prospect for change in the inadequate industry rate of return, it is understandable why the conventional long-term debt market has dried up. For example, most of the major insurance companies, which have been the biggest source of capital to the rail industry, are unwilling to invest in railroad securities other than equipment obligations.

TABLE 7.—*Capital expenditures and cash flow—Class I railroads in the United States*

[Millions]

Year	Expenditures for additions and betterments				
	Equipment	Roadway and structures	Total	Cash flow from operations [1]	Excess of cash flow over capital expenditures
1962	$593.4	$239.6	$833.0	$863.4	$30.4
1963	784.9	258.9	1,043.8	949.7	[2] 94.1
1964	1,139.7	277.6	1,417.3	926.8	[2] 490.5
1965	1,303.6	327.1	1,630.7	1,057.9	[2] 572.8
1966	1,554.2	398.6	1,952.8	1,149.2	[2] 803.6
1967	1,148.4	374.1	1,522.5	816.7	[2] 705.8
1968	818.7	368.3	1,187.0	828.7	[2] 358.3
1969	1,088.7	420.7	1,509.4	815.6	[2] 693.8
1970	993.1	358.3	1,351.4	618.0	[2] 733.4
1971	863.5	314.1	1,177.6	784.1	[2] 393.5
1972	847.6	368.0	1,215.6	923.1	[2] 292.5
1973	892.7	449.4	1,342.1	964.1	[2] 378.0
1974	1,038.1	527.3	1,565.4	1,102.0	[2] 463.4

[1] Includes ordinary net income, depreciation and retirement charges, less cash dividends.
[2] Deficiency.

SOURCE: Association of American Railroads April 1975.

Thus, it is readily apparent that conventional long-term financing would not be available to ConRail as a new entity with no record on which to judge its credit worthiness. Even if long-term financing were available, ConRail could not afford to service it. The cost would be so high and the burden so difficult as to defer profitability indefinitely and greatly increase the risk of failure or future insolvency. The use of private long-term debt would be considered once financial strength is achieved and could be maintained.

The need for long-term financing for ConRail is, however, critical. With private financing unavailable, ConRail has no choice but to rely on the public sector until it achieves financial strength.

Funding From Mandated Public Subsidies

The Act provides for ConRail to receive funding to offset deficits of certain activities that would otherwise be unprofitable for the railroad. In addition, it provides that ConRail's operation over any light density lines eligible for abandonment over which a state wishes rail service maintained may be subsidized by federal government and state governments. The Act also authorizes payment of $250 million to cover the reorganization-related costs of dismissing or relocating railroad employees. Finally, state and local transportation authorities contract with ConRail to reimburse the company for deficits from passenger services.

- Pursuant to the provisions of the Act, various light density branch lines have been identified for abandonment and will not be conveyed to ConRail. The Act provides, however, a period during which operations on these lines will be continued if satisfactory subsidy arrangements are made. During this period ConRail will provide rail service over these lines if state or local governments or shippers are willing to reimburse ConRail for 30 percent of the operating losses. The Federal Government will pay an amount equal to the remaining 70 percent of the losses where state or local governments provide the required portion of the subsidy. At the end of any subsidy period, ConRail may discontinue operations. The Act authorizes the federal government to spend up to $90 million in each of the 2 years for this subsidy program. The Association projects, however, that the deficits from operation of the lines eligible for subsidy will be $33 million in 1976 and $36 million in 1977.
- The Act recognizes that ConRail's management may need to terminate, separate or relocate employees of the railroads in reorganization as part of the consolidation process. The Act protects employees of railroads in reorganization and it authorizes up to $250 million for payment to ConRail and certain other railroads involved in the regional reorganization as reimbursement for employee protection costs. As shown in Table 8 of Chapter 6, this $250 million authorization should be adequate for these purposes.
- ConRail will continue to provide passenger services. The Association has assumed that avoidable cost contracts will be negotiated between ConRail and local or regional transportation authorities to provide ConRail with reimbursement for avoidable costs incurred by providing passenger services. The contracts should also provide for ConRail to receive a reasonable rate of return on assets employed in the provision of passenger services. The objective of the contracts should be to ensure that passenger services do not represent continued deficits for ConRail.

The pro forma financial statements segregate passenger service revenues, including reimbursement for net avoidable costs. Note 4 to the financial statements (see Chapter 3) shows USRA's forecast that ConRail's service operations will generate a cash deficit of $1.65 billion over the 10-year planning period unless reimbursement is provided by Amtrak and commuter authorities. Since ConRail is expected to manage passenger operations on a custodial basis, it has been assumed that road additions and improvements, equipment acquisitions and working capital related to the provision of passenger service will be provided by these authorities.

Financial Programs

The Act established six financial programs related to the railroads in reorganization. These programs now provide both permanent and interim financing up to a total of $2.512 billion.[9] Administration of the programs is shared among USRA, Department of Transportation, Interstate Commerce Commission, and the Railroad Retirement Board.

Section 211

Section 211 of the Act authorizes the Association to make loans to:

- ConRail, Amtrak and other railroads for achieving the goals of the Act;
- State, local or regional authorities to assist in acquiring or modernizing rail lines they elect to operate;
- Those solvent railroads whose lines connect with the railroads in reorganization and are in "need of financial assistance to avoid reorganization proceedings under section 77 of the Bankruptcy Act."

Under sections 210 and 211, as presently constituted, outstanding obligations cannot exceed $1.5 billion, of

[9] Funds available under section 211 ($1.5 billion), section 213 ($282 million), section 215 ($300 million), sections 402 and 403 ($180 million) and section 509 ($250 million).

which not more than $1 billion may be loaned to ConRail. At least half of this $1 billion must be spent on rehabilitation and modernization of properties designated to be a part of the ConRail System. The financing proposed in this capital structure would be a substitute for the $1 billion identified in the Act as it is now written.

The intent of Congress, stated in the Act, is that the section 211 loans "be made on terms and conditions which furnish reasonable assurance that the Corporation or the railroads to which such loans are granted will be able to repay them within the time fixed and that the goals of the Final System Plan are reasonably likely to be achieved" (section 211(f)).

Procedures governing most loan application categories are published as Title 49, Chapter IX, Part 921 of the U.S. Code of Federal Regulations. To date, the Association has received two applications from railroads connecting with those in reorganization for loans to avoid bankruptcy proceedings. In their original applications to USRA the Missouri-Kansas-Texas Railroad Co. (M-K-T) requested a $21 million loan on August 30, 1974, and the Chicago Rock Island & Pacific Railroad (Rock Island) requested a $100 million loan on September 19, 1974.

The funds requested by the Rock Island were to be applied toward rehabilitation of fixed plant and for general corporate purposes. The Association was unable to find that the Rock Island qualified for a loan under the provisions of the legislation, and therefore the Association's Board of Directors denied the request. Although the Association agreed that the Rock Island faced imminent bankruptcy, it found that the collateral offered to secure the loan was inadequate. Moreover, there was some question as to the adequacy of the size of the loan requested to avoid insolvency of the carrier and grave reservations about the ability of the Rock Island to repay the loan according to proposed terms.

The M-K-T was able to satisfy the requirements of section 211. The Association found that it indeed faced the prospect of bankruptcy if not granted a loan and that it could supply both collateral and reasonable assurance of repayment. In March the Association approved a $19.0 million loan to the M-K-T for the primary purpose of rehabilitating the railroad's main line between Houston and Elgin, Texas. A portion of the loan will also be used for repair of rolling stock and for general corporate purposes. The first drawdown of $8.9 million took place June 27, 1975.

M-K-T demonstrated that it could repay the loan as a result of the cash to be generated from normal operations including the carrying of coal to a new power generation facility that is being built on the Elgin to Houston line. The M-K-T expects to haul 4 million tons of coal over the rehabilitated line when the power generation facility is completed. Also supporting repayment of the loan is an agreement among USRA, M-K-T and M-K-T's parent company, Katy Industries relating to tax loss benefits of M-K-T. The agreement provides that M-K-T's tax loss benefits after the date of the loan, realized as a result of M-K-T's inclusion in Katy Industries' consolidated tax return, will be paid to M-K-T to be reinvested in the railroad and applied toward the repayment of the USRA loan. Katy Industries further guarantees that this agreement will provide at least $6 million to M-K-T for reinvestment and repayment of the USRA loan during the first 3 years. In addition M-K-T pledged $33 million of its prior lien mortgage bonds as security for the loan.

Section 213

Section 213 of the Act originally authorized the Secretary of Transportation to provide up to $85 million in emergency assistance to railroads in reorganization pending implementation of the Final System Plan. As stated in the Act, the Secretary is authorized to "pay to the trustees of the railroads in reorganization such sums as are necessary for the continued provision of essential transportation services by such railroads. Such payments shall be made by the Secretary upon such reasonable terms and conditions as the Secretary establishes, except that recipients must agree to maintain and provide service at a level no less than that in effect on the date of enactment of this Act." By February 1975 most of these funds had been spent, yet cash shortages of the railroads in reorganization continued. On February 28, 1975, therefore, Congress amended the Act to increase the funding available under section 213 from $85 million to $282 million.

As of June 30, 1975 six railroads in reorganization have received section 213 funds or commitments totalling $191.7 million to enable them to continue essential services: Penn Central has received $158 million; Central of New Jersey $14.3 million; the Lehigh and Hudson River $482,300; the Lehigh Valley $6.3 million; the Ann Arbor $2.3 million; and the Erie Lackawanna $10.3 million (see Table 8).

Section 215

At the time the Act was passed, the purpose of Section 215 was to provide interim assistance of up to $150 million to advance the process of rehabilitating the physical plant of the carriers in reorganization during the planning process and prior to the start-up of ConRail. The program was to be administered by the Secretary of Transportation who, with the approval of the Association, was to enter into agreements with the railroads in reorganization for the acquisition, maintenance or improvement of rail properties conveyed to ConRail. The details of applications filed pursuant to regulations issued by the Secretary of Transportation and the originally proposed program were shown in the Preliminary System Plan.

REGIONAL RAIL REORGANIZATION ACT OF 1973

TABLE 8.—*Obligations and Outlays Under Section 213—Status as of June 30, 1975*

	Millions
Total funds authorized[1]	$282.0
Total funds appropriated[1]	210.0
Total funds obligated/committed[2]	191.7
Balance of appropriated funds[3] available for obligation	18.3
Total outlays against obligations	191.6

(Millions)

	Obligations	Outlays	Drawdowns available under existing obligations
PC	[1] $158.0	$158.0	0
CNJ	14.3	14.3	0
LV	6.3	6.3	0
EL	10.3	10.3	0
AA	2.3	2.3	0
L. & H.R.	.5	.4	.1
Total	$191.7	$191.6	$.1

[1] Includes $25 million for Northeast Corridor Development.

[2] Includes $20 million of funds designated for the Northeast Corridor Development. These funds were provided under the Penn Central second grant agreement amendment dated May 22, 1975, to offset, in part, the shortfall resulting from Amtrak's inability to make $26.7 million in normal remittances to Penn Central as a result of a delay in the appropriation by Congress of funds for Amtrak. At such times as the Administrator directs, the trustees shall deposit in a separate account, subject to the sole control of the Administrator, an amount equal to the funds provided under the second amendment. To date, $5 million has been so deposited.

[3] Includes $5 million of funds designated for the Northeast Corridor Development.

With the decline in the economy, it quickly became apparent that the railroads in reorganization would need additional governmental assistance to continue operations and maintain their projected level of maintenance until ConRail's activation. Therefore, in February, 1975, Congress passed an amendment to the Act[10] to permit section 215 to be used for "program maintenance" to help meet the cash deficits of the railroads as well as for advancing rehabilitation. The amendment also increased the section 215 funds to $300 million and provided for forgiveness of all or part of the debt to be incurred by ConRail as a result of the program.

Proposed Program

The two objectives of funding program maintenance and rehabilitation under section 215 are difficult to accomplish in light of the deteriorating cash position of the eligible railroads and the limited funds available under both sections 213 and 215. As a result, more funds were allocated to relieve the cash situation of the carriers than to advance rehabilitation. The current section 215 program proposed by the Department of Transportation and approved by the Association is shown in Table 9. The program seeks to:

- Ensure performance of critical program maintenance originally scheduled by the carriers;
- Increase the plant program maintenance $37 million above the carriers' planned levels, and provide an additional $25 million for maintenance-of-way machinery and cars;
- Supplemental section 213 funds used to meet the carriers' cash deficits through March 31, 1976, and
- Enable USRA to take advantage of temporary surpluses in key materials (e.g. rail and ties) resulting from cancellation of orders by other railroads during the recent economic downturn.

Agreements and Implementation

The Secretary of the Department of Transportation, working with the Association, negotiated plant program maintenance agreements with each of the five carriers. There were three types of agreements: equipment acquisition, materials acquisition and implementation of the programmed work. Separate agreements were used so that the placement of orders for long-lead time items would not be delayed while the railroads were negotiating the complex and more time consuming implementation agreements with the Department

[10] Sec. 215(a) *Purposes.*—Prior to the date upon which rail properties are conveyed to the Corporation under this Act, the Secretary, with the approval of the Association, is authorized to enter into agreements with the trustees of the railroads in reorganization in the Region (or railroads leased, operated, or controlled by railroads in reorganization)—

(1) to perform the program maintenance on designated rail properties of such railroads until the date rail properties are conveyed under this Act; (2) to improve rail properties of such railroads; and (3) to acquire rail properties for lease or loan to any such railroads until the date such rail properties are conveyed under this Act, and subsequently for conveyance pursuant to the final system plan, or to acquire interests in such rail properties owned by or leased to any such railroads or in purchase money obligations therefor.

(b) *Conditions.*—Agreements pursuant to subsection (a) of this section shall contain such reasonable terms and conditions as the Secretary may prescribe. In addition, agreements under paragraphs (1) and (2) of subsection (a) of this section shall provide that—

(1) to the extent that physical condition is used as a basis for determining, under section 206(f) or 303(c) of this Act, the value of properties subject to such an agreement and designated for transfer to the Corporation under the final system plan, the physical condition of the properties on the effective date of the agreement shall be used; and

(2) in the event that property subject to the agreement is sold, leased, or transferred to an entity other than the Corporation, the trustees or railroad shall pay or assign to the Secretary that portion of the proceeds of such sale, lease, or transfer which reflects value attributable to the maintenance and improvement provided pursuant to the agreement.

(c) *Obligations.*—Notwithstanding section 210(b) of this title, the Association shall issue obligations under section 210(a) of this title in an amount sufficient to finance such agreements and shall require the Corporation to assume any such obligations. The aggregate amount of obligations issued under this section and outstanding at any one time shall not exceed $300 million. The Association, with the approval of the Secretary, shall designate in the Final System Plan that portion of such obligations issued or to be issued, which shall be refinanced and the terms thereof, and that portion from which the Corporation shall be released of its obligations.

(d) *Conveyance.*—The Secretary may convey to the Corporation, with or without receipt of consideration, any property or interests acquired by, transferred to, or otherwise held by the Secretary pursuant to this section or section 213 of this Act."

TABLE 9.—*Authorized programs by carrier*
(Millions)

	PC	EL	LV	RDG	CNJ	Others	Total
Plant program maintenance	$136. 1	$12. 0	$4. 5	$3. 7	$3. 7	—	$160. 0
Equipment maintenance	53. 0	—	—	—	—	—	53. 0
Capital projects	7. 0	—	—	—	—	—	7. 0
Equipment debt repayment	—	7. 6	. 9	2. 0	. 3	—	10. 8
Locomotive acquisitions	—	—	3. 4	—	—	—	3. 4
Machinery and car acquisitions	—	. 3	. 5	—	—	[1] $24. 2	25. 0
Additional track materials	—	—	—	—	—	12. 0	12. 0
Interest	—	—	—	—	—	9. 0	9. 0
Available for other uses	—	—	—	—	—	19. 8	19. 8
Total	$196. 1	$19. 9	$9. 3	$5. 7	$4. 0	$65. 0	$300. 0

[1] Titled to USRA and/or for benefit of ConRail;, but, in interim, being used on Penn Central.

and the Association. Penn Central's Reorganization Court approved its implementation agreement on June 20, 1975. Agreements with other carriers have been negotiated and should be approved by August 1. Equipment repair and equipment obligations agreements were negotiated separately.

In March 1975 the Department of Transportation and the Association agreed in principle to have the Association undertake responsibility for implementing these agreements. Under the memorandum of understanding dated June 12, 1975, USRA is to ensure that the participating railroads comply with the agreements by monitoring procurement, inspecting the work in progress, accepting completed work and performing other monitoring functions.

Assumption of Obligations

The amended section 215 of the Act requires that "the Association, with the approval of the Secretary, shall designate in the Final System Plan that portion of such obligations issued or to be issued which shall be refinanced and the terms thereof, and that portion from which the Corporation shall be released of its obligations." Therefore, broad principles have been developed and approved by the Secretary against which present and future disbursements can be classified for assumption by ConRail or others. In making this determination, the Association was guided by the principle that ConRail should be obliged to repay only those funds which were used to enhance the value of rail properties scheduled to be conveyed. To maintain consistency with its other valuation efforts, the Association recommended to the Department of Transportation, which concurred, that the net liquidation method of valuation, as outlined in Chapter 5, be used to measure the amount of value added to the rail properties as the result of funds expended under the section 215 program. Applying this standard, the Association, with the approval of the Secretary, designates pursuant to section 215(c) that ConRail assume approximately $64 million of section 215 obligations and that ConRail be released from any obligation with respect to the remaining section 215 obligations.

The obligations assumed by ConRail should be refinanced as described earlier in the chapter with the exception of those obligations which were used to finance equipment or interests in purchase money obligations issued to acquire equipment. Such Equipment and interests acquired with section 215 funds and conveyed to ConRail will serve as security for such obligations to the extent of the amount of obligations originally issued for that purpose and in a manner consistent with private sector equipment financing practices.

Sections 402 and 403

Section 402 provides up to $180 million ($90 million in each of 2 years) to assist states in the Region in operating rail services over properties that will not be conveyed to ConRail, but which the states deem necessary in order to prevent unemployment, energy shortages and degradation of the environment. Section 403 authorizes loans under section 211 to assist states or local regional transportation authorities in acquiring and modernizing properties not recommended for inclusion in the Final System Plan but required for continuation of local services.

Section 509

Section 509 authorizes an aggregate sum of $250 million for payment of benefits to protected employees of the railroads in reorganization and railroads acquiring properties under the Final System Plan. ConRail, USRA (where applicable) and acquiring railroads, as the case may be, are responsible for the actual payment of all allowances, expenses and costs to protected employees. Protection costs, however, provided in the Act are subject to reimbursement by the Railroad Retirement Board from a separate account maintained in the Treasury of the United States.

Appendix A

Terms of Securities

Capital Structure

Summary of principal terms of securities issued to the USRA and to the estates

	7.50% Debentures due 2011	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Certificates of Value
1. Issuer	ConRail.	ConRail.	ConRail.	ConRail.	USRA.
2. Issued to	USRA.	USRA.	Estates.	Estates.	Estates.
3. Amount authorized	$1,000,000,000 principal amount.	40 million shares.	30 million shares.	250 million shares.	21 million Certificates.
4. Amount authorized for issuance pursuant to final system plan.	$1,000,000,000 principal amount.	17.5 million shares, as follows: (A) 8,500,000 shares with respect to the funding of rehabilitation and other capital programs, purchase of equipment, and funding of working capital requirements; and (B) 9,000,000 shares with respect to the payment, in lieu of cash payment, for interest due on the Debentures and dividends due on the outstanding shares of Series A Preferred Stock.	21 million shares.	21 million shares.	21 million Certificates to be issued in 83 series, with one series allocated to each estate.
5. Issuance price	100% ($1,000,000,000 in total).	$100 per share	Not applicable (exchanged for rail properties).	Not applicable (exchanged for rail properties).	Not applicable.
6. Principal amount or par value.	$1,000 minimum denomination.	$1 per share.	$1 per share.	$1 per share.	Not applicable.
7. Preference in liquidation.	Senior to Series A Preferred Stock, Series B Preferred Stock, and Common Stock.	Liquidation value of $100 per share, with full preference over Series B Preferred Stock and Common Stock.	Liquidation value of $50 per share, with full preference over Common Stock.	No preference.	Not applicable—See "Redemption."
8. Purpose of issuance	Funding of rehabilitation and other capital programs, purchase of equipment, and funding of working capital requirements, refinancing of Section 215 loans.	(A) Funding of rehabilitation and other capital programs, purchase of equipment, and funding of working capital requirements, (B) As payment, in lieu of cash payment, for interest due on the Debentures and dividends due on the outstanding shares of Series A Preferred Stock.	Consideration for assets transferred from estates.	Consideration for assets transferred from estates.	Consideration for assets transferred from estates.
9. Issuance date	Issuance to occur during the first several years after the Conveyance Date. Full $1 billion principal amount to be issued prior to issuance of any Series A Preferred Stock pursuant to "Series A Preferred Stock—Purpose of Issuance. Section A."	Issuance to occur during the first several years after the Conveyance Date. No issuance of Series A Preferred Stock permitted pursuant to "Series A Preferred Stock—Purpose of Issuance, Section A", prior to issuance of all of the initially authorized Debentures.	Conveyance date.	Conveyance date.	Conveyance date.

10. Interest or dividend.	7.50% annually, payable once each year based on the principal amount outstanding in the prior year. Payable in cash, if cash is available pursuant to (i) the definition of cash available for restricted cash payments and (ii) the priority schedule for restricted cash payments; otherwise payable through the issuance of shares of Series A Preferred Stock, with such shares credited for such purpose at their issuance price.	$7.50 per share, payable once each year based on the number of shares outstanding in the prior year. Payable in cash, if cash is available pursuant to (i) the definition of cash available for restricted cash payments and (ii) the priority schedule for restricted cash payments; otherwise payable through the issuance of additional shares of Series A Preferred Stock, with such additional shares credited for such purpose at their issuance price.	$5.00 per share on a noncumulative basis, payable in cash once each year, based on the number of shares outstanding in the prior year if cash is available pursuant to (i) the definition of cash available for restricted cash payments and (ii) the priority schedule for restricted cash payments.	None payable prior to the full redemption of the Series A Preferred Stock. Thereafter payable as declared by the Con Rail Board of Directors.	Not applicable.
11. Redemption	Required in each year beginning 1986 if cash is available pursuant to (i) the definition of cash available for restricted cash payments and (ii) the priority schedule for restricted cash payments; the amount not otherwise redeemed will be due on Jan. 1, 2011, the maturity date.	Required in each year if cash is available pursuant to (i) the definition of cash available for restricted cash payments and (ii) the priority schedule for restricted cash payments.	No mandatory redemption.	Not applicable.	On the Redemption Date, each Certificate of Value will be redeemed by the USRA at the Redemption Price. The obligation to redeem the Certificates shall be a full faith and credit obligation of the United States.
12. Call feature	At any time, pursuant to a vote of ConRail's Board of Directors, at a price of 100%.	At any time, pursuant to a vote of ConRail's Board of Directors, at a price of $100 per share.	At any time, after Dec. 31, 1987, at a price of $50 per share, provided that all shares of Series A Preferred Stock have been redeemed.	Not applicable.	See "Redemption."
13. Conversion feature	Convertible into shares of Series A Preferred Stock at any time, at the option of the holder, at a conversion ratio of 10 shares per $1,000 principal amount of Debentures.	Not applicable.	Not applicable.	Not applicable.	Not applicable.
14. Voting rights	As described in chapter.	As described in chapter.	As described in chapter.	As described in chapter.	As described in chapter.
15. Covenants and restrictions.	Consent of the holders of a majority of the principal amount of the Debentures and of the shares of Series A Preferred Stock will be required among other things with respect to: (i) Any material change in the charter or by-laws of ConRail; (ii) Incurrence of any debt other than equipment debt, permitted short-term debt and a specified level of long-term debt; (iii) Any mortgage or lien other than normally permitted liens; (iv) Any material disposition or acquisition of assets; (v) Any material change in the business conducted by ConRail; (vi) Any issuance of securities, other than as contemplated by the Final System Plan, that would adversely affect the Government's interest.		Certain rights with respect to corporate actions which would have a materially adverse effect on Series B Preferred stockholders.	Not applicable.	Not applicable.
16. Priority schedule for restricted cash payments.	Restricted cash payments each year will be made out of, and will be in an amount no greater than cash available for restricted cash payments, according to the following schedule of priorities. Restricted cash payments will be made each year: (1) to pay the interest on the debentures; then (2) to pay the dividends on the Series A Preferred Stock; then (3) to pay the dividends on the Series B Preferred Stock; then (4) to redeem in full the debentures; and then (5) to redeem in full the Series A Preferred Stock. In any year, no restricted cash payments may be made with respect to a given level of priority unless for that year all required restricted cash payments have been made with respect to all higher levels of priority.				Not applicable.

Capital Structure

Summary of principal terms of the securities issued to the USRA and to the estates—Continued

	7.50% Debentures due 2011	Series A Preferred Stock	Series B Preferred Stock	Common Stock	Certificates of Value

17. Definitions

(1) *Conveyance Date*—The date on which the railroad assets are transferred from the estates to ConRail.

(2) *Restricted Cash Payments*—In any year, the sum of (a) payments in cash of interest on the Debentures, plus (b) payments in cash of dividends on the Series A Preferred Stock, plus (c) payments in cash of dividends on the Series B Preferred Stock, plus (d) payments for redemption of the Debentures, plus (e) payments for redemption of the Series A Preferred Stock.

(3) *Income Available For Restricted Cash Payments* (i.e., "income available")—In any year, (a) net income, plus (b) deferred taxes, plus (c) interest on the Debentures, in each case as recorded in ConRail's income statement for the prior year.

(4) *Cash Available For Restricted Cash Payments* (i.e., "cash available")—(a) During the period 1976 through 1980 in each year, equal to $0; (b) during the period 1981 through 1985, in each year, equal to the lesser of (i) 25 percent of income available for restricted cash payments, and (ii) the amount by which cumulative income available for Restricted Cash Payments exceeds the sum of Cumulative Restricted Cash Payments plus $500 million; (c) during the period after 1985, in each year, equal to the lesser of (i) 50 percent of income available for Restricted Cash Payments, and (ii) the amount by which Cumulative Income Available For Restricted Cash Payments exceeds the sum of Cumulative Restricted Cash Payments plus $500 million. See "Priority Schedule for Restricted Cash Payments."

Certificates of Value:

Redemption Date—A date on or prior to to Dec. 31, 1987, to be designated by the USRA.

Notice Date—A date, to be designated by the USRA and to be not less than 30 days nor more than 90 days prior to the Redemption Date.

Valuation Base—With respect to each Certificate for each year, the amount indicated in the following schedule (assuming 21 million certificates):

Year of redemption	Valuation base	Year of redemption	Valuation base
1976	$21.44	1982	$34.03
1977	23.16	1983	36.75
1978	25.01	1984	39.69
1979	27.01	1985	42.87
1980	29.17	1986	46.30
1981	31.51	1987	50.00

Redemption Price—for each series, an amount equal to (i) the "valuation base" less (ii) the value of one share of Series B Preferred Stock, less (iii) the product of (a) the value of one

share of Common Stock times (b) a fraction, the numerator of which is share of Common Stock times (b) a fraction, the numerator of which is the number of shares of Common Stock allocated to the estate receiving such series at the Conveyance Date, and the denominator of which is the number of shares of Series B Preferred Stock allocated to the estate receiving such series at the Conveyance Date, less (iv) the sum of the dividends paid by ConRail per share of Series B Preferred Stock to the Redemption Date. If a *bona fide* trading market exists for shares of Series B Preferred Stock and Common Stock, the value of such shares will be considered to be the average of the market prices for such shares for a period of 20 consecutive trading days ending 5 trading days prior to the Notice Date. If a *bona fide* trading market does not exist for such shares then the value of such shares will be determined by the Board of Directors of USRA, after receipt by such Board of the opinion of three independent investment banking firms regarding the value of such shares 5 days prior to the Notice Date. Of these three firms, one will be selected by the Government Investment Committee, one will be selected by the Directors of ConRail representing the interest of the holders of the Series B Preferred Stock and Common Stock and one will be selected by the two firms so selected.

Appendix B

Employee Stock Ownership Plan

Section 206(e) of the Act requires that the Final System Plan set forth "the manner in which employee stock ownership plans may to the extent practicable, be utilized for meeting the capitalization requirements of the Corporation." In accordance with this requirement, the Association conducted a thorough study of the Employee Stock Ownership Plan (ESOP), retaining the services of expert consultants in corporate finance, employee motivation and employee benefits.[1]

An Employee Stock Ownership Plan is an arrangement to place employer stock in the hands of employees, while at the same time providing the corporation with a source of investment capital. The employer makes predetermined annual contributions to a money purchase pension plan trust for the purpose of transferring ownership of company stock through the trust to eligible employees. Contributions for this purpose represent a tax deduction to the corporation if it establishes a trust under a stock bonus plan qualified under Section 401(a) of the Internal Revenue Code.

Once established, the trust arranges for a loan from a bank or other lending institution, the proceeds of which are used to purchase newly-issued stock from the corporation. The loan to the trust is secured by the stock purchased and held by the trust and guaranteed by the sponsoring corporation. In establishing the ESOP the corporation makes contributions to the plan in an amount related to the size of the plan and the salary and wages of participating employees. Interest and principal payments on the loan to the trust are made out of these contributions. The contributions, to the extent that they do not exceed 15 percent of the wages and salaries of the participating employees, are fully tax deductible in a qualified plan. The result of the transaction is to provide the corporation with capital in an amount equal to the loan to the trust.

By its structure, ESOP financing is a hybrid of debt and equity. While equity securities are "sold" to the trust, the ESOP financing does not provide the advantages of true equity financing because the corporation incurs fixed charge obligations equal to those it would have under a straight debt financing. The advantage is that the debt can be retired through tax deductible contributions.

Basically, the ESOP must be viewed as a loan to the corporation, the amortization of which creates an equity interest for the corporation's employees in the capitalization of the corporation. This is because any lending institution providing the funds to the trust will look through the trust to the source of the funds required to amortize the loan. Since the loan is made on the credit worthiness of the corporation, an ESOP does not create the opportunity to borrow in amounts significantly greater than the corporation otherwise could have borrowed.

Advantages.—The ESOP method of financing can provide certain financial advantages over debt and equity financing in specialized situations. Generally, the most compelling financial advantage is that the principal on an ESOP loan is repaid with pretax dollars

[1] E. F. Hutton & Company, Inc.; Saul Gellerman Consulting, Inc.; Towers, Perrin, Forster & Crosby, Inc.

compared with after-tax dollars under conventional debt financing. If the corporation does not pay any taxes this advantage does not exist. An offset to this cash flow advantage (relative to debt financing) is the dividend requirement, if any, on newly-issued shares.

The corporation is able to flow pre-tax dollars into its equity account since a portion of the contributions made to the ESOP goes to repay the loan to the trust which translates into an increase in shareholders' equity. For a tax-paying corporation, the fact that the principal amortization becomes a pretax charge rather than an after-tax charge to cash flow can improve the cash flow coverage ratios of total debt service (principal and interest) and thus increase overall debt capacity when contrasted with debt financing.

Disadvantages.—The principal financial disadvantage of the ESOP method is its impact on earnings and the dilution of the interest of existing shareholders. Contributions made to the plan are charged directly to income. To the extent that a part of the contribution represents principal payments on the loan to the trust, this is an additional charge not associated with debt financing. The reported income of a corporation using ESOP financing will be reduced by the entire contribution to the trust, whereas only interest payments are charged against earnings in debt financing.

In addition to the earnings impact, the shares in an ESOP will dilute reported earnings per share because more shares will have been issued. The dilution will also lower the per share value which could be obtained in a sale of equity to raise capital.

Because an ESOP is a hybrid of debt and equity financing, it affects the borrowing capacity of a corporation. A lending institution will consider the fixed nature of the corporation's obligations to the ESOP before lending it additional funds. However, the new equity created may benefit the corporation by increasing its borrowing capacity.

Value of an ESOP to ConRail

The value of the plan to ConRail may be judged by analyzing what impact it would have on the company's financial position, employee motivation, and the value to employees of this benefit in relation to total compensation.

Financial Position.—Analysis shows that use of an ESOP will not strengthen ConRail's financial position. The ESOP financing, as previously indicated, requires charging to income all contributions made to the ESOP trust. The establishment of an ESOP would thus decrease the profit potential and defer the date ConRail becomes a financially self-sustaining entity. The magnitude of these effects would be in direct proportion to the size of the ESOP plan used.

The tax advantages of the ESOP method of financing over alternative methods stem primarily from the corporation's right to deduct contributions to the plan from taxable income. As ConRail will be in a position to eliminate or defer taxes for the 10-year planning horizon (1975–85), the tax advantages of ESOP financing are nonexistent until ConRail becomes a tax-paying entity. Absent the tax advantage, traditional debt financing would provide an equivalent amount of capital without the concomitant dilution and higher charges to earnings brought about by the ESOP.

The establishment of an ESOP dilutes the interest of existing shareholders in earnings, and also reduces the reported earnings. Such dilution is especially important to the estates of the railroads in reorganization who will receive ConRail securities in exchange for their current holdings. Consequently, the creation of an ESOP will reduce the ability of ConRail to obtain equity capital through the sale of equity to the public. If, in fact, ConRail will have no independent ability to achieve private debt financing, the creation of an ESOP will not increase the ability of ConRail to raise capital.

Finally, without a federal guarantee ConRail would be precluded from raising funds in the private sector until it had an operating history which demonstrated a capability for profitable operation and an ability to support fixed obligations. Hence, a trust could not borrow without a government guarantee, and the company would not be able to support the debt incurred by the trust.

There is no present financial advantage to ConRail in the establishment of an ESOP. No enhancement of capital formation results because ConRail will not pay taxes for many years and the federal government would be required to guarantee any funded debt.

Employee Motivation.—Studies have shown that while stock ownership can increase overall employee identification with a company, there is no evidence of its ability to increase the productivity of employees. This is in part because employees do not perceive the results of their own efforts in such a large organization, and in part because annual dividends do not reach high enough levels to alter employee behavior.

In ConRail's case the existence of large numbers of older employees dampens the motivational impact of stock ownership, because these employees would have fewer years remaining during which to accumulate stock, and thus would receive lower annual dividends. Finally, because ESOP is a complex approach using an intervening trust, it is difficult to communicate to employees, and the absence of any risk associated with it, for the employee, unlike employee stock purchase plans, lessens the motivational impact.

Relationship to Total Compensation.—In light of the existing railroad compensation agreements, and in view of their competitive benefits for medical, disability and retirement, the addition of ESOP, while having little motivational impact, would represent a significant additional increase to the high labor/cost ratio for ConRail.

Conclusion

ESOP should be considered in relation to alternative plans for placing employer stock in the hands of employees while providing capital financing for the company. Some of these plans have gained wide acceptance, are at least as effective as ESOP might be in employee motivation and have the advantage of considerably less cost to the employer. The stock purchase plan, for example, in which substantial employee contributions are made, provides overall accumulations and annual dividends similar to those of an ESOP.

Based on the analysis of ESOP, USRA recommends that ConRail should not look to an ESOP as a source of capital formation now or in the near future. ConRail should structure a human resources function which would attempt to improve employee motivation within the framework of the already competitive total compensation program. ConRail should defer the adoption of any stock ownership plan until it attains a reasonable level of profitability. Once ConRail achieves reasonable profit levels, it should consider implementation of an employee contributory stock purchase plan with significant company price discounts or company matching program.

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Valuation

In fulfilling its valuation responsibilities, USRA was guided by the Act, its legislative history, principles suggested in the decisions of the Special Court and the Supreme Court in litigation involving the Act, Section 77 reorganization doctrines and other relevant legal principles.

The Act requires the Association to value all rail properties to be transferred to ConRail under the FSP. It also must certify that such transfers, in exchange for securities of ConRail and "other benefits," are fair and equitable and in the public interest. In reviewing the determinations of USRA, the Special Court is to be guided by the public interest and fair and equitable standards, and is further instructed to decide whether the transfers are more or less fair and equitable than is required as a constitutional minimum. The Act also requires the Association to formulate an offering price for conveyances of rail properties from railroads in reorganization to profitable railroads. In making such determinations the Association has been guided by its understanding of the same standards as will be applied under the Act to such transactions by the Special Court.

The basic touchstones of the valuation process are the public interest, fairness and equity and constitutional minimum stand-

ards. The first part of the chapter discusses the meaning of these standards in the context of the Act and the FSP, and sets forth the rationale behind the Association's adoption of earning power and net liquidation as the appropriate methods for determining value.

Subsequent sections of the chapter discuss the Section 77 valuation process, USRA's determination of net liquidation value and the special valuation problems posed by the transfer of assets from nonbankrupt entities. The chapter addresses the identification and valuation of "other benefits" and the valuation and allocation of ConRail securities. The final section sets forth the Association's conclusion that the transfer of assets in return for the ConRail securities and other benefits as proposed in the FSP satisfies the public interest, fair and equitable and constitutional minimum requirements.

Attached to the chapter is an appendix describing in detail the net liquidation valuation process.

The valuation of rail properties and of ConRail securities and other benefits under the Act exchanged for those properties has been among USRA's major activities. In fulfilling these valuation responsibilities USRA has sought direction from the Regional Rail Act and its legislative history, from principles suggested in the decisions of the Special Court and the Supreme Court in litigation involving the Act,[1] from doctrines that are part of the history of rail reorganization under Section 77 of the Bankruptcy Act and from other relevant legal and economic principles.

Requirements of the Act

The Act requires the valuation by USRA of most of the rail properties to be transferred and conveyed under the Act (see Chapter 8). The exceptions, as will be discussed, are based mainly on the parties involved in particular transactions. The following sections describe the applicability of the Act's valuation requirements to various types of transfers and conveyances and discuss the valuation standards prescribed in the Act.

Rail Property Transfers from Railroads in Reorganization to ConRail

The vast majority of rail properties transferred or conveyed pursuant to the Final System Plan will move from railroads in reorganization to ConRail. These transactions are subject to the following provisions of section 206(f) of the Act:

> "(f) Value.—The final system plan shall designate the value of all rail properties to be transferred under the final system plan and the value of the securities and other benefits to be received for transferring those rail properties to the Corporation in accordance with the final system plan."

As regards all rail properties transferred to ConRail from railroads in reorganization, the Act therefore requires that the Final System Plan designate values for such rail properties, for securities to be issued by ConRail and for "other benefits" to the transferors provided through operation of the Act. USRA is then required, within 90 days following the effective date of the Final System Plan, to certify to the Special Court under section 209(c)(4)

> "that the transfer of rail properties in exchange for securities of the Corporation (including any obligations of the Association) and other benefits is fair and equitable and in the public interest."

The "public interest" and "fair and equitable" standards to which USRA's valuation process must be addressed also are established as standards controlling the determinations of the Special Court under section 303(c)(1). In section 303(c)(1)(A) the Special Court is directed to decide, more specifically, whether the trans-

[1] Significant insight into applicable reorganization law and the legislative history of the Regional Rail Reorganization Act is provided in the Supreme Court and Special Court opinions reviewing the Act. (See *Regional Rail Reorganization Act Cases,* 419 U.S. 102 (1974); *In re Penn Central Transportation Co.,* 384 F. Supp. 895 (*Special Court 1974*).)

fers and conveyances of rail properties from railroads in reorganization

> "are in the public interest and are fair and equitable to the estate of each railroad in reorganization in accordance with the standard of fairness and equity applicable to the approval of a plan of reorganization or a step in such a plan under section 77 of the Bankruptcy Act (11 U.S.C. 205) . . ."

Under section 303(c)(1)(B) the Court is further directed to decide whether such transfers and conveyances "are more fair and equitable than is required as a constitutional minimum."

While USRA is not obliged to certify that its valuations comply with this "constitutional minimum" standard, a due regard for the needs of Congress and the Special Court in appraising the Final System Plan imposes the practical duty on USRA to address this standard as well.

The Act also authorizes USRA to include in its designations under the Plan and its certifications to the Special Court the rail properties of various railroads not themselves in reorganization, but which are leased, operated or controlled by railroads in reorganization. Section 303(c)(1)(A) and (B) also establishes standards of fairness and equity applicable to transfers and conveyances from such railroads. However, insofar as rail properties of these railroads are not presently undergoing Section 77 reorganization processes, they have been the subject of separate comment in the legislative history of the Act and by the Special and Supreme Courts. They also have been the subject of separate consideration by USRA in its valuation process and will be discussed separately in this chapter.

Rail Property Conveyances From Railroads in Reorganization to "Profitable Railroads Operating in the Region"

In general, the Act distinguishes between "transfers" from "railroads in reorganization" to ConRail and "conveyances" from these railroads to carriers in the Region other than ConRail.[2] These other carriers (including the Boston & Maine, which, while undergoing section 77 reorganization, is not a "railroad in reorganization" as defined in the Act) are designated as "profitable railroads" under the Act.

Rail property conveyances to profitable railroads from railroads in reorganization are subject to the same section 303(c)(1)(A) and (B) standards governing Special Court determinations as are applicable to the transfer of such properties to ConRail. Under section 209(c)(4), however, no similar obligation is placed on USRA to certify that these rail property conveyances "in exchange for compensation from the profitable railroad(s)" (see section 206(d)(2)) are in the public interest or are fair and equitable.

The absence of this certification requirement regarding such conveyances is consistent with the absence of any initial USRA obligation to place a "value" as such on the particular rail properties so conveyed. As noted, section 206(f) requires the designation of values for rail properties transferred to ConRail from railroads in reorganization. It omits the requirement in the case of conveyances to profitable railroads.

The Act does require, however, the formulation of "offers" relating to rail properties designated in the Final System Plan for sale to profitable railroads (section 206(c)(1)(B)). (See Chapter 1 for a discussion of the role of such designations in the plan for restructured rail service in the Region, and the Appendix to Part II for listings of designations made under section 206.) Under section 206(d)(4) such offers terminate unless accepted within 30 days following the effective date of the Final System Plan.

USRA has not determined any values, *as such*, for rail properties to be conveyed to profitable railroads. Nevertheless, offers of properties under section 206 must include an offering price.[3] Since the standards in section 303(c)(1)(A) and (B) applicable to both "transfers" and "conveyance" are identical, USRA has sought to formulate offering prices consistent with the standards of judgment to be applied by the Special Court.

In some cases the offering prices of selected rail properties to profitable railroads exceed the general level of net liquidation values designated for rail properties transferred to ConRail. Such offering prices are intended to reflect the unique worth of such rail properties to the designated profitable railroad in configuration with the balance of its system. Much of such "excess worth," however, derives from the exclusion from such rail properties of nonprofitable light density lines and nonprofitable commuter passenger operations. The unique worth thus imparted to such rail properties cannot be viewed as their "value", either in liquidation or when included as part of a larger group of properties over which continuing rail operations are required.

Rail Property Sales by Profitable Railroads to Other Railroads or to ConRail

Under terms of the Act designations may be made in the Final System Plan of rail property sales from profitable railroads to other profitable railroads or to ConRail (section 206(c)(2)). (See also Chapter 8.) These transactions, being voluntary on the part of both buyers and sellers, are not subject to the conveyance or judicial review provisions of section 303. The designations are intended to facilitate transactions which further the statutory goals of the Final System Plan by

[2] Section 303, however, refers to all such transactions as "conveyances". To avoid undue repetition, the terms may be used interchangeably in this chapter.

[3] The offers, as contained in Part II, require payment in cash or other consideration having a reasonably equivalent present value.

bringing them within the applicable section 601 exemptions of the Act. Given the limited purpose of these designations, USRA has no role in designating values or in formulating offering prices.

The Relevance to the Valuation Process of the "Public Interest," "Fair and Equitable" and "Constitutional Minimum" Standards

As noted above, the "public interest" and "fair and equitable" standards of sections 209(c)(4) and 303(c)(1)(A) are rooted in and should be interpreted with reference to traditional Section 77 income based reorganization doctrines. In contrast, the "constitutional minimum" standard of section 303(c)(1)(B) is more directly relevant to the particular context of the Act.

Under Section 77 reorganization doctrines, the "public interest" standard refers principally to the court's obligation to balance the interests of claimants against the estate's assets with the interest of the public in maintaining adequate rail services. Insofar as the bankrupt railroad can be shown to have a capability for future profitable operations, claimants against the estate are precluded from any possible maximization of their returns through the total or piecemeal liquidation of its assets. In particular, having committed their assets to a public service enterprise, security holders may be compelled to accept the returns available through a continuity of rail operations. Only in the absence of any reasonable prospect of future financially self-sustaining rail service by a reorganized carrier does the interest of creditors and other claimants prevail over the interest of the public in adequate rail service to the point of permitting a general withdrawal of assets from rail service.

In the context of the Act, this element of "balance" also involves the allocation of future revenues between the servicing of ConRail's capital structure and the provision of adequate service. Fixed charges should not be so burdensome as to constitute an inequitable portion of total available revenues. The question arises in this case, as it traditionally has in Section 77 reorganizations, as to whether the allocation of projected revenues to provide an adequate capital structure, compared to the allocation of projected revenues to meet necessary and reasonable operating expenses, properly balances the wide range of public interests at stake.

The "fair and equitable" standard historically has related most closely to the Section 77 "absolute priority" doctrine. It looks to fairness of treatment among the classes of claimants against the estate. In the context of the Act, this standard does not have any direct reference to priorities because the ultimate distribution of assets within each estate is a matter for each of the respective reorganization courts. However, the standard clearly has relevance under the Act to the allocation of ConRail securities among the various estates contributing rail properties to the reorganized enterprise. As reflected in section 303(c)(2) and (3), the "fair and equitable" standard also may relate to the general adequacy, or excess, of consideration distributed to each estate. Any consideration which is more "fair and equitable" than is required as a "constitutional minimum" in fact must be ordered returned to ConRail or a profitable railroad. In this sense, the "fair and equitable" standard of the Act is closely related to the public interest standard. It involves, once again, an appropriate accommodation of any conflict which may occur between the more immediate interests of the estates as ConRail security holders and the wider public interest in adequate rail service.

In the context of section 303(c)(1), (2) and (3) the "constitutional minimum" standard provides at once a floor and a ceiling for the consideration passing to the estates under the Act. Having no clearly articulated antecedent in Section 77 income based reorganization doctrine, this standard, derived from *New Haven Inclusion Cases*, 399 U.S. 392 (1970), must be considered primarily in the context of the Act.

The Act contemplates the establishment of a financially self-sustaining ConRail through the process of an income-based reorganization, made possible through a restructuring of the regional rail system combined with government financial assistance. If this process is successful, any "constitutional minimum" amounts of consideration to which the combined estates are entitled would be provided automatically. In traditional Section 77 proceedings, the "constitutional minimum" standard well may be encompassed in the court's determination of the capitalized value of the reorganized entity. It is this capitalized value, predicated on projected earnings and a selected capitalization rate, which served to determine the degree of participation in the reorganized entity by classes of claimants against the railroad estate. Once that determination was made, the sole entitlement of any participant was the security values actually achieved through the earnings flow of the new company. If the earnings projections on which the capitalization was based proved overly optimistic, the failure to realize the contemplated values was viewed as the product of inherent business risk. Conversely, if actual earnings resulted in market values higher than the initial capitalization value, these "excess" values similarly were accorded exclusively to the original participants, here as beneficiaries of the business risk. In short, once the die was cast, the only "constitutional minimum" was whatever the market would offer.

This concept has important relevance to the valuation standards of the Act. If an income-based reorganization is achieved, then, by analogy, the security values provided to the estates should satisfy the "constitutional minimum" standard. The Special Court [4] left

[4] See *In Re Penn Central Transportation Company*, 384 F. Supp. 895 at 928.

open the question of whether the standard would be met through the realization of anything more than "minimal" earnings-based security values which in fact proved to be less than the net liquidation value of the rail assets. It is not necessary, however, for USRA to prejudge this issue. The financial projections as set out in Chapter 3 indicate the likely realization of security values in the reasonably foreseeable future substantially above net liquidation values.

It must be recognized, however, that "likely" falls somewhat short of "certain." The history of Section 77 reorganization in itself suggests the uncertainties inherent in financial projections. Moreover, it is impossible to ignore an added element of uncertainty inherent in the character of statutory planning process.

In the customary Section 77 reorganization it is possible to base future projections on carefully considered adjustments to a "normalized" year, *as reflected in actual experience*. The basic system structure and operating characteristics of the railroad reflected in the "normalized" year were generally the same as those of the reorganized entity. In the context of the restructuring process of the Rail Act and the heavy rehabilitation needs of the ConRail properties, however, there is no significant experience from which to develop estimates for a "normalized" year; those estimates must be developed as a construct of the planning process. Without seeking to cast doubt on the projections of ConRail earnings, the Association understands that those projections will be viewed by many as inherently more uncertain of attainment than customary Section 77 financial projections.

A necessary predicate to these earnings projections and, indeed, to an income-based reorganization is the infusion of an estimated $1.85 billion in government funds. In some degree the earnings capacity created by new capital must be allocated to meet the reasonable costs of such new capital. This issue has been resolved in the formulation of ConRail's capital structure, which reflects the recommended infusion of government funds on terms more favorable than funding available through other sources—assuming its availability from other sources on any terms.

In view of the initial risk to the government in meeting ConRail's external funding needs, a strong argument could be made that the government, as a "joint venturer," should participate with the estates in any earnings-based values made possible by its capital contributions. The capital structure proposed in the Final System Plan does not establish the government as a participant in any earnings in excess of those reasonably required to service the ConRail securities issued to the government on the specific terms proposed.

USRA recognizes that Congress may have a different view of the matter. It is conceivable that such participation ultimately could be established at a level which would lessen substantially the earnings-based values allocable to ConRail securities issued to the estates. Moreover, given any prolonged extension of current economic conditions or a failure of public policy generally to right problems endemic to the industry, ConRail may yet fail to establish *in a timely way* a potential earnings capacity adequate to sustain security values equivalent to a "constitutional minimum".

For all these reasons, USRA would fail in its responsibilities to Congress, the Courts and the estates were it not to present its considered judgment on the "constitutional minimum" standard in the assumed absence of earnings-based values in ConRail securities adequate to meet the requirements of an income-based reorganization. In the absence of such security values, USRA considers that the "constitutional minimum" value should reflect the current value of the flow of net proceeds which the estates would realize from rail properties transferred and conveyed under the Act—were they free to dispose of those properties in the open market under circumstances reflecting the public use obligations imposed on those properties. That "constitutional minimum" value, as will be explained in some detail, is most closely approximated through an appropriate determination of "Net Liquidation Value." It derives from the principles of *New Haven Inclusion Cases, supra.*

In arriving at the final "constitutional minimum" in the context of the Regional Rail Reorganization Act, it is also necessary to reduce this value by the value of "other benefits" conferred on the estates by virtue of the operation of the Act. This subject also will be discussed in detail below.

Valuation of Rail Properties

Section 77 Valuation Principles

Historically the most important determinant of asset value in Section 77 reorganizations has been earning power. Under this concept, the principal criterion of value is the capitalization of earnings projected for the *new* entity. As prescribed in Section 77(e):

> The value of any property used in railroad operation shall be determined on a basis which will give due consideration to the earning power of the property, past, present and prospective, and all other relevant facts. In determining such value only such effect shall be given to the present cost of reproduction new and less depreciation and original cost of the property, and the actual investment therein, as may be required under the law of the land, in light of its earning power and all other relevant facts.

Determinations of rate of capitalization generally have been based on considerations of the expected return on the subject railroad's securities as well as the return on railroad investments generally.

Since the capitalization of the reorganized entity is a function of the earnings-based value of its assets, earning power has played an important role in determining the capital structure of a railroad reorganized under Section 77.

For purposes of both valuation and capitalization, courts and the ICC generally have focused on the anticipated future earning power of the reorganized railroad. Considerations weighed in determining future earning power include the railroad's history of earnings, savings from rationalization of the system, anticipated industrial growth, pending increases in authorized rates, the terms on which any desired new capital could be made available and any other projected circumstances which might influence prospective earnings.

The ICC has considered other standards in establishing Section 77 valuation and capitalization only when those standards have a direct bearing on earning power. Even in these rare cases the other valuation methods have not displaced earning power as the primary measure of value.

More recently the Supreme Court has dealt with a Section 77 reorganization of a railroad having no earning potential. Its decision served as a major guidepost to Congress in drafting the Act. [*New Haven Inclusion Cases*, *supra.*] In that proceeding liquidation value was held to be a proper valuation method where there is no reasonable prospect of future earnings. Having only a negative earnings value to contribute, New Haven nevertheless was reorganized by the sale of its assets to the Penn Central system as a condition of the Penn Central merger. The condition was accepted by Penn Central in the belief that the merger benefits would more than offset losses incurred on the New Haven properties.

The Final System Plan demonstrates that the assets contributed by each of the bankrupt estates take on earning power when reorganized in ConRail only because of the funding to be provided by the United States. This funding is analogous in some respects to that which is often obtained in Section 77 reorganizations from private lending institutions, or in some instances, from the Reconstruction Finance Corporation, a federal lending agency operating from the 1930s to the early 1950s. What differs here is the unavailability of private capital to finance the heavy rehabilitation programs required for the realization of ConRail earnings. The value which this government funding adds to the earning capability of the assets in this reorganization is reflected in the value of ConRail securities.

Since the value of the securities which are to be issued is greater than the present value of the flow of proceeds which reasonably could be expected through liquidation, the estates are entitled to receive securities of ConRail reflecting their proportionate contribution to the earnings of ConRail. These earnings based values may be compared to the results of the extensive appraisal conducted to determine net liquidation values, as described later in this chapter. The use of these latter values may arise from the fact that the transferees will vary greatly in their relative contributions to ConRail's earning capabilities. USRA believes these values reflect a realistic assessment of what actually would have occurred if the rail properties remained moribund in the bankrupt estates, and were liquidated.

Given the precedent which has developed under Section 77 and the present economic circumstances of the assets held by the bankrupt estates, USRA's opinion is that the methods of asset valuation which have been used are the only two which are economically, practically and legally significant to the Regional Rail Reorganization Act reorganization. USRA believes such artificial constructs of economic value as "reproduction cost new less depreciation", or "book value" or so-called "assemblage" value serve no useful purpose in determining values realistically achievable by the various estates. Although USRA recognizes the contrary arguments which can be mounted on the basis of one judicial precedent or another, the Association is convinced that the principal thrust of judicial precedent regarding the valuation of properties dedicated to public use has been toward a realistic definition of economic values.

Net Liquidation Value Process in Summary

In the normal reorganization context there are sufficient prospects that the bankrupt entity can emerge from reorganization as a viable concern that claimants are required to await the attainment of viability for their claims to be satisfied from securities of the reorganized entity. At least in theory it is possible that the delay before viability will be achieved—or the uncertainty that viability will ever be achieved—can become so great that the claimants are entitled to dismissal of the reorganization proceeding and to exercise freely their creditor remedies, terminating rail operations and selling, dismantled or intact, the estates' assets in whatever manner deemed advantageous. Such sales would, however, be subject to normal and lawful regulatory constraints consistent with the public use obligations imposed on the rail properties. The net liquidation process pursued by USRA is intended to replicate the consequences of an actual exercise of their ultimate creditor rights by the claimants of the bankrupt estates.

USRA's analysis of the liquidation process was addressed to five fundamental issues.

- The inventory and condition of the properties to be sold.
- The time sequence of a planned process of asset disposition.

- The estimated dollar amount of the proceeds to be received from asset disposition over time.
- The estimated costs of preparing the assets for sale and of selling the assets over time.
- The present value of the future proceeds net of the costs of preparation and sale of the estates' assets under the postulated liquidation, as of the estimated conveyance date under the Final System Plan.

USRA's conclusions on these key issues will be described only briefly in the text of this chapter. A detailed description of the actual process, essential to a full understanding of the projected results, is set forth in the appendix.

The task of inventorying the estates' assets and assessing their physical condition was massive and complex. The inventory was developed by obtaining the records of the estates and by physical inspection and other analyses performed under contract to USRA. Bechtel Corporation and DeLeuw, Cather inspected and inventoried all fixed rail facilities, Simpson & Curtin was responsible for rolling stock and other equipment accounts, and Gladstone Associates for buildings and land. The result is an inventory of the assets of the estate more detailed than any other available inventory. The inventory includes reliable assessments of the physical condition of the assets and provides a sound basis for valuing the estates' assets.

The second key issue was to determine when the estates would actually begin disposing of their assets and the sequence of such asset disposition. The answer to this question lay in an analysis of legal and economic conditions. First, it would be necessary for the estates to obtain the legal right and requisite regulatory approvals to cease rail operations and to dispose of their assets for rail or other use. Second, the estates would have to evaluate the impact of the economic disruption occasioned by their own cessation of rail operation on the price their assets might command. Finally, the estates would have to consider the costs and time required to prepare assets for sale, the effect on salvage prices of the quantity of assets to be sold and the pace of such sales given the likelihood of flooding the market for such items as used crossties, scrap steel and real estate.

To resolve these and other issues, USRA postulated a "master liquidation plan" describing in detail an orderly process for the disposition of each estate's assets. The key assumption of the plan is that the estates would be required to sell substantial assets for continued rail use but that the prices for such sales would be regulated and fixed at the pricing levels which would obtain if all rail operations over the lines of the bankrupts actually ceased and as if the assets of the railroads in reorganization actually were dismantled and disposed of for other uses. USRA assumed further that because of the valid requirements of common carrier regulations, the estates would operate under subsidies, if need be, and maintain their rail operations until 1979, at which time the orderly liquidation would begin. This subsidy period is also consistent with the self-interest of the estates in maintaining healthy price levels for their assets. USRA's plan also makes the favorable assumption that orderly cessation actually occurs and, therefore, prices are not adversely affected by the economic dislocations which would result if the actual service termination were abrupt and not orderly. The master liquidation plan also recognizes the physical requirement for preparing assets for sale and their effect on the timing of asset disposition.

In essence, then, the liquidation plan postulated by USRA is for an orderly transfer of the transportation services provided by the estates to other railroads with the prices of such transfers computed as if the estates had actually been allowed to exercise their asserted right to liquidate by selling all of their assets for nonrail uses. The pricing under the assumption of total liquidation is based on supply and demand conditions which such a time-phased liquidation of rail assets into nonrail uses would produce. The pace of asset disposition is tied to the time required to accomplish a transition to alternate modes and to prepare assets for sale.

Assessments of the time and cost of preparing the assets for sale, and the expected time required to dispose of such assets once prepared for sale in light of supply and demand conditions were made by DeLeuw, Cather & Company for track and other rail facilities, by Simpson & Curtin for rolling stock and other equipment accounts, and by Gladstone Associates for land. The overall economic environment within which these activities would occur was projected by Temple, Barker & Sloane, which also had responsibility in many instances for determining actual sales prices.

Right-of-way land sales will be a substantial part of any liquidation program; the pricing of rail right-of-way land, therefore, is particularly important. Rail right-of-way constitutes an unusual class of real property. Its most obvious physical characteristic is great length in relation to width. Even when the properties are subdivided into parcels, narrowness eliminates the prospects of normal development for most right-of-way segments. Moreover, access is often inadequate, occurring typically at either end of a parcel rather than along its side. Accordingly, the best comparable market for the sale of existing right-of-way real estate is the actual results produced by similar past sales of right-of-way real estate. Since there are numerous instances of sales of abandoned rail rights-of-way, USRA looked to such actual comparable sales in determining the prices the estates would recover upon sale of their rights-of-way. It is important to emphasize that the value inherent in the creditors' asserted right to liquidate is not what it might cost today to assemble the facility which because of economic failure must be dismantled, but the net price which sale of the existing facility for nonrail use would produce.

The master liquidation plan also carefully analyzes the substantial costs of preparing the assets for sale. These costs include the cost of dismantling and salvaging facilities, of assembling and preparing equipment, of parceling land, of administrative, overhead and commission costs, of transportation and of numerous other costs necessarily incurred in realizing the potential values represented by the assets. The cost estimation process is fully detailed in the appendix.

Finally, the master liquidation plan discounts the proceeds net of cost to the presumed conveyance date of January 1, 1976. Determination of a present net liquidation value as of conveyance date is required for comparison of net liquidation value to the value of the ConRail securities and other benefits at that time. The results of such comparison are explained later in this chapter.

In selecting the discount rate to be used in determining present value, USRA took into account the uncertainty inherent in the future cash flows to the estates projected in the master liquidation plan. Accordingly, it was determined that the appropriate discount rate should be 15 percent after tax for land and 12 percent after tax for all other assets.

The results of the net liquidation valuation process are as follows. The projected net liquidation value as of January 1, 1976 of all assets being transferred to ConRail is $422 million. This value is distributed among the seven primary debtors and the 15 secondary debtors as shown in Table 1.

TABLE 1.—*Valuation of properties to be transferred*

	ConRail net present value	Northeast Corridor net present value	Offering prices for other projects	Total
Primary debtors:				
Penn Central Transportation Co. [1]	$365,932,000	$86,178,000	$19,082,998	$471,192,998
Erie Lackawanna Railway	18,692,000	0	36,395,547	55,087,547
Reading Co.	11,610,000	0	23,073,863	34,683,863
Lehigh Valley Railroad	14,297,000	0	0	14,297,000
Central Railroad Co. of New Jersey	10,307,000	0	0	10,307,000
Ann Arbor Railroad	480,000	0	149,104	629,104
Lehigh & Hudson River Railway	1,137,000	0	0	1,137,000
Total	422,455,000	86,178,000	78,701,512	587,334,512
Secondary debtors:				
Beech Creek Railroad	429,782	0	0	429,782
Cleveland & Pittsburgh Railroad	7,829,446	0	18,407	7,847,853
CCC & St. Louis Railway	18,156,800	0	2,968,311	21,125,111
Connecting Railway	5,796,590	3,781,059	919,451	10,497,100
Delaware Railroad	0	0	2,540,000	2,540,000
Erie & Pittsburgh Railroad	222,998	0	40,639	263,637
Michigan Central Railroad	15,682,513	0	2,278,265	17,960,778
Northern Central	3,370,141	114,123	0	3,484,264
Philadelphia, Baltimore & Washington Railroad	31,883,253	7,310,959	3,064,377	42,258,589
Philadelphia & Trenton Railroad	530,721	6,749,945	0	7,280,666
Pittsburgh, Fort Wayne & Chicago Railroad	18,085,585	0	0	18,085,585
Pittsburgh, Youngstown & Ashtabula Railway	1,680,368	0	7,205	1,687,573
Union Railroad Co. of Baltimore [2]	402,185	(−206,057)	0	196,128
United New Jersey Railroad & Canal Co.	11,272,449	5,498,310	0	16,770,759
Penndel Co.	810,559	0	2,220,915	3,031,474
Total	$116,153,390	$23,248,339	$14,057,570	$153,459,299

[1] Includes values attributable to the secondary debtors of the Penn Central. See the secondary debtor tables to determine the extent of their individual contributions to ConRail and the Northeast Corridor.

[2] It should not be assumed that the Union Railroad Co. of Baltimore will receive no consideration for Northeast Corridor properties if these properties are conveyed to Amtrak. At that time the contribution of each railroad to the value of the corridor will be taken into account, and a distribution of consideration will be made after concluding contribution studies such as those described on page 19 *infra*.

Nonbankrupts and Other Special Valuation Issues

The seven primary railroads in reorganization do not own in fee all the rail lines over which they operate. Substantial portions of their rail lines are the so-called "leased lines," operated under leases from separate lessor corporations. Other lines, owned by subsidiary corporations, are operated by a primary bankrupt carrier as an integral part of its system. In addition, many of the estates' rail services are provided through operating or trackage rights agreements with other entities. Finally, there are several separately owned and operated terminal companies and a few separately owned and operated railroads which perform functions essential to the system operations of the railroads in reorganization.

In order for ConRail and the solvents to maintain the integrity of the operating system they are acquiring it is necessary to include assets from nonbankrupt corporations in the new system. Congress was aware of this problem and expressly provided in section 206(c) of the Act for the transfer of rail properties "owned, leased or otherwise controlled" by a railroad in reorganization as well as such properties of a railroad "leased, operated or controlled" by a railroad in reorganization; these definitions include properties which may be owned by nonbankrupt corporations.[5]

Fifteen of the Penn Central's leased lines are themselves undergoing reorganization pursuant to Section 77. These lines, known as secondary debtors, all have been determined in proceedings under section 207(b) to be fully subject to the processes of the Act in the same manner as are the primary debtors. The remaining entities, although leased, operated or otherwise controlled by

[5] Congress exercised its power to reach assets of nanbankrupt companies with some precision. In section 102(10) it further qualified the "owned, leased or otherwise controlled" standard with a proviso which excluded non-wholly owned Class I railroads.

one or more of the bankrupts, are not now parties to bankruptcy proceedings.

The mandatory transfer of assets from nonbankrupt corporations raises a question as to whether such transfers are based on an exercise of Congress' power of eminent domain rather than its powers to regulate commerce and enact bankruptcy laws. If viewed as an exercise of the eminent domain power, theories of valuation other than the theories of net liquidation and earnings value would be argued to apply to the valuation of assets transferred from nonbankrupt corporations. While the form of the consideration which must be paid for the transferred assets is not necessarily limited to cash in an eminent domain context, there would also be an argument that if the payment is made in securities, such securities must have a market value at time of transfer equivalent to the value of the assets.

There are two answers to these arguments. First, even if the transfers of properties from non-bankrupt affiliates are governed by eminent domain principles, the resulting valuation of their properties would be essentially the same as it would be for the properties of secondary debtors. The leased lines and railroad subsidiaries from which assets are to be transferred are wedded economically to the operations of the railroads in reorganization. The nonbankrupt leased lines are essentially corporate fictions. The entirety of their properties have been leased to one of the bankrupt estates, generally for terms amounting to perpetuity. The now bankrupt lessee has assumed complete responsibility for the lessor's rail operations. In effect, the lessor line was withdrawn from the railroad business and exists as an entity only to distribute rental payments by the lessee to its various creditors and investors. Its economic values are linked to those of its lessee.

Historically, the long term lease served as a substitute for railroad mergers and consolidations. While the practical operating results of the latter are achieved, various problems such as the need for shareholder approval are bypassed. The rental payments called for under these lease agreements today are unrelated to the economic values inherent in the lease arrangement. Leased lines which would show deficit operations on any reasonable revenue/expense study cannot be valued in terms of outdated lease agreements which are irrelevant to the current realities of railroad economics.

It is the purpose of the Act to create a viable rail system in the Northeast and Midwest sectors of the United States. If that purpose is to be achieved, the system cannot be required to bear artificially imposed costs having no relation to actual economic contributions. By providing for the rail properties of profitable leased lines to be consolidated into the new regional rail system, the Act has formalized the consolidation which has previously existed in fact. It has thereby provided a means for rationalizing rail operations, simplifying capital structure and allowing accurate assessment of the profitability of individual lines.

The other corporations owning lines of railroads, like the leased lines, also are operated as integral parts of the railroad systems in the Region. The separately operated rail companies in most instances have been able to avoid bankruptcy only because of the benefits they receive from the continued rail operations of the bankrupts. In circumstances where both bankrupt and nonbankrupt transferring corporations constitute a fully integrated economic entity, it would be unfair and inequitable to discriminate on the basis of noneconomic distinctions. To do so would fail to recognize real economic values as the touchstone of legal valuations.

Nor is there any basis for such discrimination in terms of legal theory. The ultimate resolution by the courts as to which of its powers Congress was employing in the Act may not have any significant practical effect in the context of the Final System Plan. Even if eminent domain concepts were finally determined to provide the appropriate theory of valuation, USRA still would maintain that actual earnings value or, in its absence, net liquidation value are the appropriate standards to apply to the specific assets of the nonbankrupts proposed for transfer. For these reasons, USRA has valued all rail properties to be transferred, including those of the nonbankrupt entities, at their net liquidation or actual earnings value. USRA has provided as consideration for such transfers ConRail securities, Certificates of Value and other benefits allocated in the same manner for assets transferred from nonbankrupts as for assets transferred from bankrupt entities.

Second, the question whether such transfers are to be judged by eminent domain principles or reorganization-like principles has not been finally resolved.

In the notice of appeal to the Special Court from the "180 Day" determinations, the Government parties, including USRA, stated, in the context of that litigation, that no contention was being made that the acquisition of rail properties from nonbankrupts would be on anything other than an eminent domain basis.[6] That statement possibly could have been interpreted as an absolute and final concession that eminent domain concepts provided the appropriate theory for valuing assets transferred from nonbankrupt entities subject to the Act. Judge McGowan's opinion refers to this statement in the notice of appeal in setting forth the pending issues. In addition, oral statements in open court by counsel for the United States would seem to reinforce that view. Moreover, the differing statements of the "fair and equitable" standard under section 303(c)(1)(A) demonstrate that Congress was aware that the technical distinction in the status of the bankrupt and nonbankrupt entities might be legally significant under the Act.

[6] There was a comment in a paragraph of Judge Fullam's opinion in the secondary debtors 180 day proceeding that explicitly acknowledged that the issue was not "technically . . . directly before this Court . . ."

There is also legislative history which suggests that Congress understood a different standard of valuation might be required for assets transferred from nonbankrupt entities.

Notwithstanding, the issue has not been decisively resolved. In Judge Friendly's Special Court opinion there is a discussion with respect to the compulsory unification of bankrupt entities under the commerce power which well may have relevance to assets transferred from nonbankrupt entities. Citing precedents under the Public Utility Holding Company Act, the Interstate Commerce Act and the Bankruptcy Act, Judge Friendly noted that Congress could mandate a reorganization under the commerce power pursuant to which investors in one entity could be required to exchange their interests for positions in a wholly different entity. Given the overriding purpose of the Act to effect a total restructuring of rail service in the Region, it is entirely reasonable to presume that Congress intended to effect through the Act a reorganization under the commerce power which, to the fullest extent permissible under the commerce power, would treat similarly all assets subject to transfer, regardless of the bankrupt or nonbankrupt status of the corporate owner.

There were some other instances where the nature of the rail property transferred required separate consideration of the appropriate valuation standard. The Final System Plan designates as rail properties to be transferred the stock interests of the bankrupts in various other entities. Most of the transfers involve stock interests in terminal or separately operated railroad companies. In those few instances where the company is profitable and the stock pays a dividend, the stock was valued in accordance with the dividend. Most of the companies involved, however, only break even or operate at a loss. In these cases, stock was valued at its equity share in the net liquidation value of the underlying assets. In two other special instances, the stock interest held in Trailer Train Company and in Fruit Growers Express Company, the stock in effect is a membership in an operating pool and has no independent significance. Since the benefits and costs of belonging to the pool are reflected in ConRail's earnings no separate value was ascribed to the stock.

There are several designations in the Final System Plan of operating agreements or other operating rights of the bankrupts in conjunction with nonaffiliated corporations. In liquidation such operating agreements or rights would be without value. The benefits and costs arising from the agreements are included in ConRail's projected earnings. Therefore, no separate value was attributed to the operating agreements.

Finally, there are a few instances in which rail lines are transferred in fee to ConRail or to a profitable railroad with a separate designation of trackage rights over the line to another acquiring entity. As to the transferor, the line was valued as though it had been transferred exclusively to the entity acquiring the fee interest and the full consideration is to be paid by that entity. The entity acquiring the trackage rights interest will reimburse its share of the acquisition cost through the inclusion of such cost as a capital charge under a standard trackage right agreement.

Valuation of "Other Benefits"

The Rail Act explicitly requires that "other benefits" conferred upon the rail estates by the Act's provisions be taken into account in evaluating transfers of rail property to ConRail. First, section 206(f) requires that the Final System Plan designate the value of the "other benefits" to be received by the estates through operation of the Act; that designation is the task of this section of the Final System Plan. Later, section 209(c)(4) requires USRA to certify to the Special Court that the transfer of rail properties in exchange for ConRail securities and "other benefits" is fair and equitable and in the public interest. Still later, section 303(c)(1)(A)(i) requires the Special Court to take "other benefits" into account in determining whether fairness and equity have been achieved.

Definition and Role of Other Benefits Under the Act

The Act does not define "other benefits," although its legislative history contains suggestions to which USRA has paid close heed.[7] The general guideline USRA has followed is derived from the explicit purpose of the "other benefits" provisions—to determine whether transfers of property in exchange for ConRail securities are fair and equitable: *an "other benefit" is any consequence of the Act, in addition to the provision of ConRail securities and the Certificates of Value, that improves the financial condition of a rail estate as compared with its position in the absence of the Act.*

The simplest way to view "other benefits" of the Act is to strike a comparison by contrast—the situation prevailing if properties were transferred at their net liquidation values as described in the appendix. Some items—particularly the elimination of existing obliga-

[7] The Senate Bill which preceded the Act, S. 2767, contained a provision identical in all material respects with Section 303(c)(1)(A)(i) of the Act as enacted. In discussing benefits the Senate Committee on Commerce Report, recommending enactment of the Senate Bill, gave examples of the types of benefits embraced by this provision:

> "Subsection (c)(1) requires the special court, in passing on the fairness and equity of conveyance by railroads in reorganization to the Corporation, to consider not merely the value of the securities received by the railroads but also the other benefits accruing to it [sic] as a result of the exchange, especially those benefits accruing to a railroad in reorganization by virtue of its reorganizing under the Bill. Such benefit(s) would include, for example, the value of the right to discontinue rail service and abandon rail properties pursuant to section 304 or receive a reasonable rate of return on any rail properties the continued operation [of] which is maintained through a rail continuation subsidy, the value of an expedited decision on the sale of rail properties to a profitable railroad operating in the Region, the value of obtaining freedom from current contractual liabilities, and the value of the estates of each railroad in reorganization of having government-financed employee protection and severance payments made (under Title VI of the Bill) to the employees of that railroad who would otherwise have claims against it for such payments . . ." S. Report No. 93–601 93d Cong., 1st sess. 34–35 (December 6, 1973).

tions by the operation of the Act—could have been netted out in describing net liquidation value rather than counted as "other benefits". What matters is that the same item not be counted twice.

A more subtle point, but one of great importance to the proper use of "other benefits," is that their nature and amounts ultimately depend upon assumptions about the nature and priority of claims against a particular estate and the extent to which they would be paid in the absence of the Act. The Act's elimination of particular potential claims is a "benefit" only to estates whose assets are sufficient to satisfy claims of equal rank, and is no benefit at all if the eliminated claims would not have been reached in any event.

Where possible, this plan designates the value of these benefits. Where the analysis required to estimate the value has not been completed, that fact is reported. USRA is continuing to work on "other benefits" and may present additional findings while the Final System Plan is before Congress for approval. USRA recognizes the particular interest Congress may have in the value attributed to these benefits because the Act and the litigation upholding it make clear that value attributed to "other benefits" reduces the value that otherwise must be available in the form of ConRail securities.

The Process of Identifying Benefits

In determining whether various potential benefits of the Act are in fact benefits to the estate, USRA has had to determine whether the financial position of the estate is improved by implementation of the Act, as compared with its position if the Act had not been passed. The alternative available to the estates of the railroads in reorganization in the absence of the Act would have been to sell their essential rail assets to others for rail use, but at prices based on net liquidation values, and to liquidate the remaining rail assets. Consequently, the identification, analysis, and quantification of the benefits of the Act proceeded on the assumption that the core of the existing system would have been sold to other entities that would assume the obligation to operate. The analysis of benefits did not attempt to quantify the total possible liability that might be incurred if all rail operations ceased. But the total adverse consequences to the estates could be drastic.

"Other benefits" are provided to the estates by the Act either in the form of an increase in realizable values on retained assets or through the avoidance or elimination of obligations or liabilities associated with the assets conveyed. Accelerated abandonments are an example of enhanced values. Under the Act the estates are able to realize proceeds from the lines abandoned much sooner than would have been possible through the normal ICC regulatory process. An example of elimination of obligations is the transfer of equipment obligations to ConRail: where ConRail will assume the debt associated with the rolling stock it acquires, the estates will be relieved of a considerable financial burden.

Elimination of an obligation is deemed a benefit only if it appears reasonable to assume that the obligation would have been satisfied completely or partially in a bankruptcy settlement. The potential for such satisfaction is dependent on the priority of specific obligations as well as the total value of the estates' assets. The absolute priority rule requires the satisfaction of senior classes of claims before any portion of any junior class will be allowed to participate. The seniority of any particular claim will depend both on its terms and the identity of the holder. As an example, a first mortgage on a leased line guaranteed by the lessee may be a very senior secured claim in the estate of the leased line, but a very junior unsecured claim in the estate of the lessee. Obligations entered into after bankruptcy generally rank substantially higher than similar obligations entered into prior to bankruptcy. Under these conditions the determination of the status of a particular benefit often has been difficult at best.

The estates of railroads in reorganization are comprised of rail assets which will be transferred to ConRail and nonrail property owned by estates which will be left behind, plus rail operating properties which will not be transferred under the Act and which may be developed or sold by the estate. Since the total value of the estate's assets has these several components, USRA's assumptions about the liquidation process for rail assets do not in themselves provide certainty regarding the coverage of claims against the estate.

The timing of the flow of values from the nonrail properties is particularly important. Many more claims would be reached if all future values are considered than if those values were discounted to a present value. On the other hand, additional high priority claims could be incurred in the interim which would act to push already junior claims even lower.

Another consideration in determining a potential benefit is the internal consistency between the method used to compute those benefits and the methods used to value the ConRail securities and the estates' rail assets. It must be possible explicitly to account for any obligation relieved or value of property enhanced in a manner compatible with the overall valuation process—without double counting. To achieve this, benefits have been measured in the context of the master liquidation plan described in the appendix. Timing, discount rates, commodity valuations, and costs reflect identical assumptions. Under this approach, the difference between the value derived in the master liquidation plan and those resulting from the implementation of the Act quantifies the benefits the estates will receive by reorganizing under the Act that would not have been realized through the normal course of liquidation.

Benefits of the Act

For analytical purposes it was useful to divide benefits into the two general categories of enhancements to retained assets and relief from obligations or liabilities by virtue of asset conveyances. Enhancements thus far considered include:

- Accelerated abandonment
- Federal financial assistance under sections 213 and 215 of the Act
- Sales to solvents at greater than net liquidation values
- Rail service continuation subsidies (under Title IV of the Act)
- Expedited sales to solvents.

Obligations relieved thus far considered include:

- Expenses of administration
- Rolling stock obligations
- Labor protection
- Lehigh & Susquehanna lease
- Executory agreements
- Underfunded pension liability.

Enhancements

Accelerated Abandonment.—Section 304 of the Act permits an accelerated procedure by which the estates may discontinue service on and abandon rail properties which are not designated in the Final System Plan for transfer to ConRail or sale to profitable railroads or public purchasers. Accelerated procedures for discontinuances and abandonments following the date of transfer to ConRail are also established. The key provision is section 304(c) which states in pertinent part:

> (c) LIMITATIONS—Rail service may be discontinued and rail properties may be abandoned under subsections (a) and (b) of this section notwithstanding any provision of the constitution or law of any State or the decision of any court or administrative agency of the United States or of any State.

Under section 304(a), a discontinuance notice may be sent 30 days after the effective date of the Final System Plan, and rail service described in the notice may be discontinued 60 days after the date such notice is received. Under section 304(b), rail properties may be abandoned 120 days after service is discontinued.

Under section 304(c), the accelerated discontinuance and abandonment procedures of section 304 will be available for a period of 2 years from the effective date of the Final System Plan. Furthermore, section 304 provides a mechanism under which a shipper, a state, the United States, a local or regional transportation authority or any responsible person may offer either to purchase or to subsidize service on a rail property over which the estate has given notice of intention to discontinue service under section 304(a). If such a "rail service continuation subsidy" is subsequently withdrawn, the 2-year effective period of applicability of the accelerated discontinuance and abandonment procedures of section 304 (a) and (b) runs from the date the last subsidy payment is made.

Properties *not* designated for transfer or conveyance under the Act thus are eligible for immediate subsidy or abandonment, as compared with the more time-consuming processes which otherwise would apply. The benefits which the estates will receive under section 304 are calculated as the difference between the present values of the properties abandoned under the provisions of section 304 and the net liquidation values of the same properties as determined under the master liquidation plan. In order to maintain consistency with the assumptions used in developing the pro formas we have assumed that all property available for subsidies would receive such subsidies for a period of 2 years. Thus the benefit is essentially limited to being able to dispose of the property 1 year earlier than hypothesized in the master liquidation plan.

Sections 213 and 215.—Sections 213 and 215 of the Act cover, respectively, Department of Transportation preconveyance emergency assistance to the estates and agreements to acquire, maintain or improve rail properties. Both sections provide that:

> . . . (1) to the extent that physical condition is used as a basis for determining, under Section 206(f) or 303(c) . . ., the value of properties . . ., the physical condition . . . on the effective date of the agreement shall be used; and
> (2) in the event property subject to the agreement is sold . . . the trustees . . . shall pay to the Secretary that portion of the proceeds of such sale . . . which reflects value attributable to the maintenance and improvement provided pursuant to the agreement.

The funds provided under section 213 and section 215 qualify as potential enhancements. Net liquidation values were derived by valuing the properties based on their condition early in 1974. Since this baseline preceded any improvements which subsequently may have been made with 213 or 215 funds, no specific quantification is required to reflect enhancements in physical condition.[8]

Sales To Solvents At Greater Than Net Liquidation Values.—In designing the master liquidation plan, USRA assumed that the core system it has designed would be determined to be required to meet the service needs of the Region even in the absence of the Act. The assumption is that a disposition process would take place in which solvent railroads would be induced by the estates and regulatory commissions to acquire and operate these essential rail properties. These acquisi-

[8] USRA has not yet quantified any benefits produced by Sections 213 and 215 assistance in reducing the burden of deficit rail operations on the estates or flowing from the operational economies permitted by the improvement. This analysis will continue.

tions, however, in turn would be made at prices based on net liquidation values. These prices would be more than the economic worth to transferees of some property segments and less than the economic worth of other segments. It has been assumed, however, that the transferees would be required to accept overall packages for which they would pay liquidation values.

To the extent that transfers made under provisions of the Act result in payments by solvent carriers in excess of liquidation values, such prices are a result of the Act's processes and ConRail's operation of substantial rail service in the Region. Without the existence of ConRail, the solvent railroads would be urged to acquire substantially larger portions of the system, including lines with extensive passenger operations. It is reasonable to expect that prices paid under those conditions would approximate alternative net liquidation values. The resulting benefit to the estates from the existence of ConRail, therefore, has been measured as the difference between the value offered for rail properties by the solvent railroads and the net liquidation value for those same properties.

Rail Service Continuation Subsidies and Expedited Sales to Solvents.—The categories of rail service continuation subsidies and expedited sales to solvents have been treated as one category, because the basis for valuing both is the net liquidation value of the property as determined under the master liquidation plan.

Section 402 of the Act authorizes rail service continuation subsidies under which the bankrupt estates are entitled to "a reasonable return on the value" of the properties operated under subsidy. The Rail Services Planning Office of the ICC, pursuant to its obligation under the Act to determine and publish standards for determining the meaning of "a reasonable return on value," has found that net liquidation is the proper standard.

Similarly, some properties have been offered for sale to solvent railroads at the net liquidation values determined by USRA.

The use of net liquidation values in fulfilling both of the aforementioned requirements of the Act leaves the estates in no better position than would have existed had they been allowed to dispose of their properties as otherwise postulated in the master liquidation plan.

Obligations

Obligations derive from contractual agreements, regulatory requirements or expenses related to the operation of a railroad. In each instance ConRail's assumption of an estate's obligations creates a benefit to the extent that it eliminates a financial obligaton which the estate would have to have discharged in the normal course of liquidation. Thus, any financial obligations assumed by ConRail or otherwise eliminated by the Act is a benefit of the Act.

Expenses of Administration.—Administrative claims would have been incurred, absent the Act, between 1976 and the commencement of liquidation under the master liquidation plan on January 1, 1979. Such costs would result from the requirement of an orderly liquidation in the best interest of the public and of the estates. Examples of such claims include state and local property taxes and casualty and insurance reserves. Since expenses of administration are priority claims against the estates, they would have to be discharged as part of a bankruptcy settlement out of liquidation proceeds.

Transfer to ConRail in 1976 relieves the estates of the further accrual of administrative claims related to the assets conveyed. As such, the creation of ConRail confers a benefit on the estates equivalent to the present value of the administrative claims which otherwise would have been incurred.

Rolling Stock Obligations.—Section 303(b) (3) of the Act provides:

> [I]f railroad stock is included in the rail properties to be conveyed, such conveyance may only be effected if * * * [ConRail] * * * assumes all of the obligations under any conditional sale agreement, equipment trust agreement, or lease in respect to such rolling stock and such conveyance is made subject thereto; and the provisions of this Act shall not affect the title and interests of any lessor, equipment trust trustee, or conditional sale vendee or assignee under such conditional sale agreement, equipment trust agreement or lease under Section 77(j) of the Bankruptcy Act (11 U.S.C. 205(j)).

Since the Final System Plan recommends that most railroad rolling stock be included in the rail properties transferred to ConRail, each estate will receive a benefit from ConRail's assuming that estate's liabilities under the applicable conditional sale agreements, equipment trust certificates and leases. To the extent that these obligations were first entered into by the trustees after Section 77 proceedings commenced, they constitute administrative claims against the estates. To the extent that these obligations were entered into by the railroads prior to the commencement of Section 77 proceedings, they represent an unsecured claim (to the extent not satisfied by the net proceeds realized in sale of the equipment) against the estates. Accordingly, any payments remaining after January 1, 1979 would have to be discharged out of the equipment proceeds with the shortfall being an unsecured claim against the proceeds of liquidation—to the extent there were sufficient proceeds left after all administrative and other higher priority claims had been paid.

In liquidation the rolling stock would be sold. In order to quantify the benefits accruing from the assumption of both the pre- and the post-bankruptcy obligations the discounted present value of the proceeds was subtracted from the discounted present value of the obligations remaining after January 1, 1979.

Labor Protection Costs.—Under the assumptions of the master liquidation plan, segments of many rail properties would be sold to other railroads while others would be abandoned. With respect to those which would be abandoned, it is reasonable to anticipate that the railway labor organizations would vigorously press the ICC and the reorganization courts for specific performance of *all* the labor protection provisions in those contracts with the bankrupts covering all those employees who would be discharged as a result of such abandonments.[9] The unions would seek to have all such payments assessed against the bankrupt estates on a priority equal to that accorded expenses of administration. It also is reasonable to anticipate that the trustees and creditors would vigorously resist such efforts, contending that *all* such claims should be treated as general unsecured obligations of the estates. Whether and to whatever extent the executory agreements were deemed enforceable in a liquidation, they presumably would constitute a significant equitable claim on the estates' assets which would influence the character of protective benefits ultimately provided.

Although abandonments on the scale hypothesized under the master liquidation plan are unprecedented, it is reasonable to conclude that the ICC and the reorganization courts would be compelled by public interest considerations to reject the contentions of the trustees and creditors that labor protection amounts to nothing more than an unsecured general claim. Presumably, however, the ICC and the courts would find it inequitable specifically to enforce *all* of the provisions of existing contracts as to the employees affected.

It is settled that the ICC has power to impose labor protection provisions as a condition of line abandonments. In *ICC* v. *Railway Labor Executives Ass'n.*, 315 U.S. 373 (1942), the Supreme Court held:

> [I]f national interests are to be considered in connection with an abandonment, there is nothing in the [Transportation Act of 1920] to indicate that the national interest in purely financial stability is to be determinative while the national interest in the stability of the labor supply available to the railroads is to be disregarded. On the contrary, [*United States* v. *Lowden*, 308 U.S. 225] recognizes that the unstabilizing effects of displacing labor without protection might be prejudicial to the orderly and efficient operation of the national railroad system. Such possible unstabilizing effects on the national railroad system are no smaller in the case of an abandonment like the one before us than in a consolidation like that involved in the *Lowden* case. [315 U.S. at 377.]

In accordance with its power to attach labor protection conditions as a condition of line abandonments, the ICC has frequently done so. E.g., *Missouri-Kansas-Texas R. Co. Abandonment, Okla.*, 338 I.C.C. 728, 752–753 (1971) (imposing the "*Burlington* conditions" discussed *infra*); *East Carolina Ry. Abandonment*, 324 I.C.C. 506, 520–522 (1964) (imposing the "*Burlington* conditions"); *Seaboard Air Line R. Co. Trackage Rights*, 312 I.C.C. 797, 801–802 (1962) (imposing the "*New Orleans* conditions" discussed *infra*).

The "*Burlington* conditions" imposed in two of the cases cited above spring from the ICC's decision in *Chicago, B.&Q. R. Co. Abandonment*, 257 I.C.C. 700 (1944) and are set forth in detail in that case. *See* 257 I.C.C. at 704–707. In summary, they provide for a maximum of up to 12 months' severance pay at 100 percent of salary immediately prior to dismissal for a protective period of up to 4 years for employees who are displaced and remain unemployed for a 12-month period. The "*New Orleans* conditions" imposed in the other case cited above spring from the ICC's decision in the *New Orleans Union Passenger Terminal Case*, 282 I.C.C. 271 (1952). In the *New Orleans* case which involved merger, consolidation and abandonment issues, the ICC approved labor protective conditions which in effect would guarantee a displaced employee 4 years' severance pay at his salary level prior to termination, if he remained unemployed for that entire period.

In cases of the complete abandonment of lines by railroads in economic distress the ICC on occasion has found it not just and reasonable to impose conditions. (See discussion: *Bush Terminal R.R.-Entire Line Abandonment*, 342 I.C.C. 34(1971); 347 I.C.C. 278 (1972). But in another recent proceeding involving a major abandonment by a railroad in reorganization, the ICC imposed 3-month severance pay protection for displaced employees. *CNJ-Abandonment*, 342 I.C.C. 227 (1972).

In light of the foregoing ICC precedents and the equitable considerations arising from existing labor protection agreements, USRA believes it is reasonable to assume that if the processes of the master liquidation plan were carried out, the ICC and the courts would require severance payments to the estates' affected employees in an amount approximating 6 months' severance pay at 100 percent of salary for a protective period of 4 years. Payments made pursuant to such conditions would be assessed against the estates on a priority equivalent to an administrative claim on the net proceeds from the liquidation. The 6 months' severance payments hypothesis yields a conservative estimate of the liability from which the estates are relieved.[10] Under the rationale of the foregoing analysis, the benefit to be

[9] It is also reasonable to assume that the ICC would condition transfers of system segments to solvent carriers upon agreements by the solvents to assume the labor protection costs applicable to such employees. See *Railway Labor Executives Association* v. *United States*, 339 U.S. 142 (1950).

[10] By contrast, in the House Hearings on the Act, the trustees of the Penn Central testified that as to their railroad alone, their "best estimate of the amount of labor protection costs involved if the Penn Central were permitted to move immediately to an 11,000-mile system * * * is $600 million" *Hearings on H.R. 6591, Etc. Before the Subcommitte on Transportation And Aeronautics*, 93d Cong., 1st sess., part 1, p. 292 (1973).

claimed is not measured directly by any appropriations under section 509 of the Act.[11]

Lehigh and Susquehanna Lease.—Section 303(b)(4) of the Act provides in pertinent part:

> "[I]f a railroad in reorganization has leased rail properties from a lessor that is neither a railroad nor controlled by or affiliated with a railroad, and such lease has been approved by the lessee railroad's reorganization court prior to the date of enactment of this Act, conveyance of such lease may only be effected if [ConRail] * * * assumes all of the terms and conditions specified in the lease, including * * * rent to the non-railroad lessor."

To qualify for consideration under this section, a lease of rail properties from a non-railroad not controlled by or affiliated with a railroad must meet *all* of the following three tests: (i) the lease must have been entered into prior to January 2, 1974, (ii) the lease must have been approved by the lessee railroad's reorganization court, and (iii) USRA designates the lease for assumption in the Final System Plan.

There is only one lease of rail lines that meets all three tests. That is a 1972 lease by the Lehigh Valley, approved by its reorganization court, of certain rail properties from the Lehigh & Susquehanna Railroad—a railroad controlled by the Lehigh Coal & Navigation Co. (a non-railroad).

This postbankruptcy lease constitutes an administrative claim against the estate of the Lehigh Valley, and inclusion of the Lehigh & Susquehanna properties presently subject to this lease as part of the ConRail System results in a benefit to the Lehigh Valley measured by the discounted present value of the payments remaining under the lease after January 1, 1979.

Other Executory Agreements.—There are over 200,000 other executory agreements presently binding the estates. ConRail's assumption of any of them might represent additional benefits to the estates. The overwhelming task of examining each one remains. Thus, the issue of benefits attributable to these is still open, and will probably remainn so until sometime after the date of conveyance of the bankrupt properties to ConRail.

Underfunded Pension Liabilities.—ConRail may assume certain of the pension liabilities of the railroads in reorganization, some of which are unfunded or underfunded. At this time USRA does not have adequate data with respect to either the extent of the underfunding, the amount which will become the responsibility of ConRail, or the precise nature of the claim relieved. The numbers shown are subject to final decisions as to the assumption of liabilities.

[11] Section 509 authorizes up to $250 million in federal monies to reimburse ConRail, or acquiring solvent railroads, for benefit payments to protected employees. This amount of government-provided funds is of no particular use in measuring labor protection costs accruing to the estates themselves in an orderly liquidation outside the Act.

Conclusion.—Tables 2 and 3 summarize the benefits by estates. The actual obligations relieved will be a function of, among other variables, the level of priority of the claim. Consequently, the numbers shown could be reduced to reflect the probability that general unsecured claims will never be reached. If this were done through application of an additional discount factor for the lower-priority claims, those claims would be reduced by approximately $150 million.

It has been impossible within the statutory deadlines to arrive at any final quantification as to all categories of "other benefits." In order to advise Congress as fully as possible of the potential amounts of legally cogniz-

TABLE 2.—*Benefits by estates*

	PCTC	EL	RDG	CNJ	LV	AA	LHR	Total
Enhancements:								
Accelerated abandonment	$6.8	$1.3	$0.7	$0.4	$0.7	$0.4	$0	$10.3
213 and 215 programs	0	0	0	0	0	0	0	0
Sales to solvents at greater than net liquidation value	7.5	0	9.0	0	0	0	0	16.5
Rail service continuation subsidies	0	0	0	0	0	0	0	0
Expedited sales to solvents	0	0	0	0	0	0	0	0
Total	$14.3	$1.3	$9.7	$.4	$.7	$.4	$0	$26.8
Obligations:								
Rolling stock obligations	$203.2	$19.1	$21.0	$1.3	$6.8	$.2	$0	$251.6
Lehigh and Susquehanna lease	0	0	0	0	2.8	0	0	2.8
Labor protection	(1)	(1)	(1)	(1)	(1)	(1)	(1)	20.2
Expenses of administration	285.7	3.2	20.2	0	8.8	0	0	317.9
Underfunded pension liabilities	23.8	8.2	3.1	6.2	1.0	.5	.5	43.3
Executory agreements	0	0	0	0	0	0	0	0
Total	[1] $512.7	[1] $30.5	[1] $44.3	[1] $7.5	[1] $19.4	[1] $.7	[1] $.5	[1] $635.8

[1] Cannot be allocated by estate.

TABLE 3.—*Total benefits by estate*

	Enhancements	Obligations	Total	Net liquidation value
Penn Central	$14.3	$512.7	$527.0	$494.9
Erie Lackawanna	1.3	30.5	31.8	60.3
Reading	9.7	44.3	54.0	32.1
Central of New Jersey	.4	7.5	7.9	11.9
Lehigh Valley	.7	19.4	20.1	19.4
Ann Arbor	.4	.7	1.1	1.7
Lehigh & Hudson River	0	.5	.5	1.1
Labor protection (unallocated)	0	20.2	20.2	NA
Total	$26.8	$635.8	$662.6	$621.4

able other benefits, USRA has included estimates and approximations in the Final System Plan. The Association's analysis will continue as regards both the quantification of established categories and the possible identification and quantification of additional categories.

The final results of this process will be incorporated in the certifications to the Special Court under section 209(c). At that time, or as soon as possible in advance of the actual certifications, USRA will advise the Congress of those results.

Valuation of Securities

Four classes of debt and equity securities constitute the initial capital structure of ConRail. Its relative simplicity is a marked departure from prior railroad financings and from prior railroad reorganizations. In the past the complexity of railroad capital structures, even those emerging from reorganization, has itself been a factor in many recurring bankruptcies. An examination of the capital structures of the roads which will participate in ConRail indicates that most of the railroads were burdened excessively by fixed charges. The complexity of their capital structures, however, tended to make it difficult to calculate this burden or to evaluate the outstanding securities. Public evaluation of ConRail securities will be benefited by the simplicity of its capital structure. Projected earnings made possible by the recommended funding are the primary support for the values which will inhere in ConRail's securities.

In the words of Justice Holmes, "Income producing property is worth what it can earn." It follows from that statement that the total securities issued by any income-generating entity will be worth in the aggregate the capitalized value of the earnings generated by the entity. This is not to say that the securities thus issued will be sold in the market at a price exactly equal, or even closely approximating the intrinsic value of the securities. Congress recognized this fact in passing the Rail Act. The legislative history of the Act contains the following pertinent and accurate assessment of the securities valuation process:

> The procedures of Section 303 incorporate a well established body of law under Section 77 which, in judging the fairness and equity of a plan of reorganization, have required creditors of an insolvent railroad to have their claims against it resolved in a way which, insofar as possible, is consistent with the public interest in the preservation of rail transportation. Thus, under Section 77, debt structures which would put so great a burden on the reorganized railroad as to endanger its viability have not been required. Also, secured creditors have not been entitled to receive securities with a present market value equal to the dollar amount of their claims. Rather, secured creditors have been treated as long-term investors in railroad property who are only entitled to have the securities they receive valued according to the projected value of the reorganized railroad over a reasonable period of time. Under this Bill, the Special Court could, therefore, be mindful of the effect of its decision on the prospects for viability of the corporation and would value the common stock of the corporation on the basis of its projected value over a reasonable time rather than its immediate value."[12]

For purposes of both valuation and capitalization, the courts and the ICC in applying Section 77 have generally focused on the anticipated further earning power of the reorganized railroad. In estimating future earnings, consideration has been given to the railroad's history of earnings and any circumstances which might influence earnings in the future. The attitudes of the courts and ICC towards prospective earning power have been influenced if it is apparent that abandonment of properties, industrial growth, rate increases, or similar events will probably result in increased earnings. If increased earnings are forecast, then such higher earnings figures will serve as the base for establishing valuation and capitalization.

It has been a traditionally accepted principle of railroad reorganization law that the new capital structure created in a reorganization must be a product of the estimated capitalized value of the reorganized entity. This capitalized value is determined by estimating the earnings which will be available for debt service and dividends in a future normal year, and then capitalizing that earnings figure using a rate of capitalization which fairly reflects the anticipated financial success of the reorganized railroad and the economic state of the rail industry generally.

The need for a capital structure based on capitalized earnings value was extensively discussed by the Supreme Court in *Group of Institutional Investors* v. *Chicago, M. St. P. & Pac. R.R. Co.*, 318 U.S. 523, 540–541 (1943):

> The basic question in a valuation for reorganization purposes is how much the enterprise in all probability can earn . . . The reasons why [earning power] is the appropriate test are apparent. A basic requirement of any reorganization is the determination of a capitalization which makes it possible not only to respect the priorities of the various classes of claimants but also to give the company a reasonable prospect for survival. Only "meticulous regard for earning capacity can afford the old security holders protection against a dilution of their priorities and can give the new company some safeguards against the scourge of overcapitalization." (Citation omitted.)

Because a reorganized railroad is assigned a capital structure based on the road's projected capitalized earning value, securities making up the road's capital structure do not have a market value at the time of distribution equal to the value assigned them for capitalization and allocation purposes. The market would, of course,

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[12] S. Rep. No. 93–601, 93d Cong., 1st Sess. 34–35 (1973).

penalize the reorganized railroad because of the fact it is emerging from bankruptcy, and its chances of success are as yet unproven.

In a Section 77 reorganization, creditors, based on their relative seniority, are allocated securities having an assigned value that substantially exceeds their present market value. It is general reorganization principle that creditors do not have a right to the market equivalent of the securities they surrender in the reorganization process, but instead, they are entitled to securities which have a reasonable prospect of reaching that market equivalent sometime in the future.[13]

Accordingly, as a basic rule, only the most senior securities issued in a reorganization possess a market value equivalent to their assigned value and only the most senior creditors qualify for receipt of these securities. The large majority of creditors are allocated securities having a present market value well below their assigned value. Yet the fact that assigned value is a function of the capitalized earnings value of the reorganized railroads serves as an indication that all securities will at some point in time achieve their assigned value assuming earnings projections are met.

The first task confronting USRA was to estimate the future earnings of ConRail. The projections resulting from this analysis are outlined in depth in Chapter 3 of this Final System Plan. In selecting the point at which the earnings of ConRail can be normalized, the Association had to recognize the fact that the participating railroads are all part of a bankrupt rail system. The bankruptcies of the 1970's were preceded by a decade during which dividends were paid on many of the securities of the participating roads. This fact, rather than giving encouragement, forces one to wonder whether such dividends ever should have been paid. Certainly management in declaring such dividends did not provide adequate reserves for the events which precipitated bankruptcies. The earnings projections for ConRail, therefore, take into account the fact that there will be a period during which the system must be rehabilitated, and large infusions of capital must be devoted to the improvement of the transportation plant. It would be irresponsible to devote a significant portion of earnings during this rehabilitation period solely to fixed charges and dividends on stock when the funds were needed for capital improvement purposes. In addition to reinvesting all internally generated funds, ConRail will require a government investment of $1 85 billion. That investment will be made in increments between the period 1976 and 1981. Beginning in 1982 USRA estimates that cash will be available for interest and dividends as shown on Table 4.

The first column of Table 4 shows that cash available for dividends and redemption grows steadily between 1982 and 1986 in the amounts of $122 million, $138 million, $155 million, $168 million to $336 million. From the period 1986 onward, the assumed level of "Income Available For Restricted Cash Payments" has been assumed to remain static at $672 million per year. In creating the capital structure only 50 percent of that income is allocated to the service and redemption of senior obligations, and the balance is reserved for reinvestment in ConRail so as to preserve and enhance the values represented by the ownership of the common stock.

Based upon the assumption that ConRail will meet the financial projections, it has been estimated that the securities issued will have approximately the following market values by 1985:

Security	*Amount outstanding, 1985*	*Estimated market value, 1985*
7.5% Debentures	$1,000,000,000	$900,000,000
Series A Preferred Stock	[1] 17,290,000	1,200,000,000
Series B Preferred Stock	[1] 21,000,000	875,000,000
Common Stock	[1] 21,000,000	700,000,000

[1] Shares.

These estimated values are based primarily on the financial projections for the period 1976–1985. Although the projections indicate that significant values will be achieved by 1985, there is the possibility that the projections may not be realized. The estimated benefits for the holders of the securities might then not be realized as soon as projected or in the amounts projected. However, since the value of the Certificates of Value is related to the value of the Preferred B and Common and since the obligation to redeem the Certificates of Value is an obligation of the United States, the minimum value of the package of securities issued for the rail properties can be estimated with a high degree of certainty.

Assuming the issuance of 21 million certificates (an amount equal to the proposed number of Series B Preferred and Common Stock shares), the "Valuation Base" of each Certificate of Value is equal to $50.00 per certificate in 1987 and is equal to $21.44 per certificate in 1976. The total year end valuation base is $1,050 million in 1987 and $450 million in 1976.

The "Redemption Price" of the Certificates of Value issued to each estate is equal to the total "Valuation Base" for that estate minus the combined value of the Series B Preferred Stock and Common Stock issued to that estate. Therefore, if redeemed at year end 1976 the combined value of the securities issued to the estates would be no less than $450 million. If redeemed in 1987 the combined value would be no less than $1,050 million.

In considering the values estimated above, it must be

[13] One court explained:

The rule is that in the order of their priority the security holders receive the "equitable equivalent" of the rights surrendered (citations omitted). "Equitable equivalent" does not mean "cash equivalent" as the argument of the [opponents to the plan of reorganization] would suggest. (In *re Missouri Pac. RR Co.*, 129 F. Supp. 392 (E.D. Mo. 1955), aff'd Sub Nom., *Missouri Pac. R.R. Co. 5¼% Secured Serial Bondholders Comm.* v. *Thomson*, 225 F. 2d 761 (8th Cir. 1955), Cert. denied, 350 U.S. 959 (1956).

TABLE 4.—*Schedule of interest, dividends and redemption*

[Dollars in millions]

Year	Cash [1] available for restricted cash payments	7.50 percent debentures			Series A preferred stock			Series B preferred stock cash dividend
		Outstanding	Cash interest	Redemption	Outstanding	Cash dividend	Redemption	
1976	0	$698	0	0	$29	0	0	0
1977	0	1,000	0	0	305	0	0	0
1978	0	1,000	0	0	700	0	0	0
1979	0	1,000	0	0	1,115	0	0	0
1980	0	1,000	0	0	1,351	0	0	0
1981	0	1,000	0	0	1,527	0	0	0
1982	$122	1,000	$75	0	1,594	$47	0	0
1983	138	1,000	75	0	1,651	63	0	0
1984	155	1,000	75	0	1,696	80	0	0
1985	168	1,000	75	0	1,730	93	0	0
1986	336	974	75	$26	1,730	130	0	$105
1987	336	946	73	28	1,730	130	0	105
1988	336	916	71	30	1,730	130	0	105
1989	336	884	69	32	1,730	130	0	105
1990	336	849	66	35	1,730	130	0	105
1991	336	812	64	37	1,730	130	0	105
1992	336	772	61	40	1,730	130	0	105
1993	336	729	58	43	1,730	130	0	105
1994	336	683	55	46	1,730	130	0	105
1995	336	633	51	50	1,730	130	0	105
1996	336	579	47	54	1,730	130	0	105
1997	336	521	43	58	1,730	130	0	105
1998	336	459	39	62	1,730	130	0	105
1999	336	392	34	67	1,730	130	0	105
2000	336	320	29	72	1,730	130	0	105
2001	336	243	24	77	1,730	130	0	105
2002	336	160	18	83	1,730	130	0	105
2003	336	71	12	89	1,730	130	0	105
2004	336	0	5	71	1,704	130	$25	105
2005	336	0	0	0	1,601	128	103	105
2006	336	0	0	0	1,490	120	111	105
2007	336	0	0	0	1,371	112	119	105
2008	336	0	0	0	1,243	103	128	105
2009	336	0	0	0	1,105	93	138	105
2010	336	0	0	0	957	83	148	105
2011	336	0	0	0	798	72	159	105
2012	336	0	0	0	627	60	171	105
2013	336	0	0	0	443	47	184	105
2014	336	0	0	0	245	33	198	105
2015	336	0	0	0	32	18	213	105
2016	336	0	0	0	0	2	32	105

[1] For definition of term see Chapter 4.

remembered that the values are *minimum* values based solely on the obligation of the United States to redeem the Certificates of Value. The minimum values are totally independent of the ability of ConRail to achieve the projected results through 1985. If ConRail does succeed in meeting the projections, it has been estimated that the value of the Series B Preferred Stock and Common Stock will be in excess of the valuation base prior to 1985 and that their combined value will be approximately $1,575,000,000 by that time.

Allocation of Securities

The Association is not required to designate the amount, terms and value of ConRail securities (including USRA obligations) to be received by each of the railroads transferring property to ConRail until such time as the Association, in accordance with section 206 (c), delivers to the Special Court a certified copy of the Final System Plan approved by the Congress. While the Association would have preferred to specify in the FSP the precise securities package to be allocated to each transferor entity, time did not permit the completion of all of the studies necessary to effect such an allocation. In lieu of a specific allocation, therefore, the FSP sets forth the principles which the Association proposes to use to effect the allocation of securities.

In traditional Section 77 reorganizations new securities have generally been allocated among the participating entities primarily on the basis of the contribution made by each group of assets to the future earning power of the reorganized entity. It has also been established in Section 77 reorganizations that the earnings value contributed by a group of assets need not be compensated for with securities having a market value on the date of the exchange exactly equal to the assigned asset value.

In calculating contributions to future earning power, the courts have employed various valuation techniques to break down the projected earning power of the reorganized entity among the several groups of assets making up the system. The first step in such an analysis has generally been a segregation study, allocating expected revenues and expenses among the various asset groups generating them. The earnings contributions derived from the segregation study are then modified in light of special values assigned to particular groups of assets pursuant to severance, contributed traffic or other like studies.[14] These latter studies have been particularly useful in assigning a positive value for purposes of securities allocation to assets which are shown to have a negative or nominal earnings value under a segregation study.

While earnings contribution has been the traditional method of allocating securities in income-based railroad reorganizations, the *New Haven Inclusion Cases*, *supra*, suggests that participating entities with "neither earning power nor the prospect of earning power" (399 U.S. at 436) may be entitled to a "constitutional minimum" value which is most closely approximated by "net liquidation value." Hence, there would appear to be two sets of allocation rules under Section 77: (1) where assets with positive earnings value are reorganized, a primary principle is that each asset group is entitled to receive securities of the reorganized enterprise in proportion to its contribution to the earnings of the reorganized entity and these securities need not have a present market value precisely equal to the separate earnings value of the contributed assets; and (2) where assets without going concern value are included in the reorganization (or where the reorganized entity itself has no reasonable prospect of future earnings), these assets are valued by reference to their net liquidation value and the securities allocated in exchange therefor must possess some reinforced expectation that their market value will at future date attain net liquidation value.

The Rail Act, as interpreted by the Supreme Court and the Special Court, clearly suggests that the securities of ConRail (including obligations of USRA) are to be allocated among the various railroads contributing property to the reorganized enterprise in accordance with traditional reorganization principles. If an income-based reorganization is achieved, these principles require an allocation based upon aliquot contribution to ConRail's projected earnings. The purpose of the Rail Act is to provide for an income-based reorganization of assets held in the bankrupt estates, a reorganization which will result in the emergence of a viable new rail entity, ConRail. Moreover, the financial projections developed by the Association indicate the probability that an income-based reorganization will in fact be achieved. However, as has been stated, the Association cannot ignore the fact that there are inherent uncertainties in long-term projections of this nature, the existence of which may require that consideration be given to net liquidation values in the allocation process.

The capital structure proposed for ConRail offers sufficient flexibility to permit an allocation rooted in the relative contribution to the earnings power of the reorganized enterprise while at the same time ensuring each participating railroad that it will receive the net liquidation value of its transferred assets on the date of conveyance irrespective of the actual performance of ConRail. This will be accomplished under the FSP by an allocation of securities in accordance with the following principles:

- *Series B Preferred Stock.*—Each entity participating in the reorganized enterprise will be allocated shares of ConRail Series B Preferred Stock on the basis of its net liquidation value contribution to ConRail.
- *Common Stock.*—ConRail Common Stock will be allocated to each of the entities participating in the reorganized enterprise in accordance with their aliquot contribution to the projected "excess earnings" of the reorganized enterprise available after the necessary servicing of the Government's indebtedness and the Series B Preferred Stock. By the term "excess earnings" is meant the amount by which projected earnings exceed that amount of earnings which, when capitalized at an appropriate rate, produce an earnings value equal to net liquidation value. The segregation and related valuation studies now under way should permit a reasonably accurate determination of the excess earnings contribution of each of the entities participating in the reorganized enterprise.
- *Certificates of Value.*—There will be issued to each participating transferor a Certificate of Value evidencing the obligation of the Association to pay to that transferor at a date selected by the Association but not later than December 31, 1987, the amount by which the net liquidation value as determined by the Association of the properties

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[14] The following are summary definitions of the above-described valuation studies:

(a) *Segregation Study.*—This is the only study for which there exists express statutory authority. Pursuant to section 77(e)(10), the ICC is authorized to employ a segregation study to allocate the revenues and expenses of a single system to its various component parts. Such a study has been of particular importance where there was need to determine the net earnings or deficits of various leased lines or mortgage divisions. Segregation studies have often been relied upon to aid in determining allocations in complicated reorganizations involving many different securities having separate liens of equal rank upon many separate properties.

(b) *Severance Study.*—A severance study seeks to develop both the earning power of a particular line if its operation is severed from the remainder of the property as well as the loss of earnings which the remaining property would suffer from the severance of the particular property. Based on these calculations, a value may be assigned to a line or mortgage division which is higher than that calculated by simply allocating revenues and expenses under a segregation study.

(c) *Contributed Traffic Study.*—This study attempts to analyze the amount of traffic originated and terminated by a particular line for the rest of the system. Its basic objective is to assign value to a line based on its contribution to the system as a "business getter."

(d) *Traffic Density and Strategic Value Studies.*—These studies demonstrate how a particular line might be responsible for a larger or smaller proportion of earnings than would normally be expected.

> transferred by the transferor to ConRail, with interest accrued at 8 percent, exceeds the fair market value as of the selected date of the shares of Series B Preferred Stock and Common Stock received by the railroad in exchange for its properties. The Association's obligation under the Certificate of Value is subject to reduction to the extent that the net liquidation value determined by the Association is determined to exceed the constitutional minimum to which the particular transferor is entitled, including appropriate recognition of the other benefits received by the transferor. The issuance of the Certificates of Value is designed to insure that each participating transferor will receive for its properties securities which have a market value not less than its constitutional due.

The allocation of securities, as ultimately certified by the Association, will be reviewed by the Special Court in accordance with section 303 of the Rail Act. The Court is empowered to reallocate the securities if it determines that the proposed allocation is not fair and equitable to the railroads transferring property to ConRail. If the lack of fairness and equity cannot be cured by a reallocation and increase, the Special Court is authorized to enter a judgment against ConRail. In the unlikely event that these procedures result in consideration which is less than the constitutional minimum, the affected transferors will be entitled to recover the balance of consideration from the government under the Tucker Act.

Conclusion

The purpose of the Act is to produce a viable rail system in the Region, a purpose which the Association believes the FSP achieves. Some estates and their claimants, however, have argued that the railroads in reorganization cannot be reorganized into a viable, privately owned railroad. Were there final certainty that a successful reorganization of ConRail could be accomplished, the basic valuation task confronting the Association would be greatly simplified, essentially requiring only an allocation of the ownership of ConRail among the transferor entities which reflected the government's financial contribution. No such certainty can exist, however, and many of the estates and their claimants urge that they have a constitutional right to liquidate their assets in whatever manner would maximize realizable values. It is not reasonable to expect the estates or their claimants to change their view so long as there is any uncertainty as to ConRail's viability.

Recognizing the contrary arguments that have been and will be advanced, nevertheless, the Association believes the Final System Plan demonstrates that a viable ConRail can be created and the assets of the railroads in reorganization thereby reorganized on an income basis. The studies which underlie the FSP show that this conclusion is justified under each of the three standards established by the Act to govern the ConRail reorganization—namely, the standards of public interest, fairness and equity and constitutional minimum.

The earnings projected for the ConRail system indicate that the system will possess a substantial going-concern value which will steadily increase. The securities which are to be issued in exchange for the transferors' properties reflect that earning capacity and have a projected worth that will provide a fair return to their holders. In light of the forecasted viability of ConRail, the public interest in maintaining adequate rail service outweighs the creditors' asserted right to liquidate the assets to satisfy debts.

The public interest also requires a capital structure for the reorganized rail entity which reasonably assures both a return to its owners and an ability to service the fixed charges of the enterprise. ConRail's capital structure has been designed so that the payment of debt and equity obligations will not be a drain on cash such as to threaten ConRail's future solvency. Under the capital structure proposed, interest on all securities, even the senior debentures issued to USRA, is payable in cash only if cash is available. It is anticipated that by 1986 ConRail should have sufficient earnings, after payment of interest and dividends on all securities, to begin a redemption program that ultimately will retire the government investment in the new enterprise.

USRA has approached the fair and equitable standard from two perspectives, valuing ConRail both by the capitalization of its earnings and by determining the present value of the flow of the net proceeds which could be generated through liquidating the estates. Comparing the results of these two valuation approaches one sees that an income based reorganization of ConRail is realizable, offering potential returns greater than those which are offered by a liquidation of the bankrupts. The Preferred and Common Stock of ConRail to be distributed to the transferors will be allocated pursuant to traditional reorganization principles based on asset values and earnings contributions. The government's participation in ConRail's earnings is limited to recovery of its capital contribution to the system, including a reasonable return. Thus, the estates will be the principal beneficiaries of the enhanced value of their reorganized and refinanced assets, values which over time will be directly reflected in the appreciation of the Preferred and Common Stock.

The Association has also undertaken to guarantee the projections of future viability by issuing to the transferors Certificates of Value which perform a function similar to the underwriting provision employed in the *New Haven Inclusion Cases*, *supra*. As in that case, net liquidation value is adopted as the appropriate value for assets which have no timely prospects of earnings. The Certificates of Value therefore assure that each transferor will receive the net liquidation value of its contributed assets if the earnings projections of ConRail are not achieved. The Association believes that the issuance of Certificates of Value is justified as a precaution against this possibility. Assuming the earnings projections are met, it is anticipated that the values of the securities issued to the transferors will surpass the net liquidation value of contributed assets in 1984, so that there then would be no claim under most of the Certificates of Value.

In assessing the fairness and equity of the Plan of Reorganization, the Association has not only considered the net liquidation value of the assets, and the value of the securities to be issued, but has considered the other benefits accruing to the participating railroads. The Association estimates that the bankrupt estates will enjoy benefits in excess of $660 million, an amount which alone exceeds the net liquidation value of the assets designated for transfer to ConRail. In allocating ownership of the new enterprise among the contributing transferors, the Association will take this amount into account along with other consideration which may be received directly by the estates.

The values incorporated into this chapter, the methodologies used in deriving those values and the conclusion that an income based reorganization of ConRail is possible undoubtedly will be vigorously challenged by the estates before Congress and the courts. The Association believes, however, that the values it has established for the designated rail properties are accurate assessments of realistic economic values which would be realizable in the absence of the Act. The Association is persuaded that the ConRail securities, the Certificates of Value and other benefits provided by the Act constitute the full fair and equitable consideration to which the estates are entitled.

NEGOTIATIONS WITH PENN CENTRAL INTERESTS

For some time the United States Railway Association has been engaged in discussions with representatives of a broad range of interests in the Penn Central estate. Those interests have included both creditors and stockholders. Representatives of the Penn Central trustees have also attended some of these discussions.

The purpose of these discussions has been to explore the possibility of reaching agreements in respect to the transfers of Penn Central rail properties under the Regional Rail Reorganization Act. A major purpose of any settlement would be the elimination of litigation with respect to valuation issues, including possible deficiency judgments against ConRail and any and all possible Tucker Act claims against the United States Government. A settlement would encompass claims asserted by Penn Central interests for erosion losses and consideration for property transferred. Any settlement could also be the basis for settlements with other estates.

No agreements have yet been reached on valuation concepts or on form or amounts of consideration to the Penn Central estate.

Despite the existing disagreements, further discussions may prove useful. The matter of continuing discussions will be pursued following publication of the final system plan.

Should there be any significant developments toward settlement of the issues, the appropriate Committees of Congress will be advised.

APPENDIX

Net Liquidation Valuation

In the normal reorganization context there are sufficient prospects that the bankrupt entity can emerge from reorganization as a viable concern that claimants are required to await the attainment of viability for their claims to be satisfied from securities of the reorganized entity. At least in theory it is possible that the delay before viability will be achieved—or the uncertainty that viability will ever be achieved—can become so great that the claimants are entitled to have the reorganization proceeding dismissed and to exercise freely their creditor remedies, terminating rail operations and selling, dismantled or intact, the estate's assets in whatever manner deemed advantageous. Such sale would, of course, be subject to normal and lawful regulatory constraints consistent with the public-use obligations impressed on the rail properties. The net liquidation process pursued by USRA is intended to replicate the consequence of an actual exercise by the claimants to the bankrupt estates of their ultimate creditor rights.

The determination of net liquidation value is important as one factor in testing the fairness of the value achieved through the reorganization process provided by the Act. Moreover, net liquidation also provides one measure of the prices at which properties should be offered to solvents and serves as a basis for determining subsidy payments by the states and other qualified organizations and individuals.

USRA has determined net liquidation values for the rail assets of all the bankrupt estates subject to the Act. Table 1 shows these values for the seven primary debtors (Ann Arbor, Central of New Jersey, Erie Lackawanna, Lehigh & Hudson River, Lehigh Valley, Penn Central and Reading) along with related book values and information available to USRA relating to other valuations performed by or on behalf of the estates. Table 2 shows the value of rail properties designated for transfer to ConRail and those for transfer to Amtrak as Northeast Corridor properties from all the estates.

This appendix is intended to describe the process followed by USRA in determining net liquidation values. The process is illustrated in Figure 1. It is analogous to the process that would be followed by a trustee weighing the decision to liquidate. It requires the development of a plan of liquidation [1] which reasonably answers seven fundamental questions:

- What is the public policy framework within which liquidation would occur?
- When will the estate receive the judicial and regulatory approvals necessary to permit sale of its rail properties?
- In what order and over what time periods should the assets be sold?
- What is the inventory and condition of the properties to be sold?
- What are the estimated gross proceeds from sales?

[1] USRA assumes that each estate would develop its own master plan. As part of the net liquidation process, USRA postulated the key assumptions those master plans would contain. For convenience of reference these assumptions and the estates' plans are sometimes referred to as the "master liquidation plan."

TABLE 1.—*Valuations as made by the estates*

(Thousands)

Penn Central Transportation Co.	Book value, Dec. 31, 1975 [1]	RCNLD,[2] Dec. 31, 1970	Estate liquidation value		USRA NLV,[3] Dec. 31, 1975
			Gross, Dec. 31, 1970	Net, Dec. 31, 1970	
Materials and supplies	$74,033	$89	$41,769	$38,616	$35,028
Facilities	2,936,550	8,349,346	(55,113)	(152,696)	84,719
Land and buildings	922,943	3,812,082	2,777,084	1,578,480	385,478
Equipment net of obligations	1,162,615	861,840	378,166	180,219	26,024
Subtotal	5,096,141	13,023,357	3,141,906	1,644,619	531,249
Administrative expense of liquidation					(36,282)
Depreciation	(1,448,305)				
Total	$3,647,836	$13,023,357	$3,141,906	$1,644,619	$494,967

Erie Lackawanna Ry.	Book value, Dec. 31, 1975 [1]	RCNLD,[2] Dec. 31, 1973	Estate liquidation value		USRA NLV,[3] Dec. 31, 1975
			Gross, Dec. 31, 1973	Net, Dec. 31, 1973	
Materials and supplies	$10,740	NA	NA	NA	$4,820
Facilities	271,845	$2,727,272	NA	$193,935	18,977
Land and buildings	57,445	771,720	NA	206,121	38,611
Equipment net of obligations	165,970	141,109	NA	67,647	938
Subtotal	506,000	3,640,101	NA	467,703	63,346
Administrative expense of liquidation					(3,049)
Depreciation	(188,446)				
Total	$317,554	$3,640,101	NA	$467,703	$60,297

Reading Co.	Book value, Dec. 31, 1975 [1]	RCNLD,[2] Dec. 31, 1971	Estate liquidation value		USRA NLV,[3] Dec. 31, 1975
			Gross	Net, Dec. 31, 1971	
Materials and supplies	$4,832	$4,357	NA	$2,136	$2,879
Facilities	211,315	422,015	NA	32,315	9,678
Land and buildings	53,373	208,035	NA	28,984	19,349
Equipment net of obligations	103,052	70,223	NA	33,302	1,772
Subtotal	372,572	704,630	NA	96,737	33,678
Administrative expense of liquidation					(1,624)
Depreciation	(133,316)				
Total	$239,256	$704,630	NA	$96,737	$32,054

Lehigh Valley RR.	Book value, Dec. 31, 1975 [1]	RCNLD,[2] June 30, 1971	Estate liquidation value		USRA NLV,[3] Dec. 31, 1975
			Gross, June 30, 1971	Net, June 30, 1971	
Materials and supplies	$1,578	NA	NA	NA	$1,006
Facilities	113,382	$370,465	NA	$15,189	6,570
Land and buildings	34,964	109,777	NA	37,719	12,443
Equipment net of obligations	40,469	43,906	NA	4,747	720
Subtotal	190,393	524,148	NA	57,655	20,739
Administrative expense of liquidation					(1,373)
Depreciation	(54,915)				
Total	$135,478	$524,148	NA	$57,655	$19,366

See footnotes at end of table.

TABLE 1.—*Valuations as made by the estates*—Continued

(Thousands)

Central RR Co. of New Jersey	Book value, Dec. 31, 1975 [1]	RCNLD,[2] June 30, 1968	Estate liquidation value: Gross, June 30, 1968	Estate liquidation value: Net, June 30, 1968	USRA NLV,[3] Dec. 31, 1975
Materials and supplies	$1, 578	NA	NA	$1, 653	$665
Facilities	63, 576	NA	NA	14, 997	3, 838
Land and buildings	17, 459	NA	NA	56, 256	8, 393
Equipment net of obligations	22, 821	NA	NA	4, 325	(237)
Subtotal	105, 434	NA	NA	77, 231	12, 659
Administrative expense of liquidation					(796)
Depreciation	(23, 511)				
Total	$81, 923	NA	NA	$77, 231	$11, 863

Ann Arbor RR	Book value, Dec. 31, 1975 [1]	RCNLD,[2] Mar. 1, 1974	Estate liquidation value: Gros, Mar. 1, 1974	Estate liquidation value: Net Mar. 1, 1974	USRA NLV,[3] Dec. 31, 1975
Materials and supplies	$469	NA	NA	$163	NA
Facilities	13, 500	NA	NA	4, 106	$1, 443
Land and buildings	1, 365	NA	NA	3, 723	221
Equipment net of obligations	11, 359	NA	NA	2, 133	147
Subtotal	26, 693	NA	NA	10, 125	1, 811
Administrative expense of liquidation					(122)
Depreciation	8, 812				
Total	$17, 881	NA	NA	$10, 125	$1, 689

Lehigh & Hudson River Ry.	Book value, Dec. 31, 1975 [1]	RCNLD [2]	Estate liquidation value: Gross	Estate liquidation value: Net	USRA NLV,[3] Dec. 31, 1975
Materials and supplies	$90	NA	NA	NA	$46
Facilities	4, 414	NA	NA	NA	438
Land and buildings	551	NA	NA	NA	675
Equipment net of obligations	1, 250	NA	NA	NA	35
Subtotal	6, 305	NA	NA	NA	1, 194
Administrative expense of liquidation					(57)
Depreciation	(1, 533)				
Total	$4, 772	NA	NA	NA	$1, 137
Total—all estates:					
Materials and supplies	$93, 320				$44, 444
Facilities	3, 614, 582				125, 663
Land and buildings	1, 088, 100				465, 170
Equipment net of obligations	1, 507, 536				29, 399
Subtotal	6, 303, 538				664, 676
Administrative expense of liquidation					(43, 303)
Depreciation	(1, 858, 838)				
Total	$4, 444, 700				$621, 373

[1] Estimated.
[2] Reconstruction cost new less depreciation.
[3] Net liquidation value.

Source: For book value: USRA and estate records. For RCNLD, gross and net liquidation value: estate valuation studies. For NLV: USRA.

TABLE 2.—*USRA net liquidation values*
[Thousands]

	USRA NLV 12-31-75	ConRail	Northeast Corridor	Balance[1]
Penn Central Transportation Co.:[2]				
Materials and supplies	$35,028	$32,573	$2,455	0
Facilities	84,719	79,754	(7,985)	$12,950
Land and buildings	385,478	252,956	94,740	37,782
Equipment	26,024	24,898	1,126	0
Subtotal	531,249	390,181	90,336	50,732
Administrative expense of liquidation	(36,282)	(24,249)	(4,158)	(7,875)
Total	494,967	365,932	86,178	47,857
Erie Lackawanna Railway:				
Materials and supplies	4,820	1,607	0	3,213
Facilities	18,977	871	0	18,106
Land and buildings	38,611	16,524	0	22,087
Equipment	938	76	0	862
Subtotal	63,346	19,078	0	44,268
Administrative expense of liquidation	(3,049)	(386)	0	(2,663)
Total	60,297	18,692	0	41,605
Reading Co.:				
Materials and supplies	2,879	864	0	2,015
Facilities	9,678	3,867	0	5,811
Land and buildings	19,349	7,374	0	11,975
Equipment	1,772	301	0	1,471
Subtotal	33,678	12,406	0	21,272
Administrative expense of liquidation	(1,624)	(796)	0	(828)
Total	32,054	11,610	0	20,444
Lehigh Valley Railroad:				
Materials and supplies	1,006	1,006	0	0
Facilities	6,570	3,103	0	3,467
Land and buildings	12,443	10,579	0	1,864
Equipment	720	348	0	372
Subtotal	20,739	15,036	0	5,703
Administrative expense of liquidation	(1,373)	(739)	0	(634)
Total	19,366	14,297	0	5,069
Central RR Co. of New Jersey:				
Materials and supplies	$665	$665	$0	$0
Facilities	3,838	3,151	0	687
Land and buildings	8,393	7,287	0	1,106
Equipment	(237)	(159)	0	(78)
Subtotal	12,659	10,944	0	1,715
Administrative expense of liquidation	(796)	(637)	0	(159)
Total	11,863	10,307	0	1,556
Ann Arbor Railroad:				
Materials and supplies	N/A	N/A	N/A	N/A
Facilities	1,443	261	0	1,182
Land and buildings	221	133	0	88
Equipment	147	109	0	38
Subtotal	1,811	503	0	1,308
Administrative expense of liquidation	(122)	(23)	0	(99)
Total	1,689	480	0	1,209
Lehigh & Hudson River Railway:				
Materials and supplies	46	46	0	0
Facilities	438	438	0	0
Land and buildings	675	675	0	0
Equipment	35	35	0	0
Subtotal	1,194	1,194	0	0
Administrative expense of liquidation	(57)	(57)	0	0
Total	1,137	1,137	0	0
Totals—All estates:				
Materials and supplies	44,444	36,761	2,455	5,228
Facilities	125,663	91,445	(7,985)	42,203
Land and buildings	465,170	295,528	94,740	74,902
Equipment	29,399	25,608	1,126	2,665
Subtotal	664,676	449,342	90,336	124,998
Administrative expense of liquidation	(43,303)	(26,887)	(4,158)	(12,258)
Total	621,373	422,455	86,178	112,740

[1] Transfer to solvents, commuter authorities, or left behind with the estates.
[2] Includes values attributable to the secondary debtors of the Penn Central. See the secondary debtor tables to determine the extent of their individual contributions to ConRail and the Northeast Corridor.

- What are the estimated liquidation expenses?
- What are the proceeds after deducting liquidation expenses and what is the present value to the estates of those proceeds as of January 1, 1976?

Public Policy Framework

The determination of the public policy framework within which the liquidation will occur is the most critical question facing the trustee in developing the plan of liquidation as its resolution impacts on the answers to each of the subsequent questions. To approach this issue the trustee must assume that he will be able to convince the courts, the regulatory bodies, and the public that the railroad has no prospect of future earnings, that its continued operation as a railroad is valueless to its creditors, and that it should be permitted to terminate operations. A prudent trustee (indeed prudent creditors of the estate) would also evaluate a complex and interwoven series of legal and economic conditions. First, it would be necessary to obtain the legal right and required regulatory approvals to cease rail operations and to dispose of the assets for rail or other use. Second, the trustees would have to evaluate the impact the disruption occasioned by their own cessation of rail operation would have on the price their assets might command. Finally, the estates would have to consider the costs and time required to prepare assets for sale and the effect on price and pace of the quantity of assets to be sold.

To resolve these and other issues, USRA postulated a master liquidation plan describing in detail an orderly process for the disposition of each estate's assets. Its key assumption is that the estates would be required to sell substantial assets for continued rail use where possible but that the price for such sales would be regulated and fixed at the pricing levels which would obtain if all rail operations over the lines of the railroads in reorganization actually ceased and as if their assets were actually dismantled and disposed of for other uses. USRA

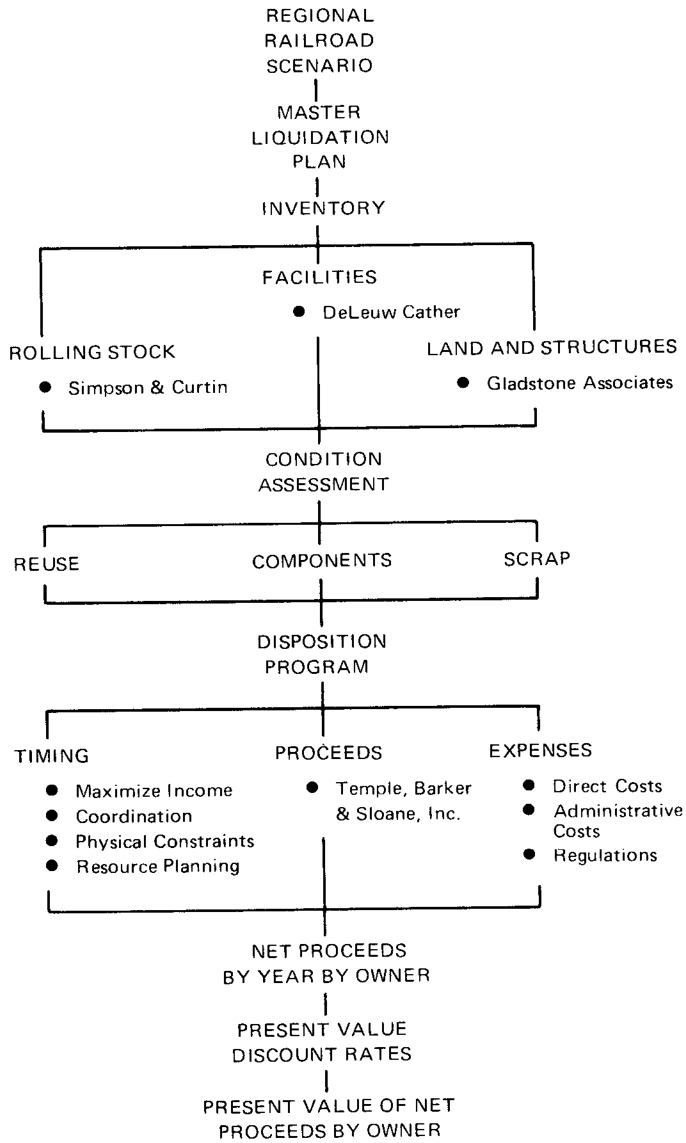
TABLE 2.—*USRA net liquidation values*—Cont.

Secondary Debtor Total[1] (Net Present Value)

Secondary debtor	ConRail net present value	Northeast Corridor net present value
Beech Creek Railroad	$429,782	0
Cleveland & Pittsburgh Railroad	7,829,446	0
CCC & St. Louis Railway	18,156,800	0
Connecting Railway	5,796,590	$3,781,059
Delaware Railroad	0	0
Erie & Pittsburgh Railroad	222,998	0
Michigan Central Railroad	15,682,513	0
Northern Central	3,370,141	114,123
Philadelphia, Baltimore & Washington Railroad	31,883,253	7,310,959
Philadelphia & Trenton Railroad	530,721	6,749,945
Pittsburgh, Fort Wayne & Chicago Railroad	18,085,585	0
Pittsburgh, Youngstown & Ashtabula Railway	1,680,368	0
Union Railroad Co. of Baltimore	402,185	(206,057)
United New Jersey Railway & Canal Co	11,272,449	5,498,310
Penndel Co	810,559	0
Total	116,153,390	23,248,339

[1] Total includes facilities, land and equipment.

FIGURE 1.—*Net liquidation valuation.*



assumed further that because of the valid requirements of the regulatory process, the estates would operate under subsidies, if need be, and maintain their rail operations until 1979, at which time the orderly transfer of that responsibility would occur. This subsidy period is also consistent with the self-interest of the estates in maintaining healthy price levels for their assets. USRA's plan also makes the favorable assumption that orderly cessation actually occurs and, therefore, prices are not adversely impacted by the severe economic dislocations which would result if the actual service termination were abrupt and not orderly.

In essence, then, the liquidation process postulated by USRA is for an orderly transfer of the transportation services provided by the estates to other railroads with the prices of such transfers computed as if the estates had actually been allowed to exercise their asserted right to liquidate by selling their assets for nonrail uses. The pricing under the assumed total liquidation scenario is based on the supply and demand conditions which such a time-phased liquidation of rail assets into nonrail uses would produce. The pace of asset disposition is tied to the time required to accomplish a transition to alternate modes and to prepare assets for sale.

Having determined the public policy framework within which the estates would liquidate, USRA then developed a plan which responded to the remaining six questions outlined above.

Obtaining Authority To Sell Rail Properties

USRA recognized that opposition by groups of concerned citizens, shippers, and local, state, and federal agencies would delay any abandonment and liquidation for many years. In developing its plan of liquidation USRA sought to avoid undue burdens of delays upon the estates. For example, under phase I of the plan USRA assumes that the estates could receive authority to begin applying for abandonments by January 1, 1976. USRA then determined that the trustees would enter a second phase during which they would secure approval to abandon specific properties. USRA postulated, for purposes of analysis, that all necessary state and federal approvals for abandonment or transfer would be granted and that the capacity for modal substitution would be in place by January 1, 1979. In assessing this assumption, one should consider, for example, that the seven major bankrupt estates operated 28,355 route miles as of 1973, while in 1972, the ICC granted abandonment petitions for 3,458 route miles, the most mileage authorized for abandonment in any year in the history of the ICC yet a figure less than 15 percent of the estates' mileage. Moreover, modal substitution is estimated to require 10 years for complete implementation.

Timing of Asset Sales

Major yards cannot be sold until materials on the rights-of-way either are removed or transported to another yard. Tracks cannot be removed as long as freight cars must travel over them. Scheduling these tasks must take into account the sheer volume of materials and properties involved. In 1973, the seven railroads employed assets including almost 200,000 freight cars, over 5,000 locomotives, 14.6 million tons of ferrous scrap, 18,000 bridges, up to 6,000 buildings, 129 million crossties and 400,000 acres of land. A precipitous shutdown and liquidation of the rail plant would not only overwhelm the market, depressing the prices of these materials severely (in many instances the material available for sale would be equivalent to several years of normal market transactions), but would have a drastic impact on the economics of the Region and the nation as a whole, since these railroads handle a significant portion of the nation's transportation needs including the carriage of 16 percent of the nation's coal production, 18 percent of primary metals output, and 26 percent of transportation equipment production. Thus, even if the railroads had the right to cease operations unilaterally, they would find it in their best interest to pursue an orderly liquidation at a pace which balances supply and demand at reasonable price levels.

USRA therefore postulated a time period, phase III, during which the estates reasonably could expect to sell their properties while not significantly disrupting the balance of supply and demand. In brief, USRA assumed that locomotives and freight cars (except those necessary for the collection and sale of other assets) would be sold during 1979 and 1980. Facilities (including track, bridges, signals, communication equipment, electric traction equipment, and shop machinery) could be dismantled over a 6-year period and sold as available from 1979 to 1985. The real-estate inventory of the railroads would be sold over a period of about 25 years, though the great bulk of valuable city property could be sold as available between 1980 and 1983. Ascertaining the general time periods outlined above required a difficult analysis, but was necessary to arrive at a reasonable valuation.

The Inventory and Condition of the Properties and the Proceeds of Sales

Rolling Stock

USRA prepared inventories of freight cars, locomotives, highway revenue equipment, work equipment, passenger train cars, floating equipment, equipment awaiting disposition and materials and supplies—all as of the end of 1973. A combination of ICC records, the Association of American Railroad's UMLER File, and estate records were used to determine the amount and ownership of the rolling stock.

The assets mentioned were subject to field inspections to estimate their current physical condition and the investment necessary to bring them to average serviceable condition for their age. Over 2,000 freight cars and 450 locomotives were inspected, as well as representative amounts in the other equipment categories.

The average useful life of each class of cars was used to estimate the cars which would be retired from service between 1973 and 1979. The master liquidation plan contemplates the following:

- The railroads in reorganization would be committed to a strategy of liquidation and, therefore, would cease to purchase new cars and locomotives.
- New car and locomotive requirements after December 31, 1973 would be supplied by the solvent railroads and/or the federal government. The freight traffic of the railroads in reorganization therefore would not decrease between 1973 and 1979 as the result of a lack of freight cars or locomotives.
- The railroads in reorganization would continue to retire freight cars and locomotives from service according to industry practice. All retirements made prior to January 1, 1976 would be considered a part of normal operations; the proceeds have not been considered part of the liquidation value. Retirements after January 1, 1976 would generate liquidation proceeds.

USRA determined the market conditions for rolling stock that reasonably would be expected to exist in 1979 based on an analysis of pre- and post-liquidation traffic flows. In 1973, the brankrupt railroads in reorganization owned (or leased) approximately 173,000 serviceable freight cars. As shown in Table 3, because the railroads in reorganization required approximately 397,000 serviceable freight cars daily to meet traffic requirements, they were using 224,000 cars daily which were supplied by solvent roads or private shippers. If liquidation had occurred in 1973, and 30 percent of the traffic moving on the railroads in reorganization was retained by the solvent roads, only 119,000 serviceable cars would have been required by the solvents to handle such retained traffic. The solvent roads, therefore, would have been faced with a 105,000-car surplus created by the abandonment of an essentially car-absorbing railroad system. A similar calculation using 1979 traffic estimates and accounting for the aging of the serviceable fleet of the railroads in reorganization shows that the solvent surplus would drop slightly, yet still equal almost 100,000 cars (Table 3).

TABLE 3.—*Calculation of freight car surplus*

(Data in thousands)

	1973	1979
Daily requirements for serviceable cars	397	342
Operated by bankrupts	173	141
Supplied by solvents or government	224	201
Solvent requirements at 30 percent retention	119	103
Solvents and government surplus cars	105	98

SOURCE: Temple, Barker & Sloane, Inc.

Thus, the railroads in reorganization would be attempting to dispose of approximately 183,000 serviceable and unserviceable freight cars [2] to solvent railroads confronted with a surplus in their own fleets of almost 100,000 cars.

The solvents, except for specialized equipment, probably would defer new-car purchases for several years.[3] They might substitute cars of the railroads in reorganization for their older cars, however, and retire their older cars to achieve maintenance cost savings. These savings, as well as the proceeds generated by scrapping the older cars replaced by the substitution process would allow the solvents to pay a premium over scrap value to the estates.

Analysis revealed that cars over 15 years old would have scrap values exceeding their market values, and would be technically obsolete. Likewise, rebuilt cars in the inventory of the railroads in reorganization would have remaining useful lives of less than 10 years and relatively little market value. Accordingly, it was assumed that both classes of cars would be scrapped.

As shown in Table 4, the gross proceeds from the sale of freight cars for reuse or scrap would total $316 million in 1976 dollars. The greatest single portion of that value, $156 million, is represented by the newest cars in the fleets of the estates, most of which are held under financing agreements or leases.

TABLE 4.—*Gross value of freight car proceeds (millions of 1976 dollars)*

183,825 freight cars in 1979=$316.1 million value

Sold at	Unencumbered cars		Financed cars	
	Number	Value	Number	Value
Market value	437	$1. 1	57, 741	$156. 4
Scrap value	50, 628	64. 7	52, 384	66. 7
Subtotal	51, 065	65. 8	110, 125	223. 1
1976–79 retirements	10, 089	12. 2	12, 546	15. 0
Grand total	61, 154	$78. 0	122, 671	$238. 1

NOTE: Computer printouts supplied to the USRA by Temple, Barker & Sloane show these values classified by type of car, estate, and method of financing (owned, leased, equipment trust, and conditional sales agreement).

SOURCE: Simpson & Curtin and Temple, Barker & Sloane, Inc.

The master liquidation plan assumes, consistent with their special status in a Section 77 reorganization, that the proceeds from disposition of the units held under financing agreements or leases would flow first to the lessors or holders and to the estates only to the extent that the proceeds from sale of the equipment were adequate to satisfy the obligations under the financing agreements.

Generally the value of the equipment does not exceed the value of the debt. As a result, while proceeds are generated by the equipment covered by financing agreements or leases, those proceeds do not accrue to the estates. In this case, 75 percent of the total value of the freight cars, approximately $237 million of freight-car proceeds, is related to equipment held under financing agreements or leases and therefore not received by the estates.

A similar analysis was performed for locomotives. Table 5 shows that because of substantial locomotive retirements by the railroads in reorganization between 1973 and 1979, the solvent/government-owned surplus locomotive fleet would increase significantly during the period. Again, market value is based upon an analysis of substitution values. Freight and passenger locomotives less than 15 years old by 1979 would be sold at

[2] The 1973 bankrupt inventory contained 198,370 serviceable and unserviceable cars. By 1979, it is estimated that 37,612 would have been retired, but 22,635 of the retired cars (between 1976 and 1978) would be held back and the proceeds obtained in 1979. The estimated 1979 fleet would be 198,370 −37,612+22,635=183,393.

[3] The solvents would normally be purchasing approximately 50,000 new cars a year.

TABLE 5.—*Calculation of locomotive surplus*

	1973	1979
Daily requirements for servicable locomotives	6, 852	6, 293
Operated by bankrupts	5, 172	3, 470
Supplied by solvents or government	1, 680	2, 823
Solvent requirements for 30 percent retention	1, 429	1, 398
Solvents government surplus locomotives	251	1, 425

SOURCE: Temple, Barker & Sloane, Inc.

market value, but all electric locomotives would be scrapped, because the liquidation of the bankrupt estates would eliminate the only remaining major electrified rail system in the United States. Given the age, transportation, and refitting costs of these units, a foreign market is not likely.

All nonrebuilt diesel locomotives older than 15 years of age as of 1979 would be scrapped. USRA assumes that the market for these older locomotives would be negligible, particularly in view of the market surplus condition that would exist, their technical obsolescence and the probable requirements for major rebuilding. Similarly, the relatively few diesel locomotives rebuilt prior to 1974 would be scrapped in 1979 because of their short remaining economic life (Table 6).

TABLE 6.—*Gross value of locomotive proceeds (millions of 1976 dollars)*

4,542 locomotives in 1979=$163.6 million value

Sold at	Owned locomotives		Financed locomotives	
	Number	Value	Number	Value
Market value	48	$1. 8	2, 096	$134. 5
Scrap value	870	10. 1	466	5. 9
Subtotal	918	11. 9	2, 562	140. 4
1976–79 retirements	838	8. 7	224	2. 6
Grand total	1, 756	$20. 6	2, 786	$143. 0

NOTE: Computer printouts supplied to the USRA by Temple, Barker & Sloane show these values classified by type of locomotive, estate, and method of financing (owned, leased, trust, and conditional sales agreement).

SOURCE: Simpson & Curtin and Temple, Barker & Sloane, Inc.

Total gross proceeds for rolling stock would be approximately $619 million, of which $479.7 million (77 percent) represents the value of locomotives and freight cars discussed above. The remaining assets in the rolling stock category are treated below.

In contrast to the method for valuing freight cars and locomotives, the present market price for highway revenue equipment seemed appropriate in view of the demand for highway tractors and trailers that would accompany the orderly transition of tonnage from the bankrupt railroads to motor carriers. The gross proceeds from the sale of highway revenue equipment were estimated at $35.8 million.

The remaining rolling stock—work equipment, passenger train cars, floating equipment and equipment awaiting disposition was valued at salvage prices.

The liquidation of the rolling stock was estimated to take a single year for reuseable equipment and 2 years for scrapped equipment. Detailed manpower and liquidation costs, discussed later, were developed for the disposal of the rolling stock over the 2-year period.

Interstate Commerce Commission Account 712, Materials and Supplies, includes the value of all unapplied material, such as road and shop material, articles in process of manufacture, fuel, stationery and dining car and other supplies. The valuation of materials and supplies included the determination of book value, the application of factors to correct the nonrecoverable values, the determination of marketability of material, and an estimation of the costs of sale. Following separate analysis of each account, USRA estimated that materials and supplies could be sold for $70.3 million.

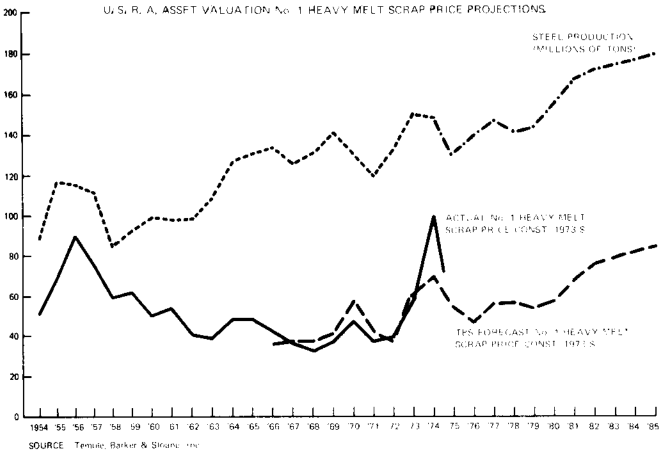
Facilities

Facilities were defined to include track, bridges, signals, communication equipment, electric traction equipment and shop machinery. The track category (rail, ties and other track material) accounted for more than 90 percent of the facilities value. From a commodity point of view, the critical requirement was to determine the value of ferrous scrap, since it represented almost 80 percent of estimated facility proceeds.

In view of the importance of ferrous scrap, a significant research effort was directed toward determining the future price of scrap iron and steel. A review of historical No. 1 heavy melt scrap prices revealed extreme volatility. As indicated in Figure 2, No. 1 heavy melt prices reached a high of approximately $90 per ton (in constant 1973 dollars) in 1956, then fell sharply even as steel production was increasing. By 1963, the price had reached $40 and, after an increase to almost $49 in 1965, plunged to a low of $33 in 1968. But, in 1973 and particularly 1974, scrap prices soared and reached an average level of $100 for the year 1974. A critical question was whether it was reasonable to expect these high scrap prices to continue into the future.

USRA developed an econometric model of "No. 1 heavy melt" prices based on an analysis of steel production. In effect, the model generated the domestic demand for purchased scrap with the price a function of the domestic demand.

FIGURE 2.—*USRA asset valuation No. 1 heavy melt scrap projections.*



SOURCE: Temple, Baker & Sloane, Inc.

In turn, it was found that the prices of the five major categories of scrap associated with the liquidated railroad assets—reroller rail, general rail scrap, destroyed steel car scrap, general railroad scrap and railroad structural scrap could be correlated historically with the price of No. 1 heavy melt.

Figure 2 also shows the degree to which the model output compares with the volatile scrap price movements during the period 1966–74. In 7 of the 9 years, the error was less than $6 per ton and within 15 percent and, with the exception of 1974, the model tended to generate retrospective forecasts higher than actual.

Using estimates of Gross National Product and steel production for 1975–85, the model forecast a significant drop in scrap prices during 1975–80, followed by a gradual return to the $85 level (in 1973 dollars) by 1985.

In addition to projecting the price of No. 1 heavy melt and the individual prices of the five scrap categories, USRA estimated the price impact of dumping large quantities of ferrous scrap in the normal scrap market. During 1965–74, annual tonnage of purchased scrap ranged from 21 to 33 million tons. The liquidation of the seven bankrupt railroads would add five to six million tons of ferrous scrap annually (over 20 percent of the normal tonnage) in the early years of physical liquidation, thus tending to depress prices an additional 15 to 20 percent.

USRA also analyzed the potential reuse market for relay rail and ties. Historically, railroads have tended to use relay rail on upgraded branch lines, secondary main lines and yards. These replacements were satisfied internally by used rail that had become available through line abandonments, the installation of new rail on main lines, the removal of double track following the decline of passenger traffic and reduced trackage requirements arising from the installation of new signal systems, a pattern that likely will continue. Under the liquidation scenario, with the loss of significant interline tonnage, it seems doubtful that the solvents would invest funds in reuse rail unless it could be obtained at an unusually low price.

USRA estimated that 25 perecnt of the best classes of rail and tieplates might be sold at a price equivalent to 125 percent of the reroller steel scrap price. The balance of the rail and rail-related materials would be sold at the general rail scrap price.

The analysis of the market for used ties concluded that other railroads could absorb the approximately 13 million reuseable ties at a price of $6.10 per tie. The market for landscape ties—the only other major use—was more limited. It was estimated that only 1.25 million ties could be sold profitably for landscape use at $3.66 per tie during the liquidation process.

The other commodities were not subjected to extensive market analyses in view of their relatively low share of the proceeds. Prevailing 1974 spot prices were used so the proceeds are likely to be overstated somewhat.

USRA estimated the gross proceeds in 1976 dollars from the disposition of the facilities to be $1.198 billion.

Real Estate

USRA valued the operating land and structures, including right-of-way, major and minor yards, passenger stations, office buildings and various other structures required for railroad operations.

The starting point in the process was the land inventory as received from each of the seven estates in the form of files, computerized data and valuation maps. More than 28,335 route miles of right-of-way comprising nearly 400,000 acres were covered.

All real estate was classified according to its location in urban, suburban or rural areas. The basis for this classification was the location of a parcel of real estate in geographical areas ranked according to population density in 1970 as follows:

Location class:	Population density:
Urban	Over 3,000 persons per square mile.
Suburban	From 1,000 to 2,999 persons per square mile.
Rural	0 to 999 persons per square mile.

The distribution of system mileage according to the same classification format is as follows.

Location class:	System mileage:
Urban	16 percent.
Suburban	9 percent.
Rural	75 percent.

Due to the complexity of the analysis no independent input on title quality, reversions and related matters was generated by USRA. When, however, real estate parcels were identified by the estates as having poor title quality, that fact was reflected as such in the valuation. The matter of title and reverters will be the subject of further reviews prior to conveyance.

The conventional method of valuing real estate is to establish highest and best uses, identify comparable transactions in the vicinity of the parcel under valuation for the same use and then make appropriate adjustments to consider a variety of factors accounting for differences in the nature of the specific parcel and comparable property. This same method was used by USRA in valuing right-of-way real estate.

The first step in the process was to review the estate data on unadjusted values throughout the system. Specifically, a sample was selected and key variables affecting the valuation were analyzed. Included among the variables checked were:

- The number of acres contained in the segment of right-of-way being appraised (disposition parcel),
- Topography of right-of-way disposition parcels in relation to abutting properties (e.g., relative elevation from hilly to mountainous and flat, low or marshy areas),
- Alternate highest and best nonrailroad use,
- Whether comparables collected by the estates were appropriate, and
- Whether that comparable sales data had been accurately collected.

As a result of the foregoing tests and an analysis of the extent to which the value is concentrated in key parcels, it was judged most effective to focus comprehensively on the high-value parecls in the data base.

More specifically, using the Penn Central files as a case in point, a value threshold of $40,000 per acre revealed that approximately 10 percent of the parcels containing 5 percent of the acreage accounted for 63 percent of the total value of land. On this basis, high value parcels were sorted for comperhensive analysis. A similar process was used for Reading. In the case of the Central of New Jersey, Lehigh Valley, Ann Arbor, Lehigh & Hudson River and the Erie Lackawanna, unadjusted values were not available and, therefore, were established directly by consulting appraisers to USRA.

It is clear that railroad right-of-way real estate is a unique class of real property. Its basic physical characteristic is its great length in relation to width. Even when subdivided into parcels, its narrow width eliminates the prospect of normal development for meaningful portions of the right-of-way. In addition, access is often inadequate, principally at either end of a parcel rather than along its side. For these reasons right-of-way real estate is not comparable to normally shaped abutting parcels and accordingly the most significant comparable for right-of-way real estate is right-of-way real estate itself. Due to the extensive pattern of historic abandonments of rail rights-of-way a substantial base of abandonment comparables was available for analysis.

An analysis of previous abandonments in the northeastern part of the United States was undertaken in connection with this valuation for USRA, with ICC records of abandonments providing the starting point. The extent of abandonment in this area provides a generous base for sampling purposes even against a scale of the 28,335 system miles being valued. A total of more than 13,000 miles of railroad in this area was approved for abandonment by ICC over the past 30 years, amounting to nearly one-half the route miles now being valued.

A broadly based sample of abandonments in this area was selected for analysis as part of USRA's study. Because of heavy value loading (85 to 90 percent of the real-estate values are concentrated in urban and suburban areas) 89 percent of the abandonment sample was selected for location in urban/suburban areas. The sample selected represented more than 80 percent of all urban abandonments in the area since 1955.

The sample coverage of the system is substantial. Specifically, one abandonment was analyzed for each 270 miles in the system. The selection was more dense in urban/suburban areas where approximately one abandonment was analyzed for every 72 such miles in the system. In terms of comparable length, one abandonment mile was included in the sample for each 37 miles in the total operating system. These samples were spread throughout the Region.

The historic abandonment analysis focused on the development of empirical data for three subjects of key importance in the valuation process: price, pace and users.

The actual price for transactions involving abandoned parcels was established. In addition, based on determination of highest and best alternate nonrailroad use for the right-of-way land, comparable nonright-of-way sales in the vicinity of the abandonment were found and unadjusted values determined and analyzed.

On this basis it was possible to relate the price in disposition actually received for abandoned right-of-way directly to unadjusted value. This linkage empirically established an appropriate adjustment factor for systematically relating market place adjustments to the unadjusted values initially placed on right-of-way real estate. This approach gives recognition to the unique attributes of right-of-way real estate and the sensitive local market and economic factors affecting any real estate.

The same historic abandonment sample yields meaningful insights into the pace at which disposition of right-of-way real estate in various locations proceeds in the market place. In urban areas, 71 percent of the total value realized in abandonment dispositions is realized by the end of the fifth year following abandonment. Thirty-six percent of the total is realized in the first year. The pattern for suburban and rural areas is substantially the same, with approximately 65 percent of the total value realized by the end of the fifth year.

Looking at the other end of the scale, approximately 10 percent of urban and suburban real estate in abandoned rights-of-way remains unsold following the 25th year. This proportion drops to approximately 5 percent in rural locations.

Empirical data flowing from actual abandonment experience replaces intuitive judgments as to disposition pace. The figures resulting from the historical abandonment study are basic to the disposition pace used throughout USRA's valuation process.

Finally, the markets for railroad right-of-way real estate are sharply limited because of its location and specialized and unique character. The overwhelming proportion of all land purchased in abandoned rights-of-way is accounted for by those owning abutting land who typically add to their already existing holding and use patterns, and by specialized corridor users from both the public and private sectors.

Overall, right-of-way values generally require substantial discounts as a result of the severe handicaps affecting this type of real estate, including:

- The long and narrow shape,
- The limited market (those owning abutting land and corridor real estate users both public and private),
- Lack of access,
- Location (real estate often is located in less desirable areas characterized by age of structures and blighted conditions) and
- Title quality problems.

The foregoing items are apart from the extraordinary supply of right-of-way real estate to be disposed under the liquidation plan.

This prospective disposition is in contrast to the 13,000 miles disposed under the normal abandonment process in the preceding 30 years. Thus, use of the historic abandonment disposition pace would reflect a conservative interpretation of the possible absorption pattern for this real estate in the 25-year period projected for complete disposition.

A total of 57 of the approximately 425 yards in the seven bankrupt estates were designated by USRA for special analysis. Field inspections established reuse potentials, the character of adjacent land uses, existing conditions of the yards, property configuration and presence of buildings. Any impediments to development, environmental constraints and conditions, and overall location and marketability factors also were examined. Supplementary surveys and statistical analyses were conducted to establish land use forecasts for individual metropolitan areas where current and prospective market conditions would affect land reuseability and absorption. Forecasts were prepared for a full range of real estate uses including industrial, housing (both low and high rise), and commercial (including office and retailing). Local market forecasts were based on projected population, households, and employment changes.

Against this background specific reuse programs for each of the 57 yards were established on an annualized basis. Finally, especially in instances of major industrial reuse, the relationship of such sales to the availability of rail service was analyzed to take into account the magnitude of local market reuse potentials in the absence of that rail service.

The selection of buildings with potential reuse value depended greatly upon the comprehensiveness, accuracy, and reliability of the inventory of buildings available from the estates. It was determined that the inventories were inadequate with regard to current existence, location, age, dimension, present use and condition.

Approximately 117 buildings with substantial reuse potential were surveyed in the field, of which 33 were in the 57 major yards and 84 elsewhere.

The gross proceeds from the disposition of real estate and structures came from these sources.

Right-of-way	$1, 487, 000, 000
Major yards and yard buildings	242, 000, 000
Other buildings	29, 000, 000
Total	1, 758, 000, 000

Summary of Gross Proceeds

If the railroads in reorganization were liquidated according to the timetable discussed earlier in this appendix, gross proceeds totalling over $3.5 billion would be realized, distributed as follows:

Land and structures	$1, 758, 000, 000
Rolling stock	619, 000, 000
Facilities	1, 198, 000, 000
Total	3, 575, 000, 000

The bulk of the proceeds—approximately 89 percent—would be obtained during 1979 to 1985. The net liquidation value of these proceeds to the estates, as of January 1, 1976, however, would be substantially smaller since substantial liquidation costs must be subtracted from the gross proceeds and the stream of net proceeds received following 1979 must be discounted back to January 1, 1976. These computations are the subjects of the following sections of this appendix.

The Estimated Liquidation Expenses

Dismantling and selling the assets of the railroads in reorganization would be a major business undertaking, not unlike the process of construction in reverse. It is estimated, for example, that it would take almost 6 years to remove track and bridges from the Penn Central system. There would have to be a large administrative group to manage the sale of assets that ultimately would produce over $3.5 billion in gross proceeds. Some of the major uncertainties surrounding the precise values of the net proceeds would only be resolved through experience in the abandonment and dismantling process. Should every bridge abuttment have to be removed, for example, net proceeds would be reduced by hundreds of millions of dollars below the values estimated in this analysis.

The master liquidation plan assumes a schedule under which the properties physically would be dismantled and made available for sale. In general, the rolling stock would be sold during 1979 and 1980, and the facilities would be dismantled completely by 1985. The sale of the real estate would take 25 years or more.

Detailed liquidation and work force plans were developed for the period 1979–85, including work force and operations costs associated with the gathering, processing, and sale of the rolling stock, labor and material costs for the physical liquidation of facilities on a district-by-district basis and the professional costs necessary to sell the real estate. These plans were reviewed and integrated with the master liquidation plan schedule.

Pursuant to the schedule, the liquidation would proceed in 1979 in three phases.

First, there would be a shutdown phase lasting 6 weeks which would begin on embargo day. The delivery of foreign cars to interchanges would be completed by the end of that period. As the cars of the railroads in reorganization were returned empty, they would be inventoried and routed to designated storage yards. Equipment would be classified and aggregated by ownership to facilitate inventory and inspection by the owners. A closedown and security force would be established to handle necessary notifications and accounting for agreements that would be terminated. By the end of this 6-week phase, railroad employment would have dropped approximately 75 percent over the preembargo normal levels.

The shutdown phase would be followed by a consolidation and initial liquidation phase, lasting 26 weeks. During this phase, the estates would consolidate their inventories of rolling stock, materials and supplies and other nonfixed assets, preparing them for sale. Lien holders and other owners of the equipment formerly operated by the railroads would liquidate their own property, but the estates would bring expressions of interest and bids for particular lots of equipment to their attention. The liquidation cost estimates include provision for the expense incurred by mortgage holders in disposing of their equipment.

The consolidation of equipment would be planned according to the geographic location of prospective purchasers and with attention to the accessibility to junction points with operating railroads. For example, box cars generally would be stored at western locations.

Much of the equipment sold for reuse would be marketed during the consolidation phase. Following the consolidation phase, a 16-week liquidation period, ending December 31, 1979, would occur. During this time all remaining reuseable equipment would be sold. By the end of 1979, the work force required to effect the sale of rolling stock would be reduced to 3 percent of its pre-embargo level. During 1980 the remainder of the rolling stock sold for scrap would be delivered to the mills and the liquidation of rolling stock would be completed.

Detailed work force charts were prepared for each of these phases. Figure 3 shows a typical organization chart for the liquidation of a typical estate.

The facilities dismantling organization would consist of 39 liquidation districts, each headed by a dismantling engineer. The work force would be organized by asset classification: track, bridges, signals, and communications, electric traction and buildings and machinery. At its peak, the dismantling organization would include a work force of approximately 10,000, including bridge and electrical contractors.

Table 7 is a summary manpower exhibit and Table 8 indicates the direct cost factors used in the calculations.

Real estate disposition costs include make-ready costs associated with the physical preparation of the land and organization and holding costs associated with the residual real-estate inventory at various times. The greatest portion of these costs are accounted for outside the real-

TABLE 7.—*Liquidation costs: liquidation manpower/all estates* [1]

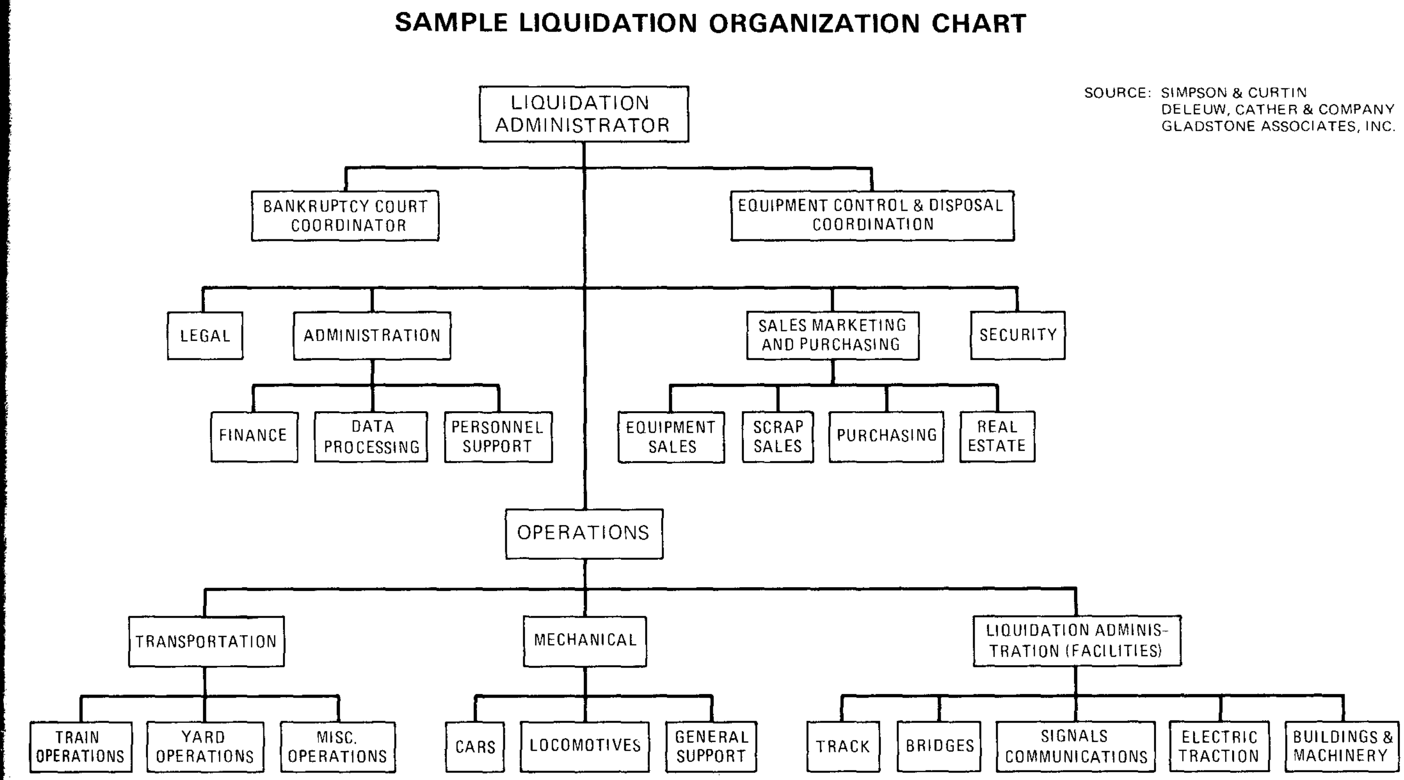
(Man-years)—post embargo

	1979	1980	1981	1985
1. Administration:				
Top tier	35	34	34	34
Legal	33	76	60	37
Security	646	513	411	26
Other administration	3, 357	2, 270	1, 866	519
Equipment cont. and disp	54	18	18	3
2. Sales	155	366	313	151
3. Operations:				
Dismantling	5, 558	6, 836	5, 839	147
Contractors (bridge and electrical)	91	3, 964	3, 934	2, 454
Maintenance of way	228	213	102	
Mechanical	1, 873	99		
Transportation [2]	5, 937	437		
Total	17, 967	14, 826	12, 577	3, 371

[1] Excluding nonrailroad owner manpower.
[2] For consolidating and relocating rolling stock.

SOURCE: Simpson & Curtin; DeLeuw, Cather & Co.; Gladstone Associates; Temple, Barker & Sloane, Inc.

FIGURE 3.—*Sample liquidation organization chart.*



estate valuation process. Specifically, under the master liquidation plan, the facilities proceeds are charged with the costs of demolition of bridges, sealing tunnels, and removing track, economically reusable ties, other track material and catenary.

Buildings which do not enhance the value of the land would be demolished and residual ties marketable for landscaping purposes would be cleared and sold. The right-of-way would be made ready for sale on an as-is/where-is basis with no further grading or other preparation nor any removal of wooden poles (following their knockdown under the facility dismantling process), excess ties or track ballast.

TABLE 8.—*Liquidation costs: annual cost per employee*
(Constant 1976 dollars)

	Annual direct Labor
1. Administration:	
Top tier	$34,858
Legal	30,500
Security	14,034
Other administration	16,409
Equipment, cont. and disp	15,165
2. Sales	16,914
3. Operations:	
Dismantling	15,533
Contractors [1]	15,533
Maintenance of way	15,533
Mechanical	12,922
Transportation	14,372

[1] Derived from total dollar value of contracts.

Source: DeLeuw, Cather & Co.; Simpson & Curtin; Gladstone Associates; Temple, Barker & Sloane, Inc.

The second increment of costs associated with holding and organizing for the disposition of the property includes overhead costs related to personnel and similar items in administrative, marketing and legal areas. Here, specific manpower projections were established at the estate level on an annual basis and carried forward through the disposition period. Staffing projections were coordinated for all asset classes and overlaps eliminated.

Direct salary costs and indirect costs as a ratio of salary were coordinated for consistency throughout the staffing plan and budget projections under the master liquidation process. Marketing costs for outside brokers as a supplement to in-house marketing staff also were identified and projected.

Finally, liability for *ad valorem* taxes to local jurisdictions was projected as applicable beginning in 1979. To compute real-estate tax liabilities at the local jurisdiction level, analyses of effective real-estate tax rates in individual jurisdictions at present and in past years were completed. These past trends in real-estate tax rates were used as a basis for projecting future rates, again at the individual jurisdiction level. The effective rates were applied to the residual real-estate inventory on an annual basis. The inventory was valued at fair market levels plus appreciation over time. The impact of appreciation was adjusted to compensate for the fact that evaluations for tax purposes typically are not made on an annual basis.

The principal integration tasks were performed to ensure that the proper security forces would exist to serve the needs of the rolling stock, facilities and real estate organization, that provision would be made for a continuing top tier organization, including Trustees and their staffs, and that locomotives and freight cars necessary for dismantling operations would be held back from sale until dismantling was completed.

In summary, the gross liquidation costs over the disposal period totaled $1.79 billion (in 1976 constant dollars) distributed as follows:

	Millions of dollars
Land and structures	$466
Rolling stock	280
Facilities	924
General	126
Total	1,796

Present Value of Net Proceeds

Discount rates were used to determine the present value of the projected net proceeds to the bankrupt estates. The requirement for determining net present value of the proceeds was delineated in the New Haven Inclusion Case and stems from the accepted financial principle that a dollar today in the hand of the holder is worth considerably more to him than a dollar promised for delivery in the future, particularly if there is uncertainty associated with its delivery.

Discount rates either explicitly or implicitly reflect the sum of:

- The rate of return on riskless investment, which compensates the investor for the loss of his opportunity to use funds over a period of time.
- The inflation premium, which compensates the investor for the shrinking purchasing power of the dollar when delivered in the future, and
- The risk premium, which reflects the additional return required to compensate the investor for the uncertainty associated with projected future funds flow.

Because of the differences in tax shields, differential tax rates, etc., investments are compared most easily on an after-tax basis. Accordingly, discount rates were determined on an after-tax basis and then adjusted to a pre-tax basis. There is no implicit assumption in the derivation of net proceeds that they are on an after-tax basis. If it is later determined that the net proceeds are subject to no form or magnitude of taxation, the discount rate would have to be revised to its after tax equivalent.

The rate of return on riskless investment (after-tax basis) can be estimated readily by a standard method that involves calculating the difference between the yield over time of relatively risk-free investments (e.g., U.S. Treasury Bonds) and the rate of inflation. This analysis yielded a rate of 3.25 percent.

It became unnecessary to include the second component, the inflation premium, because the projections of net proceeds were calculated on a constant dollar and noninflationary basis.

The third component, risk premium, was the most critical and complex to analyze. Clearly, the ability of the estates to realize the projected proceeds entails considerable risk in the sense that estimated unit values may not be realized at the precise levels forecast, nor in the projected time frame. It is important to note in this regard that the projection of net proceeds, both as to volume and timing, took no explicit account of risk and that the projected values were single-point estimates.

The appropriate risk premium is a function of the best current projections of the uncertainty of the future cash flows to the estates. The most relevant view of risk premium now is the implicit discount rate that a knowledgeable and sophisticated investor would use to determine what he would pay to an existing trustee of the bankrupt estates if the trustee were prepared to sell his interest in the projected future net proceeds for current consideration.

Since there never before had been a liquidation of this type, one could not measure empirically the risk premium actually demanded by investors in a situation comparable to that facing the seven estates. Therefore, other investment examples having similar uncertainties with respect to the magnitude and timing of cash proceeds were analyzed.

Giving weight to two baseline analyses—a study of real rate of return in New York Stock Exchange common stocks [4] and an analysis of discount rates as applied to the evaluation of long-term capital investment projects in United States industrial corporations—USRA concluded that the risk premium appropriate to the projected net proceeds resulting from the disposition of non-real estate assets of the bankrupt estates was in the range of 8.5 to 9 percent. Accordingly, it was determined that the appropriate discount rate would be 12 percent after tax (13 percent pre-tax), the sum of the real riskless rate of return (3.25 percent) and the risk premium attributable to uncertainties in the timing and magnitude of funds flows to the estates (8.75 percent).

Similarly, USRA made a special survey of real estate and real estate-related corporations to establish the present value discount rate appropriate to use for the real estate valuation process. Giving due consideration to the illiquid nature of land investment, an after-tax

[4] Lawrence Fisher and James Lorie, "Rates of Return on Investments in Common Stocks," *Journal of Business* (January, 1964), pp. 1–21.

rate of 15 percent (16 percent pre-tax) was selected. This rate is at the low end of the range currently applied in industry for real estate programs.

Table 9 summarizes the gross proceeds, liquidation costs, and net proceeds by year and, using the two discount rates discussed above, computes the present values of the net proceeds as of January 1, 1976. Table 9 shows that the 1976 present value of the bankrupt estates would be $757 million, of which $621 million represents the present value of owned net proceeds.

TABLE 9.—*Net liquidation value*

[Dollars in millions]

	1979	1980	1981	1982	1983	1984	1985	Subtotal	Post 1985	Total
Gross proceeds:										
Land and structures		$356.8	$396.2	$253.3	$203.9	$111.6	$75.6	$1,397.4	$359.7	$1,757.1
Rolling stock	$435.5	110.8		.6	.8	.5	1.0	549.2		549.2
Materials and supplies	70.3							70.3		70.3
Facilities	140.2	288.1	263.9	228.6	170.9	96.3	9.9	1,197.9		1,197.9
Total	$646.0	$755.7	$660.1	$482.5	$375.6	$208.4	$86.5	$3,214.8	$359.7	$3,574.5
Liquidation costs	$436.3	$330.0	$284.6	$234.3	$164.2	$102.6	$37.8	$1,589.8	$206.5	$1,796.3
Net proceeds	209.7	425.7	375.5	248.2	211.4	105.8	48.7	1,625.0	153.2	1,778.2
Present value of net proceeds										757.4
Present value of owned net proceeds										621.4

SOURCE: USRA, DeLeuw, Cather & Co., Gladstone Associates, Simpson & Curtin, Temple, Barker & Sloane, Inc.

6

Manpower

ConRail's manpower requirements depend on the demand for transportation services. To determine these requirements, USRA assessed past transportation trends and future operating projections for ConRail. The estimated manpower requirements then were matched with the skills and locations of the men and women employed by the railroads in reorganization. USRA recommends that ConRail design a manpower plan in accord with the anticipated demand for transportation services but which represents minimum disruption to the lives of employees.

The Act recognizes that the manpower employed by the railroads in reorganization might exceed the requirements of ConRail. As a result, Title V of the Act provides protection for employees who may be adversely affected. The Act authorizes a total of $250 million for employee protection costs.

In examining the adequacy of this fund, USRA estimates that the $250 million figure may be adequate, depending on various factors such as the number of employees offered jobs by acquiring railroads and the percentage of employees who would relocate. For example, if the acquiring railroads offered employment to 60 percent of the employees associated with the properties to be acquired, employee protection costs would *amount to about $200 million. The figure could exceed the statutory authorization, however, in which case an amendment to the Act would be sought to increase the size of the fund.*

The demand for transportation services changes as industrial production and general economic activity expands or contracts. The manpower requirements for ConRail are dependent upon the demand for transportation services and the specific operating circumstances ConRail faces. USRA has projected ConRail manpower requirements from past trends and the operating plan for ConRail. These requirements have been matched with the skills and locations of the men and women currently employed by the railroads in reorganization.

In commenting on the PSP, various communities and labor organizations expressed concern that rail employment may decline if USRA's plan is adopted. Recognizing that the concerns of individual employees as well as economic objectives are at stake, USRA recommends that ConRail design a manpower plan in accord with the anticipated demand for transportation services but which represents minimum disruption to the lives of employees.

Congress recognized that an imbalance might occur between ConRail's personnel requirements and the composition of the current workforce of the railroads in reorganization. The Act requires, in section 202(b)(6), that the Association "consider the effect on railroad employees of any restructuring of rail services in the region". The economic impact of reorganization is minimized for individual employees by the employee protection provisions contained in Title V of the Act, which also provides a $250 million fund to cover the cost of protection. A principal aim of USRA's manpower planning effort has been to estimate the adequacy of the $250 million employee protection fund. Under the Act as now written, employee protection expenditures in excess of $250 million must be covered by ConRail and the acquiring carriers. Any significant employee protection costs in excess of $250 million could affect the financial condition of ConRail and the acquiring carriers unless additional funds are authorized and appropriated.

USRA's estimates of employee protection expenditures depend on the number of employees offered employment by the acquiring carriers. Unfortunately, the solvents have not yet had time to develop adequate plans to specify their manpower needs for the acquired properties. Many other presently unknown factors could have a significant impact on employee protection costs. Therefore, USRA has estimated a range of possible employee protection expenditures, depending on different assumptions. A computerized model was developed to assist preparation of the estimates.

Based on the findings and assumptions discussed subsequently in this chapter, USRA estimates that if the acquiring carriers offer employment to 60 percent of the employees associated with the properties to be acquired, the employee protection expenditures would be about $200 million, $50 million less than the amount authorized in the Act. If the solvents offered employment to 80 percent, the costs would drop to $162 million. A reduction in the attrition rate from the expected 6 percent to 3 percent would increase the costs from $200 million to $268 million (assuming 60 percent are offered employment by the solvents). The range of expenditures, given the current assumptions, indicate that the $250 million fund provided in Title V may be adequate. Should there be an unforeseen contraction of economic activity, however, the manpower requirements for ConRail would decline and employee protection costs may increase.

Manpower Requirements for the Restructured Rail System

USRA has sought to match existing personnel with projected staffing needs as accurately as possible. In general, personnel requirements are a derived demand; that is, they are generated by traffic volume, train requirements, service levels and routings, etc. In planning for ConRail, USRA employed a variety of means to identify these variables. Once identified, they were translated into personnel requirements.

Factors in Estimating Manpower Requirements

In developing the FSP, five important factors were used in determining ultimate manpower requirements.

Industry Structure.—ConRail's manpower requirements as discussed in this chapter are based on the recommended industry structure described in Chapter 1. Included in ConRail are the Penn Central (PC), Central of New Jersey (CNJ), Lehigh Valley (LV), Lehigh and Hudson River (LHR), Pennsylvania-Reading Seashore Line (PRSL), Ann Arbor (AA) and limited portions of the Erie Lackawanna (EL) and Reading (RDG) railroads. The consolidation of these properties makes it possible for ConRail to realize certain economies due to the centralization of car and locomotive repair shops, headquarters staff and stores, etc. It also permits the elimination or downgrading of some duplicate main lines and terminals.

Transactions With Solvent Carriers.—The industry structure and the relationship with the solvent carriers are, of course, interrelated. The industry structure recommended by the Association involves a number of railroads, including the Chessie, N&W, D&H, DT&I, SOU, GTW, P&LE, and TP&W. Transactions between ConRail and the solvents will be essentially of two kinds: Solvents may acquire some properties of the railroads in reorganization; and ConRail may acquire some solvent carrier properties (i.e., proposed ConRail acquisition of the B&O Washington to Philadelphia line).

As defined in section 501 of the Act, the Chessie, N&W, D&H, DT&I, SOU, GTW, P&LE, and TP&W will become "acquiring railroads" if the FSP is implemented. An acquiring railroad is required "to offer such employment and afford such employment protection to employees of a railroad from which it acquires properties or facilities pursuant to the Act . . . as shall be agreed upon between the said acquiring railroad and the representatives of such employees prior to said acquisition." USRA estimates that approximately 8,100 employees will be offered employment with the acquiring carriers.

Volume Projections.—In developing projections of ConRail traffic volumes and thereby work requirements, USRA used the Temple, Barker & Sloane (TBS) carload forecast for ConRail, as described in Chapter 7.

In ConRail's early years tonnage is down, but recovers in 1980 and increases thereafter. Carloads follow this same pattern but grow more slowly because of increasing average unit capacity in the car fleet and heavier loading trends. Projected ConRail employee requirements through 1985 follow the basic economic pattern but do not duplicate it because of consolidations, efficiency improvements and other factors.

The method used to assess the impact on ConRail's manpower requirements of changes in tonnage and carloadings and the results obtained through application of this method are discussed in a subsequent section of this chapter.

Efficiency Improvements.—In estimating manpower requirements by year and by location, USRA took into account projected efficiency improvements resulting from improved terminal management, train blocking and equipment control. These improvements reduce ConRail's workload and, accordingly, employee requirements. Planning has not assumed any changes in labor agreements, work pace or technology.

Rehabilitation.—The rehabilitation effort will affect manpower directly through augmentation of maintenance-of-way forces to meet program goals and indirectly because of diminished wreck clearing requirements and improved road train transit time. As the rehabilitation program progresses, it will decrease the need for other types of employees due to improvements in both over-the-road and terminal operations.

Projected Manpower Requirements

ConRail's need for employees was estimated by assessing the impact of each of the five critical factors discussed above on the following categories of employment.

- Maintenance of way and structures,
- Maintenance of equipment and stores,
- Transportation and
- Executive, professional and clerical.

Maintenance of Way and Structures.—The manpower level for railroad plant maintenance is a function of the size of the plant, traffic carried, location, and in this case, condition of the acquired property. The railroads in reorganization currently have more than 12,400 people engaged in maintenance-of-way and structures.

Based on a detailed review of current manning levels throughout the maintenance-of-way and structure organizations of the railroads in reorganization, USRA estimates this force level will be increased, with appropriate adjustments for transfers and abandonments.

Maintenance-of-way manpower requirements have been estimated for: supervision, track, signals and communication, bridges and buildings, electric traction and miscellaneous. In developing requirements in each of these areas, productivity improvements resulting from more and better equipment and enhanced operating efficiencies have been considered. Summary estimates for the four subcategories and total maintenance-of-way are shown in Table 1.

Maintenance-of-way supervisory forces should be increased for a number of reasons.

- The existing supervisory force cannot handle expanded work programs.
- Capital programs are going to be expanded during the rehabilitation of facilities.

These factors will result in an increase in maintenance-of-way supervisory forces. In merging six railroads in reorganization and portions of two others into ConRail, however, certain parallel supervisory positions can be eliminated. The net effect, nevertheless, is that ConRail still will need to increase its maintenance-of-way supervisory forces.

The largest component of the maintenance-of-way force is the track complement. There are four force groupings within this area.

- A basic force is required for such routine activities as inspection, spot surfacing and general housekeeping. This component has been calculated as a function of miles operated, tonnage carried per track-mile and plant condition.
- A program maintenance force is required for mechanized renewal of track components and geometry, including ties, rail and surfacing. This force level is a function of the work programs to be performed, which are the result of normal maintenance requirements, with adjustments for deferred renewals where applicable.
- Program support personnel are required for material distribution and detail work associated with heavy maintenance programs.

TABLE 1.—*Projected manpower requirements, maintenance-of-way*

Year[1]	Track	Supervision and clerical	Signal and communication	Bridges, buildings and miscellaneous	Total maintenance-of-way
1976	11, 034	1, 132	3, 290	1, 533	16, 989
1977	11, 550	1, 122	3, 290	1, 533	17, 495
1978	9, 189	1, 121	3, 292	1, 533	15, 135
1979	9, 218	1, 120	3, 199	1, 533	15, 070
1980	9, 239	1, 167	3, 133	1, 533	15, 072
1981	9, 193	1, 158	3, 119	1, 533	15, 003
1982	9, 147	1, 152	3, 106	1, 533	14, 938
1983	9, 147	1, 152	3, 106	1, 533	14, 938
1984	9, 147	1, 152	3, 106	1, 533	14, 938
1985	9, 147	1, 152	3, 106	1, 533	14, 938

[1] Year end figures.

- A work force is needed to hold maintenance on lines to be phased out of the system, light density lines included in the system and certain light volume yard and branch line trackage. These employees will be relocated as ConRail becomes less involved in operating subsidized branch lines. This will enable ConRail to keep maintenance-of-way production gang forces assigned to their respective specialized tasks.

Employment requirements for bridge and building forces, electric traction forces and miscellaneous employees such as bridge tenders, crossing watchmen, etc. are expected to remain constant.

Requirements for signal and communications employees should remain constant at the present level, with the exception of employees required to perform signal work in the rehabilitation program. In addition to the manpower required to keep the present signal system operating properly and the manpower required to maintain the existing communication system, manpower will be required to supervise, engineer, and construct ConRail's new signal and communication systems.

The 10-year projection for maintenance-of-way employees indicates a 31 percent increase over the number of maintenance-of-way employees on properties to be transferred to ConRail. In 1978, it is projected that maintenance-of-way employment would decrease, assuming ConRail becomes less involved in operating subsidized branch lines. Thereafter, the staffing level reflects the reduced plant size, provision of better equipment, improved maintenance programming and the benefits of progress in the rehabilitation program. After 1982 it is assumed that maintenance-of-way gang levels and other forces will stabilize with increases in tonnage offset by benefits of rehabilitation. The rehabilitation program thus has been structured to stabilize employment.

Maintenance of Equipment and Stores.—The projected demand for maintenance of equipment employees was developed by defining the need for car and locomotive maintenance during the 1976–1985 period, given projected car and locomotive use, shop capabilities and traffic demand levels. This process relates the capabilities of the major shop facilities and running repair shops to locomotive requirements and car fleet size. Employment in this category is projected to decline after 1979 at an average rate of 2 percent per year through 1985. This decline reflects reductions in the equipment fleet from improved utilization which should more than offset an increase in repair requirements resulting from efforts to reduce the current abnormally high bad order ratio. Productivity gains are expected to result from improved tooling and upgraded working conditions in some shop facilities as well as better designed and more modern locomotive servicing facilities.

ConRail is expected to perform the equipment repairs necessary to bring down the bad order ratio for cars from its existing level of 12.3 percent to 5 percent by 1985. This reduction, combined with a projected 28 percent improvement in car use, is expected to result in a car-fleet reduction from 149,273 cars in 1976 to 106,682 cars in 1985. In addition to the manpower required to carry out the projected car repair program, it is expected that forces will be augmented to handle the increasing inspections and more frequent component replacements resulting from possible changes in FRA regulations.

Transportation.—To define the anticipated demand for transportation employees, it was necessary to adjust existing manning levels to reflect both changes in volume as well as changes caused by other factors, such as increases in efficiency reflected in the combined operating plan for ConRail.

To estimate variations in volume multiple regression coefficients (statistically derived rates of change) were developed for each category of transportation employee by relating miles of yard track, road miles, gross ton miles and car miles with employment levels for each category of employee on each Class I railroad in 1973. The multiple regression coefficients then were applied against site-specific volume projections for ConRail for each category for each year from 1976 through 1985. To obtain the site-specific volume projections, the existing volume and traffic mix at each of the 493 gathering points (locations at which switching crews go on and off duty) in the ConRail network were expanded by commodity type and by growth in average net load by car type as in the TBS volume forecast. Each of the gathering points then was converted into an equivalent pay location to provide the site-specific volume growth factors against which the multiple regression coefficients could be run. To refine the projected manpower requirements, the ConRail network was modified to exclude the Saginaw-Bay City-Midland, Mich., Charleston, W. Va. and Delmarva Peninsula markets and, after 2 years, all branch lines available for subsidy but not included in the FSP.

In addition to adjusting the existing manpower for changes in traffic growth, USRA also applied yard and road efficiency factors at each location for each year from 1976 through 1985. These efficiency factors included the projected impact on manpower resulting from rehabilitation, improved terminal management and shifts in the role of a facility in system operations due to implementation of a ConRail operating plan. These efficiency factors, drawn from USRA's yard improvement and management effectiveness studies, also are reflected in the financial *pro formas* (see Chapter 3). Projections for transportation manpower requirements are shown in Table 2.

Train and engine service employment is expected to decline after 1976 due to improved operating efficiencies, rehabilitation benefits and consolidations. These manpower reductions more than offset increases in employment attributable to projected increased carloadings during the next 10 years.

ConRail's projected requirements for transportation employees (other than train, engine and yard service) are relatively constant throughout the planning period.

TABLE 2.—*Projected manpower requirements, transportation*

[Including passenger]

Year [1]	Yardmasters	Other than train and engine	Train and engine	Total transportation
1976	1, 155	4, 250	31, 312	36, 717
1977	1, 045	4, 250	30, 165	35, 460
1978	990	4, 175	29, 192	34, 357
1979	993	4, 180	29, 366	34, 539
1980	952	4, 225	29, 605	34, 782
1981	946	4, 170	29, 472	34, 588
1982	931	4, 200	29, 549	34, 680
1983	915	4, 175	29, 784	34, 874
1984	908	4, 075	30, 093	35, 076
1985	919	4, 025	30, 311	35, 255

[1] Year end figures.

This is because these categories of employment have been shown through regression analyses to be relatively insensitive to changes in volume. Yardmasters and yard clerks, however, were assumed to vary directly with the projected reduction in switching requirements resulting from application of an improved blocking plan. Requirements for these types of employees are expected to decline as terminal operating efficiencies are improved. In total, as Table 2 indicates, the projected requirement for yardmasters, switch tenders and hostlers is expected to decline by approximately 1 percent per year during the entire 10-year planning period.

Executive, Professional and Clerical.—To determine requirements in these categories, USRA conducted a study of the general and administrative functions on the railroads in reorganization on a departmental and functional basis. This was done to identify consolidation opportunities among the various staff functions. The consolidation of six railroads in reorganization and portions of two others into ConRail should bring a reduction in the total number of employees in the executive category.

Merger and consolidation opportunities in the general and administrative areas are not as high as might be expected because many of these functions are related to volume of traffic rather than corporate structure. It is expected, however, that employment requirements in most of the nonvolume related functions will decline as the railroads in reorganization are consolidated into ConRail.

Summary of Projected Manpower Requirements

Based on the previously described analyses, ConRail's manpower requirements through 1985, including passenger services, would be as follows:

Projected ConRail employee requirements

(Through 1985)

Year:	*Approximate number of employees*	Year:	*Approximate number of employees*
1976	90, 169	1981	91, 293
1977	96, 009	1982	91, 449
1978	92, 952	1983	92, 141
1979	89, 221	1984	92, 800
1980	90, 185	1985	93, 312

Manpower Availability

The Act requires that ConRail offer employment to each employee of a railroad in reorganization on the date of conveyance if the employee has not already accepted an offer of employment by the Association (where applicable) or acquiring solvent railroads. To estimate the number of employment offers which ConRail must make on the date of conveyance, it was necessary to determine the number of employees currently working on the eight railroads in reorganization.

USRA identified these employees by craft, seniority district and pay location, as summarized in Table 3. In addition, the numbers of employees on leave of absence, disability and furlough also were determined. In those areas and crafts where ConRail finds the present force inadequate, the number of furloughed employees is particularly significant (see Table 4). The latest figures available indicate there are a total of 98,173 active employees and 4,770 employees furloughed. These data will be updated prior to conveyance.

The next step was to estimate the number of employees to be offered employment by acquiring carriers. A

TABLE 3.—*Number of employees by craft groupings of railroads in reorganization*

Craft groupings	PC	Rdg	CNJ	AA	LV	EL	PRSL	L&HR	Total
Executives, professionals	3, 800	304	113	12	138	565	13	8	4, 953
Clerks	15, 643	1, 383	424	31	551	2, 035	95	23	20, 185
Police	647	60	29		71	82	5		894
Machinists	3, 166	157	70	15	81	389	12	4	3, 894
Maintenance-of-way	7, 535	617	234	86	368	781	114	16	9, 751
Communications and signal	1, 972	166	52	6	110	390	31		2, 727
Subordinate foremen	2, 140	143	36	7	72	260	1	3	2, 662
Blacksmiths	259	5	1		3	30	4		302
Boilermakers	244	17	7		5	19			292
Carmen	8, 100	665	148	29	236	836	20	5	10, 039
Electrical workers	2, 867	167	58	2	46	218	3	1	3, 362
Sheet metal workers	1, 047	28	22	3	13	45			1, 158
Skilled helpers	381	78	25	2	10	225			721
Apprentices	35		1		7	29			72
Firemen and oilers	1, 621	116	31	6	48	154		5	1, 981
Train dispatchers	624	27	17	4	8	77	4	5	766
Dining car workers	16	2				9			27
Marine forces	91	9		60	10	35			205
Yard masters	1, 010	66	11	5	35	96	7	1	1, 231
Trainmen	16, 663	1, 119	364	50	533	2, 548	121	10	21, 408
Engine service	9, 273	535	149	26	203	1, 294	58	5	11, 543
Total	77, 134	5, 664	1, 792	344	2, 548	10, 117	488	86	98, 173

SOURCE: I.C.C. Form A Reports, March 1975.

TABLE 4.—*Number of furloughed employees by craft groupings of railroads in reorganization*

Craft groupings	PC	Rdg	CNJ	AA	LV	EL	PRSL	L&HR	Total
Executives, professionals									
Clerks	324				11	78	12		425
Police	2								2
Machinists	706							5	711
Maintenance-of-way	118	1			2	250			371
Communications and signal	37			2	1	32			72
Subordinate foremen	16								16
Blacksmiths and boilermakers	289							2	291
Carmen	501	60		1	251	37	27	1	878
Electrical workers	96							2	98
Sheet metal workers									
Skilled helpers	126			6	26				158
Apprentices									
Firemen and oilers	191	6		1			15		213
Train dispatchers					4				4
Dining car workers	9					4			13
Marine forces				2	24				26
Yard masters					3				3
Trainmen	1, 187	28		9	21	143	19	12	1, 419
Engine service	38					30		9	77
Total	3, 640	95		21	343	574	73	31	4, 777

SOURCE: Telephone survey of Railroads involved (June 24, 1975).

study was made of the extent to which current jobs on the lines to be acquired by solvents are related to traffic volume or are susceptible to consolidation. Using this study, USRA estimates that 10,800 employees, or approximately 80 percent of the 13,500 employeés associated with these lines, might be offered employment by the acquiring carriers. Preliminary comments by the acquiring carriers indicate, however, that the offer of employment might be less, perhaps only 60 percent or about 8,100 of the employees currently associated with the properties to be acquired. This would have a significant impact on the $250 million employee protection fund. The actual number of contract employees to be offered employment by the acquiring carriers will depend on the agreements negotiated between the acquiring carriers and the union representatives as well as the solvents' plans for operating the acquired properties. Neither of these has been determined at this time. For nonagreement employees, the offer will be based on the manpower requirements of the acquiring carriers. To show the range of the impact on the employee protection fund, estimates were prepared for both the 60 and 80 percent assumptions. To illustrate the anticipated impact, the 60 percent assumption is used as the basis for the following discussion.

Table 5 shows estimated ConRail employees by craft on the date of conveyance. Based on the 60 percent assumption, ConRail will offer positions to 90,063 employees of the railroads in reorganization.

TABLE 5.—*Estimated number of ConRail employees [1] by craft groupings on date of conveyance*

Craft groupings	Total number of employees railroads in reorganization (March 1975)[2]	Estimated number of employees to be offered employment with acquiring carriers [3]	Estimated number of ConRail employees on date of conveyance
Executives, professionals	4,953	531	4,422
Clerks	20,185	2,083	18,102
Police	894	27	867
Machinists	3,894	230	3,664
Maintenance-of-way	9,751	870	8,881
Communications and signal	2,727	252	2,475
Subordinate foremen	2,662	115	2,547
Blacksmiths	302	3	299
Boilermakers	292	31	261
Carmen	10,039	772	9,267
Electrical workers	3,362	198	3,164
Sheet metal workers	1,158	49	1,109
Skilled helpers	721	2	719
Apprentices	72	0	72
Firemen and oilers	1,981	150	1,831
Train dispatchers	766	50	716
Dining car workers	27	0	27
Marine forces	205	21	184
Yard masters	1,231	110	1,121
Trainmen	21,408	1,758	19,650
Engine service	11,542	858	10,685
Total	98,173	8,110	90,063

[1] Does not include those employees on leave of absence, disability or furlough.

[2] Assumes employment level will be the same on date of conveyance as of March 1975.

[3] Based on the assumption that 60 percent of those currently associated with the properties to be acquired will be offered employment with acquiring carriers.

Using the national railroad industry average attrition rate of 6 percent annually, about 60 percent of ConRail's work force on the date of conveyance will have departed by 1985; 32 percent of this attrition will be due to retirements of employees. A 10-year projection of the number of ConRail job vacancies created by attrition which can be used to correct imbalances between manpower requirements and availability is shown in Table 6. In addition, new job vacancies occur due to changes in operations, such as increase in business and the planned rehabilitation program. These factors have been taken into consideration in projecting ConRail manpower requirements.

TABLE 6.—*Projected number of ConRail job vacancies created by 6 percent attrition per year—1976*

Craft groupings:	Projected number of vacancies per year
Executives, professionals	250
Clerks	1,047
Police	47
Machinists	208
Maintenance-of-way	712
Communications and signal	172
Subordinate foremen	141
Blacksmiths	15
Boilermakers	18
Carmen	511
Electrical workers	180
Sheet metal workers	65
Skilled helpers	25
Apprentices	3
Firemen and oilers	98
Train dispatchers	41
Dining car workers	1
Marine forces	8
Yard masters	68
Trainmen	1,160
Engine service	639
Total	5,409

Matching Manpower Requirements with Manpower Availability

The great majority of protected employees will not be affected significantly by conveyance but will be offered employment by ConRail or an acquiring carrier in their same capacity and location. The reorganization, however, does create some imbalance between the manpower available in each craft and projected requirements. This results in shortages of manpower in certain crafts and surpluses in other crafts, as illustrated by Table 7. In crafts where shortages of manpower are projected, there will be no appreciable impact on those employees. Furloughed employees, if any, will be recalled to fill these vacancies and where necessary new employees hired. In those crafts where available man-

TABLE 7.—*Analysis of ConRail manpower requirements and availability by craft groupings—1976*

Craft groupings	Estimated number of ConRail employees [1] on the date of conveyance (supply)	Projected manpower requirements for ConRail 1976 [2] (demand)	Difference between supply and demand (+ or −) [3]
Executives professionals	4,422	4,167	+255
Clerks	18,102	17,465	+637
Police	867	788	+79
Machinists	3,664	3,472	+192
Maintenance-of-way	8,881	11,868	−2,987
Communications and signal	2,475	2,865	−390
Subordinate foremen	2,547	2,352	+195
Blacksmiths	299	255	+44
Boilermakers	261	303	−42
Carmen	9,267	8,520	+747
Electrical workers	3,164	3,000	+164
Sheet metal workers	1,109	1,077	+32
Skilled helpers	719	420	+299
Apprentices	72	42	+30
Firemen and oilers	1,831	1,636	+195
Train dispatchers	716	676	+40
Dining car workers	27	22	+5
Marine forces	184	132	+52
Yard masters	1,121	1,125	−4
Trainmen	19,650	19,327	+323
Engine service	10,685	10,657	+28
Total	90,063	90,169	—[3]

[1] Does not include those employees on leave of absence, disability or furlough.

[2] Midyear manpower requirement figures were used to more accurately estimate employee protection costs.

[3] Because of craft differences, a surplus (+) in one craft cannot be netted against a shortage (−) in another craft.

power exceeds projected manpower requirements, there will be an affect on employees.

Employee Protection Provisions of the Act

Section 509 of the Act establishes a fund of $250 million to reimburse ConRail and the acquiring carriers for the costs of employee protection payments made in accordance with the following provisions.

Monthly Displacement Allowances.—These are provided for any protected employee deprived of employment or whose earnings are adversely affected after the date of conveyance. Such allowances continue to age 65 for employees with more than 5 years of railroad service and for shorter periods for those with less than 5 years of service as of January 2, 1974, the effective date of the Act (sections 505(b) and (c)).

Separation Allowances.—These are available to protected employees (except those with less than 3 years of service as of the effective date of the Act) if offered by the railroad and accepted by the employee, or if elected by the employee in lieu of transfer requiring a change of residence. Separation allowances are based on a formula involving age and length of service. There is a $20,000 maximum on the separation allowance (section 505(e)).

Termination Allowances.—These are provided for protected employees with less than 3 years of service as of the effective date of the Act. These allowances of up to 180 days' pay are available in the event ConRail elects to terminate such employees (section 505(f)).

Moving Expense Benefits.—These include such items as moving household goods and sale of home and will be provided for protected employees who accept a transfer requiring a change of residence (section 505(g)).

Assumptions in Estimating Employee Protection Costs

Total employee protection costs can be only rough estimates, since in many cases the actual costs will vary depending upon future events, the state of the economy and decisions made by others. The number of employees offered employment by the acquiring carriers will affect employee protection costs greatly. The decisions of individual employees, for example, whether to accept an offer of transfer requiring a change of residence or to take a separation allowance also affect employee protection costs. Since there is no way to determine accurately what others will do, USRA has used its best judgment and past experience in making the following assumptions used to estimate probable employee protection costs.

Employees with less than 3 years' service as of the date of the Act, represent 10 percent of the total number of employees. If projected manpower requirements for a craft result in a systemwide surplus, it is assumed that employees in that craft with less than 3 years of service will be paid termination allowances.

Employees with not less than 3 nor more than 5 years of service as of the date of the Act represent 4 percent of the total work force. They may be offered a separation allowance if there is a surplus of employees in their craft. Employees in this group will have the option of continuing their employment relationship and receiving the monthly displacement allowance, which will continue for a period of time equal to total prior years of service. USRA estimates that 20 percent of those offered a separation allowance will accept and 80 percent will elect to continue their employment relationship receiving the displacement allowance. This is based on the assumption that a large percentage of these employees, having most of their careers ahead of them, are in the process of establishing seniority and will be reluctant to sever their employment relationships.

Employees age 60 to 65 with more than 5 years of service represent 15 percent of the total number of employees. It was assumed that if there is a surplus in a particular craft, employees 60 and over in these crafts will be offered a separation allowance. USRA estimates that 60 percent of these employees offered a separation allowance will accept it, while 40 percent will elect to continue their employment relationship. These estimates are based on the assumption that since most of the employees age 60 to 65 will be eligible to receive a full pension many will be inclined to accept the separation allowance.

Employees under 60 with more than 5 years of service represent 71 percent of the total number of employees. They are trained, experienced, career railroad employees and every effort will be made to employ their talents fully. Those who are surplus at their present location, in all likelihood, will be able to exercise seniority or will be offered a similar position at another location.

Based on a survey of several railroads, USRA estimates that 10 percent of the employees under 60 offered a transfer requiring a change of residence will accept. The remaining 90 percent of the employees will receive separation allowance. It is assumed that all employees between 60 and 65 will elect to take a separation allowance in lieu of transfer. This is based on the assumption that employees at or near retirement age would be more reluctant than younger employees to break long-established community ties, leaving behind home, family and friends.

When offered transfer, the employee has the additional option of taking furlough with no benefits being paid during the time furloughed. For purposes of calculating employee protection costs, it was assumed no employee would elect this option although some employees may do so in anticipation of subsequently exercising seniority at their present location.

Moving Expense Benefits.—These are estimated at $5,000 per employee transferred, based upon the experience of other railroads.

Separation Allowances.—For employees with over 5 years of service and age 60 or under, separation allowances are calculated at an average of $18,000 per employee based on the statutory 360-day compensation period. For employees with not less than 3 nor more than 5 years of service, the separation allowance for each craft averages $15,500, based on the statutory 270-day compensation period. Separation allowances for employees over 60 to 65 for each craft averages $13,800, based on an average 240-day compensation of the statutory periods.

Termination Allowances.—These are for employees with less than 3 years of service and are estimated for each craft grouping, based upon a 90-day average compensation of $5,200.

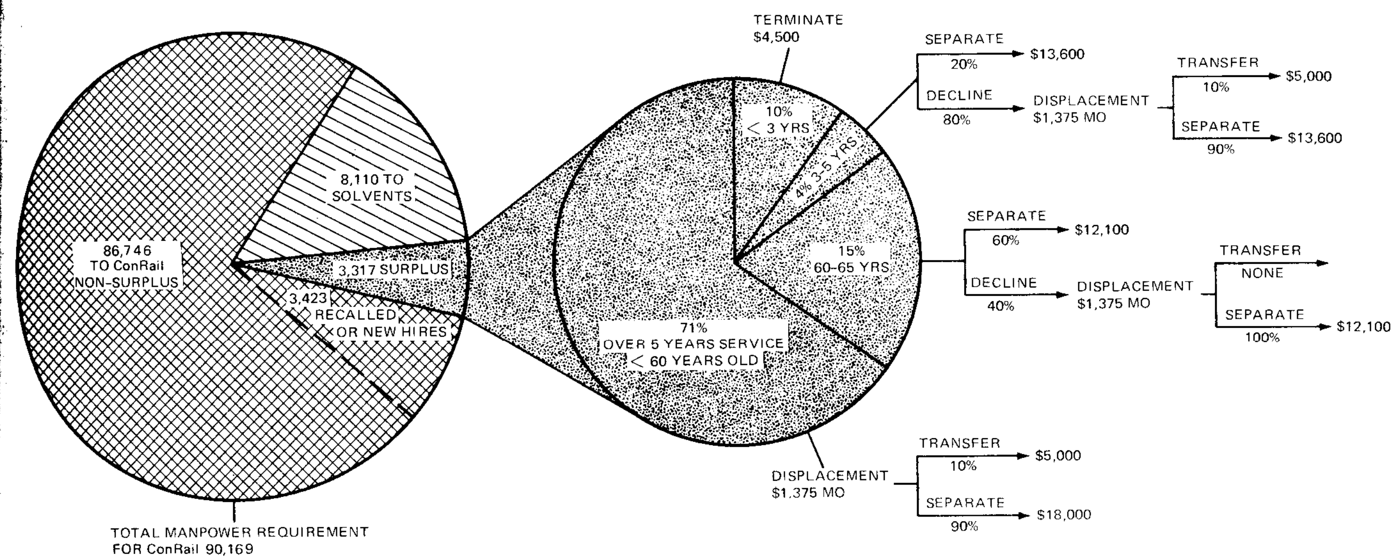
Full Monthly Displacement Allowances.—These are paid to employees who are deprived of employment and are estimated at an average of $1,375 per month, based on the average earnings for all crafts.

Partial Monthly Displacement Allowances.—These allowances, which must be paid to employees who are working but suffer a reduction in earnings, are calculated at an average of $76.28 per-employee-per-year on the basis of Penn Central's merger experience with employee-protection payments from August 1973 to September 1974.

Figure 1 illustrates the estimated numbers of employees and the assumptions discussed above.

As explained previously, it is assumed that 8,110 employees will be offered and accept employment with the acquiring solvent carriers on the date of conveyance. It is assumed that the acquiring carriers will transfer and consolidate certain functions within their operations, involving approximately 10 percent of those offered employment with the acquiring carriers. Employee protection benefits for these employees have been considered in determining whether the $250 million employee protection fund is adequate. There also may be protection costs for current employees of the acquiring carriers who are affected adversely. Estimates of such costs cannot be made at this time and are not reflected in the estimates of employee protection expenditures.

FIGURE 1.—*Illustration of assumptions used in estimating employee protection costs*



Estimates of Employee Protection Costs

A computer model was developed to determine the impact of the assumptions discussed above on the $250 million employee protection fund. Surplus employees who are offered a *bona fide* vacancy have the option of accepting the job, and relocating if necessary, or separating. Employee protection expenditures will be very high during ConRail's first year of operation because of the number of surplus employees in the first year and the resulting displacement allowances, transfer costs and separation payments. After the first year, the major employee protection expenditure will be for partial monthly displacement allowances.

USRA estimates employee protection expenditures for the 10-year period through 1985 will range from $162 to $200 million, as compared to the $250 million authorized by the Act. Based on the assumption that 60 percent of those currently associated with the properties to be acquired will be offered employment by acquiring carriers, it is estimated that the $250 million fund will be adequate. The estimated cumulative expenditure through 1985 is $200 million or $50 million less than the $250 million (see Table 8 and Figure 2). Using the assumption that 80 percent will be offered employment by the acquiring carriers, it is estimated that the cumulative expenditure through 1985 is $162 million or $88 million less than the $250 million (see Table 8 and Figure 2). Both of these estimates assume that USRA's economic projections are accurate and that protection costs for current employees of the acquiring carriers, not yet calculated, will be minimal.

Changes in the assumptions used would have an impact on the estimated employee protection expenditures. For example, if the estimated 6 percent attrition rate were dropped to 3 percent, using the assumption that 60 percent will be offered employment by the acquiring carriers, employee protection expenditures could amount to approximately $268 million.

The Association believes that the $250 million fund may be adequate, but in the event that it is not, USRA believes that the Railroad Retirement Board should recommend an increase in the $250 million Regional Rail Transportation Protective Account to cover additional employee protection expenses. To burden ConRail with employee protection costs, should they exceed the $250 million authorized by the Act, could have a significant effect on the corporation's financial position and on management's incentive to improve the efficiency of the railroad.

TABLE 8.—*Estimated employee protection expenditures, 10-year projection* [1]

Year	ConRail	Acquiring carriers	Combined total	Cumulative total
		60 percent assumption [2]		
1976	$92,201,577	$14,339,048	$106,540,625	
1977	33,127,002	534,906	33,661,908	$140,202,533
1978	11,788,766	502,812	12,291,578	152,494,111
1979	10,641,603	472,644	11,114,247	163,608,358
1980	9,481,360	444,286	9,925,646	173,534,004
1981	8,054,780	417,629	8,472,409	182,006,413
1982	6,503,291	392,572	6,895,863	188,902,276
1983	4,951,608	369,018	5,320,626	194,222,902
1984	3,265,473	346,877	3,612,350	197,835,252
1985	2,627,529	326,065	2,953,594	200,788,846
Total	182,642,989	18,145,857	200,788,846	
		80 percent assumption [3]		
1976	58,063,149	19,062,782	77,125,931	
1977	24,668,641	641,816	25,310,457	102,436,388
1978	11,149,035	603,308	11,752,343	114,188,731
1979	10,494,585	567,110	11,061,695	125,250,426
1980	9,345,699	533,084	9,878,783	135,129,209
1981	7,930,470	501,099	8,431,569	143,560,778
1982	6,340,231	471,034	6,811,265	150,372,043
1983	4,850,000	442,772	5,292,772	155,664,815
1984	3,175,233	416,206	3,591,439	159,256,254
1985	2,548,645	391,234	2,939,879	162,196,133
Total	138,565,688	23,630,445	162,196,133	

[1] Estimates do not include protection costs for current employees of the acquiring carriers who are adversely affected.

[2] Estimates based on the assumption that the acquiring carriers will offer employment to 8,110 employees which represents 60 percent of those currently associated with the properties to be acquired, and the assumption that 10 percent of ConRail's surplus employees will accept an offer to transfer requiring a change of residence.

[3] Estimates based on the assumption that the acquiring carriers will offer employment to 10,811 employees, which represents 80 percent of those currently employed in the properties to be acquired, and the assumption that 10 percent of ConRail's surplus employees will accept an offer to transfer requiring a change of residence.

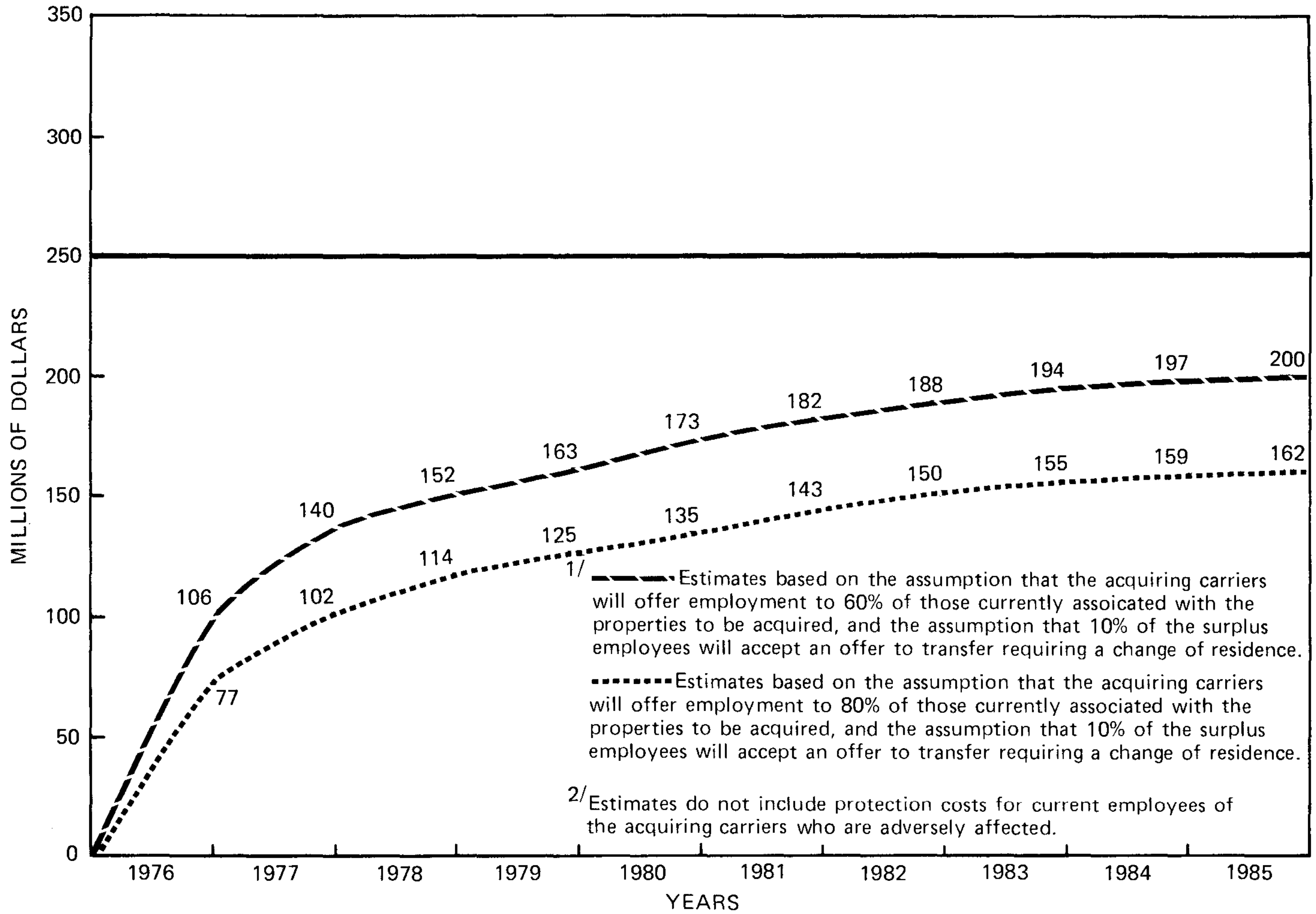
Implementing Agreements

One of the most important steps in activating ConRail is the transfer of employees from the carriers in reorganization to ConRail. The process will be accomplished through implementing agreements for contract employees. Section 504(b) of the Act stipulates that negotiations for a single implementing agreement for each class and craft of employee will begin on or before the date of adoption of the FSP by USRA's Board of Directors. The Act requires that the following five specific items be included in the implementing agreement.

- *The identification of the specific employees of the railroads in reorganization to whom the Corporation offers employment.*

The Act requires under section 502(b) that each employee of a railroad in reorganization who has not accepted employment with USRA or with an acquiring railroad be offered employment with ConRail. As defined in section 501(2), an employee of a railroad in reorganization is a person who has an employment relationship with a railroad in reorganization as of the date of conveyance of the rail property. Exceptions are made for certain officers of the carriers, and employees hired subsequent to January 2, 1974 are not entitled to all the benefits of Title V. However, virtually all of the employees of the railroads in reorganization will be offered employment with ConRail or an acquiring carrier and are subject to the employee protection provisions of Title V of the Act. Because of continuing employment

FIGURE 2.—*Comparative analysis.*[1] *Estimated employee protection expenditures.*[2]



changes, the identification of employees who quality for the offer of employment is an ongoing process.

- *The procedure by which those employees of the railroads in reorganization may elect to accept employment with the Corporation.*

This requires that a procedure be defined for the acceptance of an offer of employment. Because virtually all the contract employees on the railroads in reorganization will receive the employment offer, it is anticipated that they will be considered as having accepted the offer unless they specifically decline.

- *The procedure for acceptance of such employees into the Corporation's employment and their assignment to positions on the Corporation's system.*

This provides for the assignment of employees to positions to assure smooth continuity of operation subsequent to conveyance. In almost all cases each employee who joins ConRail will remain in the same position on the day of conveyance that he held immediately prior to conveyance.

Exceptions will be those employees in positions that are not in existence after conveyance because of service discontinuance, exclusion of properties from the FSP, conveyance of properties to acquiring carriers where employees may not have followed the work or instances where facilities of former carriers were consolidated immediately after conveyance. Employees in these categories will be subject to seniority under seniority rules applicable at the time of conveyance.

As the consolidations of facilities occur, the number and location of positions on the railroad will change. The reassignment of employees as these changes take place will be accomplished by the employee exercising seniority (seniority on the ConRail system will be provided for in the implementing agreement), the transfer of employees under the provisions of section 505(d) of the Act and subsequent agreements, permitted by section 505(d)(4)(C) of the Act, providing for the transfer of employees.

This procedure should assure a smooth transition with continuity of operation, and at the same time provide for subsequent changes in operation and facilities as the operating plan is placed into effect.

- *The procedure for determining the seniority of such employees in their respective crafts or classes on the Corporation's system shall, to the extent possible, preserve their prior seniority rights.*

This is designed to provide for the orderly transition of employees and to protect acquired rights to work positions of their choice in their craft or class on the new system. In many cases, employees now hold seniority in very narrowly defined areas, such as in one office of a railroad. This restricts management's flexibility in the use of employees and the employees' ability to take advantage of new or better jobs. Therefore, to the extent possible, the narrowly defined areas should be consolidated and seniority boundaries expanded.

Seniority rosters covering the craft and class in the newly defined boundaries should be consolidated and, where possible, dovetailed. This entails ranking all involved employees solely by their earliest retained seniority date regardless of their prior employer or prior seniority district. In this way prior seniority can be preserved and, at the same time, employees can be permitted a wider choice of assignment. The approach to be taken in determining revised seniority districts and the method of establishing the employees' seniority therein may differ through negotiations for each craft and class of employee.

- *The procedure for determining equitable adjustment in rates of comparable positions.*

Rates of pay for operating crafts generally are standardized, but the need for equitable adjustments in rates of pay for comparable positions may arise where the work of nonoperating employees is consolidated. The implementing agreement will provide for uniformity to the extent practicable so that employees doing essentially the same work would receive the same pay.

ConRail representatives already have contacted labor representatives and have begun discussions on the single implementing agreements. Through these meetings, labor organizations have been informed of the Association's planning, particularly in those areas affecting the employees they represent.

ConRail and union representatives have made substantial progress in developing the procedures necessary to achieve the single implementing agreements. Both parties have expressed confidence that voluntary agreements will be consummated within the time allotted by the Act.

Once the implementing agreements are completed. ConRail negotiators should begin intensive negotiations on new collective-bargaining agreements. The Act requires that not later than 60 days after conveyance ConRail and union representatives commence negotiations of new collective bargaining agreements for each class and craft covering rates of pay, rules and working conditions for ConRail employees. USRA believes the goal of these negotiations should be to achieve a single collective bargaining agreement for each class and craft of employee.

7

Marketing

For a variety of reasons, the competitive posture of the Nation's rail industry has been declining steadily over the past 50 years. This erosion has been most apparent in the Northeast and Midwest Region. Collectively, the railroads which would comprise ConRail are now losing about $500 million a year.

Essential to ConRail's success will be its ability to reduce losses and to improve its profitability in those areas where railroads enjoy a distinct competitive advantage over other modes of transportation. ConRail's marketing strategy should first improve the profitability of existing services through better pricing systems. Efforts then should turn to identifying and developing new markets for rail service.

Quality of service, availability of equipment and price flexibility are three major components of rail marketing programs. This chapter discusses these concepts as they relate to ConRail's marketing approach.

The chapter also presents revised forecasts of ConRail freight traffic and revenue. These forecasts are important ingredients in the pro forma financial presentations made in Chapter 3.

The goal of railroad marketing is profitability. Railroads must carefully select markets in which they enjoy a competitive advantage and then aggressively pursue the profit potential of those markets. Successful implementation of this strategy requires matching the specific requirements of individual customers with the capabilities of the railroad to the benefit of both.

The Association has focused most of its marketing effort on identifying how ConRail's management might improve the profitability of present traffic. The railroads which would comprise ConRail are now losing about $500 million per year. In the long run, there are some opportunities for expanding rail service into new markets, particularly the solid-waste and small-shipment markets. Current studies indicate, however, that the profit potential of these markets is small compared with the opportunities for improving the profitability of present traffic. The Association, therefore, has placed major emphasis on the latter.

The three major factors in most rail marketing programs are service, equipment and price. These elements can be combined in various ways to generate profitable rail business.

Service will be a key component of profitability for two important reasons. First, the quality of service ConRail provides will define the markets where it can compete successfully. The rehabilitation program and improved operating plans should permit ConRail to compete effectively with other railroads and modes of transportation, particularly in medium and longer-distance markets. This is most important for the projected growth of trailer on flat car/container on flat car (TOFC/COFC) traffic. Second, quality of service has a major impact on the prices shippers will pay. A mode offering service inferior to its major competitors typically must offer a lower price level to secure the business; lower price levels can produce inadequate or negative profits. Unfortunately, this often has been the case in the railroad industry. Improved service, therefore, is a necessary ingredient for many of the proposed higher rate levels discussed in this chapter.

Traditionally, innovations in rail freight equipment have been used as a means of generating business. Special cars have been designed to fill the requirements of individual customers or markets. The multi-level automobile rack cars and large covered hoppers are examples. Because new freight-car designs require lengthy engineering development, the Association has not focused on this area. Instead, emphasis has been placed on railroad operating and pricing modifications which would improve freight-car utilization and profitability. These are discussed later in the chapter.

Pricing is, of course, a key element of profitability. In the short run, the Association is proposing that ConRail's management recommend to the industry and the Interstate Commerce Commission implementation of a series of minimum charges per car, based on shipment weight and distance. These minimum charges could improve ConRail's yearly net income by $38 million. These estimates have been excluded from the *pro forma* financial forecasts, however, because historically such proposals often have been prevented from becoming effective by the ICC. In the long run, the Association believes that thorough analysis of rates, costs of service and competitive relationships by ConRail could lead to cost-recovery rate adjustments that would increase revenues and net income by about $100 million annually. Of this total $53.3 million has been deemed realizable under the current regulatory atmosphere and thus has been included in revenue forecasts for the 1985 financial *pro formas*. Lesser amounts have been included in the revenue forecasts for the preceding years.

Revenue and Tonnage Forecast

The Association forecasts ConRail freight revenue (expressed in 1973 dollars) to be approximately $2.1 billion in 1985. This is an increase of $283.8 million over 1973, and reflects a compound annual growth rate of 1.22 percent during the 12-year period. Freight tonnage is expected to grow at a compound annual rate of 1.21 percent; however, 62 percent of the tonnage growth is in coal, where revenue per ton is relatively low. The annual tonnage growth rate for commodities other than coal is .83 percent. This compares with a .85 percent growth rate for these same commodities on Penn Central, the dominant constituent ConRail carrier, between 1968 and 1973. Tables 1 and 2 contain the revenue and tonnage projections.

The $283.8 million revenue increase in 1985 consists of several components:

	Million
Basic economic growth	+$273.5
Selective rate increases	+53.3
Diversion to long haul routes	+30.0
Light density line abandonments	−41.8
Market transfers to solvents	−31.2

Each of these factors is discussed below.

The most significant aspect of this forecast is that ConRail tonnage and revenue are not expected to return to their 1973 level until 1980. This relatively slow rate of growth for the interim period is caused by the current recession (with resulting depressed traffic levels) as well as expected slow economic growth through 1979.

Comparison With Previous Forecasts

The base revenue and tonnage forecasts were prepared for the Association by Temple, Barker & Sloane, Inc. (TBS).[1] TBS used 10-year forecasts of the nation's

[1] Temple, Barker & Sloane, Inc., *Forecast of Traffic and Revenues 1975–1980, 1985*, April, 1975.

TABLE 1.—*ConRail revenue forecast*

[In millions of 1973 dollars]

Revenue	1973	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Farm products	78. 1	57. 4	61. 5	76. 2	68. 0	69. 9	70. 6	72. 1	72. 7	74. 1	75. 1
Metallic ores	76. 3	62. 1	66. 2	62. 1	64. 8	73. 9	76. 3	78. 1	80. 6	83. 0	85. 4
Coal	209. 9	205. 7	212. 8	212. 1	218. 3	230. 2	239. 6	249. 4	258. 7	270. 0	280. 0
Nonmetallic minerals	51. 4	43. 7	44. 4	42. 4	44. 2	47. 5	48. 0	48. 7	49. 3	50. 3	50. 5
Food products	193. 0	177. 6	176. 7	165. 7	163. 1	164. 0	165. 4	167. 0	169. 3	171. 6	173. 0
Lumber	61. 7	48. 1	49. 3	45. 5	50. 9	61. 2	62. 2	63. 5	64. 0	66. 0	66. 3
Pulp and paper	110. 2	99. 7	105. 0	109. 4	111. 4	117. 2	120. 6	124. 7	128. 6	132. 7	137. 6
Chemicals	145. 6	129. 9	135. 1	129. 1	130. 6	138. 5	141. 3	144. 1	147. 8	150. 7	154. 0
Stone, clay, and glass	71. 7	59. 1	59. 3	55. 1	58. 9	65. 5	66. 7	68. 3	69. 9	71. 3	72. 9
Primary metals	164. 5	150. 4	160. 7	154. 8	158. 5	172. 8	178. 1	183. 8	190. 1	195. 9	202. 6
Transportation	239. 4	211. 8	238. 3	220. 8	226. 4	258. 5	268. 5	277. 0	287. 1	299. 7	309. 7
Waste	73. 3	67. 1	71. 4	77. 2	78. 7	84. 9	87. 1	89. 5	92. 9	95. 2	98. 1
Coke	27. 4	24. 9	26. 6	25. 8	26. 2	28. 1	29. 0	29. 4	30. 3	30. 6	31. 8
TOFC [1]	112. 9	91. 0	103. 3	101. 2	106. 6	117. 9	124. 3	131. 2	138. 6	146. 3	154. 5
Other non-TOFC	190. 7	152. 7	160. 2	156. 6	160. 0	171. 8	177. 1	182. 1	187. 5	192. 9	198. 4
Total	1, 806. 1	[2] 1,581. 2	[2] 1,670. 8	1,634. 0	1,666. 6	1,801. 9	1,854. 8	1,908. 9	1,967. 4	2,030. 3	2,089. 9

[1] A small amount of TOFC traffic is also included in the other commodity groups.
[2] Excludes light line subsidies

TABLE 2.—*ConRail tonnage forecast*

[In millions of tons [1]]

Tonnage	1973	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Farm products	10. 7	8. 1	8. 4	9. 0	7. 9	8. 2	8. 3	8. 5	8. 6	8. 7	8. 8
Metallic ores	28. 7	23. 9	24. 9	23. 1	24. 2	27. 6	28. 5	29. 2	30. 1	31. 0	31. 9
Coal	84. 5	84. 9	87. 2	86. 9	89. 4	94. 3	98. 1	102. 2	106. 3	110. 7	115. 1
Nonmetallic minerals	19. 4	16. 7	16. 7	15. 3	16. 0	17. 2	17. 4	17. 7	17. 8	18. 2	18. 4
Food products	23. 6	22. 0	21. 6	19. 7	19. 2	19. 3	19. 5	19. 7	19. 9	20. 3	20. 5
Lumber	8. 6	6. 9	6. 9	6. 2	6. 9	8. 1	8. 2	8. 4	8. 5	8. 8	8. 9
Pulp and paper	18. 8	17. 1	17. 4	16. 7	17. 0	18. 2	18. 8	19. 5	20. 1	20. 8	21. 4
Chemicals	21. 1	19. 1	19. 6	18. 6	18. 6	19. 8	20. 2	20. 6	21. 1	21. 5	21. 9
Stone, clay, and glass	14. 6	12. 3	12. 0	11. 1	11. 8	13. 2	13. 3	13. 6	13. 9	14. 3	14. 6
Primary metals	26. 0	24. 1	25. 3	24. 1	24. 6	26. 9	27. 8	28. 7	29. 8	30. 6	31. 7
Transportation	13. 9	12. 4	13. 6	12. 4	12. 7	14. 5	15. 1	15. 6	16. 2	16. 8	17. 4
Waste	15. 5	14. 4	15. 1	14. 3	14. 6	15. 9	16. 4	16. 8	17. 6	18. 1	18. 7
Coke	7. 0	6. 3	6. 6	6. 4	6. 5	7. 0	7. 2	7. 3	7. 5	7. 6	7. 8
TOFC [2]	7. 8	6. 3	7. 0	6. 9	7. 2	8. 0	8. 4	8. 9	9. 5	10. 1	10. 6
Other non-TOFC	16. 9	15. 1	15. 5	14. 7	15. 0	16. 2	16. 6	17. 0	17. 6	18. 1	18. 6
Total	317. 1	289. 6	297. 8	285. 4	291. 6	314. 4	323. 8	333. 7	344. 5	355. 6	366. 3

[1] Tonnage contains some double counting because of joint movements by 2 or more constituent ConRail carriers.
[2] A small amount of TOFC traffic is also included in the other commodity groups.

economic performance prepared by Chase Econometric Associates, Inc. as a basis for its revenue and tonnage projections. This latest Chase forecast (10-year Macroeconomic Forecast, March 24, 1975) is considerably more pessimistic in its outlook for the current period than were previous Chase forecasts. Table 3 compares the Chase GNP assumptions for the three forecasts TBS prepared for the Association.

The major difference between the forecasts occurs between 1976 and 1980. Chase now predicts that Gross National Product (GNP) will not return to the 1973 level until 1976. There will be moderate growth through 1977

TABLE 3.—*Comparison of Chase Econometric's GNP forecasts*

Year	March 1975 forecast (billions of 1958 dollars)	Oct. 1974 forecast index	Jan. 1975 forecast index	March 1975 forecast index
1973	839.2	100	100	100
1974	821.2	99	98	98
1975	793.0	101	98	94
1976	838.9	106	103	100
1977	875.3	111	109	104
1978	874.5	117	113	104
1979	899.5	122	117	107
1980	968.7	125	122	115
1985	1,226.6	150	149	146

with a "mini-recession" in 1978. The economy is expected to grow moderately in 1979 with extremely rapid growth in 1980. By 1985, the economy will have reached almost the same level as that estimated in prior forecasts.

Basically, the slow growth forecast through 1979 is predicated on a belief held by Chase that to control both high unemployment and inflation will be extremely difficult. The unemployment rate is expected to average 9 percent in 1975 and 8 percent in 1976. It is expected that efforts to stimulate the economy and reduce unemployment will result in a resurgence of high inflation rates in 1977 and 1978 which could be followed by restrictive monetary and fiscal policies and a "mini-recession" in 1978.

The Association has attempted to test the reasonableness of the Chase forecast through comparison with other projections of GNP. An absolute comparison is impossible in this rapidly changing economy because none of the other forecasts were made at the same time or for the same number of years. Forecasts prepared by Data Resources, Inc., and Wharton do not differ significantly from those developed by Chase. The only exception is that these forecasts do not reflect a small recession in 1978.

The Association believes the Chase forecast may be conservative. It is, however, the latest long-term projection from any of the principal macroeconomic models available at this time. Given the present economic condition, the starting point in 1976 appears accurate and moderate growth beyond 1976 is consistent with past trends.

Forecasting Method

Using its GNP projections as a base, Chase employs its input-output model (INFORUM) to produce long-range estimates of national production for major industry and commodity groups. Table 4 displays the latest 1980 and 1985 production estimates. These national commodity production estimates prepared by Chase serve as the major input to the Temple, Barker and Sloane (TBS) forecast. While the TBS method is not described in detail here, it is appropriate to summarize the basic steps. TBS first prepared an estimate of national rail originated tonnage from which Eastern District tonnage for ConRail was derived.

TABLE 4.—*National commodity production forecasts 1980 and 1985*

[In millions of tons]

Commodity	1973 actual	1980	1985
Farm products	673	648	739
Metallic ores	329	334	404
Coal	590	738	1,028
Minerals	1,336	1,526	1,835
Food	508	527	624
Lumber	427	465	506
Pulp and paper	128	144	179
Chemicals	454	552	705
Stone, clay, and glass	887	1,066	1,298
Primary metals	160	168	196
Coke	91	93	103
Transportation equipment	55	60	78

Source: Chase Econometric Associates, Inc.

Several critics of the Preliminary System Plan said the forecasting method implies that ConRail traffic is expected to grow at the same rate as GNP. This is not correct, for two reasons. First, the services sector of the economy (not a user of freight transportation) is growing at a faster rate than the production sector. Second, for the 13 major commodity groups in the forecast, total rail-originated tonnage as a percentage of total production is expected to decline from 24.6 percent in 1973 to 22.4 percent in 1985. The Eastern District share of total rail originated tonnage is projected to decline from 33.5 percent to 32.6 percent during the same period. ConRail's share of eastern tonnage also is expected to decrease from 29.9 percent to 26.9 percent.

Thus, the national rail market share is expected to decline, as is the eastern share of the total rail market. ConRail's share of the eastern rail market also is expected to decrease. The forecast, therefore, definitely does not imply that ConRail's traffic growth is tied directly to GNP. Nor have the historical declines in total rail, Eastern District, and ConRail market shares been ignored in the Association's projections. The rate of decline, however, is expected to slow in most cases.

Coal.—Over 62 percent of ConRail's tonnage growth from 1973 is expected to come from coal. The accuracy of this forecast is, of course, critical to the success of ConRail, and because of this the Association has evaluated several different coal forecasts. Table 5 compares

TABLE 5.—*Comparison of various forecasts of national coal production and demand*

	(Millions of tons) 1980	1985
Temple, Barker & Sloane	738	1, 028
Office of Coal Research:[1]		
5 percent growth	879	1, 121
3.5 percent growth	785	930
Project Independence:[2]		
"Business as usual"	895	1, 100
"Intermediate"	950	1, 200
"Accelerated"	1, 376	2, 063
National Petroleum Council[3]	845	1, 001
Task Group On Coal Supply Potential[4]	856	----------
MITRE Corp.[5]	855	972

[1] Office of Coal Research, U.S. Dept. of Interior, *Prospective Regional Markets for Coal Conversion Plant Products Projected to 1980 and 1985.*

[2] Interagency Coal Task Force, *Report on Project Independence Blueprint.* U.S. Dept. of Interior, Washington, D.C., August 1974.

[3] National Petroleum Council, U.S. Dept. of Interior, *U.S. Energy Outlook—Coal Availability*, Washington, D.C., 1973.

[4] Task Group on Coal Supply Potential, Report—*Utility Oil Saving Study*, Washington, D.C., January 1975.

[5] The MITRE Corporation, *An Analysis of Constraints on Increased Coal Production*, McLean, Va., January 1975.

the TBS forecast with several other forecasts of national production and demand for coal. The TBS 1980 estimate of national production of 738 million tons is the lowest of all the major coal forecasts. Its 1985 projection of 1,028 million tons is higher than only three of the estimates and considerably lower than most of them.

An important forecast of eastern coal production through 1985 noted by the Association is contained in the Federal Interagency Coal Task Force report on *Project Independence.*[2] This study has three coal development projections relating to eastern production, as follows.

Eastern coal production

[In millions of tons]

	1980	1985
Business as usual	602	702
Intermediate growth	627	766
Accelerated development	886	1, 308

Under the *Project Independence* "Business as Usual" forecast, Eastern District rail originated tonnage would total 315 million in 1980 and 385 million in 1985, assuming no change from the 1973 rail market share. The TBS forecast for Eastern District rail originations of coal for these same years is 249 and 304 million tons respectively. The Interstate Commerce Commission, in its *Investigation of Railroad Freight Rate Structure—Coal* (ex parte 270, sub. No. 4) expects eastern rail originations to total 257 million tons in 1980, 3.2 percent higher than the TBS forecast. Based on this evidence, it appears that the TBS coal forecast is conservative.

TOFC/COFC.—The piggyback forecast in the Preliminary System Plan also generated comment from many sources including witnesses at the RSPO hearings. In the PSP, TOFC/COFC was predicted to grow at a rate of 5.16 percent per year between 1973 and 1985. The Association has reviewed this forecast thoroughly and now projects a growth rate of 2.65 percent. This downward adjustment is the result of:

- The current recession, which has had its greatest impact on TOFC oriented commodities;
- The plans developed by the Association to improve TOFC profitability through selective rate increases and elimination of unprofitable terminals;
- Recent liberalization of truck size and weight limits, which make owner/operators and private trucking more competitive with TOFC; and
- The "mini-recession" projected in 1978, which would affect TOFC oriented commodities.

Despite these downward adjustments, TOFC/COFC is still a major portion of revenue growth, accounting for $41.6 million or 14.7 percent of the $283.8 million projected by the Association.

Significant opportunities exist for increasing TOFC/COFC revenue beyond the level in the present forecast. Reebie Associates[3] predicts that piggyback traffic, exclusive of carload diversions, could produce ConRail revenue of $256 million by 1985. This is 66 percent above the revenue in the current forecast. Several factors, many of which are beyond the control of ConRail, are involved in achieving this goal, including:

- Establishment of the National Intermodal Network now being studied by the Federal Railway Administration,
- Expansion of the operating rights of the motor carrier subsidiaries of ConRail,
- Establishment of single trailer "wholesale" and "retail" rates, and
- Entrance into the small shipments market.

The successful implementation of these factors could result in much higher TOFC revenues for ConRail.

Modifications to the Base Revenue Forecast

The Association has made the following adjustments to the base revenue forecast.

[2] Interagency Coal Task Force, *Report of Project Independence Blueprint.* U.S. Department of the Interior, Washington, D.C.

[3] Reebie Associates, *A Study and Plan—ConRail Bi-Modal and Intermodal Operations.*

	1985 Million
Selective rate increases	+$53.3
Diversion to long-haul routes	+$30.0
Light density line abandonments	−$41.8
Market transfers to the solvents	−$31.2

Selective Rate Increases.—The rate increases included in the forecast are the same as those shown in the Preliminary System Plan (Chapter 9, Pages 128–131) scaled down to reflect the somewhat smaller ConRail system. The rate increases reflect the results of a program to increase tariff rates on noncompensatory movements selectively. Another change has been to "lag" the selective rate increases by 1 year. Of the total $53.3 million, $20.5 million is expected to be in effect by 1977, $52.3 million in 1978 and the remainder in 1979. The "lag" reflects the time ConRail probably will need to prepare and defend its higher rates before the various regulatory agencies.

Diversion of Traffic to Long Haul Routes.—There is an estimated $64 million in potential annual revenue ConRail could receive by diverting traffic which now originates or terminates on the Lehigh Valley (LV) and Central Railroad of New Jersey (CNJ) and moves long haul predominantly on the Chessie, Norfolk & Western (N&W) and Erie Lackawanna (EL) to long haul Penn Central (PC) routes. TOFC traffic moving between these carriers is also a candidate for possible diversion to ConRail. Approximately 65 percent of this traffic involves the LV, with the remainder handled by CNJ. The Association estimates that through improved service and ConRail management's selective selling of the long haul routes, 50 percent of this revenue potential, or $32 million, eventually can be diverted to ConRail.

From this estimate of $32 million, the potential diversion of PC long haul traffic now originating or terminating on the Reading (RDG) and EL must be deducted. Chessie acquisition of these carriers could divert to Chessie an estimated $2 million of the $4 million PC long haul traffic moving via RDG and EL.

The net of $30 million in diversion of traffic to long haul ConRail routes is expected to reduce the revenue of other carriers in the Region by the following amounts:

	Millions
Chessie	$17.6
N&W	10.8
Other	1.6

ConRail, of course, will not immediately realize all of this additional revenue. The revenue forecast reflects the following timing for diversion of revenue:

	Millions
1976	$4.7
1977	15.1
1978	26.1
1979	30.0

Light Density Line Abandonments.—When this forecast was prepared the USRA light density lines analysis had not been completed. A review of both the revenue loss projected in the Preliminary System Plan and the new data used in the analysis indicated that approximately 2 percent of total freight revenue will be lost. It has been assumed that for the first 2 years of operation these lines would be subsidized. Beginning in 1978, however, it is assumed that service on these lines will be discontinued with a resulting 2 percent loss of freight revenue. The revenue loss is estimated at $41.8 million in 1985.

While the revenue loss from abandoning the light density lines appears high, the cost savings are even greater. The railroads have been unable to price this service on a compensatory basis because the costs of handling light density line traffic are so high and because of competitive pressure from other modes. Cost savings, therefore, will exceed the revenue lost and will result in an improvement in net income.

Property Conveyances to Solvents.—The FSP recommends conveyance to other carriers of Penn Central properties in several significant markets, including Saginaw-Bay City-Midland, Mich. (to Grand Trunk Western), the Delmarva Peninsula (to Southern Railway) and the Charleston, W. Va. lines (to Chessie). ConRail will, however, operate the Reading lines north of Pottsville, Pa. If these market transfers occur in 1976, ConRail will lose annual revenue estimated to grow from $23.8 million in 1976 to $31.2 million in 1985. Traffic in these markets is assumed to grow at the same rate as total ConRail revenue.

Short Range Marketing Program

The Association believes that ConRail's management must place a high priority on increasing total revenues and improving operating efficiency while not suffering further losses of traffic if that can be avoided. This is the objective of the short-range marketing program. USRA studied two possible strategies to achieve this goal, development of minimum per car charges and tariff modifications to improve equipment utilization.

Minimum Charge Per Car

ConRail can not afford to wait for the development of specific rate proposals to generate additional revenue. The Association recommends ConRail establish new minimum per-car charges based on the shipping weight and the short line miles between origin and destination. These minimum charges would apply to all nontransit and non-TOFC traffic moving to, from or via ConRail. It is anticipated that other carriers within and outside the Region would adopt the same minimum charge scale.

The Association has several reasons for proposing the minimum per-car charge rather than other types of nonspecific increases. First, the minimum charge affects only a portion of the total traffic, unlike more traditional *ex parte* adjustments or per-car surcharges affecting almost all traffic. Only those cars where the present per car revenue is below the minimum charge would be affected.

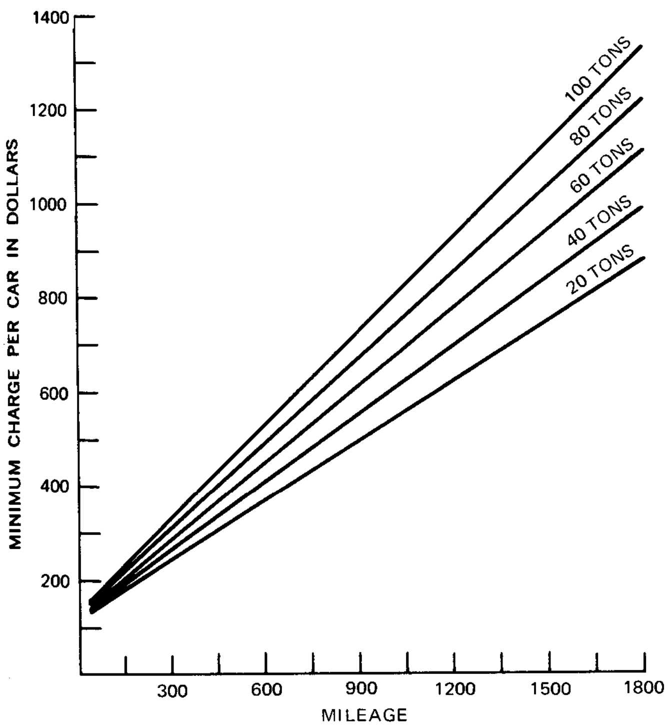
Second, the traffic affected by the charges is most likely to be the least profitable. Very little traffic which does not meet this minimum revenue requirement is generating revenue equal to or greater than variable cost.

Third, the potential impact of diverting traffic to other modes through the imposition of this minimum charge is minimal. To the extent the traffic affected by the charge is unprofitable, diversion to other modes would result in improved net income.

The minimum charge scales shown in Figure 1 have been developed using national average long term variable costs as defined in ICC Rail Cost Form A. Different charges apply for minimum weights ranging from 40,000 to 200,000 pounds. Since costs for the industry are lower than those of the Eastern District, which in turn are lower than Penn Central costs, these proposed minimum charges are not unreasonable or prejudicial to shippers in the Region.

To test the impact on ConRail revenue of these minimum charges, the Association took ten one percent samples from the 1973 Penn Central traffic file. For each movement, the following calculations were made. They are:

FIGURE 1.—*Proposed minimum per car charges*



- U.S. average Rail Form A variable costs from origin to destination,
- Penn Central Rail Form A variable costs for the PC portion of the movement,
- Proposed minimum charge compared with total freight revenue, and
- Owner/operator truck costs for a truck equivalent movement.

The results of this analysis are shown in Table 6. Total gross freight revenue expanded for a year for all carriers in the route is $2.49 billion, of which $335 million would be affected by the minimum charge. The minimum charge would add $64.3 million, or 19.1 percent, to the freight charges of the affected traffic. The major commodities affected by the new minimums are coal, farm products, lumber and pulp and paper. Of the $64.3 million increase in freight charges, the share attributable to services now provided by Penn Central is $35.1 million.

This additional revenue may not be realized for two major reasons: the minimum charge may raise the rail cost to the transportation buyer above truck costs, which could cause diversion to motor carriers and the increased rates may cause receivers to shift their source of supply, which either could reduce the rail revenue or cause a shift to motor carriers.

The Association believes that the impact of the proposed minimum charges on traffic diversion would be minimal. First, the use of national average costs, which are much lower than PC costs, means that any movement which does not meet the minimum charge probably is losing money. Second, the truck costs used in comparison with the rail rates are extremely low. They are based on an owner/operator truck running 100,000 miles per year with a very low empty mileage ratio. This is about the most efficient motor carrier operation possible under present legal restrictions.

Diversion is essentially a function of cross elasticity of demand. To be conservative and to simplify the diversion analysis, the Association has assumed the elasticity to be 1.0, meaning in simplest terms that revenue from increases in rail rates would equal losses of revenue from diversions of traffic to other modes. This approach tends to overstate the diversion potential and is thus conservative in the projection of ConRail's future.

Table 7 illustrates the impact of this diversion by commodity group. It shows that all the diverted traffic is unprofitable for the Penn Central using the standard ICC cost formula. The major commodities where diversion may occur are farm products, transportation equipment, coal and sand and gravel.

The Association believes its analysis actually overstates the potential diversion. ConRail, nonetheless, cannot afford to lose any profitable traffic and a thorough comparison of expected revenue losses and expense re-

Table 6.—Expected effects of the minimum charge

[in thousands]

STCC	Total cars	Total revenue	Affected cars	Affected revenue	Added dollars	Added pct.	PC revenue	PC affected revenue	PC added dollars	PC added pct.
01	141	$135, 388	63	$52, 265	$12, 379	9. 1	$62, 658	$23, 938	$6, 184	9. 8
10	229	77, 744	58	19, 092	2, 056	2. 6	55, 153	12, 714	1, 587	2. 8
11	816	276, 292	304	74, 318	14, 728	5. 3	175, 566	50, 177	10, 857	6. 1
14	158	60, 175	49	9, 681	3, 113	5. 1	39, 059	6, 527	2, 417	6. 1
20	277	234, 275	41	19, 335	4, 444	1. 8	113, 444	9, 554	2, 055	1. 8
22	15	8, 143	3	1, 357	237	2. 9	4, 513	710	143	3. 1
23	7	5, 526	2	428	39	. 7	2, 328	221	25	1. 0
24	122	140, 453	31	32, 542	4, 941	3. 5	41, 161	9, 422	1, 540	3. 7
25	61	27, 866	34	12, 325	2, 289	8. 2	13, 141	5, 721	1, 027	7. 8
26	292	188, 691	71	32, 203	4, 355	2. 3	77, 422	13, 075	1, 621	2. 0
27	3	2, 839	1	1, 127	506	17. 8	1, 203	324	141	11. 7
28	214	230, 500	8	3, 179	747	. 3	110, 690	1, 325	412	. 3
29	176	84, 919	46	14, 799	2, 956	3. 4	54, 147	8, 709	1, 462	2. 7
30	67	38, 250	9	3, 702	602	1. 5	19, 504	1, 717	252	1. 2
32	170	105, 554	24	10, 205	1, 699	1. 6	52, 693	4, 186	635	1. 2
33	319	241, 077	13	3, 951	721	. 2	146, 185	1, 994	488	. 3
34	72	50, 666	10	2, 980	589	1. 1	26, 888	1, 613	317	1. 1
35	25	22, 666	2	1, 212	273	1. 2	11, 358	506	112	. 9
36	81	54, 163	5	2, 003	486	. 8	30, 205	831	304	1. 0
37	462	371, 143	8	5, 399	587	. 1	214, 061	1, 668	222	. 1
40	244	93, 173	54	8, 814	2, 132	2. 2	67, 059	6, 382	1, 636	2. 4
41	10	6, 301	1	699	169	2. 6	3, 646	285	77	2. 1
42	9	5, 431	3	903	495	9. 1	2, 448	479	289	11. 8
44	11	12, 673	9	11, 027	1, 530	12. 0	4, 447	3, 698	508	11. 4
45	16	16, 132	11	10, 655	1, 964	12. 1	6, 797	4, 119	714	10. 5
46	6	3, 527	2	870	217	6. 1	1, 922	419	91	4. 7
Total	4, 003	$2, 493, 567	862	$335, 071	$64, 254	2. 5	$1, 337, 698	$170, 314	$35, 116	2. 6

ductions must be completed prior to implementation to insure that possible diversion will have only a minimal impact on cash flow. For this reason, the estimated revenue gains from the minimum charge have not been included in the forecast.

The Association is developing a similar scale of minimum charges for TOFC/COFC traffic. Because of the many different TOFC plans, this project has not been completed in time for the Final System Plan publication.

Tariff Modifications To Improve Equipment Use

Improvements in freight-car use are imperative if ConRail is to become economically self-sufficient. These improvements can occur both through better operating strategies (to be discussed in a supplemental report) and tariff modifications which encourage shippers to use scarce and expensive equipment more efficiently. According to a study performed for the Department of Transportation,[4] freight equipment spends 23.6 percent of its time under customer control. This represents an average of 2.9 days loading and 3.1 days for unloading per freight movement. Significant reductions in these times are necessary to promote efficient freight car use.

The Association supports many of the changes to the demurrage rules recommended in the DOT demurrage study. The recommendations in this study would stimulate improved car use by both carriers and customers. They reflect reasonable standards for shipper/receiver terminal car detention within realistic performance levels of the carriers.

Free Time Definition.—Current demurrage rules provide a shipper 24 hours free time to load a car and 48 hours to unload a car. The Association recommends that free time to unload a freight car be reduced to 24 hours. The increased incidence of unitized or palletized loads and mechanical handling equipment make it possible to unload a car in only a few hours. Twenty-four hours is ample time for unloading, provided the receiver is able to schedule work on the basis of reasonably consistent rail service.

Average Agreement.—Under an Average Agreement, a continuous record of when each car was unloaded and, separately, when each car loaded was placed and released is maintained for an individual customer. A credit is granted each car released in 24 hours or less and

[4] Reebie Associates, *Toward an Effective Demurrage System,* July, 1972.

TABLE 7.—*Effect of minimum charge diversions*

[All figures in thousands]

STCC	Affected cars	Diverted cars	PC diverted revenue	PC diverted contribution	PC added charge	PC net increase
01	62.9	7.0	$2,217.9	($1,974.8)	$5,240.9	$7,215.8
10	58.4	3.2	144.0	(312.2)	1,084.7	1,396.9
11	304.3	41.6	3,170.9	(3,068.0)	7,802.0	10,870.0
14	49.0	18.9	1,530.4	(1,624.3)	990.0	2,614.4
20	41.2	8.0	892.6	(1,092.8)	1,505.1	2,597.9
22	3.1	.5	112.8	(68.4)	79.6	148.1
23	1.5	.1	21.4	(5.8)	19.8	25.6
24	31.0	2.8	439.2	(348.0)	1,239.8	1,587.9
25	33.9	6.1	915.3	(302.0)	777.0	1,079.0
26	71.4	6.5	1,017.0	(584.4)	1,338.0	1,922.4
27	1.2	.5	102.4	(128.2)	63.3	191.6
28	8.0	2.2	217.6	(142.6)	268.7	411.4
29	46.3	2.5	284.6	(169.0)	1,375.2	1,544.3
30	8.6	1.2	192.8	(134.2)	184.3	318.6
32	23.8	2.6	375.0	(261.2)	476.0	737.2
33	13.4	3.5	341.3	(234.4)	285.8	520.2
34	10.0	2.0	283.2	(201.2)	187.4	388.7
35	2.1	.4	98.4	(83.3)	52.4	135.8
36	5.4	2.1	194.1	(261.0)	113.7	374.7
37	7.7	.9	140.7	(168.9)	135.0	303.9
40	53.7	15.2	1,258.0	(1,231.0)	805.0	2,036.0
41	1.3	.3	47.5	(97.8)	22.0	119.8
42	2.9	.1	7.9	(6.4)	283.1	289.5
44	9.3	1.3	510.9	(138.5)	413.6	552.2
45	10.9	1.9	691.8	(178.7)	534.1	712.9
46	1.8	.2	49.2	(26.4)	70.3	96.8
Total	863.1	131.6	$15,256.9	($12,843.5)	$25,346.8	$38,191.6

NOTE: Since the diverted traffic is unprofitable, its loss generates a gain in net income.

a debit is charged for each day, up to a total of 4 days, a car was held beyond free time. At the end of each month, the total debits and credits are tabulated and the customer is charged for any excess debits at the usual demurrage rate.

The principal objective of average agreements is to minimize the impact of "bunching" due to inconsistent rail service. Bunching occurs either when more empties are placed per day than the customer requested or when inbound loads shipped on different days from the same origin over the same route are placed on the same day.

Between 80 and 90 percent of all car loadings and unloadings are made under averaging agreements. According to the DOT study, averaging reduces demurrage payments by at least one-third, usually substantially more than that.

The Association believes that the use of average agreements should be thoroughly studied. Car utilization would be improved significantly if each car were subject to the normal demurrage rules. Essentially, averaging compensates for service failures on the part of the carrier and planning failures on the part of the shippers and receivers. It does not, however, deal with the root problem in either case, only with its effects. It should be noted that neither motor carriers nor the Canadian railroads have average agreements.

Hold Charge.—The Association recommends the establishment of a $25 "hold" charge for cars released by a shipper without disposition instructions. When this occurs, it usually results in additional handling by the railroad. The car is generally put on a "hold" track where it waits pending receipt of the shipper's instructions. When the instructions are received, the car must be separated from other cars on the "hold" track and then sent through the normal classification procedure. This "service" has been presumed to be a part of the general rate structure when in fact it requires significant additional handling beyond that normally intended when establishing rates. The imposition of a $25 charge for cars released without proper disposition instructions will provide an incentive for shippers to eliminate this practice where possible and at least partially compensate the carrier for the additional expense when it does occur.

The Association has studied other proposals for improving car use, such as replacing multiple car rates with weekly or monthly volume rates and establishing rate incentives for shippers who reload cars they have just unloaded. In general, these proposals require further study before a recommendation can be made.

Long Range Marketing Program

ConRail's economic self-sufficiency ultimately will be determined by its ability to market its services effectively. To be successful, it will have to satisfy the specific needs of individual customers while at the same time earning a profit. To achieve the objective, ConRail's management will have to place increased emphasis on market research, industrial development, cost analysis and pricing.

Market Research

ConRail's long-range marketing program must have as its nucleus an intensive market research effort aimed at identifying those markets where rail service can compete profitably. The magnitude of this problem becomes apparent when one considers the vast number of potential rail users and the many different commodities which move between cities. Each customer has unique demands and each commodity has distinct handling characteristics. The fact that the potential rail markets are so numerous makes it imperative for ConRail's management to focus quickly on only those markets which can be served profitably.

Extensive emphasis also needs to be placed on understanding the competitive strengths and weaknesses of other modes of transportation. The capabilities of each must be understood thoroughly for ConRail's management to focus its marketing efforts properly.

This effort is critical if ConRail management is to understand the price/service relationship which lies behind each transportation buyer's modal choice decision. While it is fashionable to generalize about price/service relationships, the relationship differs significantly from one situation to another. ConRail's ability to assess accurately the price/service relationship implicit in each marketing opportunity will be a major determinant in its success.

Industrial Development

The location of new industries along ConRail routes will be essential to its success. The ConRail carriers currently are pursuing aggressive industrial development programs which must be continued and expanded in the future.

The outlook for industrial growth in the East is quite encouraging. Although the population is expected to grow at a slower rate than the U.S. average (19 percent versus 22 percent between 1969 and 1990),[5] in terms of absolute growth the East leads other regions in the country.

The increased demand for goods and services caused by this population growth should act as a significant stimulant to industrial growth in the East. ConRail must be prepared to furnish efficient rail service for these new and expanded industries.

Cost Analysis

As indicated in the Preliminary System Plan, it is imperative that ConRail establish an accurate and timely cost-information system. Reliable cost information is important not only for pricing decisions but for operating, capital investment, routing, line abandonment and planning decisions. Given the complex problems facing ConRail's management, it is mandatory that an improved cost system be developed. Several studies by USRA represent initial and significant steps in this direction.

Pricing

The Association has made a thorough review of the pricing policies of both the profitable and unprofitable carriers. The chief conclusion from this review is that the so-called "pricing problem" is primarily a function of management and control, not technique. The methods of calculating freight rates, both in terms of structure and level, are well known in the transportation industry. In fact, the technique used by the Association in its analysis is being used today by several carriers, both profitable and unprofitable. The problem lies in the application of the technique and the follow-through to make sure that the resulting prices do in fact support the goals and objectives of the Corporation.

The long range pricing strategy outlined below is intended primarily to identify major problems in the rate structure. Staffing limitations and budgetary and time constraints have made it impossible for the Association to identify all those specific rates which need adjustment and the amount of the adjustment. The Association, however, has advanced its analysis sufficiently to conclude that a significant improvement in profits can result from improved pricing.

The method used in the long run pricing strategy is similar to that used in developing the minimum per car charge. A sample of Penn Central traffic was abstracted from the traffic file and long-term variable costs as defined in Rail Form A were applied to each movement. The equivalent costs of an owner/operator trucker also were applied to each movement.

In using these data, two ratios were calculated. The first is called the contribution ratio. This is simply the total rail revenue divided by the total rail cost. A figure greater than 1.0 indicates the movement is profitable, whereas a figure less than 1.0 indicates it is not.

The second ratio is called the competitive ratio, which is the rail revenue divided by the truck cost. A ratio greater than 1.0 indicates that the rail revenue is higher than truck costs and, therefore, the traffic is susceptible to diversion to other modes. A ratio less than 1.0 indicates that the truck costs are higher than the rail revenue.

Using these ratios, the traffic data were aggregated on a two-digit Standard Transportation Commodity Code basis and sorted by mileage and weight block (groups). This shows the contribution and competitive situation for each weight block within a given mileage range and permits a relatively precise analysis of problem areas.

TABLE 8.—*Estimated results of long term pricing strategy*

Commodity Group	Revenue Increase *Millions*
Farm products	$29.7
Metallic ores	4.2
Coal	11.7
Nonmetallic minerals	1.1
Food	7.5
Lumber	7.4
Furniture	3.2
Pulp and paper	8.8
Chemicals	-----
Stone, clay and glass	.7
Primary metals	1.1
Transportation equipment	5.3
Scrap	9.0
Total	$89.7

The Association's procedure has been quite general. A more rigorous analysis by five-digit commodity group and car type would have to be made to isolate needed rate changes precisely, but USRA's method has highlighted several problem areas. Table 8 lists the revenue

[5] "U.S. Population Projected by Region," *Survey of Current Business*, U.S. Department of Commerce, April 1974.

RATE ADJUSTMENTS INCLUDED IN THE REVENUE FORECAST

From the $89.7 million in potential revenue gains by 1985 from selective commodity rate increases on non-compensatory traffic, $39 million has been included in the revenue forecast. The $39 million represents a reasonable expectation of the rate increases which are considered achievable under the current regulatory climate. Also included in the 1985 forecast is $14.3 million of added revenue from increases in ancillary services. The estimates for increasing ancillary charges are based on an analysis of non-compensatory services for the Penn Central. These rate adjustments total $53.3 million and are summarized below.

Commodity Increases	*(Millions)*
Farm products	$8.7
Metallic ores	.1
Coal	2.0
Nonmetallic minerals	.1
Food	1.1
Lumber	1.5
Pulp and Paper	8.8
Stone, clay and glass	.7
Primary metals	.2
Transportation equipment	2.5
Waste	8.9
Other	4.4
Subtotal	39.0

Ancillary Services	*(Millions)*
Protective service charges	$0.4
Transit service charges	4.0
Marriage arrangements	.3
Mechanical heating	.2
Port unloading charges	1.6
Other charges	7.8
Subtotal	14.3
Total	$53.3

These increases total $53.3 million and are the same as those cited in the Preliminary System Plan except they have been scaled down for the smaller ConRail system proposed in the FSP. All of these rate changes are needed to bring in revenue equal to the long-term variable costs of handling the traffic. While ConRail would publish certain of these increases as part of its initial tariffs, each increase may be treated by the ICC as an Investigation and Suspension proceeding. The Association has adopted a conservative approach of including these revenues in the forecast beginning partly in 1977, with full implementation by 1979.

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increases the Association believes reasonably could be achieved by ConRail. A diligent application of this technique is expected to generate additional revenue for ConRail of $89.7 million. This analysis has taken into account the competitive situation and it is unlikely that much traffic diversion would occur.

Below are the principal characteristics of the major commodity groups.

Farm Products.—Total rail and PC traffic is relatively unprofitable at distances greater than 500 miles. Rail has a definite cost advantage for this traffic, but rates historically have been so low as to make the movement unprofitable to the carrier. Railroads have made several efforts to improve these rates, particularly for fresh fruits and vegetables. They are aware of the problem and are actively trying to improve the situation. The potential revenue improvement is $29.7 million.

Metallic Ores.—Traffic under 90,000 pounds has a very low contribution ratio but there is little traffic at this level. Much of this rail traffic is generated in multiple car movements but there is poor car utilization, particularly at the ports. Rates need to be oriented to more efficient handling of the commodities (ground storage at ports) and improved car utilization. Ore is water competitive, not truck competitive. The estimated revenue improvement is $4.2 million.

Non-Metallic Minerals.—Movements under 90,000 pounds have a very low contribution. Traffic moving fewer than 100 miles (1 percent of the total) has a contribution ratio of .77. This is highly truck competitive but rate increases are necessary to raise the contribution. Even if traffic is diverted, carriers will benefit from reduced losses. Historically, this has been a problem for all railroads, not only because of competition from other modes but from other sources of supply. With rapidly increasing equipment costs, this market has to be studied carefully to see if it warrants the allocation of scarce and expensive equipment. The potential added revenue is $1.1 million.

Food.—Traffic loading less than 90,000 pounds is marginally profitable. The competitive ratio indicates that rates could be raised approximately 11 percent with little diversion. Present rail traffic is generally long haul and unsuitable for truck movement. The estimated added revenue is $7.5 million.

Lumber.—Over 70 percent of this traffic originates in the Pacific Northwest and moves more than 2,000 miles. Carriers historically have tried to maintain rate parity between southern and northwest lumber producers. In the long run, this strategy has to be questioned. The rate scale is almost flat beyond 1,200 miles. Rates between 1,200 and 2,000 miles could be increased 10 percent. Beyond 2,000 miles, rates could be increased by 30 percent. This will produce a contribution ratio of 1.22 versus the present 1.14. Rail costs are understated because diversion and reconsignment costs are not included. Although these practices are less prevalent than in the past, they are still a problem. This traffic is not truck competitive. Potential revenue improvement is $7.4 million.

Furniture.—Extremely low shipment weights have resulted in low revenue per car. Traffic originating in the south is particularly unprofitable. Revenue improvement is estimated at $3.2 million.

Pulp and Paper.—Traffic is generally compensatory with a competitive ratio of 1.17. Light loading (under 60,000 pounds) tissue and other sanitary papers have a contribution ratio of only .97 and a truck competitive ratio of .82. Opportunities exist for raising rates, as this is not attractive motor carrier traffic because of low density. The revenue improvement estimate is $8.8 million.

Chemicals.—Overall traffic is profitable, with a contribution ratio of 1.3. Light loading packaged chemicals and fertilizers, however, have very low contributions. The truck competitive ratio is 1.81, which means an increase in rates might cause severe diversion. This situation requires further analysis. Traffic moving between 1,200–2,000 miles also has low profitability but is highly water competitive. This traffic requires further study and no revenue improvement is projected.

Stone, Clay and Glass.—The overall profitability of this group is excellent. The contribution rato is 1.35. No large blocks of unprofitable traffic exist and minimal revenue improvement of $.7 million is projected.

Primary Metals.—Traffic loading less than 60,000 pounds earns a very small contribution. Odd dimensions may be the only reason this traffic moves by rail. Some of this traffic is highly truck competitive. A rate increase at the low weights, even if it did result in diversion, would free scarce rail equipment for the heavier and more profitable loads. The potential added revenue is $1.1 million.

Transportation Equipment.—Overall profitability in this group is excellent, with a contribution ratio of 1.42. Auto parts traffic loading less than 30,000 pounds, however, has a contribution ratio of only 1.09. These rates might be increased by as much as 20 percent with little threat of diversion. The potential revenue improvement is $5.3 million.

Scrap.—Traffic loading less than 60,000 pounds in all mileage blocks has a negative contribution. This traffic is apparently very truck competitive, which makes it difficult to understand why rails handle the traffic now. The most likely answer is that scrap is not attractive to motor carriers because it damages trailers and, in addition, steel mills are not equipped to receive significant amounts of steel scrap by motor carriers. Rates on scrap loading less than 60,000 pounds should be increased as much as 25 percent. The potential added revenue is $9 million.

Coal. Because of the high incidence of unit train and multiple car movements of coal, the costing method used by the Association overstates the cost of handling coal. There is ample evidence, however, indicating that coal rates could be increased significantly with little threat of diversion.

Table 9 compares the growth of the price of coal FOB the mine with the growth in rail rates from 1965 to 1974. Using 1965 as an index of 100, coal prices in 1974 were 337 versus the rail rate index of only 126. More important, the rail rate as a percentage of destination value has decreased from 41.3 in 1965 to 20.8 in 1974. Because coal prices have risen much faster than rail rates, the latter would have to double to achieve the same relationship as existed in 1965.

Furthermore, with the recent petroleum shortage, the ratio of the delivered price of oil to coal has fluctuated between 1.7 and 3.2, as shown in Table 10. This provides an ample spread in which a modest increase in coal rates could occur and not cause a diversion to other sources of energy.

TABLE 9.—*Comparison of FOB Mine Realization and Railroad Rates on Bituminous Coal—U.S.*

Year	Production (million tons)	Avg. price (FOB mine)	Avg. rail rate	Total	Percent of destination value	
					Coal	Rate
1965	512.0	$4.44	$3.13	$7.57	58.7	41.3
1966	533.8	4.54	3.01	7.55	60.1	39.9
1967	552.6	4.62	3.00	7.62	60.6	39.4
1968	545.2	4.87	3.01	7.88	60.8	39.2
1969	560.5	4.99	3.10	8.09	61.7	38.3
1970	602.9	6.26	3.41	9.67	64.7	35.3
1971	552.2	7.07	3.70	10.77	65.6	34.4
1972	595.4	7.66	3.67	11.33	67.6	32.4
1973	591.7	8.53	3.71	12.24	69.7	30.3
1974	601.0	15.00	3.95	18.95	79.2	20.8

SOURCE: Interstate Commerce Commission Ex Parte 270, Sub. No. 4, *Investigation of Railroad Freight Rate Structure—Coal.*

The Interstate Commerce Commission in Ex Parte 270 (Sub. No. 4), *Investigation of Railroad Freight Rate Structure—Coal*, concluded that "the general freight increases sought by the railroads and authorized by the Commission have, for the most part, been for the purpose of offsetting higher prices of materials and supplies and increased wage costs; that under present conditions, increased rates on coal, standing alone, will not furnish sufficient inducement for carriers to purchase

TABLE 10.—*Comparative monthly delivered price of coal and oil at steam electric plants in Conrail territory July 1973–February 1975*

	Oil (dollars per barrel)	Coal equivalent (×3.6)	Coal (dollars per ton)	Differential, oil over coal: Dollars per ton	Differential, oil over coal: Ratio
1973:					
July	4. 28	$15. 41	9. 32	6. 09	1. 7
Aug	4. 45	16. 02	9. 59	6. 43	1. 7
Sept	4. 85	17. 46	9. 84	7. 62	1. 8
Oct	5. 84	21. 02	10. 10	10. 92	2. 1
Nov	6. 32	22. 75	10. 66	12. 09	2. 1
Dec	7. 21	25. 96	11. 24	14. 72	2. 3
1974:					
Jan	10. 35	37. 26	12. 68	24. 58	2. 9
Feb	12. 56	45. 22	14. 35	30. 87	3. 2
Mar	13. 17	47. 41	15. 19	32. 22	3. 1
Apr	11. 85	42. 66	16. 00	26. 66	2. 7
May	11. 96	43. 06	16. 11	26. 95	2. 7
June	12. 73	45. 83	17. 37	28. 46	2. 6
July	12. 12	43. 63	17. 95	25. 68	2. 5
Aug	12. 05	43. 38	19. 23	24. 15	2. 3
Sept	11. 88	42. 77	19. 58	23. 19	2. 2
Oct	12. 13	43. 67	19. 43	24. 24	2. 2
Nov	12. 26	44. 14	22. 83	21. 31	1. 9
Dec	12. 44	44. 78	22. 24	22. 54	2. 0
1975:					
Jan	11. 97	43. 09	19. 30	23. 79	2. 2
Feb	12. 11	43. 60	19. 43	24. 17	2. 2

SOURCE: Federal Power Commission, *Monthly Report.*

all of the coal cars and locomotive units to meet reasonable demands for the next 5 years."

A good opportunity exists for raising coal rates. Demand is increasing, the price of competitive fuels is increasing and the regulatory atmosphere appears to be receptive. Table 8 reflects an estimated $11.7 million revenue increase for coal. This could be substantially higher. A 50¢ per ton increase in coal rates would generate an additional $34 million in revenue for ConRail and would have virtually no impact on the competitive situation of coal versus other fuels.

In conclusion, The Association believes that significant gains in revenue and profitability can be made through an aggressive marketing program. This program includes improvements in service, utilization of equipment and pricing. Service and reliability must be improved for ConRail to compete effectively in the transportation market. These improvements are also essential to justify many of the proposed rate adjustments.

Equipment shortages during the 1970's have plagued almost every railroad. To correct this problem and insure an adequate car supply, the Association has proposed several tariff modifications and a review of the present demurrage system. These changes will result in improved freight car utilization and profitability.

The Association also believes that significant improvements in profitability can be made by a thorough and judicious analysis of the present price structure.

ATTACHMENTS TO PART I

Separate Statement of William W. Scranton

Though I join the other members of the Board of the U.S. Railway Association in generally sponsoring the Final System Plan and the USRA reports, I would like to make three independent points.

First.—If the USRA preferred plan (which includes the Chessie System purchasing much of the Erie Lackawanna and Reading railroads) does not become a reality for any reason, then I advocate the two-system plan, "MARC/EL plus ConRail (PC–AA) System," rather than "Unified ConRail."

The USRA financial projections indicate that "Unified ConRail" has a greater likelihood for profitability and viability than ConRail and MARC/EL. But "Unified ConRail" has the distinct disadvantage of monopoly. In the belief that competition begets better management and better service, I prefer a smaller ConRail and MARC/EL. Further, two major systems in the Northeast are preferable to a monopoly in working toward a viable railroad structure for the whole Nation.

Second.—In one year the USRA staff has completed an extraordinary task, detailing information on light-density lines. In the Act, Congress prescribed that the Final System Plan include a viable ConRail. Without cutting out some trackage I believe such viability is impossible. Accordingly, I support the light-density lines thesis and the need for the subsidy program.

But I believe Congress should change the subsidy provision, increasing the number of years of subsidy and the federal government's percentage of same. Thus the states would have more time to prepare for this situation, and actual operations of light-density lines under FSP conditions would be experienced before final determinations are made.

Third.—A most important need is to begin the rehabilitation of the railroads of the Northeast and Midwest *immediately*, the sooner the better. Since the Regional Rail Reorganization Act is extant, I hope Congress will allow the USRA plan to move forward so that work on railroad rehabilitation can begin immediately and better railroad service can come about sooner.

I question, however, that this effort alone will suffice to revitalize the railroad system of this Nation and to bring about adequate service for people and industry everywhere. Accordingly, consideration should be given to further action. Many suggestions have been made, some of considerable merit. For example: The Railroad Revitalization Act (H.R. 7681), bills now before Congress providing for rebuilding roadbeds and rehabilitating facilities, and the concept of an integrated (or unified) Transportation Trust Fund.

William W. Scranton
July 14, 1975

Regional Rail Reorganization Act of 1973, as Amended

Public Law 94-5
94th Congress, S. 281
February 28, 1975

An Act

To amend the Regional Rail Reorganization Act of 1973 to increase the financial assistance available under section 213 and section 215, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Regional Rail Reorganization Act Amendments of 1975".

Regional Rail Reorganization Act Amendments of 1975. 45 USC 701 note.

SEC. 2. (a) Section 202(b) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 712(b)) is amended—

(1) in paragraph (2) by inserting "and express" immediately after "rail" each time it appears;

(2) by striking out the period at the end of paragraph (7) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(8) study the feasibility of coordinating rail and express service in the region.".

(b) Section 206(a)(1) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 716(a)(1)) is amended by inserting "and express" immediately after "rail".

SEC. 3. Section 205(d)(2) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 715(d)(2)) is amended to read as follows:

Rail Services Planning Office, employment of attorneys and other personnel.

"(2) employ and utilize the services of attorneys and such other personnel as may be required in order to properly protect the interests of those communities and users of rail service which, for whatever reason, such as their size or location, might not otherwise be adequately represented in the course of the reorganization process as provided by this Act;".

SEC. 4. (a) Section 207(b) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 717(b)) is amended by inserting "(1)" immediately before the first sentence thereof, and by adding at the end thereof the following new paragraph:

Preliminary system plan.

"(2) Whenever it has been finally determined pursuant to the procedures of paragraph (1) of this subsection, that the reorganization of a railroad subject to reorganization under section 77 of the Bankruptcy Act (11 U.S.C. 205) shall not be proceeded with pursuant to this Act, the court having jurisdiction over such railroad may, upon a petition which is filed within 10 days after the date of enactment of this subsection by the trustees of such railroad, reconsider such order. Such reorganization court shall (i) affirm its previous order or (ii) issue an order that the reorganization of such railroad be proceeded with pursuant to this Act unless it finds that this Act does not provide a process which would be fair and equitable. The provisions of paragraph (1) of this subsection are applicable in such reconsideration, except that (A) such reorganization court shall make its decision within 30 days after such petition is filed, and (B) any decision by the special court on appeal from such a decision shall be rendered within 30 days after such reorganization court decision is made. There shall be no review of the decision of the special court. The Association shall take any steps it finds necessary, consistent with time limitations and other provisions of this Act, to effectuate the consequences of such a revised order, including the preparation and submission of any necessary or appropriate supplements to the preliminary system plan.".

Petition for reconsideration.

(b) Section 207(a)(2) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 717(a)) is amended by adding at the end thereof the following new sentence: "The Office is authorized to hold public hearings on any supplement to the preliminary system plan and to make available to the Association a summary and analysis of the

Hearings.

evidence received in the course of such proceedings, together with its critique and evaluation of such supplement, not later than 30 days after the release of such supplement.".

Loans.

SEC. 5. (a) Section 211(a) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 721(a)) is amended by striking out "for purposes of assisting in the implementation of the final system plan;" and inserting in lieu thereof "for purposes of achieving the goals of this Act;".

(b) Section 211(e)(1) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 721(e)(1)) is amended by striking out "carry out the final system plan" and inserting in lieu thereof "achieve the goals of this Act".

(c) Section 211(f) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 721(f)) is amended by striking out "goals of the final system plan" and inserting in lieu thereof "goals of this Act".

Emergency assistance.

SEC. 6. (a) Section 213(a) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 723(a)) is amended by adding the following at the end thereof: "Where the Secretary and the trustees agree that funds provided pursuant to this section are to be used (together with funds provided pursuant to section 215 of this Act, if any) to perform program maintenance on designated rail properties until the date rail properties are conveyed under this Act or to improve such designated properties, such agreement shall contain the conditions set forth in section 215(b) of this Act.".

Infra.

Appropriations.

(b) Section 213(b) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 723(b)) is amended—

(1) by striking out "$85,000,000" and inserting in lieu thereof "$282,000,000"; and

(2) by adding at the end thereof the following new sentence: "Of amounts authorized to be appropriated under this subsection, $50,000,000 shall be available solely to pay to the trustees of railroads in reorganization such sums as may be necessary to provide such railroads with amounts equal to revenues attributable to tariff increases proposed by such railroads and suspended by the Interstate Commerce Commission during the calendar year 1975, if the Secretary determines that such payments are necessary to carry out this section.".

SEC. 7. Section 215 of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 725) is amended to read as follows:

"INTERIM AGREEMENTS

"SEC. 215. (a) PURPOSES.—Prior to the date upon which rail properties are conveyed to the Corporation under this Act, the Secretary, with the approval of the Association, is authorized to enter into agreements with the trustees of the railroads in reorganization in the region (or railroads leased, operated, or controlled by railroads in reorganization)—

"(1) to perform the program maintenance on designated rail properties of such railroads until the date rail properties are conveyed under this Act;

"(2) to improve rail properties of such railroads; and

"(3) to acquire rail properties for lease or loan to any such railroads until the date such rail properties are conveyed under this Act, and subsequently for conveyance pursuant to the final system plan, or to acquire interests in such rail properties owned by or leased to any such railroads or in purchase money obligations therefor.

"(b) CONDITIONS.—Agreements pursuant to subsection (a) of this section shall contain such reasonable terms and conditions as the Secretary may prescribe. In addition, agreements under paragraphs (1) and (2) of subsection (a) of this section shall provide that—

"(1) to the extent that physical condition is used as a basis for determining, under section 206(f) or 303(c) of this Act, the value of properties subject to such an agreement and designated for transfer to the Corporation under the final system plan, the physical condition of the properties on the effective date of the agreement shall be used; and 45 USC 716. Infra.

"(2) in the event that property subject to the agreement is sold, leased, or transferred to an entity other than the Corporation, the trustees or railroad shall pay or assign to the Secretary that portion of the proceeds of such sale, lease, or transfer which reflects value attributable to the maintenance and improvement provided pursuant to the agreement.

"(c) OBLIGATIONS.—Notwithstanding section 210(b) of this title, the Association shall issue obligations under section 210(a) of this title in an amount sufficient to finance such agreements and shall require the Corporation to assume any such obligations. The aggregate amount of obligations issued under this section and outstanding at any one time shall not exceed $300,000,000. The Association, with the approval of the Secretary, shall designate in the final system plan that portion of such obligations issued or to be issued which shall be refinanced and the terms thereof, and that portion from which the Corporation shall be released of its obligations. 45 USC 720. Limitation.

"(d) CONVEYANCE.—The Secretary may convey to the Corporation, with or without receipt of consideration, any property or interests acquired by, transferred to, or otherwise held by the Secretary pursuant to this section or section 213 of this Act.". Ante, p. 8.

SEC. 8. Section 303(c)(1) of the Regional Rail Reorganization Act of 1973 (45 U.S.C. 745(c)(1)) is amended by striking out the last word of paragraph (A), by striking out the period at the end of paragraph (B) and inserting "; and" in lieu thereof, and by inserting after paragraph (B) the following new paragraph: Proceeds for maintenance or improvement. 45 USC 743.

"(C) what portion of the proceeds received by a railroad in reorganization from an entity other than the Corporation for the sale, lease, or transfer of property subject to an agreement under section 213 or section 215 (a) (1) or (2) of this Act reflects value attributable to the maintenance or improvement provided pursuant to the agreement.". Ante, p. 8.

SEC. 9. Title VI of the Regional Rail Reorganization Act of 1973 is amended by adding at the end thereof the following new section:

"TAX PAYMENTS TO STATES

45 USC 794. "SEC. 605. (a) Notwithstanding any other provision of law, no railroad in reorganization shall withhold from any State, or any political subdivision thereof, the payment of the portion of any tax owed by such railroad to such State or subdivision, which portion has been collected by such railroad from any tenant thereof.

Penalty. "(b) Any railroad which violates the provisions of subsection (a) of this section by withholding any portion of a tax referred to in such subsection shall be fined not more than $10,000 for each such violation.".

Approved February 28, 1975.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 94-7 accompanying H.R. 2051 (Comm. on Interstate and Foreign Commerce).
SENATE REPORT No. 94-5 (Comm. on Commerce).
CONGRESSIONAL RECORD, Vol. 121 (1975):
Jan. 28, 29, considered and passed Senate.
Feb. 19, considered and passed House, amended, in lieu of H.R. 2051.
Feb. 21, 22, 24-26, Senate concurred in House amendment.

Public Law 93-488
93rd Congress, S. J. Res. 250
October 26, 1974

Joint Resolution

88 STAT. 1464

To extend the Regional Rail Reorganization Act's reporting date, and for other purposes.

Whereas the Senate and Congress recently enacted major reorganization legislation to prevent economic disaster in the area served by the Penn Central Railroad and six other bankrupt Class I railroads (Regional Rail Reorganization Act of 1973, Public Law 93-236); and 45 USC 701 note.

Whereas such legislation provided for the immediate establishment of a new entity, the United States Railway Association, to plan such reorganization and to adopt and release a "preliminary system plan" within 300 days after the enactment of the legislation, and to prepare and submit the "final system plan" to the directors of the Association within 420 days after enactment, pursuant to a funding authorization not to exceed $26,000,000; and

Whereas, as a result of circumstances not within the control of the Congress or the United States Railway Association, the Association was unable to commence full-scale operations until more than four months later than was contemplated in the legislation; and

Whereas the Association will not be able to prepare reorganization plans for an efficient, adequate, safe, and reliable rail transportation system in the Midwest and Northeast region of the United States unless it is granted an additional 120 days in which to adopt the preliminary system plan and an additional 120 days in which to prepare the final system plan and authorization for funding for such additional period; and

Whereas such legislation provided a system of rail service continuation subsidies so that shippers and local and State governments could, on a matching basis with the Federal Government, continue rail service on selected lines within a State which might not otherwise continue to be operated; and

Whereas confusion has been engendered by the failure to include in such legislation a definition of which rail services are eligible for such subsidies: Now, therefore, be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) section 207(a)(1) of the Regional Rail Reorganization Act of 1973 (87 Stat. 985) is amended by striking the figure "300" in the first sentence thereof and substituting therefor the figure "420". Regional Rail Organization Act, amendments. 45 USC 717.

(b) Section 207(c) of the Regional Rail Reorganization Act of 1973 (87 Stat. 985) is amended by striking the figure "420" in the first sentence thereof and substituting therefor the figure "540".

(c) Section 214(c) of the Regional Rail Reorganization Act of 1973 (87 Stat. 985) is amended by striking the figure "$26,000,000" and substituting therefor the figure "$40,000,000". 45 USC 724.

(d) Section 402(c) of the Regional Rail Reorganization Act of 1973 (87 Stat. 985) is amended by inserting "(1)" before the first sentence thereof, redesignating paragraphs (1), (2), (3), and (4) as subparagraphs (A), (B), (C), and (D), respectively, and by adding the following new paragraph: 45 USC 762.

"(2) Rail freight services eligible for rail service continuation subsidies pursuant to subsection (b) of this section are— Rail service continuation subsidies, eligibility.

"(A) those rail services of railroads in reorganization in the region which the final system plan does not designate to be continued;

"(B) those rail services in the region which have been at any time during the 5 year period prior to the date of enactment of this Act, or which are subsequent to the date of enactment of this Act, owned, leased, or operated by a State agency or a local or regional transportation authority or with respect to which a State, a political subdivision thereof, or a local or regional transportation authority has invested at any time during the 5 year period prior to the date of enactment of this Act, or invests subsequent to the date of enactment of this Act, substantial sums for improvement or maintenance of rail service; and

"(C) those rail services in the region with respect to which the Commission issues a certificate of abandonment effective on or after the date of enactment of this Act.".

45 USC 763. (e) The last sentence of section 403(a) of the Act is amended to read: "*Provided, however*, That any rail service for which a State agency or local or regional transportation authority receives such loan is no longer eligible for a rail service continuation subsidy pursuant to section 402 of this title.".

Ante, p. 1464.

Approved October 26, 1974.

LEGISLATIVE HISTORY:

CONGRESSIONAL RECORD, Vol. 120 (1974):
Oct. 10, considered and passed Senate.
Oct. 15, considered and passed House.

Public Law 93-236
93rd Congress, H. R. 9142
January 2, 1974

An Act

87 STAT. 985

To authorize and direct the maintenance of adequate and efficient rail services in the Midwest and Northeast region of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act, divided into titles and sections according to the following table of contents, may be cited as the "Regional Rail Reorganization Act of 1973". Regional Rail Reorganization Act of 1973.

TABLE OF CONTENTS

DECLARATION OF POLICY

SEC. 101. (a) FINDINGS.—The Congress finds and declares that—

(1) Essential rail service in the midwest and northeast region of the United States is provided by railroads which are today insolvent and attempting to undergo reorganization under the Bankruptcy Act.

30 Stat. 544.
11 USC 1 note.

(2) This essential rail service is threatened with cessation or significant curtailment because of the inability of the trustees of such railroads to formulate acceptable plans of reorganization. This rail service is operated over rail properties which were acquired for a public use, but which have been permitted to deteriorate and now require extensive rehabilitation and modernization.

(3) The public convenience and necessity require adequate and efficient rail service in this region and throughout the Nation to meet the needs of commerce, the national defense, the environment, and the service requirements of passengers, United States mail, shippers, States and their political subdivisions, and consumers.

(4) Continuation and improvement of essential rail service in this region is also necessary to preserve and maintain adequate national rail services and an efficient national rail transportation system.

(5) Rail service and rail transportation offer economic and environmental advantages with respect to land use, air pollution, noise levels, energy efficiency and conservation, resource allocation, safety, and cost per ton-mile of movement to such extent that the preservation and maintenance of adequate and efficient rail service is in the national interest.

(6) These needs cannot be met without substantial action by the Federal Government.

(b) PURPOSES.—It is therefore declared to be the purpose of Congress in this Act to provide for—

(1) the identification of a rail service system in the midwest and northeast region which is adequate to meet the needs and service requirements of this region and of the national rail transportation system;

(2) the reorganization of railroads in this region into an economically viable system capable of providing adequate and efficient rail service to the region;

(3) the establishment of the United States Railway Association, with enumerated powers and responsibilities;

(4) the establishment of the Consolidated Rail Corporation, with enumerated powers and responsibilities;

(5) assistance to States and local and regional transportation authorities for continuation of local rail services threatened with cessation; and

(6) necessary Federal financial assistance at the lowest possible cost to the general taxpayer.

DEFINITIONS

SEC. 102. As used in this Act, unless the context otherwise requires—

(1) "Association" means the United States Railway Association, established under section 201 of this Act;

(2) "Commission" means the Interstate Commerce Commission;

(3) "Corporation" means the Consolidated Rail Corporation required to be established under section 301 of this Act;

(4) "effective date of the final system plan" means the date on which the final system plan or any revised final system plan is deemed approved by Congress, in accordance with section 208 of this Act;

(5) "employee stock ownership plan" means a technique of corporate finance that uses a stock bonus trust or a company stock money purchase pension trust which qualifies under section 401 (a) of the Internal Revenue Code of 1954 (26 U.S.C. 401(a)) in connection with the financing of corporate improvements, transfers in the ownership of corporate assets, and other capital requirements of a corporation and which is designed to build beneficial equity ownership of shares in the employer corporation into its employees substantially in proportion to their relative incomes, without requiring any cash outlay, any reduction in pay or other employee benefits, or the surrender of any other rights on the part of such employees.

68A Stat. 134;
76 Stat. 809.

(6) "final system plan" means the plan of reorganization for the restructure, rehabilitation, and modernization of railroads in reorganization prepared pursuant to section 206 and approved pursuant to section 208 of this Act;

(7) "includes" and variants thereof should be read as if the phrase "but is not limited to" were also set forth;

(8) "Office" means the Rail Services Planning Office established under section 205 of this Act;

(9) "profitable railroad" means a railroad which is not a railroad in reorganization. The term does not include the Corporation, the National Railroad Passenger Corporation, or a railroad leased, operated, or controlled by a railroad in reorganization in the region;

(10) "rail properties" means assets or rights owned, leased, or otherwise controlled by a railroad which are used or useful in rail transportation service; except that the term, when used in conjunction with the phase "railroads leased, operated, or controlled by a railroad in reorganization", shall not include assets or rights owned, leased, or otherwise controlled by a Class I railroad which is not wholly owned, operated, or leased by a railroad in reorganization but is controlled by a railroad in reorganization;

(11) "railroad" means a common carrier by railroad as defined in section 1(3) of part I of the Interstate Commerce Act (49 U.S.C. 1(3)). The term includes the Corporation and the National Railroad Passenger Corporation; 41 Stat. 474.

(12) "railroad in reorganization" means a railroad which is subject to a bankruptcy proceeding and which has not been determined by a court to be reorganizable or not subject to reorganization pursuant to this Act as prescribed in section 207(b) of this Act. A "bankruptcy proceeding" includes a proceeding pursuant to section 77 of the Bankruptcy Act (11 U.S.C. 205) and an equity receivership or equivalent proceeding; 49 Stat. 911; 76 Stat. 572.

(13) "Region" means the States of Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island, New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia, West Virginia, Ohio, Indiana, Michigan, and Illinois; the District of Columbia; and those portions of contiguous States in which are located rail properties owned or operated by railroads doing business primarily in the aforementioned jurisdictions (as determined by the Commission by order);

(14) "Secretary" means the Secretary of Transportation or his delegate, unless the context indicates otherwise; and

(15) "State" means any State or the District of Columbia.

TITLE II—UNITED STATES RAILWAY ASSOCIATION

FORMATION AND STRUCTURE

SEC. 201. (a) ESTABLISHMENT.—There is established, in accordance with the provisions of this section, an incorporated nonprofit association to be known as the United States Railway Association.

(b) ADMINISTRATION.—The Association shall be directed by a Board of Directors. The individuals designated, pursuant to subsection (d) (2) of this section, as the Government members of such Board shall be deemed the incorporators of the Association and shall take whatever steps are necessary to establish the Association, including filing of articles of incorporation, and serving as an acting Board of Directors for a period of not more than 45 days after the date of incorporation of the Association.

(c) STATUS.—The Association shall be a government corporation of the District of Columbia subject, to the extent not inconsistent with this title, to the District of Columbia Nonprofit Corporation Act (D.C. Code, sec. 29–1001 et seq.). Except as otherwise provided, employees of the Association shall not be deemed employees of the Federal Government. The Association shall have succession until dissolved by Act of Congress, shall maintain its principal office in the District of Columbia, and shall be deemed to be a resident of the District of Columbia with respect to venue in any legal proceeding.

76 Stat. 265.

(d) BOARD OF DIRECTORS.—The Board of Directors of the Association shall consist of 11 individuals, as follows:

(1) the Chairman, a qualified individual who shall be appointed by the President, by and with the advice and consent of the Senate;

(2) three Government members, who shall be the Secretary, the Chairman of the Commission, and the Secretary of the Treasury, or their duly authorized representatives; and

(3) seven nongovernment members, who shall be appointed by the President, by and with the advice and consent of the Senate, on the following basis—

(A) one to be selected from a list of qualified individuals recommended by the Association of American Railroads or its successor who are representatives of profitable railroads;

(B) one to be selected from a list of qualified individuals recommended by the American Federation of Labor and Congress of Industrial Organizations or its successor who are representative of railroad labor;

(C) one to be selected from a list of qualified individuals recommended by the National Governors Conference;

(D) one to be selected from a list of qualified individuals recommended by the National League of Cities and Conference of Mayors;

(E) two to be selected from lists of qualified individuals recommended by shippers and organizations representative of significant shipping interests including small shippers;

(F) one to be selected from lists of qualified individuals recommended by financial institutions, the financial community, and recognized financial leaders.

As used in this paragraph, a list of qualified individuals shall consist of not less than three individuals.

Except for the members appointed under paragraphs (1) and (3) (A), (B), (E), and (F), no member of the Board may have any employment or other direct financial relationship with any railroad.

Compensation.

A member of the Board who is not otherwise an employee of the Federal Government may receive $300 per diem when engaged in the actual performance of his duties plus reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

(e) TERMS OF OFFICE.—The terms of office of the nongovernment members of the Board of Directors of the Association first taking office shall expire as designated by the President at the time of nomination—two at the end of the second year; two at the end of the fourth year; and three at the end of the sixth year. The term of office of the Chairman of such Board shall be 6 years. Successors to members of such Board shall be appointed in the same manner as the original members and, except in the case of government members, shall have terms of office expiring 6 years from the date of expiration of the terms for which their predecessors were appointed. Any individual appointed to fill a vacancy occurring prior to the expiration of any term of office shall be appointed for the remainder of that term.

(f) QUORUM.—Beginning 45 days after the date of incorporation of the Association, six members of the Board, including three of the nongovernment members, shall constitute a quorum for the transaction of any function of the Association.

(g) PRESIDENT.—The Board of Directors of the Association, upon the recommendation of the Secretary, shall appoint a qualified individual to serve as the President of the Association at the pleasure of the Board. The President of the Association, subject to the direction of the Board, shall manage and supervise the affairs of the Association.

(h) EXECUTIVE COMMITTEE.—The Board of Directors of the Association shall have an executive committee which shall consist of the Chairman of the Board, the Secretary, the Chairman of the Commission, and two other members who shall be selected by the members of the Board.

(i) MISCELLANEOUS.—(1) The Association shall have a seal which shall be judicially recognized.

(2) The Administrator of General Services shall furnish the Association with such offices, equipment, supplies, and services as he is authorized to furnish to any other agency or instrumentality of the United States.

(3) The Secretary is authorized to transfer to the Association or the Corporation rights in intellectual property which are directly related to the conduct of the functions of the Association or the Corporation, to the extent that the Federal Government has such rights and to the extent that transfer is necessary to carry out the purposes of this Act.

(j) USE OF NAMES.—No person, except the Association, shall hereafter use the words "United States Railway Association" as a name for any business purpose. No person, except the corporation directed to be established under section 301 of this Act, shall hereafter use the words "Consolidated Rail Corporation" as a name for any business purpose. Violations of these provisions may be enjoined by any court of general jurisdiction in an action commenced by the Association or the Corporation. In any such action, the Association or the Corporation Penalty. may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damage) in an amount not to exceed $100 for each day during which such violation was committed. The district courts of the United States shall have jurisdiction over actions brought under this subsection, without regard to the amount in controversy or the citizenship of the parties.

GENERAL POWERS AND DUTIES OF THE ASSOCIATION

SEC. 202. (a) GENERAL.—To carry out the purposes of this Act, the Association is authorized to—

(1) engage in the preparation and implementation of the final system plan;

Post, p. 1000.

(2) issue obligations under section 210 of this title and make loans under section 211 of this title;

(3) provide assistance to States and local or regional transportation authorities in accordance with section 403 of this Act;

(4) sue and be sued, complain and defend, in the name of the Association and through its own attorneys; adopt, amend, and repeal bylaws governing the operation of the Association and such rules and regulations as are necessary to carry out the authority granted under this Act; conduct its affairs, carry on operations, and maintain offices;

(5) appoint, fix the compensation, and assign the duties of such attorneys, agents, consultants, and other full- and part-time employees as it deems necessary or appropriate; except that (1) no officer of the Association, including the Chairman, may receive compensation at a rate in excess of that prescribed for level I of the Executive Schedule under section 5312 of title 5, United States Code; and (2) no individual may hold a position in violation of regulations which the Secretary shall establish to avoid conflicts of interest and to protect the interests of the public;

80 Stat. 460; 84 Stat. 776.

(6) acquire and hold such real and personal property as it deems necessary or appropriate in the exercise of its responsibilities under this Act, and to dispose of any such property held by it;

(7) consult with the Secretary of the Army and the Chief of Engineers and request the assistance of the Corps of Engineers, and the Secretary of the Army may direct the Corps of Engineers to cooperate fully with the Association, the Corporation, or any entity designated in accordance with section 206(c)(1)(C) in order to carry out the purposes of this Act;

(8) consult on an ongoing basis with the Chairman of the Federal Trade Commission and the Attorney General to assess the possible anticompetitive effects of various proposals and to negotiate provisions which would, to the greatest extent practicable in accordance with the purposes of this Act and the goal set forth in section 206(a)(5) of this title, alleviate any such anticompetitive effects;

(9) consult with representatives of science, industry, agriculture, labor, environmental protection and consumer organizations, and other groups, as it deems advisable; and

(10) enter into, without regard to section 3709 of the Revised Statutes of the United States (41 U.S.C. 5), such contracts, leases, cooperative agreements, or other transactions as may be necessary in the conduct of its functions and duties with any person (including a government entity).

(b) DUTIES.—In addition to its duties and responsibilities under other provisions of this Act, the Association shall—

(1) prepare a survey of existing rail services in the region, including patterns of traffic movement; traffic density over identified lines; pertinent costs and revenues of lines; and plant, equipment, and facilities (includng yards and terminals);

Study.

(2) prepare an economic and operational study and analysis of present and future rail service needs in the region; the nature and volume of the traffic in the region now being moved by rail or likely to be moved by rail in the future; the extent to which available alternative modes of transportation could move such traffic as is now carried by railroads in reorganization; the relative economic, social, and environmental costs that would be involved in the use of such available alternative modes, including energy resource costs; and the competitive or other effects on profitable railroads;

(3) prepare a study of rail passenger services in the region, in terms of scope and quality;

(4) consider the views of the Office and of all government officials and persons who submit views, reports, or testimony under section 205(d)(1) of this title or in the course of proceedings conducted by the Office;

Post, p. 994.

(5) consider methods of achieving economies in the cost of rail system operations in the region including consolidation, pooling, and joint use or operation of lines, facilities, and operating equipment; relocation; rehabilitation and modernization of equipment, track, and other facilities; and abandonment of lines consistent with meeting needs and service requirements; together with the anticipated economic, social, and environmental costs and benefits of each such method;

(6) consider the effect on railroad employees of any restructuring of rail services in the region;

(7) make available to the Secretary, the Director of the Office and appropriate committees of the Congress all studies, data, and other information acquired or developed by the Association.

(c) INVESTMENT OF FUNDS.—Uncommitted funds of the Association shall be kept in cash on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other investments which are lawful investments for fiduciary, trust, or public funds.

(d) EXEMPTION FROM TAXATION.—The Association, including its franchise, capital reserves, surplus, security holdings, and income shall be exempt from all taxation now or hereafter imposed by the United States, any commonwealth, territory, dependency, or possession thereof, or by any State or political subdivision thereof, except that any real property of the Association shall be subject to taxation to the same extent according to its value as other real property is taxed.

Report to Congress and President.

(e) ANNUAL REPORT.—The Association shall transmit to the Congress and the President, not later than 90 days after the end of each fiscal year, a comprehensive and detailed report on all activities of the Association during the preceding fiscal year. Each such report shall include (1) the Association's statement of specific and detailed objectives for the activities and programs conducted and assisted under this Act; (2) statements of the Association's conclusions as to the effectiveness of such activities and programs in meeting the stated objectives and the purposes of this Act, measured through the end of the preceding fiscal year; (3) recommendations with respect to any legislation or administrative action which the Association deems necessary or desirable; (4) a statistical compilation of the obligations issued and loans made under this Act; (5) a summary of outstanding problems confronting the Association, in order of priority; (6) all other information required to be submitted to the Congress pursuant to any other provision of this Act; and (7) the Association's projections and plans for its activities and programs during the next fiscal year.

(f) BUDGET.—The receipts and disbursements of the Association (other than administrative expenses referred to in subsection (g) of this section) in the discharge of its functions shall not be included in the totals of the budget of the United States Government, and shall be exempt from any annual expenditure and net lending (budget outlays) limitations imposed on a budget of the United States Government. The Chairman of the Association shall transmit annually to the Congress a budget for program activities and for administrative expenses of the Association. The Chairman shall report annually to the Congress the amount of net lending of the Association, which would be included in the totals of the budgets of the United States Government, if the Association's activities were not excluded from those totals as a result of this section.

Budget transmittal to Congress.

(g) ACCOUNTABILITY.—(1) Section 201 of the Government Corporation Control Act (31 U.S.C. 856) is amended by striking out "and" at the end of clause (6) and by inserting immediately before the period at the end thereof the following: ", (8) the United States Railway Association".

70 Stat. 667; 85 Stat. 37.

(2) The Chairman of the Association shall transmit annually to the Office of Management and Budget a budget for administrative expenses of the Association. Whenever the Association submits any budget estimate or request to the Office of Management and Budget, it shall concurrently transmit a copy of the estimate or request to the Congress. Within budgetary constraints of the Congress, the maximum feasible and prudent budgetary flexibility shall be provided to the Association to permit effective operations.

Budget transmittal to Office of Management and Budget and Congress.

ACCESS TO INFORMATION

SEC. 203. (a) PLANNING.—Each railroad operating in the region shall provide such relevant information as may be requested by the Secretary, the Office, or the Association in connection with the performance of their respective functions under any provision of this Act. No information may be requested under this subsection after the effective date of the final system plan.

(b) OTHER.—Each railroad or other person or government entity seeking financial assistance from the Association shall maintain and make available such records, make and submit such reports, and provide such data, materials, or other relevant information as may be requested by the Association.

Recordkeeping.

(c) ENFORCEMENT.—Where authorized under subsection (a) or (b) of this section and upon presenting appropriate credentials and a written notice of inspection authority, any officer or employee duly designated by the Secretary, the Office, or the Association may, at reasonable times, inspect records, papers, processes, rolling stock, systems, equipment, or facilities and may, in furtherance of their respective functions under this Act, hold such hearings, sit and act at such times and places, administer such oaths, and require by subpoena or other order the attendance and testimony of such witnesses and the production of such information as is deemed advisable. Subpoenas shall be issued under the signature of the Secretary, the Director of the Office, or the Chairman or President of the Association and may be served by any duly designated individual. In case of contumacy or refusal to obey such a subpoena or order by any person who resides, is found, or transacts business within the jurisdiction of any district court of the United States, such district court shall, upon petition, have jurisdiction to issue to such person an order requiring him to comply forthwith. Failure to obey such an order is punishable by such court as a contempt of court.

(d) CONGRESS.—Nothing in this section shall authorize the withholding of information from any duly authorized committee of the Congress.

REPORT

SEC. 204. (a) PREPARATION.—Within 30 days after the date of enactment of this Act, the Secretary shall prepare a comprehensive report containing his conclusions and recommendations with respect to the geographic zones within the region in and between which rail service should be provided and the criteria upon which such conclusions and recommendations are based. The Secretary may use as a basis for the identification of such geographic zones the standard metropolitan statistical areas, groups of such areas, counties, or groups of counties having similar economic characteristics such as mining, manufacturing, or farming.

(b) SUBMISSION.—The Secretary shall submit the report required by subsection (a) of this section to the Office, the Association, the Governor and public utilities commission of each State studied in the report, local governments, consumer organizations, environmental groups, the public, and the Congress. The Secretary shall further cause a copy of the report to be published in the Federal Register.

Publication in Federal Register.

RAIL SERVICES PLANNING OFFICE

SEC. 205. (a) ESTABLISHMENT.—There is established, on the date of enactment of this Act, a new Office in the Commission to be known as the Rail Services Planning Office. The Office shall function continuously pursuant to the provisions of this Act, and shall cease to exist 5 years after the date of enactment of this Act. The Office shall be administered by a director.

(b) DIRECTOR.—The Director of the Office shall be appointed by the Chairman of the Commission with the concurrence of 5 members of the Commission. The Director of the Office shall administer and be responsible for the discharge of the functions and duties of the Office from the date he takes office unless removed for cause by the Commission. He shall be compensated at a rate to be set by the Chairman of the Commission without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, classification, and General Schedule pay rates, but at a rate not in excess of the maximum rate for GS–18 of the General Schedule under section 5332 of such title.

5 USC 5332 note.

(c) POWERS.—The Director of the Office is subject to the direction of, and shall report to, such member of the Commission as the Chairman thereof shall designate. The Chairman may designate himself as that member. Such Director is authorized, with the concurrence of such member or (in case of disagreement) the Chairman of the Commission, to—

(1) appoint, fix the compensation, and assign the duties of employees of the Office without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and to procure temporary and intermittent services to the same extent as is authorized under section 3109 of title 5, United States Code, but at rates not to exceed $250 a day for qualified experts. Each department, agency, and instrumentality of the executive branch of the Federal Government and each independent regulatory agency of the United States is authorized and shall give careful consideration to a request to furnish to the Director of the Office, upon written request, on a reimbursable basis or otherwise, such assistance as the Director deems necessary to carry out the functions and duties of the Office. Such assistance includes transfer of personnel with their consent and without prejudice to their position and rating; and

80 Stat. 416.

Contract authority.

(2) enter into, without regard to section 3709 of the Revised Statutes of the United States (41 U.S.C. 5), such contracts, leases, cooperative agreements, or other transactions as may be necessary in the conduct of the functions and duties of the Office, with any person (including a government entity).

(d) DUTIES.—In addition to its duties, and responsibilities under other provisions of this Act, the Office shall—

(1) study and evaluate the Secretary's report on rail services in the region required under section 204(a) of this Act and submit its report thereon to the Association within 120 days after the date of enactment of this Act. The Office shall also solicit, study, and evaluate the views with respect to present and future rail service needs of the region from Governors of States within the region; mayors and chief executives of political subdivisions within such States; shippers; the Secretary of Defense; manufacturers, wholesalers, and retailers within the region; consumers of goods and products shipped by rail; and all other interested persons. The Office shall conduct public hearings to solicit comments on such report and to receive such views;

Public hearings.

(2) employ and utilize the services of attorneys and such other personnel as may be required in order properly to protect the interests of those communities and users of rail service which, for whatever reason, such as their size or location, might not otherwise be adequately represented in the course of the hearings and evaluations which the Office is required to conduct and perform under other provisions of this Act;

(3) within 180 days after the date of enactment of this Act, determine and publish standards for determining the "revenue attributable to the rail properties", the "avoidable costs of providing service", and "a reasonable return on the value", as those phrases are used in section 304 of this Act, after a proceeding in accordance with the provisions of section 553 of title 5, United States Code; and

80 Stat. 383.

(4) assist States and local and regional transportation agencies in making determinations whether to provide rail service continuation subsidies to maintain in operation particular rail properties by establishing criteria for determining whether particular rail properties are suitable for rail service continuation subsidies. Such criteria should include the following considerations: Rail properties are suitable if the cost of the required subsidy for such properties per year to the taxpayers is less than the cost of termination of rail service over such properties measured by increased fuel consumption and operational costs for alternative modes of transportation; the cost to the gross national product in terms of reduced output of goods and services; the cost of relocating or assisting through unemployment, retraining, and welfare benefits to individuals and firms adversely affected thereby; and the cost to the environment measured by damage caused by increased pollution.

FINAL SYSTEM PLAN

SEC. 206. (a) GOALS.—The final system plan shall be formulated in such a way as to effectuate the following goals:

(1) the creation, through a process of reorganization, of a financially self-sustaining rail service system in the region;

(2) the estalishment and maintenance of a rail service system adequate to meet the rail transportation needs and service requirements of the region;

(3) the establishment of improved high-speed rail passenger service, consonant with the recommendations of the Secretary in his report of September 1971, entitled "Recommendations for Northeast Corridor Transportation";

(4) the preservation, to the extent consistent with other goals, of existing patterns of service by railroads (including short-line and terminal railroads), and of existing railroad trackage in areas in which fossil fuel natural resources are located, and the utilization of those modes of transportation in the region which require the smallest amount of scarce energy resources and which can most efficiently transport energy resources;

(5) the retention and promotion of competition in the provision of rail and other transportation services in the region;

(6) the attainment and maintenance of any environmental standards, particularly the applicable national ambient air quality standards and plans established under the Clean Air Act Amendments of 1970, taking into consideration the environmental impact of alternative choices of action;

84 Stat. 1676. 42 USC 1857b note.

(7) the movement of passengers and freight in rail transportation in the region in the most efficient manner consistent with safe operation, including the requirements of commuter and intercity rail passenger service; the extent to which there should be coordination with the National Railroad Passenger Corporation and similar entities; and the identification of all short-to-medium distance corridors in densely populated areas in which the major upgrading of rail lines for high-speed passenger operation would return substantial public benefits; and

(8) the minimization of job losses and associated increases in unemployment and community benefit costs in areas in the region presently served by rail service.

(b) FACTORS.—The final system plan shall be based upon due consideration of all factors relevant to the realization of the goals set forth in subsection (a) of this section. Such factors include the need for and the cost of rehabilitation and modernization of track, equipment, and other facilities; methods of achieving economies in the cost of rail operations in the region; means of achieving rationalization of rail services and the rail service system in the region; marketing studies; the impact on railroad employees; consumer needs; traffic analyses; financial studies; and any other factors identified by the Association under section 202(b) of this title or in the report of the Secretary required under section 204(a) of this title.

Ante, p. 990.

(c) DESIGNATIONS.—The final system plan shall designate—

(1) which rail properties of railroads in reorganization in the region or of railroads leased, operated, or controlled by any railroad in reorganization in the region—

(A) shall be transferred to the Corporation;

(B) shall be offered for sale to a profitable railroad operating in the region and, if such offer is accepted, operated by such railroad; the plan shall designate what additions shall be made to the designation under subparagraph (A) of this paragraph in the event such profitable railroad fails to accept such offer;

(C) shall be purchased, leased, or otherwise acquired from the Corporation by the National Railroad Passenger Corporation in accordance with the exercise of its option under section 601(d) of this Act for improvement to achieve the goal set forth in subsection (a)(3) of this section;

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(D) may be purchased or leased from the Corporation by a State or a local or regional transportation authority to meet the needs of commuter and intercity rail passenger service; and

(E) if not otherwise required to be operated by the Corporation, a government entity, or a responsible person, are suitable for use for other public purposes, including highways, other forms of transportation, conservation, energy transmission, education or health care facilities, or recreation. In carrying out this subparagraph, the Association shall solicit the views and recommendations of the Secretary, the Secretary of the Interior, the Administrator of the Environmental Protection Agency, and other agencies of the Federal Government and of the States and political subdivisions thereof within the region, and the general public; and

(2) which rail properties of profitable railroads operating in the region may be offered for sale to the Corporation or to other profitable railroads operating in the region subject to paragraphs (3) and (4) of subsection (d) of this section.

(d) TRANSFERS.—All transfers or conveyances pursuant to the final system plan shall be made in accordance with, and subject to, the following principles:

(1) All rail properties to be transferred to the Corporation by a profitable railroad, by trustees of a railroad in reorganization, or by any railroad leased, operated, or controlled by a railroad in reorganization in the region, shall be transferred in exchange for stock and other securities of the Corporation (including obligations of the Association) and the other benefits accruing to such railroad by reason of such transfer.

(2) All rail properties to be conveyed to a profitable railroad operating in the region by trustees of a railroad in reorganization, or by any railroad leased, operated, or controlled by a railroad in reorganization in the region, shall be conveyed in exchange for compensation from the profitable railroad.

(3) Notwithstanding any other provision of this Act, no acquisition under this Act shall be made by any profitable railroad operating in the region without a determination with respect to each such transaction and all such transactions cumulatively (A) by the Association, upon adoption and release of the preliminary system plan, that such acquisition or acquisitions will not materially impair the profitability of any other profitable railroad operating in the region or of the Corporation, and (B) by the Commission, which shall be made within 90 days after adoption and release by the Association of the preliminary system plan, that such acquisition or acquisitions will be in full accord and comply with the provisions and standards of section 5 of part I

62 Stat. 472.

of the Interstate Commerce Act (49 U.S.C. 5). The determination by the Association shall not be reviewable in any court. The determination by the Commission shall not be reviewable in any court.

(4) Where the final system plan designates specified rail properties of a railroad in reorganization in the region, or of a railroad leased, operated, or controlled by a railroad in reorganization in the region, to be offered for sale to and operated by a profitable railroad operating in the region, such designation shall terminate 30 days after the effective date of the final system plan unless, prior to such date, such profitable railroad has notified the Association in writing of its acceptance of such offer. Where the final

system plan designates specified rail properties of a profitable railroad operating in the region as authorized to be offered for sale or lease to the Corporation or to other profitable railroads operating in the region, such designation and authorization shall terminate 60 days after the effective date of the final system plan unless, prior to such date, a binding agreement with respect to such properties has been entered into and concluded.

(5) All properties sold by the Corporation pursuant to sections 206(c)(1)(C) and 601(d) of this Act shall be transferred at a value related to the value received for the transfer to the Corporation of such properties.

(e) CORPORATION FEATURES.—The final system plan shall set forth—

(1) pro forma earnings for the Corporation, as reasonably projected and considering the additions or changes in the designation of rail properties to be operated by the Corporation which may be made under subsection (d)(4) of this section;

(2) the capital structure of the Corporation, based on the pro forma earnings of the Corporation as set forth, including such debt capitalization as shall be reasonably deemed to conform to the requirements of the public interest with respect to railroad debt securities, including the adequacy of coverage of fixed charges; and

(3) the manner in which employee stock ownership plans may, to the extent practicable, be utilized for meeting the capitalization requirements of the Corporation, taking into account (A) the relative cost savings compared to conventional methods of corporate finance; (B) the labor cost savings; (C) the potential for minimizing strikes and producing more harmonious relations between labor organizations and railway management; (D) the projected employee dividend incomes; (E) the impact on quality of service and prices to railway users; and (F) the promotion of the objectives of this Act of creating a financially self-sustaining railway system in the region which also meets the service needs of the region and the Nation.

(f) VALUE.—The final system plan shall designate the value of all rail properties to be transferred under the final system plan and the value of the securities and other benefits to be received for transferring those rail properties to the Corporation in accordance with the final system plan.

(g) OTHER PROVISIONS.—The final system plan may recommend arrangements among various railroads for joint use or operation of rail properties on a shared ownership, cooperative, pooled, or condominium-type basis, subject to such terms and conditions as may be specified in the final system plan. The final system plan shall also make such designations as are determined to be necessary in accordance with the provisions of section 402 or 403 of this Act.

(h) OBLIGATIONAL AUTHORITY.—The final system plan shall recommend the amount of obligations of the Association which are necessary to enable it to implement the final system plan.

(i) TERMS AND CONDITIONS FOR SECURITIES.—The final system plan may include terms and conditions for any securities to be issued by the Corporation in exchange for the conveyance of rail properties under the final system plan which in the judgement of the Association will minimize any actual or potential debt burden on the Corporation. Any such terms and conditions for securities of the Corporation which purport to directly obligate the Association shall not become effective without affirmative approval, with or without modification by a joint resolution of the Congress.

ADOPTION OF FINAL SYSTEM PLAN

SEC. 207. (a) PRELIMINARY SYSTEM PLAN.—(1) Within 300 days after the date of enactment of this Act, the Association shall adopt and release a preliminary system plan prepared by it on the basis of reports and other information submitted to it by the Secretary, the Office, and interested persons in accordance with this Act and on the basis of its own investigations, consultations, research, evaluation, and analysis pursuant to this Act. Copies of the preliminary system plan shall be transmitted by the Association to the Secretary, the Office, the Governor and public utility commission of each State in the region, the Congress, each court having jurisdiction over a railroad in reorganization in the region, the special court, and interested persons, and a copy shall be published in the Federal Register. The Association shall invite and afford interested persons an opportunity to submit comments on the preliminary system plan to the Association within 60 days after the date of its release.

Copies, transmittal to Congress.

Publication in Federal Register.

(2) The Office is authorized and directed to hold public hearings on the preliminary system plan and to make available to the Association a summary and analysis of the evidence received in the course of such proceedings, together with its critique and evaluation of the preliminary system plan, not later than 60 days after the date of release of such plan.

Public hearings.

(b) APPROVAL.—Within 120 days after the date of enactment of this Act each United States district court or other court having jurisdiction over a railroad in reorganization shall decide whether the railroad is reorganizable on an income basis within a reasonable time under section 77 of the Bankruptcy Act (11 U.S.C. 205) and that the public interest would be better served by continuing the present reorganization proceedings than by a reorganization under this Act. Within 60 days after the submission of the report by the Office, under section 205(d)(1) of this title, on the Secretary's report on rail services in the region, each United States district court or other court having jurisdiction over a railroad in reorganization shall decide whether or not such railroad shall be reorganized by means of transferring some of its rail properties to the Corporation pursuant to the provisions of this Act. Because of the strong public interest in the continuance of rail transportation in the region pursuant to a system plan devised under the provisions of this Act, each such court shall order that the reorganization be proceeded with pursuant to this Act unless it (1) has found that the railroad is reorganizable on an income basis within a reasonable time under section 77 of the Bankruptcy Act (11 U.S.C. 205) and that the public interest would be better served by such a reorganization than by a reorganization under this Act, or (2) finds that this Act does not provide a process which would be fair and equitable to the estate of the railroad in reorganization in which case it shall dismiss the reorganization proceeding. If a court does not enter an order or make a finding as required by this subsection, the reorganization shall be proceeded with pursuant to this Act. An appeal from an order made under this section may be made only to the special court. Appeal to the special court shall be taken within 10 days following entry of an order pursuant to this subsection, and the special court shall complete its review and render its decision within 80 days after such appeal is taken. There shall be no review of the decision of the special court.

49 Stat. 911; 76 Stat. 572.

(c) ADOPTION.—Within 420 days after the date of enactment of this Act, the executive committee of the Association shall prepare and submit a final system plan for the approval of the Board of Directors of the Association. A copy of such submission shall be simultaneously

presented to the Commission. The submission shall reflect evaluation of all responses and summaries of responses received, testimony at any public hearings, and the results of additional study and review. Within 30 days thereafter, the Board of Directors of the Association shall by a majority vote of all its members approve a final system plan which meets all of the requirements of section 206 of this title.

Ante, p. 994.

(d) REVIEW OF COMMISSION.—Within 30 days following the adoption of the final system plan by the Association under subsection (c) of this section and the submission of such plan to Congress under section 208(a) of this title, the Commission shall submit to the Congress an evaluation of the final system plan delivered to both Houses of Congress.

Plan evaluation, submittal to Congress.

REVIEW BY CONGRESS

SEC. 208. (a) GENERAL.—The Board of Directors of the Association shall deliver the final system plan adopted by the Association to both Houses of Congress and to the Committee on Interstate and Foreign Commerce of the House of Representatives and the Committee on Commerce of the Senate. The final system plan shall be deemed approved at the end of the first period of 60 calendar days of continuous session of Congress after such date of transmittal unless either the House of Representatives or the Senate passes a resolution during such period stating that it does not favor the final system plan.

(b) REVISED PLAN.—If either the House or the Senate passes a resolution of disapproval under subsection (a) of this section, the Association, with the cooperation and assistance of the Secretary and the Office, shall prepare, determine, and adopt a revised final system plan. Each such revised plan shall be submitted to Congress for review pursuant to subsection (a) of this section.

(c) COMPUTATION.—For purposes of this section—

(1) continuity of session of Congress is broken only by an adjournment sine die; and

(2) the days on which either House is not in session because of an adjournment of more than 3 days to a day certain are excluded in the computation of the 60-day period.

JUDICIAL REVIEW

SEC. 209. (a) GENERAL.—Notwithstanding any other provision of law, the final system plan which is adopted by the Association and which becomes effective after review by the Congress is not subject to review by any court except in accordance with this section. After the final system plan becomes effective under section 208 of this title, it may be reviewed with respect to matters concerning the value of the rail properties to be conveyed under the plan and the value of the consideration to be received for such properties.

(b) SPECIAL COURT.—Within 30 days after the date of enactment of this Act, the Association shall make application to the judicial panel on multi-district litigation authorized by section 1407 of title 28, United States Code, for the consolidation in a single, three-judge district court of the United States of all judicial proceedings with respect to the final system plan. Within 30 days after such application is received, the panel shall make the consolidation in a district court (cited herein as the "special court") which the panel determines to be convenient to the parties and the one most likely to be able to conduct any proceedings under this section with the least delay and the greatest possible fairness and ability. Such proceedings shall be conducted by the special court which shall be composed of three Federal judges who shall be selected by the panel, except that none of the judges selected

82 Stat. 109.

may be a judge assigned to a proceeding involving any railroad in reorganization in the region under section 77 of the Bankruptcy Act (11 U.S.C. 205). The special court is authorized to exercise the powers of a district judge in any judicial district with respect to such proceedings and such powers shall include those of a reorganization court. The special court shall have the power to order the conveyance of rail properties of railroads leased, operated, or controlled by a railroad in reorganization in the region. The panel may issue rules for the conduct of its functions under this subsection. No determination by the panel under this subsection may be reviewed in any court.

49 Stat. 911; 76 Stat. 572.

(c) DELIVERY OF PLAN TO SPECIAL COURT.—Within 90 days after its effective date, the Association shall deliver a certified copy of the final system plan to the special court and shall certify to the special court—

(1) which rail properties of the respective railroads in reorganization in the region and of any railroad leased, operated, or controlled by such railroads in reorganization are to be transferred to the Corporation, in accordance with the final system plan;

(2) which rail properties of the respective railroads in reorganization in the region or railroads leased, operated, or controlled by such railroads in reorganization are to be conveyed to profitable railroads, in accordance with the final system plan;

(3) the amount, terms, and value of the securities of the Corporation (including any obligations of the Association) to be exchanged for those rail properties to be transferred to the Corporation pursuant to the final system plan, and as indicated in paragraph (1) of this subsection; and

(4) that the transfer of rail properties in exchange for securities of the Corporation (including any obligations of the Association) and other benefits is fair and equitable and in the public interest.

(d) BANKRUPTCY COURTS.—Within 90 days after its effective date, the Association shall deliver a certified copy of the final system plan to each district court of the United States or any other court having jurisdiction over a railroad in reorganization in the region and shall certify to each such court—

(1) which rail properties of that railroad in reorganization are to be transferred to the Corporation under the final system plan; and

(2) which rail properties of that railroad in reorganization, if any, are to be conveyed to profitable railroads operating in the region, under the final system plan.

OBLIGATIONS OF THE ASSOCIATION

SEC. 210. (a) GENERAL.—To carry out the purposes of this Act, the Association is authorized to issue bonds, debentures, trust certificates, securities, or other obligations (herein cited as "obligations") in accordance with this section. Such obligations shall have such maturities and bear such rate or rates of interest as are determined by the Association with the approval of the Secretary of the Treasury. Such obligations shall be redeemable at the option of the Association prior to maturity in the manner stipulated in each such obligation, and may be purchased by the Association in the open market at a price which is reasonable.

(b) MAXIMUM OBLIGATIONAL AUTHORITY.—Except as otherwise provided in the last sentence of this subsection, the aggregate amount of obligations of the Association issued under this section which may be outstanding at any one time shall not exceed $1,500,000,000 of which the aggregate amount issued to the Corporation shall not exceed

$1,000,000,000. Of the aggregate amount of obligations issued to the Corporation by the Association, not less than $500,000,000 shall be available solely for the rehabilitation and modernization of rail properties acquired by the Corporation under this Act and not disposed of by the Corporation pursuant to section 206(c)(1)(C) of this Act. Any modification to the limitations set forth in this subsection shall be made by joint resolution adopted by the Congress.

(c) GUARANTEES.—The Secretary shall guarantee the payment of principal and interest on all obligations issued by the Association in accordance with this Act and which the Association requests be guaranteed.

(d) VALIDITY.—No obligation issued by the Association under this section shall be terminated, canceled, or otherwise revoked, except in accordance with lawful terms and conditions prescribed by the Association. Such an obligation shall be conclusive evidence that it is in compliance with this section, has been approved, and is legal as to principal, interest, and other terms. An obligation of the Association shall be valid and incontestable in the hands of a holder, except as to fraud, duress, mutual mistake of fact, or material misrepresentation by or involving such holder.

(e) THE SECRETARY OF THE TREASURY.—If at any time the moneys available to the Secretary are insufficient to enable him to discharge his responsibilities under subsection (c) of this section, he shall issue notes or other obligations to the Secretary of the Treasury in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Secretary of the Treasury. Such obligations shall bear interest at a rate to be determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of such obligations. The Secretary of the Treasury is authorized and directed to purchase any such obligations and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended. The purposes for which securities may be issued under such Act are extended to include any purchase of notes or other obligations issued under this subsection. At any time, the Secretary of the Treasury may sell any such obligations, and all sales, purchases, and redemptions of such obligations by the Secretary of the Treasury shall be treated as public debt transactions of the United States.

40 Stat. 288. 31 USC 774.

(f) AUTHORIZATION FOR APPROPRIATIONS.—There are hereby authorized to be appropriated to the Secretary such amounts as are necessary to discharge the obligations of the United States arising under this section.

(g) LAWFUL INVESTMENTS.—All obligations issued by the Association shall be lawful investments and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority and control of the United States or any officer or officers thereof. All such obligations issued pursuant to this section shall be exempt securities within the meaning of laws administered by the Securities and Exchange Commission.

LOANS

SEC. 211. (a) GENERAL.—The Association is authorized, in accordance with the provisions of this section and such rules and regulations as it shall prescribe, to make loans to the Corporation, the National Railroad Passenger Corporation, and other railroads (including a

49 Stat. 911; 76 Stat. 572. 11 USC 205.

railroad in reorganization which has been found to be reorganizable under section 77 of the Bankruptcy Act pursuant to section 207(b) of this title) in the region, for purposes of assisting in the implementation of the final system plan; to a State or local or regional transportation authority pursuant to section 403 of this Act; and to provide assistance in the form of loans to any railroad which (A) connects with a railroad in reorganization, and (B) is in need of financial assistance to avoid reorganization proceedings under section 77 of the Bankruptcy Act (11 U.S.C. 205). No such loan shall be made by the Association to a railroad unless such loans shall, where applicable, be treated as an expense of administration. The rights referred to in the last sentence of section 77(j) of the Bankruptcy Act (11 U.S.C. 205(j)) shall in no way be affected by this Act.

(b) APPLICATIONS.—Each application for such a loan shall be made in writing to the Association in such form and with such content and other submissions as the Association shall prescribe to protect reasonably the interests of the United States. The Association shall publish a notice of the receipt of each such application in the Federal Register and shall afford interested persons an opportunity to comment thereon.

Publication in Federal Register.

(c) TERMS AND CONDITIONS.—Each loan shall be extended in such form, under such terms and conditions, and pursuant to such regulations as the Association deems appropriate. Such loan shall bear interest at a rate not less than the greater of a rate determined by the Secretary of the Treasury taking into consideration (1) the rate prevailing in the private market for similar loans as determined by the Secretary of the Treasury, or (2) the current average yield on outstanding marketable obligations of the Association with remaining periods of maturity comparable to the average maturities of such loans, plus such additional charge, if any, toward covering costs of the Association as the Association may determine to be consistent with the purposes of this Act.

(d) MODIFICATIONS.—The Association is authorized to approve any modification of any provision of a loan under this section, including the rate of interest, time of payment of interest or principal, security, or any other term or condition, upon agreement of the recipient of the loan and upon a finding by the Association that such modification is equitable and necessary or appropriate to achieve the policy declared in subsection (f) of this section.

(e) PREREQUISITES.—The Association shall make a finding in writing, before making a loan to any applicant under this section, that—

(1) the loan is necessary to carry out the final system plan or to prevent insolvency;

(2) it is satisfied that the business affairs of the applicant will be conducted in a reasonable and prudent manner; and

(3) the applicant has offered such security as the Association deems necessary to protect reasonably the interests of the United States.

(f) POLICY.—It is the intent of Congress that loans made under this section shall be made on terms and conditions which furnish reasonable assurance that the Corporation or the railroads to which such loans are granted will be able to repay them within the time fixed and that the goals of the final system plan are reasonably likely to be achieved.

RECORDS, AUDIT, AND EXAMINATION

SEC. 212. (a) RECORDS.—Each recipient of financial assistance under this title, whether in the form of loans, obligations, or other arrangements, shall keep such records as the Association or the Secretary shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance and such other records as will facilitate an effective audit.

(b) AUDIT AND EXAMINATION.—The Association, the Secretary, and the Comptroller General of the United States, or any of their duly authorized representatives shall, until the expiration of 3 years after the implementation of the final system plan, have access for the purpose of audit and examination to any books, documents, papers, and records of such recipients which in the opinion of the Association, the Secretary, or the Comptroller General may be related or pertinent to the loans, obligations or other arrangements referred to in subsection (a) of this section. The Association or any of its duly authorized representatives shall, until any financial assistance received under this title has been repaid to the Association, have access to any such materials which concern any matter that may bear upon—

(1) the ability of the recipient of such financial assistance to make repayment within the time fixed therefor;

(2) the effectiveness with which the proceeds of such assistance is used; and

(3) the implementation of the final system plan and the realization of the declaration of policy of this Act.

EMERGENCY ASSISTANCE PENDING IMPLEMENTATION

SEC. 213. (a) EMERGENCY ASSISTANCE.—The Secretary is authorized, pending the implementation of the final system plan, to pay to the trustees of railroads in reorganization such sums as are necessary for the continued provision of essential transportation services by such railroads. Such payments shall be made by the Secretary upon such reasonable terms and conditions as the Secretary establishes, except that recipients must agree to maintain and provide service at a level no less than that in effect on the date of enactment of this Act.

(b) AUTHORIZATION FOR APPROPRIATIONS.—There are authorized to be appropriated to the Secretary for carrying out this section such sums as are necessary, not to exceed $85,000,000, to remain available until expended.

AUTHORIZATION FOR APPROPRIATIONS

SEC. 214. (a) SECRETARY.—There are authorized to be appropriated to the Secretary for purposes of preparing the reports and exercising other functions to be performed by him under this Act such sums as are necessary, not to exceed $12,500,000, to remain available until expended.

(b) OFFICE.—There are authorized to be appropriated to the Commission for the use of the Office in carrying out its functions under this Act such sums as are necessary, not to exceed $5,000,000, to remain available until expended. The budget for the Office shall be submitted by the Commission directly to the Congress and shall not be subject to review of any kind by any other agency or official of the United States. Moneys appropriated for the Office shall not be withheld by any agency or official of the United States or used by the Commission for any purpose other than the use of the Office. No part of any other moneys appropriated to the Commission shall be withheld by any other agency or official of the United States to offset any moneys appropriated pursuant to this subsection.

Budget submittal to Congress.

(c) ASSOCIATION.—There are authorized to be appropriated to the Association for purposes of carrying out its administrative expenses under this Act such sums as are necessary, not to exceed $26,000,000, to remain available until expended.

MAINTENANCE AND IMPROVEMENT OF PLANT

SEC. 215. Prior to the date upon which rail properties are conveyed to the Corporation under this Act, the Secretary, with the approval of the Association, is authorized to enter into agreements with railroads in reorganization in the region (or railroads leased, operated, or controlled by railroads in reorganization) for the acquisition, maintenance, or improvement of railroad facilities and equipment necessary to improve property that will be in the final system plan. Agreements entered into pursuant to this section shall specifically identify the type and quality of improvements to be made pursuant to such agreements. Notwithstanding section 210(b) of this title, the Association shall issue obligations under section 210(a) of this title in an amount sufficient to finance such agreements and shall require the Corporation to assume any such obligations. However, the Association may not issue obligations under this section in an aggregate amount in excess of $150,000,000. The Secretary may not enter into any agreements under this section until he issues regulations setting forth procedures and guidelines for the administration of this section. The Corporation shall not be required under title III of this Act to compensate any railroad in reorganization for that portion of the value of rail properties transferred to it under this Act which is attributable to the acquisition, maintenance, or improvement of such properties under this section.

Ante, p. 1000.

TITLE III—CONSOLIDATED RAIL CORPORATION

FORMATION AND STRUCTURE

SEC. 301. (a) ESTABLISHMENT.—There shall be established within 300 days after the date of enactment of this Act, in accordance with the provisions of this section, a corporation to be known as the Consolidated Rail Corporation.

(b) STATUS.—The Corporation shall be a for-profit corporation established under the laws of a State and shall not be an agency or instrumentality of the Federal Government. The Corporation shall be deemed a common carrier by railroad under section 1(3) of the Interstate Commerce Act (49 U.S.C. 1(3)), shall be subject to the provisions of this Act and, to the extent not inconsistent with such Acts, shall be subject to applicable State law. The principal office of the Corporation shall be located in Philadelphia in the Commonwealth of Pennsylvania.

41 Stat. 424.

(c) INCORPORATORS.—The members of the executive committee of the Association shall be the incorporators of the Corporation and shall take whatever steps are necessary to establish the Corporation, including the filing of articles of incorporation. The incorporators shall also serve as the Board of Directors of the Corporation until the stock and other securities of the Corporation are distributed to the estates of the railroads in accordance with section 303(c) of this title and shall adopt the intial bylaws of the Corporation.

(d) BOARD OF DIRECTORS.—The Board of Directors of the Corporation shall consist of 15 individuals selected in accordance with the articles and bylaws of the Corporation: *Provided*, That so long as 50 per centum or more, as determined by the Secretary of the Treasury, of the outstanding indebtedness of the Corporation consists of obligations of the Association or other debts owing to or guaranteed by the United States, three of the members of such board shall be the Secretary, the Chairman and the President of the Association and five of the members of such board shall be individuals appointed as such by the President, by and with the advice and consent of the Senate.

(e) INITIAL CAPITALIZATION.—In order to carry out the final system plan the Corporation is authorized to issue stock and other securities. Common stock shall be issued initially to the estates of railroads in reorganization in the region in exchange for rail properties conveyed to the Corporation pursuant to the final system plan. Nothing in this subsection shall preclude the Corporation from repurchasing the common stock initially issued through payments out of profits in order to establish an employee stock ownership plan; and nothing in this subsection shall preclude the recipients of common stock initially issued from establishing an employee stock ownership plan.

(f) AUDIT AND EXPENDITURES.—So long as 50 per centum or more, as determined by the Secretary of the Treasury, of the outstanding indebtedness of the Corporation consists of obligations of the Association or other debts owing to or guaranteed by the United States, the Corporation shall be subject to the provisions of the Government Corporation Control Act for the purposes of a Federal Government audit. Section 201 of the Government Corporation Control Act (31 U.S.C. 856) is amended by inserting at the end thereof the following: ", and (9) the Consolidated Rail Corporation to the extent provided in the Regional Rail Reorganization Act of 1973.".

Ante, p. 992.

(g) ANNUAL REPORT.—The Corporation shall transmit to the Congress and the President, not later than 90 days after the end of each fiscal year, a comprehensive and detailed report on all activities and accomplishments of the Corporation during the preceding fiscal year.

Report to Congress and President.

POWERS AND DUTIES OF THE CORPORATION

SEC. 302. The Corporation shall have all of the powers and is subject to all of the duties vested in it under this Act, in addition to the powers conferred upon it under the laws of the State or States in which it is incorporated and the powers of a railroad in any State in which it operates. The Corporation is authorized and directed to—

(a) acquire rail properties designated in the final system plan to be transferred or conveyed to it;

(b) operate rail service over such rail properties except as provided under sections 304(e) and 601(d)(3) of this Act;

(c) rehabilitate, improve, and modernize such rail properties; and

(d) maintain adequate and efficient rail services.

So long as 50 per centum or more, as determined by the Secretary of the Treasury, of the outstanding indebtedness of the Corporation consists of obligations of the Association or other debts owing to or guaranteed by the United States, the Corporation shall not engage in activities which are not related to transportation.

VALUATION AND CONVEYANCE OF RAIL PROPERTIES

SEC. 303. (a) DEPOSIT WITH COURT.—Within 10 days after delivery of a certified copy of a final system plan pursuant to section 209(c) of this Act—

(1) the Corporation, in exchange for the rail properties of the railroads in reorganization in the region and of railroads leased, operated, or controlled by railroads in reorganization in the region to be transferred to the Corporation, shall deposit with the special court all of the stock and other securities of the Corporation and obligations of the Association designated in the final system plan to be exchanged for such rail properties;

(2) each profitable railroad operating in the region purchasing rail properties from a railroad in reorganization in the region, or from a railroad leased, operated, or controlled by a railroad in

reorganization in the region, as provided in the final system plan shall deposit with the special court the compensation to be paid for such rail properties.

(b) CONVEYANCE OF RAIL PROPERTIES.—(1) The special court shall, within 10 days after deposit under subsection (a) of this section of the securities of the Corporation, obligations of the Association, and compensation from the profitable railroads operating in the region, order the trustee or trustees of each railroad in reorganization in the region to convey forthwith to the Corporation and the respective profitable railroads operating in the region, all right, title, and interest in the rail properties of such railroad in reorganization and shall itself order the conveyance of all right, title, and interest in the rail properties of any railroad leased, operated, or controlled by such railroad in reorganization that are to be conveyed to them under the final system plan as certified to such court under section 209(d) of this Act.

(2) All rail properties conveyed to the Corporation and the respective profitable railroads operating in the region under this section shall be conveyed free and clear of any liens or encumbrances, but subject to such leases and agreements as shall have previously burdened such properties or bound the owner or operator thereof in pursuance of an arrangement with any State, or local or regional transportation authority under which financial support from such State, or local or regional transportation authority was being provided at the time of enactment of this Act for the continuance of rail passenger service or any lien or encumbrance of no greater than 5 years' duration which is necessary for the contractual performance by any person of duties related to public health or sanitation. Such conveyances shall not be restrained or enjoined by any court.

(3) Notwithstanding anything to the contrary contained in this Act, if railroad rolling stock is included in the rail properties to be conveyed, such conveyance may only be effected if the profitable railroad operating in the region or the Corporation to whom the conveyance is made assumes all of the obligations under any conditional sale agreement, equipment trust agreement, or lease in respect to such rolling stock and such conveyance is made subject thereto; and the provisions of this Act shall not affect the title and interests of any lessor, equipment trust trustee, or conditional sale vendee or assignee under such conditional sale agreement, equipment trust agreement or lease under section 77(j) of the Bankruptcy Act (11 U.S.C. 205(j)). 49 Stat. 911.

(4) Notwithstanding anything to the contrary contained in this Act, if a railroad in reorganization has leased rail properties from a lessor that is neither a railroad nor controlled by or affiliated with a railroad, and such lease has been approved by the lessee railroad's reorganization court prior to the date of enactment of this Act, conveyance of such lease may only be effected if the Corporation or the profitable railroad to whom the conveyance is made assumes all of the terms and conditions specified in the lease, including the obligation to pay the specified rent to the non-railroad lessor.

(c) FINDINGS AND DISTRIBUTION.—(1) After the rail properties have been conveyed to the Corporation and profitable railroads operating in the region under subsection (b) of this section, the special court, giving due consideration to the findings contained in the final system plan, shall decide—

(A) whether the transfers or conveyances—

(i) of rail properties of each railroad in reorganization, or of each railroad leased, operated, or controlled by a railroad in reorganization, to the Corporation in exchange for the securities and the other benefits accruing to such railroad as a result of such exchange, as provided in the final system plan and this Act, and

(ii) of rail properties of each railroad in reorganization, or of each railroad leased, operated, or controlled by a railroad in reorganization, to a profitable railroad operating in the region, in accordance with the final system plan,

are in the public interest and are fair and equitable to the estate of each railroad in reorganization in accordance with the standard of fairness and equity applicable to the approval of a plan of reorganization or a step in such a plan under section 77 of the Bankruptcy Act (11 U.S.C. 205), or fair and equitable to a railroad that is not itself in reorganization but which is leased, operated, or controlled by a railroad in reorganization; and 49 Stat. 911; 76 Stat. 572.

(B) whether the transfers or conveyances are more fair and equitable than is required as a constitutional minimum.

(2) If the special court finds that the terms of one or more exchanges for securities and other benefits are not fair and equitable to an estate of a railroad in reorganization, or to a railroad leased, operated, or controlled by a railroad in reorganization, which has transferred rail properties pursuant to the final system plan, it shall—

(A) enter a judgment reallocating the securities of the Corporation in a fair and equitable manner if it has not been fairly allocated among the railroads transferring rail properties to the Corporation; and

(B) if the lack of fairness and equity cannot be completely cured by a reallocation of the Corporation's securities, order the Corporation to provide for the transfer to the railroad of other securities of the Corporation or obligations of the Association as designated in the final system plan in such nature and amount as would make the exchange or exchanges fair and equitable; and

(C) if the lack of fairness and equity cannot be completely cured by reallocation of the Corporation's securities or by providing for the transfer of other securities of the Corporation or obligations of the Association as designated in the final system plan, enter a judgment against the Corporation.

(3) If the special court finds that the terms of one or more conveyances of rail properties to a profitable railroad operating in the region in accordance with the final system plan are not fair and equitable, it shall enter a judgment against such profitable railroad. If the special court finds that the terms of one or more conveyances or exchanges for securities or other benefits are fairer and more equitable than is required as a constitutional minimum, then it shall order the return of any excess securities, obligations, or compensation to the Corporation or a profitable railroad so as not to exceed the constitutional minimum standard of fairness and equity.

(4) Upon making the findings referred to in this subsection, the special court shall order distribution of the securities, obligations, and compensation deposited with it under subsection (b) of this section to the trustee or trustees of each railroad in reorganization in the region who conveyed right, title, and interest in rail properties to the Corporation and the respective profitable railroads under such subsection.

(d) APPEAL.—A finding or determination entered pursuant to subsection (c) of this section may be appealed directly to the Supreme Court of the United States in the same manner that an injunction order may be appealed under section 1253 of title 28, United States Code: *Provided*, That such appeal is exclusive and shall be filed in the Supreme Court not more than 5 days after such finding or determination is entered by the special court. The Supreme Court shall dismiss 62 Stat. 928.

any such appeal within 7 days after the entry of such an appeal if it determines that such an appeal would not be in the interest of an expeditious conclusion of the proceedings and shall grant the highest priority to the determination of any such appeals which it determines not to dismiss.

TERMINATION OF RAIL SERVICE

SEC. 304. (a) DISCONTINUANCE.—Except as provided in subsections (c) and (f) of this section, (1) rail service on rail properties of a railroad in the region which transfers to the Corporation or to profitable railroads operating in the region all or substantially all of its rail properties designated for such conveyance in the final system plan, and (2) rail service on rail properties of a profitable railroad operating in the region which transfers substantially all of its rail properties to the Corporation or to other railroads pursuant to the final system plan may be discontinued to the extent such discontinuance is not precluded by the terms of the leases and agreements referred to in section 303(b)(2) of this title if—

(A) the final system plan does not designate rail service to be operated over such rail properties; and

(B) not sooner than 30 days following the effective date of the final system plan the trustee or trustees of the applicable railroad in reorganization or a profitable railroad give notice in writing of intent to discontinue such rail service on a date certain which is not less than 60 days after the date of such notice; and

(C) the notice required by paragraph (B) of this subsection is sent by certified mail to the Governor and State transportation agencies of each State and to the government of each political subdivision of each State in which such rail properties are located and to each shipper who has used such rail service during the previous 12 months.

(b) ABANDONMENT.—(1) Rail properties over which rail service has been discontinued under subsection (a) of this section may not be abandoned sooner than 120 days after the effective date of such discontinuance except as provided in subsections (c) and (f) of this section. Thereafter, except as provided in subsection (c) of this section, such rail properties may be abandoned upon 30 days' notice in writing to all those required to receive notice under paragraph (2)(C) of subsection (a) of this section.

(2) In any case in which rail properties proposed to be abandoned under this section are designated by the final system plan as rail properties which are suitable for use for other public purposes (including roads or highways, other forms of mass transportation, conservation, and recreation), such rail properties shall not be sold, leased, exchanged, or otherwise disposed of during the 180-day period beginning on the date of notice of proposed abandonment under this section unless such rail properties have first been offered, upon reasonable terms, for acquisition for public purposes.

(c) LIMITATIONS.—Rail service may be discontinued and rail properties may be abandoned under subsections (a) and (b) of this section notwithstanding any provision of the Interstate Commerce Act (49 U.S.C. 1 et seq.) or the constitution or law of any State or the decision of any court or administrative agency of the United States or of any State. No rail service may be discontinued and no rail properties may be abandoned pursuant to this section—

24 Stat. 379.

(1) after 2 years from the effective date of the final system plan or more than 2 years after the final payment of any rail service continuation subsidy is received, whichever is later; or

(2) if a shipper, a State, the United States, a local or regional transportation authority, or any responsible person offers—

(A) a rail service continuation subsidy which covers the difference between the revenue attributable to such rail properties and the avoidable costs of providing service on such rail properties plus a reasonable return on the value of such rail properties;

(B) a rail service continuation subsidy which is payable pursuant to a lease or agreement with a State, or a local or regional transportation authority, under which financial support was being provided at the time of the enactment of this Act for the continuance of rail passenger service; or

(C) to purchase, pursuant to subsection (d) of this section, such rail properties in order to operate rail service over such properties.

If a rail service continuation subsidy is offered, the government or person offering the subsidy shall enter into an operating agreement with the Corporation or any responsible person (including a government entity) under which the Corporation or such person (including a government entity) will operate rail service over such rail properties and receive the difference between the revenue attributable to such properties and the avoidable costs of providing service on such rail properties and the trustee of any railroad in reorganization shall receive a reasonable rate of return on the value of any rail properties for which a rail service is operated under such subsidy.

(d) PURCHASE.—If an offer to purchase is made under subsection (c)(2)(C) of this section, such offer shall be accompanied by an offer of a rail service continuation subsidy. Such subsidy shall continue until the purchase transaction is completed, unless a railroad assumes operations over such rail properties on its own account pursuant to an order or authorization of the Commission. Whenever a railroad in reorganization in the region or a profitable railroad gives notice of intent to discontinue service pursuant to subsection (a) of this section, such railroad shall, upon the request of anyone apparently qualified to make a purchase offer promptly make available its most recent reports on the physical condition of such property together with such traffic and revenue data as would be required under subpart B of part 1121 of chapter X of title 49 of the Code of Federal Regulations and such other data necessary to ascertain the avoidable costs of providing service over such rail properties.

(e) ABANDONMENT BY CORPORATION.—After the rail system to be operated by the Corporation under the final system plan has been in operation for 2 years, the Commission may authorize the Corporation to abandon any rail properties as to which it determines that rail service over such properties is not required by the public convenience and necessity. The Commission may, at any time after the effective date of the final system plan, authorize additional rail service in the region or authorize the abandonment of rail properties which are not being operated by the Corporation or by any other person. Determinations by the Commission under this subsection shall be made pursuant to applicable provisions of the Interstate Commerce Act (49 U.S.C. 1). 24 Stat. 379.

(f) INTERIM ABANDONMENT.—After the date of enactment of this Act, no railroad in reorganization may discontinue service or abandon any line of railroad other than in accordance with the provisions of this Act, unless it is authorized to do so by the Association and unless no affected State or local or regional transportation authority reasonably opposes such action, notwithstanding any provision of any other Federal law, the constitution or law of any State, or decision or order of, or the pendency of any proceeding before any Federal or State court, agency, or authority.

TITLE IV—LOCAL RAIL SERVICES

FINDINGS AND PURPOSE

SEC. 401. (a) FINDINGS.—The Congress finds and declares that—

(1) The Nation is facing an energy shortage of acute proportions in the next decade.

(2) Railroads are one of the most energy-efficient modes of transportation for the movement of passengers and freight and cause the least amount of pollution.

(3) Abandonment, termination, or substantial reduction of rail service in any locality will adversely affect the Nation's long-term and immediate goals with respect to energy conservation and environmental protection.

(4) Under certain circumstances the cost to the taxpayers of rail service continuation subsidies would be less than the cost of abandonment of rail service in terms of lost jobs, energy shortages, and degradation of the environment.

(b) PURPOSE.—Therefore, it is declared to be the purpose of the Congress to authorize the Secretary to maintain a program of rail service continuation subsidies.

RAIL SERVICE CONTINUATION SUBSIDIES

SEC. 402. (a) GENERAL.—The Secretary shall provide financial assistance in accordance with this section for the purpose of rail service continuation subsidies. For purposes of subsection (b)(1) of this section the Federal share of a rail service continuation subsidy shall be 70 per centum and the State share shall be 30 per centum. For purposes of subsection (b)(2) of this section a State receiving discretionary assistance shall be required to contribute at least 30 per centum of the cost of the program for which the Federal assistance is provided.

(b) ENTITLEMENT.—(1) Each State in the region is entitled to an amount for rail service continuation subsidies from 50 per centum of the sums appropriated each fiscal year for such purpose in the ratio which the total rail mileage in such State, as determined by the Secretary and measured in point-to-point length (excluding yard tracks and sidings), bears to the total rail mileage in all the States in the region, measured in the same manner, except that the entitlement of each State shall be no less than 3 per centum, and the entitlement of no State shall be more than 10 per centum, of 50 per centum of the funds appropriated. In the event that the total amount allocated under this formula, due to the application of the maximum and minimum limitations which it establishes, is greater or less than 50 per centum of the funds appropriated, the excess or deficiency, as the case may be, shall be added to or deducted from the Secretary's discretionary fund provided for in paragraph (2) of this subsection. The entitlement of any State which is withheld in accordance with this section and any sums not used or committed by a State during the preceding fiscal year shall be paid into the discretionary fund provided for in paragraph (2) of this subsection.

(2) The Secretary is authorized to provide discretionary financial assistance to a State or a local or regional transportation authority in the region for the purpose of continuing local rail services, including assistance for the purposes enumerated in section 403 of this title.

(c) ELIGIBILITY.—A State in the region is eligible to receive rail service continuation subsidies pursuant to subsection (b) of this section in any fiscal year if—

(1) the State has established a State plan for rail transportation and local rail services which is administered or coordinated by a designated State agency and such plan provides for the equitable distribution of such subsidies among State, local, and regional transportation authorities;

(2) the State agency has authority and administrative jurisdiction to develop, promote, supervise, and support safe, adequate, and efficient rail services; employs or will employ, directly or indirectly, sufficient trained and qualified personnel; and maintains or will maintain adequate programs of investigation, research, promotion, and development with provision for public participation;

(3) the State provides satisfactory assurance that such fiscal control and fund accounting procedures will be adopted as may be necessary to assure proper disbursement of, and accounting for, Federal funds paid under this title to the State; and

(4) the State complies with the regulations of the Secretary issued under this section.

(d) REGULATIONS.—Within 90 days after the date of enactment of this Act, the Secretary shall issue, and may from time to time amend, regulations with respect to basic and discretionary rail service continuation subsidies.

(e) PAYMENT.—The Secretary shall pay to each State in the region an amount equal to its entitlement under subsection (b)(1) of this section. Any amounts which are not expended or committed by a State pursuant to subsection (b) during the ensuing fiscal year shall be returned by such State to the Secretary, who may use such amounts in accordance with subsection (b)(2) of this section.

(f) TERM.—A rail service continuation subsidy between a State, or a local or regional authority, and the Corporation or other responsible person (including a government entity) may not exceed a term of 2 years.

(g) RECORD, AUDIT, AND EXAMINATION.—(1) Each recipient of financial assistance under this section, whether in the form of grants, subgrants, contracts, subcontracts, or other arrangements, shall keep such records as the Secretary shall prescribe, including records which fully disclose the amount and disposition by such recipient of the proceeds of such assistance, the total cost of the project or undertaking in connection with which such assistance was given or used, the amount of that portion of the cost of the project supplied by other sources, and such other records as will facilitate an effective audit.

(2) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives shall, until the expiration of 3 years after completion of the project or undertaking referred to in paragraph (1) of this subsection, have access for the purpose of audit and examination to any books, documents, papers, and records of such receipts which in the opinion of the Secretary or the Comptroller General may be related or pertinent to the grants, contracts, or other arrangements referred to in such paragraph. GAO audit.

(h) WITHHOLDING.—If the Secretary, after reasonable notice and opportunity for a hearing to any State agency, finds that a State is not eligible for rail service continuation subsidies under subsections (c) and (d) of this section, payment to such State shall not be made until there is no longer any failure to comply.

(i) AUTHORIZATION FOR APPROPRIATIONS.—(1) There is authorized to be appropriated to carry out the purposes of this section such sums as are necessary, not to exceed $90,000,000 for each of the 2 fiscal years including and following the effective date of the final system plan. Such sums as are appropriated shall remain available until expended.

(2) One-half of the sums appropriated pursuant to the authorization of this subsection shall be reserved for allocation to States in the region under subsection (b)(1) of this section. One-half of the sums appropriated pursuant to the authorization of this subsection shall be reserved for distribution by the Secretary under subsection (b)(2) of this section.

(j) DEFINITION.—As used in this section, "rail service continuation subsidies" means subsidies calculated in accordance with the provisions of section 205(d)(3) of this Act to cover costs of operating adequate and efficient rail service, including where necessary improvement and maintenance of tracks and related facilities.

ACQUISITION AND MODERNIZATION LOANS

SEC. 403. (a) ACQUISITION.—If a State which is eligible for assistance under section 402(c) of this title or a local or regional transportation authority has made an offer to purchase any rail properties of a railroad pursuant to section 304(c)(2)(C) of this Act or other lawful authority, the Secretary is authorized to direct the Association to provide loans to such State or local or regional transportation authority not to exceed 70 per centum of the purchase price: *Provided, however*, That any recipient of such loan is no longer eligible for a rail service continuation subsidy pursuant to section 402 of this title.

(b) MODERNIZATION.—In addition to such acquisition loans, the Secretary is authorized to direct the Association to provide additional assistance not to exceed 70 per centum of the cost of restoring or repairing such rail properties to such condition as will enable safe and efficient rail transportation operations over such rail properties. Such financial assistance may be in the form of a loan or the guarantee of a loan. The Association shall provide such financial assistance as the Secretary may direct under this section and shall adopt regulations describing its procedures for such assistance. With the approval of the Secretary, a State may expend sums received by it under section 402 of this title for acquisition and modernization pursuant to this section.

TITLE V—EMPLOYEE PROTECTION

DEFINITIONS

SEC. 501. As used in this title unless the context otherwise requires—

(1) "acquiring railroad" means a railroad, except the Corporation, which seeks to acquire or has acquired, pursuant to the provisions of this Act, all or a part of the rail properties of one or more of the railroads in reorganization, the Corporation, or a profitable railroad;

(2) "employee of a railroad in reorganization" means a person who, on the effective date of a conveyance of rail properties of a railroad in reorganization to the Corporation or to an acquiring railroad, has an employment relationship with either said railroad in reorganization or any carrier (as defined in parts I and II of the Interstate Commerce Act) which is leased, controlled, or operated by the railroad in reorganization except a president, vice president, treasurer, secretary, comptroller, and any other person who performs functions corresponding to those performed by the foregoing officers; 49 USC 1, 301.

(3) "protected employee" means any employee of an acquiring railroad adversely affected by a transaction and any employee of a railroad in reorganization who on the effective date of this Act have not reached age 65;

(4) "class or craft of employees" means a group of employees, recognized and treated as a unit for purposes of collective bargaining,

which is represented by a labor organization that has been duly authorized or recognized pursuant to the Railway Labor Act as its representative for purposes of collective bargaining; 44 Stat. 577. 45 USC 151.

(5) "representative of a class or craft of employees" means a labor organization which has been duly authorized or recognized as the collective bargaining representative of a class or craft of employees pursuant to the Railway Labor Act;

(6) "deprived of employment" means the inability of a protected employee to obtain a position by the normal exercise of his seniority rights with the Corporation after properly electing to accept employment therewith or, the subsequent loss of a position and inability, by the normal exercise of his seniority rights under the applicable collective bargaining agreements, to obtain another position with the Corporation: *Provided, however*, That provisions in existing collective bargaining agreements of a railroad in reorganization, which do not require a protected employee, in the normal exercise of seniority rights, to make a change in residence, in order to maintain his protection, will be preserved and will also be extended and be applicable to all other protected employees of that same craft or class. It shall not, however, include any deprivation of employment by reason of death, retirement, resignation, dismissal or disciplinary suspension for cause, failure to work due to illness or disability, nor any severance of employment covered by subsections (d) and (e) of section 505 of this title;

(7) "employee adversely affected with respect to his compensation" means a protected employee who suffers a reduction in compensation;

(8) "transaction" means actions taken pursuant to the provisions of this Act or the results thereof; and

(9) "change in residence" means transfer to a work location which is located either (A) outside a radius of 30 miles of the employee's former work location and farther from his residence than was his former work location or (B) is located more than 30 normal highway route miles from his residence and also farther from his residence than was his former work location.

EMPLOYMENT OFFERS

SEC. 502. (a) APPLICABLE LAW.—The Corporation and, where applicable, the Association shall be subject to the provisions of the Railway Labor Act and shall be considered employers for purposes of the Railroad Retirement Act, Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act. The Corporation, in addition, shall, except as otherwise specifically provided by this Act, be subject to all Federal and State laws and regulations applicable to carriers by railroad. 48 Stat. 1283. 26 USC 3201. 45 USC 367.

(b) MANDATORY OFFER.—The Corporation shall offer employment, to be effective as of the date of a conveyance or discontinuance of service under the provisions of this Act, to each employee of a railroad in reorganization who has not already accepted an offer of employment by the Association, where applicable, or an acquiring railroad. Such offers of employment to employees represented by labor organizations will be confined to their same craft or class. The Corporation shall apply to said employees the protective provisions of this title.

(c) ASSOCIATION.—After the transfer of rail properties pursuant to section 303, the Association, in employing any additional employees, shall give priority consideration to employees of a railroad in reorganization and the provisions of this title shall apply to any such employees employed by the Association as if they were employees of the Corporation.

ASSIGNMENT OF WORK

SEC. 503. The Corporation shall have the right to assign, allocate, reassign, reallocate, and consolidate work formerly performed on the rail properties acquired pursuant to the provisions of this Act from a railroad in reorganization to any location, facility, or position on its system provided it does not remove said work from coverage of a collective-bargaining agreement and does not infringe upon the existing classification of work rights of any craft or class of employees at the location or facility to which said work is assigned, allocated, reassigned, reallocated, or consolidated and shall have the right to transfer to an acquiring railroad the work incident to the rail properties or facilities acquired by said acquiring railroad pursuant to this Act, subject, however, to the provisions of section 508 of this title.

COLLECTIVE-BARGAINING AGREEMENTS

SEC. 504. (a) INTERIM APPLICATION.—Until completion of the agreements provided for under subsection (d) of this section, the Corporation shall, as though an original party thereto, assume and apply on the particular lines, properties, or facilities acquired all obligations under existing collective-bargaining agreements covering all crafts and classes employed thereon, except that the Agreement of May 1936, Washington, D.C. and provisions in other existing job stabilization agreements shall not be applicable to transactions effected pursuant to this Act with respect to which the provisions of section 505 of this title shall be superseding and controlling. During this period, employees of a railroad in reorganization who have seniority on the lines, properties, or facilities acquired by the Corporation pursuant to this Act shall have prior seniority roster rights on such acquired lines, properties, or facilities.

(b) SINGLE IMPLEMENTING AGREEMENT.—On or before the date of the adoption of the final system plan by the Board of Directors of the Association as provided in section 207(c) of this Act, the representatives of the various classes or crafts of the employees of a railroad in reorganization involved in a conveyance pursuant to this Act and representatives of the Corporation shall commence negotiation of a single implementing agreement for each class and craft of employees affected providing (1) the identification of the specific employees of the railroad in reorganization to whom the Corporation offers employment; (2) the procedure by which those employees of the railroad in reorganization may elect to accept employment with the Corporation; (3) the procedure for acceptance of such employees into the Corporation's employment and their assignment to positions on the Corporation's system; (4) the procedure for determining the seniority of such employees in their respective crafts or classes on the Corporation's system which shall, to the extent possible, preserve their prior seniority rights; and (5) the procedure for determining equitable adjustment in rates of comparable positions. If no agreement with respect to the matters referred to in this subsection is reached by the end of 30 days after the commencement of negotiations, the parties shall within an additional 10 days select a neutral referee and, in the event they are unable to agree upon the selection of such referee, then the National Mediation Board shall immediately appoint a referee. After a referee has been designated, a hearing on the dispute shall commence as soon as practicable. Not less than 10 days prior to the effective date of any conveyance pursuant to the provisions of this Act, the referee shall resolve and decide all matters in dispute with respect to the negotiation of said implementing agreement or agreements and shall render a decision which shall be final and binding and shall constitute the implementing agreement or agreements between the parties with respect to the transaction involved. The salary and expenses of the referee shall be paid pursuant to the provisions of the Railway Labor Act. 44 Stat. 577. 45 USC 151.

(c) RELATIONSHIP TO OTHER PROVISIONS.—Notwithstanding failure for any reason to complete implementing agreements provided for in subsection (b) of this section, the Corporation may proceed with a conveyance of properties, facilities, and equipment pursuant to the provisions of this Act and effectuate said transaction: *Provided*, That all protected employees shall be entitled to all of the provisions of such agreements, as finally determined, from the time they are adversely affected as a result of any such conveyance.

(d) NEW COLLECTIVE-BARGAINING AGREEMENTS.—Not later than 60 days after the effective date of any conveyance pursuant to the provisions of this Act, the representatives of the various classes or crafts of the employees of a railroad in reorganization involved in a conveyance and representatives of the Corporation shall commence negotiations of new collective-bargaining agreements for each class and craft of employees covering the rates of pay, rules, and working conditions of employees who are employees of the Corporation, which collective-bargaining agreements shall include appropriate provisions concerning rates of pay, rules, and working conditions but shall not include any provisions for job stabilization resulting from any transaction effected pursuant to this Act which may exceed or conflict with those established or prescribed herein.

EMPLOYEE PROTECTION

SEC. 505. (a) EQUIVALENT POSITION.—A protected employee whose employment is governed by a collective-bargaining agreement will not, except as explicitly provided in this title, during the period in which he is entitled to protection, be placed in a worse position with respect to compensation, fringe benefits, rules, working conditions, and rights and privileges pertaining thereto.

(b) MONTHLY DISPLACEMENT ALLOWANCE.—A protected employee, who has been deprived of employment or adversely affected with respect to his compensation shall be entitled to a monthly displacement allowance computed as follows:

(1) Said allowance shall be determined by computing the total compensation received by the employee, including vacation allowances and monthly compensation guarantees, and his total time paid for during the last 12 months immediately prior to his being adversely affected in which he performed compensated service more than 50 per centum of each of such months, based upon his normal work schedule, and by dividing separately the total compensation and the total time paid for by 12, thereby producing the average monthly compensation and average monthly time paid for; and, if an employee's compensation in his current position is less in any month in which he performs work than the aforesaid average compensation, he shall be paid the difference, less any time lost on account of voluntary absences other than vacations, but said protected employee shall be compensated in addition thereto at the rate of the position filled for any time worked in excess of his average monthly time, *Provided, however*, That—

(A) in determining compensation in his current employment the protected employee shall be treated as occupying the position, producing the highest rate of pay to which his qualifications and seniority entitle him under the applicable collective bargaining agreement and which does not require a change in residence;

(B) the said monthly displacement allowance shall be reduced by the full amount of any unemployment compensation benefits received by the protected employee and shall be reduced by an amount equivalent to any earnings of said protected employee in any employment subject to the
48 Stat. 1283. Railroad Retirement Act and 50 per centum of any earnings in any employment not subject to the Railroad Retirement Act;

(C) a protected employee's average monthly compensation shall be adjusted from time to time thereafter to reflect subsequent general wage increases;

(D) should a protected employee's service total less than 12 months in which he performs more than 50 per centum compensated service based upon his normal work schedule in each of said months, his average monthly compensation shall be determined by dividing separately the total compensation received by the employee and the total time for which he was paid by the number of months in which he performed more than 50 per centum compensated service based upon his normal work schedule; and

(E) the monthly displacement allowance provided by this section shall in no event exceed the sum of $2,500 in any month except that such amount shall be adjusted to reflect subsequent general wage increases.

(2) A protected employee's average monthly compensation under this section shall be based upon the rate of pay applicable to his employment and shall include increases in rates of pay not in fact paid but which were provided for in national railroad labor agreements generally applicable during the period involved.

(3) If a protected employee who is entitled to a monthly displacement allowance served as an agent or a representative of a class or craft of employees on either a full- or part-time basis in the 12 months immediately preceding his being adversely affected, his monthly displacement allowance shall be computed by taking the average of the average monthly compensation and average monthly time paid for of the protected employees immediately above and below him on the same seniority roster or his own monthly displacement allowance, whichever is greater.

(4) An employee and his representative shall be furnished with a protected employee's average monthly compensation and average monthly time paid for, computed in accordance with the terms of this subsection, together with the data upon which such computations are based, within 30 days after the protected employee notifies the Corporation in writing that he has been deprived of employment or adversely affected with respect to his compensation.

(c) Duration of Displacement Allowance.—The monthly displacement allowance provided for in subsection (b) of this section shall continue until the attainment of age 65 by a protected employee with 5 or more years of service on the effective date of this Act and, in the case of a protected employee who has less than 5 years service on such date, shall continue for a period equal to his total prior years of service: *Provided*, That such monthly displacement allowance shall terminate upon the protected employee's death, retirement, resignation, or dismissal for cause; and shall be suspended for the period of disciplinary suspension for cause, failure to work due to illness or disability, voluntary furlough, or failure to retain or obtain a position available to him by the exercise of his seniority rights in accordance with the provisions of this section.

(d) Transfer.—(1) A protected employee who has been deprived of employment may be required by the Corporation, in inverse seniority order and upon reasonable notice, to transfer to any bona fide vacancy for which he is qualified in his same class or craft of employee on any part of the Corporation's system and shall then be governed by the collective-bargaining agreement applicable on the seniority district to which transferred. If such transfer requires a change in residence, any such protected employee may choose (A) to voluntarily furlough himself at his home location and have his monthly displacement allowance suspended during the period of voluntary furlough, or (B) to be severed from employment upon payment to him of a separation allowance computed as provided in subsections (e) and (f) of this section, which separation allowance shall be in lieu of all other benefits provided by this title.

(2) Such protected employee shall not be required to transfer to a location requiring a change in residence unless there is a bona fide need for his services at such location. Such bona fide need for services contemplates that the transfer be to a position which has not and cannot be filled by employees who are not required to make a change in residence in the seniority district involved and which, in the absence of this section, would have required the employment of a new employee.

(3) Such protected employee who, at the request of the Corporation, has once accepted and made a transfer to a location requiring a change in residence shall not be required again to so transfer for a period of 3 years.

(4) Transfers to vacancies requiring a change in residence shall be subject to the following:

(A) The vacancy shall be first offered to the junior qualified protected employee deprived of employment in the seniority district where the vacancy exists, and each such employee shall have 20 days to elect one of the options set forth in paragraph (1) of this subsection. If that employee elects not to accept the transfer, it will then be offered in inverse seniority order to the remaining qualified, protected employees deprived of employment on the seniority district, who will each have 20 days to elect one of the options set forth in paragraph (1) of this subsection.

(B) If the vacancy is not filled by the procedure in paragraph (4)(A) of this subsection, the vacancy will then be offered in the inverse order of seniority to the qualified protected employees deprived of employment on the system and each of such employees will be afforded 30 days to elect one of the options set forth in paragraph (1) of this subsection.

(C) The provisions of this paragraph shall not prevent the adoption of other procedures pursuant to an agreement made by the Corporation and representative of the class or craft of employees involved.

(e) Separation Allowance.—A protected employee who is tendered and accepts an offer by the Corporation to resign and sever his employment relationship in consideration of payment to him of a separation allowance, and any protected employee whose employment relationship is severed in accordance with subsection (d) of this section, shall be entitled to receive a lump-sum separation allowance not to exceed $20,000 in lieu of all other benefits provided by this title. Said lump-sum separation allowance, in the case of a protected employee who had not less than 3 nor more than 5 years of service as of the date of this Act, shall amount to 270 days' pay at the rate of the position last held and, in the case of a protected employee having had 5 or more years' service, shall amount to the number of days' pay indicated below at the rate of the position last held dependent upon the age of the protected employee at the time of such termination of employment:

60 or under	360 days' pay
61	300 days' pay
62	240 days' pay
63	180 days' pay
64	120 days' pay.

(f) TERMINATION ALLOWANCE.—The Corporation may terminate the employment of an employee of a railroad in reorganization, who has less than 3 years' service as of the effective date of this Act: *Provided, however*, That in such event the terminated employee shall be entitled to receive a lump sum separation allowance in an amount determined as follows:

2 to 3 years' service	180 days' pay at the rate of the position last held.
1 to 2 years' service	90 days' pay at the rate of the position last held.
Less than 1 year's service	5 days' pay at the rate of the position last held for each month of service.

(g) MOVING EXPENSE BENEFITS.—Any protected employee who is required to make a change of residence as the result of a transaction shall be entitled to the following benefits—

(1) Reimbursement for all expenses of moving his household and other personal effects, for the traveling expense of himself and members of his family, including living expenses for himself and his family, and for his own actual wage loss, not to exceed 10 working days. *Provided*, That the Corporation or acquiring railroad shall, to the same extent provided above, assume said expenses for any employee furloughed within 3 years after changing his point of employment as a result of a transaction, who elects to move his place of residence back to his original point of employment. No claim for reimbursement shall be paid under the provisions of this section unless such claim is presented to the Corporation or acquiring railroad within 90 days after the date on which the expenses were incurred.

(2)(A)(i) If the protected employee owns, or is under a contract to purchase, his own home in the locality from which he is required to move and elects to sell said home, he shall be reimbursed for any loss suffered in the sale of his home for less than its fair market value. In each case the fair market value of the home in question shall be determined as of a date sufficiently prior to the date of the transaction so as to be unaffected thereby. The Corporation or an acquiring railroad shall in each instance be afforded an opportunity to purchase the home at such fair market value before it is sold by the employee to any other person.

(ii) A protected employee may elect to waive the provisions of paragraph (2)(A)(i) of this subsection and to receive, in lieu thereof, an amount equal to his closing costs which are ordinarily paid for and assumed by a seller of real estate in the jurisdiction

in which the residence is located. Such costs shall include a real estate commission paid to a licensed realtor (not to exceed $3,000 or 6 per centum of sale price, whichever is less), and any prepayment penalty required by the institution holding the mortgage; such costs shall not include the payment of any "points" by the seller.

(B) If the protected employee holds an unexpired lease on a dwelling occupied by him as his home, he shall be protected from all loss and cost in securing the cancellation of said lease.

(C) No claim for costs or loss shall be paid under the provisions of this paragraph unless the claim is presented to the Corporation or an acquiring railroad within 90 days after such costs or loss are incurred.

(D) Should a controversy arise with respect to the value of the home, the costs or loss sustained in its sale, the costs or loss under a contract for purchase, loss or cost in securing termination of a lease, or any other question in connection with these matters, it shall be decided through joint conference between the employee, or his representative, and the Corporation or an acquiring railroad. In the event they are unable to agree, the dispute or controversy may be referred by either party to a board of competent real estate appraisers, selected in the following manner: One to be selected by the employee or his representative and one by the Corporation or acquiring railroad and these two, if unable to agree upon a valuation within 30 days, shall endeavor by agreement within 10 days thereafter to select a third appraiser, or to agree to a method by which a third appraiser shall be selected, and, failing such agreement, either party may request the National Mediation Board to designate within 10 days a third qualified real estate appraiser whose designation will be binding upon the parties. A decision of a majority of the appraisers shall be required and said decision shall be final and conclusive. The salary and expenses of the third or neutral appraiser, including the expenses of the appraisal board, shall be borne equally by the parties to the proceedings. All other expenses shall be paid by the party incurring them, including the compensation of the appraiser selected by such party.

(h) APPLICATION OF TITLE.—Should a railroad rearrange or adjust its forces in anticipation of a transaction with the purpose or effect of depriving a protected employee of benefits to which he otherwise would have become entitled under this title, the provisions of this title will apply to such employee.

CONTRACTING OUT

SEC. 506. All work in connection with the operation or services provided by the Corporation on the rail lines, properties, equipment, or facilities acquired pursuant to the provisions of this Act and the maintenance, repair, rehabilitation, or modernization of such lines, properties, equipment, or facilities which has been performed by practice or agreement in accordance with provisions of the existing contracts in effect with the representatives of the employees of the classes or crafts involved shall continue to be performed by said Corporation's employees, including employees on furlough. Should the Corporation lack a sufficient number of employees, including employees on furlough, and be unable to hire additional employees, to perform the work required, it shall be permitted to subcontract that part of such work which cannot be performed by its employees, including those on furlough, except where agreement by the representatives of the employees of the classes or crafts involved is required by applicable collective-bargaining agreements. The term "unable to hire additional employees" as used in this section contemplates establishment and maintenance by the Corporation of an apprenticeship, training, or recruitment program to provide an adequate number of skilled employees to perform the work.

ARBITRATION

SEC. 507. Any dispute or controversy with respect to the interpretation, application, or enforcement of the provisions of this title, except section 504(d) and those disputes or controversies provided for in subsection (g)(2)(D) of section 505 and subsection (b) of section 504 which have not been resolved within 90 days, may be submitted by either party to an Adjustment Board for a final and binding decision thereon as provided in section 3 Second, of the Railway Labor Act, in which event the burden of proof on all issues so presented shall be upon the Corporation or, where applicable, the Association.

44 Stat. 578; 80 Stat. 208. 45 USC 153.

ACQUIRING RAILROADS

SEC. 508. An acquiring railroad shall offer such employment and afford such employment protection to employees of a railroad from which it acquires properties or facilities pursuant to this Act, and shall further protect its own employees who are adversely affected by such acquisition, as shall be agreed upon between the said acquiring railroad and the representatives of such employees prior to said acquisition: *Provided, however*, That the protection and benefits provided for protected employees in such agreements shall be the same as those specified in section 505 of this title: *And provided further, however*, That unless and until such agreements are reached, the acquiring railroad shall not enter into purchase agreements pursuant to section 303 of this Act.

PAYMENTS OF BENEFITS

SEC. 509. The Corporation, the Association (where applicable), and acquiring railroads, as the case may be, shall be responsible for the actual payment of all allowances, expenses, and costs provided protected employees pursuant to the provisions of this title. The Corporation, the Association (where applicable), and acquiring railroads shall then be reimbursed for such actual amounts paid protected employees, not to exceed the aggregate sum of $250,000,000, pursuant to the provisions of this title by the Railroad Retirement Board upon certification to said Board by the Corporation, the Association (where applicable), and acquiring railroads of the amounts paid such employees. Such reimbursement shall be made from a separate account maintained in the Treasury of the United States to be know as the Regional Rail Transportation Protective Account. There is hereby authorized to be appropriated to such protective account annually such sums as may be required to meet the obligations payable hereunder, not to exceed in the aggregate, however, the sum of $250,000,000. There is further authorized to be appropriated to the Railroad Retirement Board annually such sums as may be necessary to provide for additional administrative expenses to be incurred by the Board in the performance of its functions under this section.

Appropriation.

TITLE VI—MISCELLANEOUS PROVISIONS

RELATIONSHIP TO OTHER LAWS

SEC. 601. (a) ANTITRUST.—(1) Except as specifically provided in paragraph (2) of this subsection, no provision of this Act shall be deemed to convey to any railroad or employee or director thereof any immunity from civil or criminal liability, or to create defenses to actions, under the antitrust laws.

(2) The antitrust laws are inapplicable with respect to any action taken to formulate or implement the final system plan where such action was in compliance with the requirements of such plan.

(3) As used in this subsection, "antitrust laws" includes the Act of July 2, 1890 (ch. 647, 26 Stat. 209), as amended; the Act of October 15, 1914 (ch. 323, 38 Stat. 730), as amended; the Federal Trade Commission Act (38 Stat. 717), as amended; sections 73 and 74 of the Act of August 27, 1894 (28 Stat. 570), as amended; the Act of June 19, 1936 (ch. 592, 49 Stat. 1526), as amended; and the antitrust laws of any State or subdivision thereof.

15 USC 2. 15 USC 12. 15 USC 58. 15 USC 8, 9. 15 USC 13.

(b) COMMERCE AND BANKRUPTCY.—The provisions of the Interstate Commerce Act (49 U.S.C. 1 et seq.) and the Bankruptcy Act (11 U.S.C. et seq.) are inapplicable to transactions under this Act to the extent necessary to formulate and implement the final system plan whenever a provision of any such Act is inconsistent with this Act.

24 Stat. 379. 30 Stat. 544.

(c) ENVIRONMENT.—(1) The provisions of section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332 (2)(C)) shall not apply with respect to any action taken under authority of this Act before the effective date of the final system plan.

83 Stat. 853.

(d) NORTHEAST CORRIDOR.—(1) Rail properties designated in accordance with section 206(c)(1)(C) of this Act shall be leased or may (at its option) be purchased or otherwise acquired by the National Railroad Passenger Corporation. The Corporation shall negotiate an appropriate sale or lease agreement with the National Railroad Passenger Corporation as provided in the final system plan.

(2) Properties acquired by purchase, lease, or otherwise pursuant to this subsection shall be improved in order to meet the goal set forth in section 206(a)(3) of this Act, relating to improved high-speed passenger service, by the earliest practicable date after the date of enactment of this Act.

(3) The Secretary shall begin the necessary engineering studies and improvements upon enactment.

(4) The final system plan shall provide for any necessary coordination with freight or commuter services of use of the facilities designated in section 206(c)(1)(C) of this Act. Such coordination may be effectuated through a single operating entity, designated in the final system plan, or as mutually agreed upon by the interested parties.

(5) Construction or improvements made pursuant to this subsection may be made in consultation with the Corps of Engineers.

(e) EMERGENCY SERVICE.—Section 1(16) of the Interstate Commerce Act (49 U.S.C. 1(16)) is amended by inserting "(a)" before the word "Whenever" in the first sentence and adding the following new paragraph:

41 Stat. 477.

"(b) Whenever any carrier by railroad is unable to transport the traffic offered it because—

"(1) its cash position makes its continuing operation impossible;

"(2) it has been ordered to discontinue any service by a court: or

"(3) it has abandoned service without obtaining a certificate from the Commission pursuant to this section;

the Commission may, upon the same procedure as provided in paragraph (15) of this section, make such just and reasonable directions with respect to the handling, routing, and movement of the traffic available to such carrier and its distribution over such carrier's lines, as in the opinion of the Commission will best promote the service in the interest of the public and the commerce of the people subject to the following conditions:

"(A) Such direction shall be effective for no longer than 60 days unless extended by the Commission for cause shown for an additional designated period not to exceed 180 days.

"(B) No such directions shall be issued that would cause a carrier to operate in violation of the Federal Railroad Safety Act of 1970 (45 U.S.C. 421) or that would substantially impair the ability of the carrier so directed to serve adequately its own patrons or to meet its outstanding common carrier obligations.

84 Stat. 971.

"(C) The directed carrier shall not, by reason of such Commission direction, be deemed to have assumed or to become responsible for the debts of the other carrier.

"(D) The directed carrier shall hire employees of the other carrier to the extent such employees had previously performed the directed service for the other carrier, and, as to such employees as shall be so hired, the directed carrier shall be deemed to have assumed all existing employment obligations and practices of the other carrier relating thereto, including, but not limited to, agreements governing rate of pay, rules and working conditions, and all employee protective conditions commencing with and for the duration of the direction.

"(E) Any order of the Commission entered pursuant to this paragraph shall provide that if, for the period of its effectiveness, the cost, as hereinafter defined, of handling, routing, and moving the traffic of another carrier over the other carrier's lines of road shall exceed the direct revenues therefor, then upon request, payment shall be made to the directed carrier, in the manner hereinafter provided and within 90 days after expiration of such order, of a sum equal to the amount by which such cost has exceeded said revenues. The term 'cost' shall mean those expenditures made or incurred in or attributable to the operations as directed, including the rental or lease of necessary equipment, plus an appropriate allocation of common expenses, overheads, and a reasonable profit. Such cost shall be then currently recorded by the carrier or carriers in such manner and on such forms as by general order may be prescribed by the Commission and shall be submitted to and subject to audit by the Commission. The Commission shall certify promptly to the Secretary of the Treasury the amount of payment to be made to said carrier or carriers under the provisions of this paragraph. Payments required to be made to a carrier under the provisions of this paragraph shall be made by the Secretary of the Treasury from funds hereby authorized to be appropriated in such amounts as may be necessary for the purpose of carrying out the provisions hereof.".

"Cost."

ANNUAL EVALUATION BY THE SECRETARY

Report to Congress.

SEC. 602. As part of his annual report each year, the Secretary shall transmit to Congress each year a comprehensive report on the effectiveness of the Association and the Corporation in implementing the purposes of this Act, together with any recommendations for additional legislative or other action.

FREIGHT RATES FOR RECYCLABLES

SEC. 603. The Commission shall, by expedited proceedings, adopt appropriate rules under the Interstate Commerce Act (49 U.S.C. 1 et seq.) which will eliminate discrimination against the shipment of recyclable materials in rate structures and in other Commission practices where such discrimination exists. 24 Stat. 379.

SEPARABILITY

SEC. 604. If any provision of this Act or the application thereof to any person or circumstances is held invalid, the remainder of this Act and the application of such provision to other persons or circumstances shall not be affected thereby.

Approved January 2, 1974.

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LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 93-620 (Comm. on Interstate and Foreign Commerce) and No. 93-744 (Comm. of Conference).
CONGRESSIONAL RECORD, Vol. 119 (1973):
Nov. 8, considered and passed House.
Dec. 11, considered and passed Senate, amended.
Dec. 13, Proceedings vacated; reconsidered and passed Senate, amended.
Dec. 20, House agreed to conference report.
Dec. 21, Senate agreed to conference report.
WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 10, No. 1 (1974):
Jan. 2, Presidential statement.

GPO 872-467

ERRATA PERTAINING TO VOLUME II

Printing of Volume II was completed prior to Volume I. Errors and revisions to Volume II, therefore, are published in this volume and provided on sheets for direct insertion in Volume II. For the sake of clarity, the errata are printed in italics.

Reference	*Now Reads*	*Should Read*
Page 43, line segment 40, paragraphs 3, 4 and 5, right column	The Norwich & Worcester RR intends to reacquire control of this line and operate it as an independent short-line railroad. **Disposition** The Southbridge Secondary Track is not designated for transfer to Consolidated Rail Corp. and is available for subsidy pursuant to section 304 of the Act. Public officials have recommended that certain rail rights-of-way be used for other public purposes if rail service is discontinued. For line-specific recommendations, see section C of this appendix. Control and operation of this line by the Norwich & Worcester RR would preserve rail service to all of the traffic generated on this line.	The Norwich & Worcester Railroad may reacquire control of this line and operate it as an independent short line railroad *if it demonstrates its capability to operate the line.* **Disposition** *This portion of the Southbridge Secondary Track is* not *designated for transfer to the Consolidated Rail Corp. and is designated for offer to the Providence & Worcester Railroad.* *However, this portion of the Southbridge Secondary Track will be designated to the Norwich & Worcester Railroad if it demonstrates its ability to operate the line prior to conveyance.* *If the offer is not accepted, the line will be acceptable for subsidy pursunt to section 304 of the Act. Please refer to Chapter 8 (Designations) for a more complete description of the conveyance options regarding this line segment.*

Reference	*Now Reads*	*Should Read*
Page 47, line segment 678a, last paragraph left column	The Norwich & Worcester Railroad intends to reacquire this line and operate it as an independent short line railroad. **Disposition** This portion of the Norwich Secondary Track is *not* designated for transfer to Consolidated Rail Corp. and is available for subsidy pursuant to section 304 of the Act. Public officials have recommended that certain rail rights-of-way be used for other public purposes if rail service is discontinued. For line specific recommendations, see section C of this appendix. Control and operation of this line by the Norwich & Worcester RR would preserve rail service to *all* of the traffic generated on this line.	The Norwich & Worcester Railroad intends to reacquire this line and operate it as an independent short line railroad *if it demonstrates its ability to operate the line.* **Disposition** *This portion of the Norwich Secondary Track is* not *designated for transfer to the Consolidated Rail Corp. and is designated for offer to the Providence & Worcester Railroad.* *However, this portion of the Norwich Secondary Track will be designated to the Norwich & Worcester Railroad if it demonstrates its ability to operate the line prior to conveyance.* *If the offer is not accepted, the line will be acceptable for subsidy pursuant to section 304 of the Act. Please refer to Chapter 8 (Designations) for a more complete description of the conveyance options regarding this line segment.*
Page 48, line segment 43, last paragraph, right column	This portion of the Shore Line shall be transferred to Amtrak. ConRail will continue to provide local freight service.	This portion of the Shore Line shall be transferred to Amtrak *under the circumstances described in Chapter 8.* ConRail will continue to provide local freight service.
Page 179, line segment 455a, paragraph 3, left column	The portion of this line necessary to serve the traffic generated at Owosso shall be offered for sale to the Grand Trunk Western RR. This sale would preserve rail service to an estimated 222 carloads or approximately 35 percent of the traffic generated on this line.	The portion of this line necessary to serve the traffic generated at Owosso shall be offered for sale to the Grand Trunk Western RR *unless ConRail operates through Owosso to reach Saginaw-Bay City if the GTW does not accept offers under projects GTW–6 and GTW–7 or grant trackage rights under project MI–16.* This sale would preserve rail service to an estimated 222 carloads or approximately 35 percent of the traffic generated on this line.
Page 197, line segment 1300, paragraph 4, left column	The portion of this line necessary to serve the traffic generated from Durand to Owosso shall be offered for sale to the Grand Trunk Western RR *only* if the GTW acquires Line Nos. 443, 446 and 447. This sale would preserve rail service to an estimated 332 carloads or approximately 16 percent of the traffic generated on this line.	The portion of this line necessary to serve the traffic generated from Durand to Owosso shall be offered for sale to the Grand Trunk Western RR *only* if the GTW acquires Line Nos. 443, 446 and 447 *or if ConRail obtains trackage rights on the GTW from Durand to Saginaw.* This sale would preserve rail service to an estimated 332 carloads or approximately 16 percent of the traffic generated on this line.

Reference	*Now Reads*	*Should Read*
Page 198, line segment 1301, last paragraph, right column and page 199, remainder of this paragraph	The portion of this line necessary to serve the traffic generated from Owosso to Ashley shall be offered for sale to the Grand Trunk Western RR. This sale would preserve rail service to an estimated 2,110 carloads or approximately 37 percent of the traffic generated on this line.	The portion of this line necessary to serve the traffic generated from Owosso to Ashley shall be offered for sale to the Grand Trunk Western RR *if Line Nos. 443, 446, and 447 are sold to the GTW or ConRail obtains trackage rights over GTW from Durand to Saginaw.* This sale would preserve rail service to an estimated 2,110 carloads or approximately 37 percent of the traffic generated on this line.
Page 200, line segment 393, first two lines, right column	of this line from Ottawa Lake to Lenawee will be required by ConRail to serve Line No. 395.	of this line from Ottawa Lake to Lenawee *Junction* will be required by ConRail to serve Line No. 395.
Page 435, line segment 691, paragraphs 4 and 5, left column	This portion of Philadelphia-to-Pittsburgh line is designated for transfer to ConRail on the condition that it will be transferred to Amtrak under sale, lease or other acquisition. If this conveyance to Amtrak (or ConRail) is consummated, then ConRail will provide local freight service on this line.	This portion of Philadelphia-to-Pittsburgh line is designated for transfer to ConRail. *Please refer to Chapters 2 and 8 of Volume I for discussion of possible subsequent transfer to other entities.*
Page 435, line segment 691a, paragraphs 6 and 7, left column	This portion of Philadelphia-to-Pittsburgh line, extending from *West of Lancaster* (Milepost 73.0) to *Conewago, Pa.* (Milepost 90.5), including 1.0 mile of the Lebanon Running Track from Milepost 0.0 to Milepost 1.0 at Conewago, a total distance of *18.5 miles*, in Lancaster County, Pa., a line which was recommended for inclusion on Page 772 of the Preliminary System Plan, is designated for transfer to ConRail on the condition that it will be transferred to Amtrak under sale, lease or other acquisition. If this conveyance to Amtrak (or ConRail) is consummated, then ConRail will provide local service on this line. If this recommended transfer to Amtrak is not effected, then ConRail will acquire this line for its own account and will provide local freight service.	This portion of Philadelphia-to-Pittsburgh line, extending from *West of Lancaster* (Milepost 73.0) to *Conewago, Pa.* (Milepost 90.5), including 1.0 mile of the Lebanon Running Track from Milepost 0.0 to Milepost 1.0 at Conewago, a total distance of *18.5 miles*, in Lancaster County, Pa., a line which was recommended for inclusion on Page 772 of the Preliminary System Plan, is designated for transfer to ConRail *which will provide local freight service on this line. Please refer to Chapters 2 and 8 of Volume I for discussion of possible subsequent transfer to other entities.*
Page 435, line segment 691b, last two paragraphs, right column	This portion of the Philadelphia-to-Pittsburgh line is designated for transfer to ConRail on the condition that it will be transferred to Amtrak under sale, lease or other acquisition. ConRail will *not* provide local freight service on this line. If this recommended transfer to Amtrak is not effected, then ConRail will *not* acquire this line for its own account and will *not* provide local freight service.	This portion of the Philadelphia-to-Pittsburgh line *will* not *be included in ConRail except under the circumstances described in Chapters 2 and 8 of Volume I. This line is available for subsidy pursuant to section 304 of the Act.*

Reference	*Now Reads*	*Should Read*
Page 436, line segment 691c, paragraphs 1 and 2, left column	The USRA board has included Philadelphia-Harrisburg in the definition of Northeast Corridor properties to be transferred to Amtrak. This portion of the Philadelphia-to-Pittsburgh line, extending from Milepost 64.5 to Milepost 73.0, a distance of *8.5 miles at Lancaster*, in Lancaster County, Pa., a line which was recommended for inclusion on Page 772 of the Preliminary System Plan and is designated to ConRail for the exclusive purpose of leasing the line segment to Amtrak pursuant to section 206(c)(1)(C) of the Act. ConRail will continue to provide local freight service.	*This portion of the Philadelphia-to-Pittsburgh line, extending from Milepost 64.5 to Milepost 73.0, a distance of 8.5 miles at Lancaster, in Lancaster County, Pa., a line which was recommended for inclusion on Page 772 of the Preliminary System Plan and is designated to ConRail for local freight service. Please refer to Chapters 2 and 8 of Volume I for discussion of possible subsequent transfer to other entities.*
Page 508, second paragraph left column, last paragraph, right column.	Very high priority lines pass through proven reserves. Should demand for coal from these reserves increase, these lines might be prohibitively expensive to reassemble, replace or reconstruct—unless held in a rail bank. Rehabilitation estimates are derived from abandonment applications, from line questionnaire data and line viability analyses. The unit costs incorporated in the viability analysis are at 1973 cost levels. Cost adjustment factors of 1.43 and 1.27 were applied to update the 1972 and 1973 cost estimates respectively to the 1975 levels. The cost estimates tend to be conservative and do not generally include replacement of unique structures such as bridges and tunnels.	Very high priority lines pass through proven reserves. Should demand for coal from these reserves increase, these lines might be prohibitively expensive to replace or reconstruct—unless held in a rail bank. Rehabilitation estimates are derived from abandonment applications, from line questionnaire data and line viability analyses. The unit costs incorporated in the viability analysis are at 1973 cost levels. Cost adjustment factors of 1.43 and 1.27 were applied to update the 1972 and 1973 cost estimates respectively to the 1975 levels. The cost estimates tend to be conservative and do not generally include replacement of structures such as bridges and tunnels.
Page 518, second and third paragraphs, left column.	Section 206(c)(1)(E) of the Act directs USRA to "solicit the views and recommendations of the Secretary of Transportation, the Secretary of the Interior, the Administrator of the Environmental Protection Agency and other agencies of the Federal Government and of the States and political subdivisions thereof within the region, and the general public." In complying with this provision USRA sought the views of more than 4,600 federal, state and local governmental bodies. Letters were sent to the primary official of 15 federal agencies, the governor of each of the 17 states, 500 mayors and almost 1,200 other state or local planning units. In many instances these letters were sent to states or local areas which have no po-	Section 206(c)(1)(E) of the Act directs USRA to "solicit the views and recommendations of the Secretary of Transportation, the Secretary of the Interior, the Administrator of the Environmental Protection Agency and other agencies of the Federal Government and of the States and political subdivisions thereof within the region, and the general public." In complying with this provision, USRA sought the views of more than *4,200* federal, state and local governmental bodies. Letters were sent to the primary official of 15 federal agencies, the governor of each of the 17 states, *3,900* mayors and *500* other state or local planning units. In many instances these letters were sent to states or local areas which have no potentially abandoned

Reference	*Now Reads*	*Should Read*
	tentially abandoned rights-of-way within their boundaries. USRA adopted this policy so as to insure that any unit which might be interested in the planning process of neighboring jurisdictions would have an opportunity to express its views. Finally a notice inviting comments for alternative uses of the rights-of-way from the general public was placed in the *Federal Register*, May 16, 1975. As of July 18, 1975, USRA had received fewer than 75 responses. Although there have been several contacts with representatives of the federal agencies, only the Department of the Interior submitted suggestions for specific lines. The Department of Commerce, the Energy Research and Development Administration, and the Rail Services Planning Office have offered some general comments.	rights-of-way within their boundaries. USRA adopted this policy so as to insure that any unit which might be interested in the planning process of neighboring jurisdictions would have an opportunity to express its views. Finally a notice inviting comments for alternative uses of the rights-of-way from the general public was placed in the *Federal Register*, May 16, 1975. As of July 18, 1975, USRA had received fewer than *80* responses. Although there have been several contacts with representatives of the federal agencies, only the Department of the Interior submitted suggestions for specific lines. The Department of Commerce, the *Nuclear Regulatory Commission, the Department of Transportation* and the Rail Services Planning Office have offered some general comments.
Page 519 text	None; new language.	Add paragraph to end of text reading: *Table 2 reflects the line segments excluded from the restructuring system as of April 7, 1975. In a few cases all or a portion of a line has been either included in the restructuring system or recommended for transfer (in whole or part) to a solvent carrier. In such cases, continued use of the line in rail service will take precedence over the suggested uses shown.*

VOLUME I — PART II

Chapter 8 and appendix

8

Designations

The Act establishes an intricate mechanism to achieve the goals of the Final System Plan through a system of rail property transfers. The property transfers will be certified to the Special Court in accordance with designations made in the FSP. This chapter details the required designations, specifying which properties are transferred by the railroads in reorganization and others to ConRail and Amtrak; which are offered to profitable carriers serving the Region and which are available for purchase or lease by state, local and regional commuter and passenger authorities. The chapter discusses the statutory basis for the designations which are made, describes the entities from and to which properties are transferred, and explains the principles underlying the process of selection of particular assets and designation techniques.

The Act provides an elaborate mechanism for transferring and reallocating interests in rail properties to create new patterns of industry structure, service and competition.

The designations in the FSP determine which rail properties will be transferred or conveyed under the FSP and the parties to such transactions.[1] Part II of the FSP, (this chapter and the appendix) contains those designations. The chapter discusses the relevant statutory provisions; it describes the rail properties involved (e.g., rail lines, facilities, rolling stock) and the nature of the property interests in the property to be transferred; and it identifies the parties to the various rail property transactions.

Ninety days after the effective date of the FSP, USRA will certify to the Special Court those rail properties of railroads in reorganization which are to be conveyed and the parties to such conveyances. Prior to that certi-

[1] In general, the Act provides for "transfers" to ConRail and "conveyances" to "profitable railroads" from railroads in reorganization. Section 303, however, refers to all such transactions as "conveyances". In this chapter, to avoid undue repetition, the terms are often used interchangeably.

fication, further work will be done to identify and describe in more detailed and traditional property-law terms the rail properties subject to conveyance. The designations in the FSP are not necessarily set forth in terms that would satisfy normal conveyancing standards. The process of completing the descriptions and entry on property records will continue until and, if need be, beyond certification to the Special Court.

Some of the designations in this plan cannot be final now. For example, there can be no assurance until 30 or 60 days after the FSP becomes effective that particular conveyances involving profitable railroads and, in certain cases ConRail, actually will occur. In addition, for practical reasons some properties can be designated only by classification standards rather than specific designation. While this procedure should be adequate for general identification and Congressional appraisal, more definite identifications will have to be made during the remainder of the statutory process.

Part II makes designations of rail properties of railroads in reorganization and various affiliated or subsidiary railroads for conveyance to ConRail; profitable railroads operating in the Region, such as the Chessie System and the Norfolk & Western; Amtrak, which already provides passenger service over properties of railroads in reorganization, and state, local and regional authorities to provide commuter and other passenger service. In the case of rail properties retained in the various bankrupt estates, appropriate cross-reference is made to other parts of FSP where designations are made indicating which of such properties are suitable for "other public purposes."

The Designation Process

Subject to Congressional review, USRA has power to structure rail property transactions and to make the designations necessary to achieve the goals of the Act. The power is not unlimited, however, and can best be understood by examining the sections of the Act that relate directly to the designation process. A discussion of those key sections follows.

Rail Properties

Section 102(10) defines the term "rail properties" to mean

> "assets or rights owned, leased, or otherwise controlled by a railroad which are used or useful in rail-transportation service; except that the term, when used in conjuction with the phrase 'railroads leased, operated, or controlled by a railroad in reorganization,' shall not include assets or rights owned, leased, or otherwise controlled by a Class I [2] railroad which is not wholly owned, operated, or leased by a railroad in reorganization but is controlled by a railroad in reorganization."

The most important feature of this definition is its breadth. Rail properties include not only land, buildings, tracks, rolling stock, equipment, securities, cash and accounts receivable "used or useful in rail transportation" but also "rights". Rights in rail properties include not only fee ownership but leasehold interests and other interests less than full ownership. The designation process permits combining interests held by separate entities into a full, fee estate. Moreover, the definition of rail properties when read with other sections of the Act, permits the Association to split the "bundle" of rights or assets held by one or more transferors and designate separate parts for transfer to two different transferees. For example, a fee interest in rail properties can be designated to ConRail, combined with an offer of trackage rights in the same property to a profitable railroad.

The definition of rail properties also reaches situations in which properties are leased by Penn Central and the other major rail estates from entities that the estates lease or control, but which are not themselves in reorganization. The Act also authorizes the conveyance of "all right, title and interest" in such properties, not merely the estate's interest. On the other hand, under the section 102(10) exception, "rail properties" do not include the properties owned by several Class I railroads (the three most prominent being the Detroit, Toledo & Ironton, Indiana Harbor Belt and Pittsburgh and Lake Erie railroads) that operate independently of Penn Central even though Penn Central "controls" them through ownership of a majority of their common stock either directly or through an intermediate chain of stock ownership.[3]

Railroad in Reorganization

Section 102(12) defines the term "railroad in reorganization" to mean

> "a railroad which is subject to a bankruptcy proceeding and which has not been determined by a court to be reorganizable or not subject to reorganization pursuant to this Act as prescribed in section 207(b) of this Act. A 'bankruptcy proceeding' includes a proceeding pursuant to Section 77 of the Bankruptcy Act (11 U.S.C. 205) and an equity receivership or equivalent proceeding."

Although its wording was necessarily intricate at the outset, the current significance of this definition may now be stated more simply: the "railroads in reorganization" are all the railroads that were in traditional reorganization proceedings when the Act was passed except one major railroad, the Boston & Maine, and

[2] A Class I railroad is defined by the ICC as a railroad having $5 million or more of railway operating revenue (49 CFR Part 1201, 1-1(a)).

[3] *See* 119 *Cong. Rec.* 11873–74 (daily ed., December 20, 1973).

two Class II[4] railroads that were not brought within the Act's processes.

Profitable Railroad

Section 102(9) defines the term "profitable railroad" to mean

> "a railroad which is not a railroad in reorganization. The term does not include the Corporation, the National Railroad Passenger Corporation, or a railroad leased, operated, or controlled by a railroad in reorganization in the region."

Profitable railroads include, at least technically, every railroad in the United States except those being reorganized under the Act (and those they lease, operate or control), even railroads that are not "profitable" in the traditional sense. Indeed, even a railroad in section 77 proceedings (like the Boston & Maine) is within this definition of "profitable railroad" if it is not being reorganized under the Act. On the other hand, ConRail and Amtrak are excluded, because the Act provides separately for transfers of rail properties to them. Most references in the Act to profitable railroads, however, are qualified by the words "in the region."

Designations

Section 206(c) in general provides that

"The final system plan shall designate—

> "(1) which rail properties of railroads in reorganization in the region or of railroads leased, operated, or controlled by any railroad in reorganization in the region . . ."

shall be transferred or offered for transfer to certain entities and for certain purposes.

Transfers to ConRail

Subparagraph (A), with specific reference to ConRail, provides that certain rail properties so designated

"shall be transferred to the Corporation;"

This is the subparagraph under which rail properties are designated for transfer to ConRail. After the designations are made and the Final System Plan has become effective, section 209(c) of the Act requires the Association to certify to the Special Court the properties to be transferred and section 303(b) requires the Special Court to order the transfer. Section 303(b) directs the Special Court to order the trustees of a railroad in reorganization to transfer property so designated and also provides for the Special Court itself to order the transfer of rail properties so designated from a "railroad leased, operated or controlled" by a railroad in reorganization. The railroads in reorganization (and those they lease, operate, or control) are given no choice about whether or when to transfer the certified properties, and ConRail is given no choice about whether to accept them.

Section 302(b) of the Act provides that, with respect to rail properties transferred to ConRail, it is authorized and directed to

> "(b) operate rail service over such rail properties except as provided under sections 304(e) and 601(d)(3) of this Act."

Section 304(e) authorizes the ICC to give ConRail permission to abandon transferred rail properties to the extent permissible under the criteria set forth in the Interstate Commerce Act, but such permission may be given only after 2 years from the date the properties are transferred. The effect of section 302(b), therefore, is to require ConRail not only to accept all certified rail properties but (with the exception of certain properties to be transferred to Amtrak or local passenger authorities) to assure that they are operated for at least 2 years.[5] Thereafter, ICC approval would be required for any discontinuance or abandonment.

No provision of the Act gives ConRail any special authority to transfer rail property to other railroads. Transfers therefore would be permitted only in the same manner, and subject to the same procedures and conditions, that transfers of property by railroads customarily require.

Section 206(d)(1) provides that property transferred to ConRail will be transferred in exchange for ConRail stock and securities, USRA obligations and "other benefits." Each of these forms of compensation is discussed elsewhere (ConRail stock and securities in Chapters 4 and 5 and "other benefits" in Chapter 5).

Conveyances to Profitable Railroads

Section 206(c)(1)(B) requires USRA to designate which transferable rail properties

> "shall be offered for sale to a profitable railroad operating in the region and, if such offer is accepted, operated by such railroad; the plan shall designate what additions shall be made to the designation under subparagraph (A) of this paragraph [the designation to ConRail] in the event such profitable railroad fails to accept such offer."

This subparagraph provides for the designation of properties to be conveyed to profitable railroads. Unlike subparagraph (A), relating to transfers to ConRail, this subparagraph provides for "offers" involving discretionary acceptances. If property is designated under this subparagraph, the offeree may either accept or refuse the offer. Section 206(d)(4) provides, however, that the designation and the offer shall terminate

[4] A Class II railroad is defined by the ICC as a railroad having less than $5 million of annual railway operating revenues (49 CFR Part 1201, 1–1(a)). The two are the Cadillac & Lake City and the New Hope & Ivyland.

[5] This service obligation, of course, would not apply where the only property interest designated for transfer is an option and the option is not exercised.

30 days after the effective date[6] of the Final System Plan unless the profitable railroad has accepted the offer by that time. If the offer is accepted section 303(b) requires the Special Court to order the transfer.

Section 206(d)(2) provides that a railroad which conveys property to a profitable railroad shall receive "compensation." Ordinarily, since the profitable railroad is required to "operate" the properties, it will accept only properties precisely fitting its needs and plans. USRA has concluded that the price paid by the profitable railroad should reflect the unique worth of the "tailored" package to the particular offeree.

Since the conveyance is mandatory as far as the estates are concerned, they must receive constitutionally sufficient consideration. Section 303 therefore provides that if the agreed consideration is insufficient, the transferor estate may obtain a deficiency judgment against the profitable railroad. It proved impossible to obtain the agreement of the Chessie System to consider a major group of acquisitions important to the FSP's basic industry structure except on the condition that the threat of a deficiency judgment be eliminated. Accordingly, USRA will propose legislation to eliminate the deficiency judgment with respect to transactions that are essential to achieving the basic industry structure which USRA believes best meets the overall goals of the Final System Plan.[7]

Congress gave the Association the power to indicate an alternate designation to ConRail if a profitable railroad turns down an offer designated under section 206(c)(1)(B). USRA may choose either to make no second designation, in which case the consequence of a refusal is that the property remains in the bankrupt estate, or, under the last clause of subparagraph (B), to provide that properties declined by a profitable railroad will be transferred to ConRail instead. In view of the language of subparagraph (B) and the constraints of paragraphs (d)(3) and (d)(4), USRA concluded that a statutory amendment probably would be needed to designate an alternate offer to a second profitable if the offer to the first profitable were refused.

Designations under subparagraph (B) are limited by section 206(d)(3), which provides that

> "notwithstanding any other provision of this Act, no acquisition under this Act shall be made by any profitable railroad operating in the region without a determination with respect to each such transaction and all such transactions cumulatively (A) by the Association, upon adoption and release of the preliminary system plan, that such acquisition or acquisitions will not materially impair the profitability of any other profitable railroad operating in the region or of the Corporation, and (B) by the Commission, which shall be made within 90 days after adoption and release by the Association of the preliminary system plan, that such acquisition or acquisitions will be in full accord and comply with the provisions and standards of section 5 of part I of the Interstate Commerce Act (49 U.S.C. 5) . . ."

This section was designed, in important part, for the purpose of protecting profitable railroads and ConRail, through special processes to evaluate the economic impact on such railroads of acquisitions by other railroads under the Act.

Transfers to Amtrak

Section 206(a)(1)(C) provides that the FSP shall designate which transferable rail properties

> "shall be purchased, leased, or otherwise acquired from the Corporation by the National Railroad Passenger Corporation in accordance with the exercise of its option under section 601(d) of this Act for improvement to achieve the goal set forth in subsection (a)(3) of this section."

Several points need to be made about this subparagraph. In the first place, as noted elsewhere in the chapter in connection with an amendatory proposal, the reference to the "goal set forth in subsection (a)(3)" indicates that the properties Congress had in mind are those needed to provide high speed intercity passenger service in the Northeast Corridor between Boston and Washington and not properties outside the Corridor.

In the second place, subparagraph (C) provides for transfers not from the railroads in reorganization (as in the case of (A) and (B) designations) but from ConRail. Therefore, rail properties must be designated under subparagraph (A) first for transfer to ConRail for the purpose of subsequent transfer from ConRail to Amtrak.

In the third place, Amtrak is required to accept the properties designated for transfer to it under subparagraph (C), but under section 601(d)(1) Amtrak is given the option to decide whether the transfer will be by sale, lease or other form of acquisition. This option, designed to provide appropriate protection for Amtrak from financial burdens that otherwise might be imposed on it, nevertheless makes it more difficult to project the future of ConRail. ConRail will be required to accept the properties from the estates and provide compensation for them, but how ConRail will be paid for retransferring the properties to Amtrak may depend on the form of transaction Amtrak chooses.

Finally, section 206(d)(5) provides that when rail properties are transferred to Amtrak pursuant to subparagraph (C) they shall be transferred "at a value

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[6] Section 102(4) defines the effective date of the FSP as the date on which the FSP is deemed approved by Congress in accordance with section 208.

[7] These transactions include Chessie acquisitions of a portion of the EL and Reading properties and PC's Charleston markets. These are covered in Projects USRA-1 and CS-5, 12 and 19, as further described in this Chapter. The offers involving these designations for which deficiency judgment protection will be sought are made contingent in these circumstances on Chessie's acceptance of all or none. The related Appendix designations should be so construed.

related to the value received for the transfer to the Corporation of such properties". Accordingly, USRA has estimated the value of these properties, as set forth in Chapter 5 and assumes that the negotiations between ConRail and Amtrak will be based on this estimate. The valuation proceedings conducted under the Act, however, may result in a different value payable to the railroads in reorganization and, consequently, adjustments to the terms on which Amtrak acquires the properties. A further unresolved question, suggested in the opinion of the Special Court, is the extent to which that court may require ConRail to pass through the amounts it receives from Amtrak to the rail estates from which it obtains properties.[8]

Transfers to State, Regional or Local Passenger Authorities

Section 206(c)(1)(D) provides that the FSP shall designate which transferable rail properties

> "may be purchased or leased from the Corporation by a state or a local or regional transportation authority to meet the needs of commuter and intercity rail passenger service."

This subparagraph, like subparagraph (C), requires a transfer of property first to ConRail and then by ConRail to a governmental authority. Governmental authorities, however, have the right to accept or refuse the property designated. Since the property to be designated under this provision is limited to property used in passenger service and since ConRail should not be placed in the position of having to cross-subsidize passenger operations, the FSP designates an option interest in certain of these properties in a manner intended to result in an adequate declaration of intent by the public authorities before action is taken on the option.

Other Uses

Section 206(c)(1)(E) provides that the FSP shall designate which rail properties eligible for transfer

> "if not otherwise required to be operated by the Corporation, a government entity, or a responsible person, are suitable for use for other public purposes, including highways, other forms of transportation, conservation, energy transmission, education or health-care facilities, or recreation."

Unlike the four previous categories of designation, this subparagraph does not provide for designation of specific conveyances. It instead provides USRA with an opportunity to recommend use of properties for other public purposes when the properties are not to be conveyed under the Act.

These "other use" designations could be of importance to the rail estates, because they have the effect of triggering the restraints set forth in section 304(b)(2) on the right to abandon rail properties not transferred under the Act. On the other hand, USRA is not well equipped to make sensitive judgments about the best uses of land in various localities, and it has not attempted to do so. Instead, when it has received responsible "other use" suggestions for specific rail properties, it has designated the property as suitable, generally, for public purpose use and reported the specific suggestion, leaving it to others to make final determinations of appropriate uses and reasonable terms. The other use designations are set out in Part III of the FSP.

Conveyances From Profitable Railroads

Section 206(c)(2) provides that USRA shall designate

> "which rail properties of profitable railroads operating in the region may be offered for sale to the Corporation or other profitable railroads operating in the region subject to paragraphs (3) and (4) of subsection (d) of this section."

This section, under which USRA has designated a major acquisition by ConRail from the Chessie System, was designed primarily to facilitate negotiated acquisitions to complete the ConRail system. Both the offer by the profitable railroad and its acceptance by ConRail are voluntary, but a designation under this section permits the conveyance to be coordinated with other conveyances under the Act and to be vested, by virtue of section 601, with general exemptions from certain requirements of other federal statutes.

Joint Use

Section 206(g) provides that

> "the final system plan may recommend arrangements among various railroads for joint use or operation of rail properties on a shared ownership, cooperative, pooled, or condominium-type basis. The final system plan shall also make such designations as are determined to be necessary in accordance with the provisions of section 402 or 403 of this Act."

The first sentence of this provision reflects Congressional recognition that joint facility arrangements can contribute significantly to operating economies. It authorizes USRA to identify and recommend particular arrangements other than those actually "designated" in the FSP. Such recommendations may facilitate subsequent implementation.

The precise effect of the second sentence is unclear, because sections 402 and 403, which deal with rail service continuation subsidies and acquisition and modernization loans, do not call expressly for any designation

[8] See *In the Matter of Penn Central Transportation Co.*, etc., 384 F. Supp. 805, 981 (Special Court 1974) (opinion of McGowan, J.)

by USRA.[9] Because of this ambiguity, no designations are made under that sentence.

Values

Section 206(f) provides that

> "the final system plan shall designate the value of all rail properties to be transferred under the final system plan and the value of the securities and other benefits to be received for transferring those rail properties to the Corporation in accordance with the final system plan."

This section requires USRA to specify a value for all rail properties to be transferred to ConRail (not properties to be conveyed to profitable railroads) and for the securities and other benefits to be received by the rail estates for these properties. The Act does not say how much detail is required, but the Association concluded that the Act's purposes would be best served by designating the total value for the rail properties of each estate to be conveyed under section 303, except for further specific designations of properties transferred under sections 206(c) (1) (B), (C) and (D).

The valuation process is discussed, and the valuation designated, in Chapter 5. It is important to note here again, however, that for the reasons stated in Chapter 5 the offering prices to profitable railroads indicated in this chapter are not necessarily relevant to the valuation process involved in transfers to ConRail. Moreover, no valuations or offering prices are required by the Act for designations pursuant to section 206(c) (2).

The Conveyance Process Following the Final System Plan

After the FSP has become effective, upon completion of a Congressional review pursuant to section 208, USRA has, under section 209(c), 90 days within which to deliver the FSP to the Special Court and to certify to that court that the transfer of rail properties in exchange for securities of the Corporation (including any obligations of the Association) and other benefits is "fair and equitable and in the public interest."

Section 303 provides that within 10 days after the FSP is delivered to the Special Court, ConRail and the profitable railroads that are to receive transfers of property from railroads in reorganization must deposit with the Special Court the securities and other consideration to be paid for the properties being transferred. With a further 10 days, the Special Court is required to order the conveyance of rail properties to ConRail and the profitable railroads. Only after the conveyance will the Special Court conduct proceedings to determine the value of the rail properties and the consideration and decide whether the terms of conveyance are fair and equitable to the railroads in reorganization and neither more nor less than the constitutional minimum (see Chapter 5).

The rail properties are required to be conveyed "free and clear of all liens and encumbrances," except certain leases and agreements involving state, local or regional transportation authorities, certain public health and sanitation transactions, certain liens applicable to rolling stock and certain leases approved by a reorganization court. The liens and encumbrances to be eliminated are generally those in favor of persons with claims against the estates of the railroads in reorganization. Property interests of third prsons, such as public utility easements and trackage rights agreements, are not eliminated by the transfers specified in the FSP.

Discontinuance of Service

Section 304 provides that any railroad in the Region, including a profitable railroad which transfers substantially all of its properties pursuant to the FSP normally may discontinue rail service on any remaining rail properties by giving 60 days' notice to the affected states, localities and shippers. After discontinuance of service, the railroad may, by further steps, abandon the rail properties.

There are two important exceptions to these general rules. First, under section 304, service must continue if a governmental entity, transportation authority or shipper offers a subsidy covering avoidable costs and a return on value, or offers to purchase the property. Second, under section 304(a), estates must continue to provide service on lines if required by the terms of certain existing arrangements with respect to commuter service.

Only railroads in the Region transferring all or substantially all of the properties designated in the FSP for such transfer have a right to discontinue service under section 304 unless they are offered a satisfactory subsidy. ConRail has no such right. Accordingly, other than situations where commuter service is operated over lines that are also viable freight routes, the Association has not designated for transfer to ConRail any properties over which continued rail operations would require a subsidy except by appropriate options.

Present Ownership of Rail Properties Affected by the Act

The "railroads in reorganization" in the Region are organized into seven systems, whose parent companies are Ann Arbor Railroad Company (AA), Erie Lackawanna Railroad Company (EL), Lehigh Valley Railroad Company (LV), Penn Central Transportation

[9] It might be possible to conclude that this sentence should be related to the language of subparagraph (A) of section 304(a) (1) and (2), in view of the reference in (A) to the designation of rail service in the Final System Plan. To do so, however, would create the anomaly of withdrawing the expedited discontinuance and abandonment provisions of section 304 from rail properties retained by the estates. The properties so designated would be required to remain in operation without the necessity for any subsidy offers under section 304(c). This interpretation is contrary to the basic scheme of the Act. There is no apparent intent to compel the estates under the plan to operate nonviable retained rail properties without benefit of suitable financial support.

Company (PC), Reading Company (RDG), The Central Railroad Company of New Jersey (CNJ), and The Lehigh and Hudson River Railway Company (LHR). These seven "primary debtors", however, are by no means the only corporations whose properties are designated for transfer in the FSP. On the contrary, it directly affects properties now owned by more than 100 corporations having various relationships with the primary debtors.

The Act establishes several ways in which the properties of these corporations can be transferred to ConRail or a profitable railroad. First, rail properties of any "railroad in reorganization" (including, according to section 102(10), properties "owned, leased or otherwise controlled" by a railroad in reorganization) can be designated for transfer or conveyance. There are 15 such corporations generally referred to as "secondary debtors," in addition to the seven primary debtors. Second, properties of railroads not themselves in reorganization but "leased, operated or controlled" by a railroad in reorganization can be designated; there are about 25 additional "leased" railroads and several "controlled" railroads whose properties are subject to designation under this provision even though not themselves in reorganization. Third, if a railroad in reorganization owns stock which confers control of, or other rights in rail properties "used or useful in rail transportation service," the stock is itself "rail property" and may be designated for transfer. Finally, where a railroad in reorganization owns, leases or otherwise controls leasehold, trackage rights, contract rights under operating agreements, or other rights in assets belonging to a solvent corporation, these rights held by the estates may be "rail properties" subject to designation under the Act even though the solvent owner's interest cannot be reached.

Leased Lines

After the seven primary debtors, the best known and most important transferors are the "leased lines". These are separate corporations, at least in a nominal sense, which, for reasons and upon terms that vary with their histories, have leased all or substantially all of their rail properties to one of the primary debtors for what is generally a long term. Nearly half of the route miles of right-of-way in the Penn Central system are owned not by Penn Central itself but by lessor companies. Reading also leases several important lines.

In most cases, the lessee (Penn Central or another primary debtor) also owns all, a majority or a minority of the stock of the lessor corporation. Even in such cases, however, there often are creditors or minority shareholders of the lessor whose interests must be considered. Further complications are found in those cases in which a single lessor is owned by two or more corporations in the Penn Central family.

The lease between the lessor and the primary-debtor lessee is an executory contract, which the Bankruptcy Act permits the lessee's trustees to affirm or disaffirm at their option. Affirmance requires payment of the rent, including rent deferred since bankruptcy commenced, whereas disaffirmance creates a new set of claims between the lessor and lessee and means that some new arrangement must eventually be made for use of the property for rail service. Most of the leases of the primary debtors subject to the Act as yet have neither been affirmed nor disaffirmed. In light of its broad designation authority, USRA has had to decide whether to designate the leasehold or the fee ownership for transfer to ConRail.

Secondary-Debtor Leased Lines.—The class of lessors that present the fewest special problems, either of policy or of law, are the 15 leased lines whose stock is wholly or mostly owned by Penn Central and which have themselves elected to enter Section 77 proceedings in conjunction with Penn Central.[10] These 15 corporations have themselves been determined to constitute "railroads in reorganization" within the meaning of the Act. Accordingly, their properties are designated in the same manner as properties owned by primary debtors.

Non-Bankrupt Leased Lines.—The remaining leased lines (more than 25 of them) have not filed petitions to reorganize under Section 77 of the Bankruptcy Act and, therefore, technically are not "railroads in reorganizations".[11] Since the sole or primary source of income of all the leased lines is the stipulated rent, which in almost all cases is not being paid, the distinction between the secondary debtor leased lines and the solvent leased lines is largely accidental: the leased lines that filed for reorganization under Section 77 are those a majority of whose stock was controlled by Penn Central and which were otherwise amenable to Section 77 proceedings. Although the other leased lines remain technically solvent, their ultimate fates, no less than those of the secondary-debtor lessors, are bound to the fates of their lessees.

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[10] These 15 secondary debtors are: Beech Creek Railroad, Cleveland & Pittsburgh Railroad, CCC & St. Louis Railway, Connecting Railway, Delaware Railroad, Erie & Pittsburgh Railroad, Michigan Central Railroad, Northern Central Railway, Penndel Company, Philadelphia & Trenton Railroad, Philadelphia, Baltimore & Washington Railroad, Pittsburgh, Ft. Wayne and Chicago Railroad, Pittsburgh, Youngstown and Ashtabula Railway, Union Railroad Company of Baltimore, and United New Jersey Railroad & Canal.

[11] The non-bankrupt leased lines from which assets are transferred are: Chicago, Kalamazoo & Saginaw Railroad, Erie & Kalamazoo Railroad, Erie & Pittsburgh Railroad, Fort Wayne & Jackson Railroad, Holyoke & Westfield Railroad, Kalamazoo, Allegan & Grand Rapids Railroad, Little Miami Railroad, Mahoning & Shenango Valley Co., New York Connecting Railroad, Pennsylvania Tunnel & Terminal Railroad, Peoria & Eastern Railway, Troy & Greenbush Railroad Association, Ironton Railroad Co., Allentown Terminal Railroad, Delaware & Bound Brook Railroad, North Pennsylvania Railroad, Philadelphia Germantown & Norristown Railroad, Wharton & Northern Railroad, Mt. Hope Mineral Railroad, Dover & Rockaway Railroad, Raritan Terminal & Transportation Company, Joliet & Northern Indiana Railroad, Mahoning Coal Railroad, Trenton-Princeton Tracetion Company, East Pennsylvania Railroad, Port Reading Railroad, Plymouth Railroad, Wilmington & Northern Railroad, Detroit Manufacturers Railroad, and Shamokin Valley and Pottsville Railroad.

While the solvent leased lines are not "railroads in reorganization", their property, nevertheless, may be designated under the Act because it is property leased, operated and in most cases controlled by a railroad in reorganization. USRA examined the alternatives of designating the leasehold owned by Penn Central or another primary debtor or designating both the interest of the lessor and the interest of the lessee (so that the leasehold disappears). USRA chose the latter alternative in all cases because of resulting lighter burdens on ConRail and, in general, because it seemed most consistent with the purposes and goals of the Act.

Railroad Subsidiaries (Other Than Lessors)

Penn Central and the other primary debtors have many railroad subsidiaries, not themselves in reorganization, that own rail properties (some of them vital to system operations) which are not leased to primary debtors. Some of these subsidiaries, although not technically "leased" to the primary debtors, are "operated" by one or more railroads in reorganization under contract arrangements not amounting to a lease. The properties of these companies can be designated under section 206(c)(1) because they are "operated" by a railroad in reorganization.

Some of the railroad subsidiaries are neither leased nor operated, but are controlled, by one or more railroads in reorganization. Section 206(c)(1) permits designation of rail properties of such "controlled" subsidiaries. A subsidiary is "controlled" for that purpose whenever railroads in reorganization own more than 50 percent of its stock. Subject to one important exception, therefore, properties of these "controlled" subsidiaries are nevertheless available for designation for transfer in the FSP.

The one exception is contained in the proviso to the definition of "rail properties" set out in section 102(10) of the Act. If a subsidiary railroad which is not leased or operated and is less than wholly owned by a railroad in reorganization, is a Class I railroad, then its properties are not "rail properties" for purposes of the Act. As a result of this exception, the properties of, among other railroads, the Detroit, Toledo & Ironton Railroad, the Pittsburgh & Lake Erie Railroad and the Indiana Harbor Belt Railroad are not designated for transfer.[12] However, some or all of the properties of some 20 other nonlessor railroad subsidiaries, each of which is either wholly owned by one or more railroads in reorganization or is a Class II railroad, have been designated for transfer to ConRail or offered to a solvent railroad.[13]

A special situation is presented by the Norwich and Worcester Railroad, a noncontrolled, nonbankrupt line operated by the Penn Central. Formerly a leased line of the New Haven Railroad, its lease was disaffirmed by the New Haven trustees. Since inclusion of the New Haven as a condition of the Penn Central merger, Penn Central has operated the Norwich and Worcester's properties pursuant to a provision in the ICC's order approving the merger. Because its line is operated by the Penn Central, the Norwich and Worcester's assets are technically rail properties subject to designation and conveyance pursuant to section 206(c). The Norwich and Worcester has challenged this reading of the Act, however, and has asserted that its properties are not subject to conveyance. The Special Court will have the opportunity to settle this question in proceedings under section 303 of the Act. The FSP offers the northern portion of the Norwich and Worcester's property to the Providence and Worcester Railroad (a small profitable railroad operating in the same general area) while the southern portion is transferred to ConRail. This designation to ConRail, however, is contingent. If within 60 days of the effective date of the FSP the Norwich and Worcester enters into an arrangement with another railroad (presumably the Providence and Worcester) for the sale or operation of the designated properties, the designation to ConRail will not become effective and the Norwich and Worcester and the other railroad will be left free to implement their agreement outside the provision of the Act. If that does not happen, the Association recommends, pursuant to section 206(g), that ConRail and Providence and Worcester work out an arrangement whereby Providence and Worcester would operate the southern end of the line. Finally, to provide the Norwich and Worcester with the opportunity of demonstrating its competence to operate the line, the FSP provides that none of these designations of the line will be effective if within 60 days of the effective date of the FSP, the Norwich and Worcester has presented to USRA a sound plan to operate the line on and after conveyance date, which would maintain the same service coverage as the designations would provide.

Feeder Railroads, Terminal Companies and Similar Entities

There are several instances in which a railroad in reorganization owns a minority stock interest (along with other railroads) in a feeder railroad or terminal company and has contractual operating rights with respect to its facilities. The properties of the railroad or termi-

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[12] In addition a few terminal companies are Class I railroads, and may be affected by this exception.

[13] These companies are: Chicago River & Indiana Railroad, Hudson River Bridge Company at Albany, Pennsylvania & Atlantic Railroad, Waynesburg Southern Railroad, South Manchester Railroad, Indianapolis Union Railway, Union Depot (Columbus), New York & Long Branch Railroad, Pennsylvania-Reading Seashore Lines, Raritan River Railroad, Niagara Junction Railway, Dayton Union Railway, Buffalo Creek Railroad, Lehigh & New England Railway, Bay Shore Connecting Railroad, Baltimore & Eastern Railroad, Lackawanna & Wyoming Valley Railway, Rochester & Genessee Valley Railroad, and Central Railroad of Pennsylvania. In addition the FSP designates the transfer of assets from the West Jersey & Seashore Railroad, a railroad controlled by Pen Central and presently leased to Pennsylvania-Reading Seashore Lines.

nal company itself are not subject to conveyance under the Act, because the terminal company is neither in reorganization nor leased, operated or controlled by a railroad in reorganization. The stock interest in the railroad terminal company and any operating rights held by the railroad in reorganization, however, are "rail properties" subject to conveyance. They are not only "used or useful in rail transportation service" but are frequently indispensable to it. The Act, of course, explicitly contemplates the designation of intangible rail property, such as "rights". Accordingly, there are 12 cases in which stock interests and operating rights [14] in a terminal company are designated for transfer [15] including the stock interest in, and the operating agreement with the Indiana Harbor Belt Railroad which, although controlled by Penn Central, is a Class I Railroad affected by the proviso in section 102(10). In a similar situation so as to preserve ConRail's position in the important Potomac Yard, the FSP designates PC's contractual agreement with RF&P affecting the yard and an option to acquire PC's 16% stock interest in the Richmond-Washington Company, RF&P's parent. This option will only be exercised if further analysis of the pertinent agreement shows that ownership of the stock interest is necessary to preserve ConRail's position at Potomac Yard.[16]

There are other special situations in which similar designations are made. For example, Penn Central (itself and through Michigan Central, a secondary debtor) owns, operates and controls certain leased lines located in Canada. The stock ownership and leasehold interests in those companies are subject to transfer under the Act, although the fee ownerships of these Canadian entities themselves may not be reachable. Penn Central has said it would like to sell these properties to the Canadian National, reserving trackage rights to ConRail.[17] Canadian National has agreed in principle to this arrangement. Under that proposal, if the sale to Canadian National is completed before conveyance, then ConRail would obtain trackage rights directly from Canadian National.

The FSP designates for transfer to ConRail the assets of these entities, including fee ownership of the assets situated in Canada. Because of the legal question as to the reach of the Act, the FSP designates in the alternative the stock and leasehold interests of the Michigan Central and Penn Central in these companies for transfer to ConRail. This alternative designation shall be effective only if it is determined that the fee conveyances specified in the FSP of assets located in Canada cannot be effected under the Act. Both of these designations are conditional, however, and will not become effective if within 60 days of the effective date of the FSP there is a binding agreement for sale of those companies which reserves to ConRail trackage rights which, in the judgment of USRA, would produce operating and capital costs for ConRail similar to those under the designation and which are otherwise in accord with the needs of ConRail.

The railroads in reorganization also hold stock interests in certain companies which, in effect, provide pooled equipment arrangements (such as Trailer Train Company and Fruit Growers Express) in which the stock interests themselves will be "useful" to ConRail in providing rail transportation service and are, therefore, designted for transfer.[18] Finally, the FSP designates Penn Central's stock interests in the Monongahela Railroad and the Pittsburgh Chartiers and Youghiogheny Railroad to be transfered to ConRail so as to preserve established competitive patterns.[19]

Nonrailroad Subsidiaries

The railroads in reorganization have certain subsidiaries, primarily trucking companies, which are not railroads but which own properties "used or useful" in rail transportation service. One important example, not involving a trucking company, is the part of Buckeye Yard owned by Manor Real Estate, a wholly owned, nonrail subsidiary of Penn Central.[20] Such properties are within the definition of rail properties in section 102 (10) of the Act, because, although not owned or leased by a railroad, they are "otherwise controlled" by the parent railroad in reorganization through stock ownership.

[14] The stock interests and operating rights so designated do not include the separate agreements by which the transferors have guaranteed funded debt or other obligations of the terminal companies.

[15] These companies are: Akron and Barberton Belt (PC interest to ConRail, E-L interest to Chessie) Belt Railway of Chicago, Illinois Terminal Railroad, Peoria & Pekin Union Railway, TRRA of Saint Louis, Detroit Terminal Railroad, Toledo Terminal Railroad, Indiana Harbor Belt Railroad, Norfolk & Portsmouth Belt Line Railroad, Chicago & Western Indiana, Calumet Western and Lake Erie & Eastern Railroad. In the case of Chicago & Western Indiana, ConRail will receive EL's stock interest which carries with it the right to use the properties. USRA recommends that the railroads owning C&WI also permit Chessie access to its Chicago intermodal terminal now used by EL.

[16] A similar optional designation has been made for Penn Central's stock interest in Lakefront Dock & Terminal Railroad Co. The FSP also designates Penn Central's contractual operating rights with respect to that company.

[17] The companies affected are the Canada Southern Railway Company, Detroit River Tunnel Company, and the Niagara River Bridge Company. A fourth Canadian line, the St. Lawrence & Adirondack Railway is not included in the proposed transaction. Consequently, the plan designates the fee interest, or alternatively as discussed in the text, Penn Central's stock and leasehold interest for transfer to ConRail.

[18] The Penn Central stock interests in Trailer Train and Fruit Growers are designated to ConRail. Reading and EL also own stock interests in Trailer Train; these have been deemed useful to Chessie and designated accordingly. If Chessie does not accept the offer, an alternative optional designation is made to ConRail, pursuant to which ConRail would acquire these stock interests only if an appropriate arrangement could be made with other members or with Trailer Train ensuring that ConRail would not bear an inequitable share of the financial burden of acquisition.

[19] The FSP also offers the Reading's stock interests in the Washington and Franklin Railway and Baltimore & Cumberland Gap Extension Railroad, the PC's stock interest in the Nicholas, Fayette & Greenbriar Railroad to Chessie, and the PC's stock interest in Wilkes-Barre Connecting Railroad to D&H.

[20] The FSP also designates for transfer to ConRail PC's contractual or other rights to use the land owned by Manor underlying Buckeye Yard.

Section 206(c)(1) authorizes USRA to designate rail properties "of railroads in reorganization in the region". USRA has concluded that where properties formally belonging to a non-railroad subsidiary are in fact used as an integral part of the parent's railroad operations and where the subsidiary is wholly or almost wholly owned by the parent, the properties may be considered properties "of" the parent for purposes of this section because they are "otherwise controlled" by the parent.

Both the Reading and the Penn Central have trucking company subsidiaries. The FSP designates for transfer to ConRail all assets of Pennsylvania Truck Lines, including PC's and Penn Truck Lines leasehold interest in all highway revenue and other equipment owned by another PC subsidiary, Excelsior Trunk Leasing Company, subject to the lease designation standard described below. The operations of Penn Truck are integral with Penn Central's intermodal services. Reading Transportation, on the other hand, functions mostly as a motor carrier independent of Reading's rail freight services. Consequently, Chessie is offered only Reading's leasehold or contractual interests in assets of Reading Transportation Co.

Leasehold and Other Interests in the Assets of Another Entity

There are several different situations in which a railroad in reorganization holds a leasehold or other limited interest in properties belonging to another entity, where USRA either cannot or has chosen not to designate the owners' interest for transfer. An example is the railroad's interests as lessee of rolling stock and other equipment from equipment leasing companies controlled by or affiliated with the Penn Central corporate family. In all cases the FSP designates only a transfer of the railroad's interest as lessee,[21] under the lease designation standards described below.

In one special situation, the Lehigh Valley leases the Lehigh and Susquehanna Railroad (L&S) from the Lehigh Coal and Navigation Company (LC&N) which is not a railroad. In 1962, LC&N sold the underlying fee interest to the Reading subject to LC&N's right to receive the leasehold income until 1997. Section 303(b)(4) of the Act prohibits designation of the leased properties unless the transferee assumes the terms and conditions of the lease. Under the circumstances, the FSP designates for transfer to ConRail the Lehigh Valley's leasehold interest and the reversionary interest held by the Reading.

There are other special situations in which leasehold or other special interests have been designated for transfer to ConRail. Penn Central, for example, holds leasehold interests which are in the nature of operating agreements in the Amsterdam, Chuctanunda and Northern Railroad and in the Central Railroad Co. of Indianapolis. Although the properties of these two entities could be designated directly for transfer, USRA believes it is more desirable to preserve the existing operating relationship and therefore has designated only Penn Central's contractual rights for transfer to ConRail.

Entities Whose Property is Not Designated

Finally, to complete this review of the entities that comprise the corporate families of the railroads in reorganization, there are approximately 80 corporations affiliated with railroads in reorganization, primarily corporations in the Penn Central system, whose properties and property interests are not to any extent designated for transfer under this plan. They include six operating railroads[22] and six terminal companies,[23] whose present operations will not be affected by the Act's conveyance process; they include 12 subsidiaries or affiliates with primarily rail assets,[24] which are affected in various ways by the conveyance process; the balance are affiliates or subsidiaries with primarily nonrail assets, including such important enterprises as the Pennsylvania Co. and its subsidiaries and affiliates[25] and the principal real estate companies and other nonrail enterprises owned by each of the railroads in reorganization.[26]

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[21] Associates of the Jersey Company, Delaware Car Leasing, DTB, Inc., GSC Leasing Corp., GreenCar Corp., General Car Leasing Co. and Pennsylvania Car Leasing Co.

[22] Operating railroads: Pittsburgh & Lake Erie Railroad, Central Indiana Railway, Fairport, Painesville & Eastern Railroad, Toronto Hamilton & Buffalo Railway and two operating railroads controlled or affiliated with the Pennsylvania Company, the Detroit, Toledo & Ironton, and the Toledo, Peoria & Western Railroad.

[23] Terminal Companies: Akron Union Passenger Depot, Chicago Union Station, Cincinnati Union Terminal, Washington Terminal Company, Union Belt of Detroit, and Cleveland Union Terminals Company.

[24] Subsidiaries: Waynesburg & Washington Railroad, Owasco River Railway, Fort Wayne Railway, Mackinac Transportation Co., Tylerdale Connecting, Pittsburgh & Cross Creek Railroad, Pullman Co., Cleveland Technical Center, North Brookfield Railroad, Pittsburgh-Philadelphia Transportation Co., and Jersey Central Transportation Co. In the case of the New York & Harlem Railroad most of its rail properties are subject to a long-term lease with the Metropolitan Transportation Authority in New York. The FSP designates to ConRail the trackage rights reserved by Penn Central under the agreement with MTA. In addition, the FSP designates to ConRail a trackage right from Penn Central's leasehold covering 8.1 miles of line needed for freight operation outside the area covered by the agreement with MTA.

[25] Arvida Corporation, Buckeye Pipeline Company, Clearfield Bituminous Coal Company, Cambria & Indiana Railroad, Great Southwest Corporation, Madison Square Garden Corporation, Penn Towers, Strick, Inc., and Transport Pool Corporation.

[26] Excelsior Truck Leasing Co., East Hartford Freight Co., Chicago & Harrisburg Coal Co., Dispatch Shops, Inc., Green Real Estate, Manor Real Estate Co. (except for Buckeye Yard), New York Central Development Co., Penn Central Park Co., Penndiana Improvement Co., Merchants Dispatch Transportation Co., Providence Produce Warehouse, Realty Hotels, Terminal Realty Penn Co., Western Warehousing Co., American Contract Co., Delbay Corp., Mayret Corp., Ambler Container Co., Eastern Real Estate Co., Philadelphia Reading & Pottsville Telegraph Co., Reading Dispatch Co., Rydal Equipment Co., Communipaw Central Land Co., Black Diamond Transport Co., Consolidated Real Estate Co., United Real Estate Co., Abalan Corp., Harlem Transfer Co., Hoboken Ferry Co., Erie Land & Improvement Co., Erie Land & Improvement Co. of Pa., Hudson Realty Co., Lawroy Land Co., Northwestern Mining & Exchange Co. of Erie, Pa., and Pennsylvania Coal Co.

Acquiring Entities

Section 206(c) of the Act identifies five entities or groups of entities as eligible to acquire rail properties under the Act. This section will describe each of those entities.

ConRail

ConRail will acquire most of the rail properties. It is referred to in the Act as the "Corporation", identified in section 102(3) under its full name, "the Consolidated Rail Corporation," required to be established under section 301 of the Act. ConRail was incorporated under the laws of the State of Delaware on October 25, 1974. Under present law, its board of directors, until ConRail stock is distributed by the Special Court, is comprised of the members of USRA's executive committee.[27] Transfers of rail properties to ConRail are authorized by section 206(c)(1)(A).

Profitable Railroads

Sections 206(c)(1)(B) and 206(c)(2) authorize offers of rail properties to profitable railroads operating in the Region. A profitable railroad is defined by section 102(9) to include, with two exceptions, only a railroad that is neither a railroad in reorganization nor a railroad leased, operated or controlled by a railroad in reorganization in the region. The two exceptions are ConRail and the National Railroad Passenger Corporation which are specifically excluded from the definition. Offers of rail properties to profitable railroads are included under the FSP as "coordination projects". To implement decisions on industry structure, offers of rail properties are made to the following profitable railroads:

- Chessie System,[28]
- Norfolk & Western,
- Southern Railway,
- Grand Trunk Western,
- Delaware & Hudson,
- Toledo, Peoria & Western,
- Pittsburgh & Lake Erie and
- Detroit, Toledo & Ironton

A general description of the rail properties which are offered to each of these profitable railroads pursuant to USRA's industry structure decisions has already been set forth in Chapter 1. Details of the designations are set forth in this chapter and in the accompanying appendix.

In addition to the offers to profitable railroads pursuant to USRA's industry structure decisions, a large number of other offers of rail properties to profitable railroads, as well as some transfers to ConRail are included as part of the coordination projects and minor extensions of markets considered next in this chapter.

Some coordination projects, not involving property transfers, are designed to achieve economies in the cost of rail operations. Sections 202(b)(5) and 206(g) direct USRA to consider methods and recommend arrangements to achieve such economies by means such as consolidations, pooling and joint use of lines, facilities and operating equipment, and abandonments. Some coordination projects are necessary to implement basic decisions on industry structure involving competitive balance and patterns of service.

Appendix D to the Preliminary System Plan (PSP) described four types of coordination projects. Those four categories, plus another, which is included in Section F of the appendix are:

- Trackage coordinations, including acquisitions, involving minor market extensions. (PSP app. D–1)
- Light density lines that will not be transferred to ConRail but are offered to profitable railroads that cross or connect with the lines. (PSP app. D–2)
- Acquisitions by profitable railroads involving major market extensions. These are a key part of the overall industry structure already discussed in Chapter 1. (PSP app. D–3)
- Offers of sale from profitable railroads to ConRail. These involve projects ranging from relatively minor local matters to major undertakings including ConRail's acquisition from the Chessie System of trackage or rights between Washington and Philadelphia as described in Chapters 1 and 2. (PSP app. D–4)
- Section 206(g) "joint use" or "operation" recommendations. This category was not included in the Preliminary System Plan. These recommendations are not covered by the provisions of the Act exempting actions taken to implement the FSP from certain specified statutory requirements. The recommendations will therefore require, where applicable, ICC approval unless Congress chooses to implement them through appropriate legislation.

Section 202(b)(5) intersects with several other provisions of the Act. Since the method selected to implement the section generally involves a transfer or conveyance of rail property, such transfers are designated under section 206(c). The appendix listings of the designated properties identify the transferor, the offeree or transferee, the project numbers used in the PSP, the nature of the interest designated and, where applicable, they specify the price. In each case the specified price, unless otherwise stated, contemplates that the compensation will be cash or other consideration reasonably equivalent to cash in the stated amount. Section G of the appendix to this chapter contains a separate recapitula-

[27] As discussed in Chapter 4, legislation is being proposed which would provide a different arrangement.

[28] The name "Chessie" will be used for designations to any railroad within the Chessie System, which may be eligible to be a designee.

tion of all "coordination projects" correlating them with the project numbers used to identify the same projects in the PSP.

Where the project involves an acquisition by a profitable railroad, completion of the project within the framework of the Act (rather than through the statutory procedure set forth in the Interstate Commerce Act) requires:

- A determination by USRA (in the Preliminary System Plan) that the project would not materially impair the profitability of other profitable railroads or ConRail (section 206(d)(3)(A))
- A determination by the ICC of compliance with the provisions and standards of Section 5 of the Interstate Commerce Act (section 206(d)(3)(B))
- Designations in the Final System Plan, where appropriate, of offers to profitable railroads (section 206(c)(1)(B))
- Acceptance of offers within 30 or 60 days of the effective date of the Final System Plan (section 206(d)(4))

The section 206(d)(3) determinations have been made as required by the Act. USRA's determinations were made in the Preliminary System Plan dated February 26, 1975, a correction notice dated April 7, 1975 [29] and the Preliminary System Plan Supplement dated May 19, 1975. The ICC's section 206(d)(3) determinations were set forth in its report in Ex Parte No. 293 (sub-No. 4), Acquisition of Rail Properties by Profitable Railroads in the Region as Proposed by the United States Railway Association, served May 27, 1975; in an order served June 27, 1975; and by a further order dated July 16, 1975.

Since publication of the PSP, USRA has continued its review of the projects. It actively participated in the ICC proceedings, specifically supporting 33 projects and providing detailed traffic information on the PSP appendix D–2 projects. In addition, USRA continued to discuss the projects with the affected railroads for the purpose of gathering additional information and determining whether the profitable railroads have or retain any serious interest in pursuing individual projects. Also, USRA reviewed all submissions to the ICC and to the RSPO and all letters and comments concerning the projects forwarded directly to USRA. Finally, USRA revised the projects as required to conform with the determinations of the ICC.

In its review, USRA considered three principal factors in determining whether a coordination project would be included in the FSP:

- any adequate interest by the participating railroads;
- whether implementation of the project would result in increased efficiency of rail operations in the Region, would enhance or preserve rail service, or would preserve competition and existing patterns of operations to the extent consistent with the other goals of the Act; and
- whether implementation of the project would have an undue adverse impact on the profitability of ConRail or of other railroads operating in the Region when balanced against the listed benefits.

The coordination projects selected for inclusion are listed in the appendix. The 24 projects that are of more than routine interest to the industry structure discussed in Chapter 1, are described below:

Transfers to Chessie System.—Eight coordination projects included in the FSP involve acquisitions by the Chessie System to implement and round out the industry structure described in Chapter 1. Not all of these projects are essential to the industry structure but all bear on the efficient operation of the expanded Chessie System that will be created if Chessie accepts the designated offers. The projects include USRA–1, USRA–7, CS–5, CS–12, CS–19, PA–9, WV–1 and NY–1.

Project USRA–1, as stated in the PSP, involved the aquisition of all of the rail properties of the Erie Lackawanna by Chessie. The purpose of the project is to preserve competitive rail service in a major portion of the Region. In discussions with Chessie after the PSP was published, USRA found that Chessie was sufficiently interested to warrant an offer of all Erie Lackawanna trackage and railroad facilities except:

- All Erie Lackawanna lines from Sterling, Ohio, west,
- Nonviable light density lines, other than those which could be needed as through freight routes and those which would become viable as a result of inclusion in the Chessie System, and
- All lines on which passenger services are operated, other than Cleveland-Youngstown. The lines on which passenger service is provided would be transferred to ConRail if such lines are viable freight lines. If not, they would be left with the Erie Lackawanna estate or be made available for acquisition by commuter authorities. Chessie would be granted trackage rights for freight service on all Erie Lackawanna lines designated for transfer to ConRail. Chessie would not operate freight service, on nonviable branch lines, unless it would be subsidized.

Acceptance of the offer would preserve competitive rail service from Central Ohio and Buffalo, N.Y. across the southern tier of New York to northern New Jersey. The Chessie System presently includes a main line between Ohio and Chicago. Acquisition of the Erie Lackawanna west of that point is, consequently, unnecessary

[29] 40 Fed. Reg. 16337.

to preserve competition between that area and northern New Jersey.[30]

Project CS–5 involves the acquisition by the Chessie System of the lines of the present Reading Railroad between Lurgan, Pa., and Allentown, Pa. and between Lurgan, Pa., and Philadelphia, Pa., via Reading, Pa. In addition, Chessie would acquire the line from Reading, Pa., to Wilmington, Del. Project CS–5 also contemplates the extension of Chessie's operations beyond Allentown to the Perth Amboy/Elizabethport area. As a result of negotiations conducted after the PSP was issued, USRA and Chessie agreed that Chessie would acquire substantially all of the properties of the Reading except: those lines over which communter trains are operated; nonviable light density lines other than those required for Chessie through freight routes; the Reading car ferries at Pigeon Point (Wilmington); and the lines north of Reading (Belt Line Jct.), Pa. Chessie would acquire trackage rights and perform all local freight service over commuter lines in commuter territory only where freight service would be self-sustaining, and would acquire trackage rights for the operation of through and local freight trains over the lines between Reading and Philadelphia and Philadelphia and Bound Brook, with ConRail operating only through freight service. In addition, Chessie would be granted trackage rights by ConRail over the former CNJ and LV lines from Allentown/Bethlehem, Pa., to Bound Brook, N.J., and from Bound Brook to Elizabethport, N.J. ConRail would retain overhead trackage rights on the lines to be conveyed to Chessie between Harrisburg and Reading and Reading and Allentown, and would own the lines between Reading and Philadelphia and Philadelphia and Bound Brook. ConRail would not be permitted to serve the Allentown-Bethlehem markets through the Philadelphia-Reading, Harrisburg-Reading and Reading-Allentown lines, and would be limited to serving certain pockets of local industries on former PC from the Reading-Philadelphia line.

Project USRA–7 involves an offer to Chessie of trackage rights over the Lehigh Valley Pittston (Coxton), Pa. to Allentown, Pa. line which is transferred to ConRail. The purpose of these trackage rights is to tie together Chessie's acquisition of the Erie Lackawanna properties east of Sterling, Ohio, and its acquisition of the Reading properties described in Project CS–5.

Projects CS–12 and CS–19 involve offers to Chessie of the properties of the Penn Central located between Nitro (Charleston) and Swiss, between Blue Creek and Hitop, and the Peters Creek Branch between Peter's Junction and Cornelia, all in West Virginia. Acquisitions of these properties by Chessie would permit early rehabilitation and result in a more efficient routing of the traffic presently served by Penn Central in the Charleston area.

Project PA–9 involves the acquisition by Chessie of trackage rights over the present Penn Central line between Hagerstown, Md. and Shippensburg, Pa., a line transferred to ConRail. This would result in more efficient use of trackage by combining two parallel facilities, and provide safer operations by eliminating several dangerous grade crossings. The increased efficiency is important since additional traffic would be moving over this line as a consequence of the proposed sale of B&O's line between Washington and Philadelphia and the anticipated shift of much Northeastern traffic to the Hagerstown-Reading-Philadelphia line.

Project WV–1 involves the acquisition by Chessie of the Penn Central line between Winchester, Va. and Hagerstown, Md. This would permit more efficient movement of the B&O/C&O trains operating from Baltimore and Washington west to Martinsburg and then north to Harrisburg and other points on the Chessie System. The more efficient operating pattern that would result from this would enable Chessie to retain a more competitive north-south route after selling its Washington-Philadelphia line to ConRail. In addition, the project would enable Chessie to provide substantially more efficient local service in the Martinsburg and Winchester areas.

Project NY–1 involves the acquisition by Chessie of trackage rights over the Penn Central Buffalo to Rochester, N.Y., lines which are transferred to ConRail. Chessie has filed an application with the ICC for the abandonment of its line from Ashford to Leroy, N.Y., except for the portion at Silver Springs which Chessie would continue to serve from an E–L line it is acquiring under Project USRA–1. Traffic presently moving over the B&O to Rochester would move via Buffalo and the classification yard there in which Chessie would acquire Erie Lackawanna's interest as part of the acquisition under USRA–1. This would enable the B&O to conduct operations over a consolidated route structure, furnish ConRail with additional revenues, and provide B&O shippers located in Rochester with more efficient service. Alternatively, Chessie could accomplish the restructuring of its Rochester area service by acquiring and using an EL line instead of the trackage rights over ConRail proposed in this project.

Projects involving the D&H.—Four projects included in the Final System Plan are designed to protect the existing southern and western connections of the D&H, and to establish a direct connection to the D&H's corporate parent, the Norfolk & Western. D&H is a small railroad that provides a key link on routes that would provide competition to ConRail on traffic moving to and from New England. Project D&H–1 would protect D&H's traditional routings via the Chessie System and the trunk line railroads operating south of Potomac

[30] USRA recommends the Chicago and Western Indiana Railroad, in which EL has a stock interest designated for transfer to ConRail, grant Chessie interim use of the EL intermodal terminal in Chicago.

Yard (routings that will be broken with inclusion of Lehigh Valley in ConRail) by offering trackage rights to D&H over lines of several estates that will be transferred to ConRail between Dupont and Allentown, Pa. Alternatively, if Chessie should elect not to accept the offer described in CS–5, D&H trackage rights would be extended under this project, to Alexandria, Va. Project N&W–2, and the related project USRA–6, would preserve the feeder patterns of D&H traffic at Wilkes-Barre by extending D&H into Harrisburg, for a better interchange with ConRail and for a direct connection to N&W which would be established by bringing N&W north from Hagerstown, Md.

Similarly, under Project USRA–8, D&H would be granted trackage rights between Binghamton and Buffalo, N.Y. over the lines of the Erie Lackawanna if Chessie should decide not to acquire the properties to be offered it under Project USRA–1.[31] Implementation of these projects would help preserve the independence of the D&H and assure competitive rail service to New England.

Projects Involving the Norfolk & Western.—One project involving the N&W, N&W–2, has been described earlier in the industry structure chapter discussion of the role of the D&H. Two other projects, OH–12 and OH–13, involve the transfer to N&W of Penn Central trackage between Cincinnati, Ohio and New Castle, Ind. Implementation of these projects would enable the N&W more directly to tie together its system and reduce substantially its route mileage between St. Louis and Norfolk. A portion of these projects involves the transfer of existing Penn Central trackage rights over the B&O to N&W, a transaction that may require B&O's consent.

Projects Involving the Southern.—Project SOU–4 involves the acquisition by the Southern Railway of virtually all of the lines of railroads in reorganization south and east of the present Penn Central passenger corridor at Wilmington, Del., except lines in Wilmington currently served by Reading. Southern would also acquire the present Reading float operations between Pigeon Point, Del., and certain points in southern New Jersey, and trackage rights over certain Reading lines in the Wilmington area that are being acquired by Chessie. Implementation of this project would provide mainline rail service to many points on the Delmarva Peninsula that would otherwise not be served by ConRail. ConRail could not rehabilitate these lines in any reasonable period, considering its other priorities and limited resources.

Projects Involving the Grand Trunk Western.—Three projects included in the Final System Plan involve acquisitions in the state of Michigan, north of Detroit, by the GTW. Project GTW–7 would extend the GTW to Midland, Mich., preserving service on a Penn Central line that might otherwise be located on the periphery of the ConRail System. Under Project GTW–6, the present Penn Central properties in the Saginaw-Bay City area would be transferred to GTW. Both projects would be implemented by a single offer to GTW; it could strengthen that railroad, preserve competition and result in better service in these markets than could be provided by ConRail. As in the case of the Delmarva project, ConRail could not rehabilitate these lines in any reasonable time frame, considering its other priorities and limited resources. A third, alternative project, Project MI–5, involves the consolidation of certain Penn Central and GTW properties in the Bay City area. This project could be implemented internally by GTW only if Projects GTW–6 and GTW–7 are implemented, and by ConRail and GTW if they are not.

Projects Involving Smaller Railroads Designed to Preserve Existing Patterns of Rail Service.—Four projects included in the Final System Plan involve extensions of lines of smaller railroads to preserve existing service patterns and to improve those railroads' prospects for continued solvency. Project P&LE–4 involves the extension of the Pittsburgh & Lake Erie to Ashtabula, Ohio, through the designation of trackage rights over Penn Central from Youngstown to Ashtabula via Mann, Ohio, a line which is transferred to ConRail. P&LE would also acquire a joint interest with ConRail in the facilities at Ashtabula. Implementation of Project P&LE–4 would improve P&LE's competitive posture and result in an equitable apportionment of rehabilitation costs of the Ashtabula Docks among the major railroads serving the Ashtabula-Youngstown-Pittsburgh market. In Project P&LE–10, P&LE is offered a Penn Central line that would enable it to reach Weirton, W. Va. and in a related coordination recommendation, trackage rights over a ConRail line to Follansbee, W. Va.

Project TPW–1 involves the extension of the Toledo, Peoria and Western to the Logansport area to preserve its existing connection with the future ConRail System. Project DT&I–1 involves the acquisition by the DT&I of trackage rights between Springfield and Cincinnati, Ohio via Dayton and Springfield. In the PSP the Association found that the extension of the DT&I's single line operations from Springfield to Cincinnati would not materially impair ConRail's profitability or that of any other carrier in the Region. The ICC made a similar determination under section 206(d)(3). After careful review of all available information, USRA decided that the impact of this project on ConRail and Chessie would not be so severe as to warrant denying DT&I an opportunity to preserve its existing patterns of service in a manner more directly subject to DT&I's control than the present run-through operations it conducts

[31] USRA will propose an amendment to the Act to resolve any doubts concerning whether this form of designation is presently authorized.

with the Penn Central between Springfield and Cincinnati.

Projects in Western Indiana.—A number of coordination projects are involved in the major restructuring of ConRail operations in the Terre Haute-Chicago and Indianapolis-Chicago markets described in Chapter 1. Briefly, these projects involve the rerouting of ConRail north/south traffic over portions of the Louisville and Nashville, the Milwaukee, and the Baltimore and Ohio. The projects include IL–26, IL–27, IN–20, IN–21, and IN–22. If these projects are implemented, service would improve because of better operating conditions.

Joint Designations to ConRail and Profitable Railroads

To achieve the desired industry structure and to assure appropriate coordination of the operations of two carriers at particular points, it has proved necessary to make "joint designation" of certain lines, including yards and terminal facilities as well as tracks. In most such cases, the FSP designates the ownership interest (or whatever lesser interest the transferror has) to go to ConRail, but subject to trackage and other rights also being transferred on specified terms in favor of a specified profitable railroad.[32] As a correlative designation, the FSP offers the trackage rights on the described terms to the profitable railroad; if the profitable railroad declines the offer, there is an alternative designation to ConRail. The result, in each case, is that the line will either be divided, with ownership to ConRail or a profitable railroad and trackage rights to the other participating railroad (or, alternatively to ConRail if a profitable railroad declines the offer), or it will go entirely to ConRail or the profitable railroad offered the ownership interest.

Although the Act does not refer expressly to joint designations, there can be little doubt of USRA's authority to make designations of this sort. In the first place, it is clear that rail properties include trackage rights. The definition of rail properties in section 102(1) uses the word "rights," and the legislative history explains that "rights would include trackage rights or the right to use other facilities. . . ."[33]

Simple logic also establishes that USRA can, where required by the purposes of the Act, designate the totality of interests in property in two bundles. An owner of the property (as a matter of property law) can normally make such a division, and nothing in the Act or its legislative history suggests that USRA's powers of designation under section 206(c)(1) are more restricted than the rights of an owner. On the contrary, in a closely related context described in the next section of this chapter, the Act explicitly contemplates that Northeast Corridor property transfers from ConRail to Amtrak could be accomplished by sale, lease or other conveyance at the option of Amtrak of part or all of the rights associated with the property.

Joint designations thus involve two separate designations: a designation of the fee interest to ConRail or a profitable railroad and the designation of trackage rights over the same rail line to the other participating entity. In either case the designation to the profitable is made under section 206(c)(1)(B) and as with other "B" designations, all of which are merely "offers" to the profitable railroad, USRA has explicit authority to add the offered interests to the designation to ConRail if the offer is refused, and USRA normally has done so.

To implement joint designations, USRA has prepared two sets of terms and conditions for the granting of trackage rights one of which will be applied to each joint designation if the parties do not enter into an agreement before the designation is effective. The terms and conditions, based on standard existing joint operations contracts, contain the usual provisions on maintenance obligations, operating preferences, liabilities, employees and arbitration, and provide for the sharing of both capital and maintenance costs.

The two sets of terms and conditions differ: one set is designed for use in non-commuter territory, and the other for use where the freight operations of ConRail and the profitable railroad will share facilities with commuter operations.

The non-commuter territory terms provide that the investment base of any facility shall be the acquisition cost of the owning railroad adjusted for all improvements and retirements made thereafter. The tenant railroad would pay a rent calculated as a percentage of the tenant's fair portion of the investment base. The portion of the investment base to be attributed to the tenant railroad would be determined on a per capita or use basis, depending on the other benefits the tenant railroad's participation confers on the owning railroad. The owning railroad is under no obligation to maintain the facility at a level higher than required for the service contemplated in the FSP. The tenant railroad may require that the owning railroad commit itself to a minimum level of maintenance.

The terms to be used in territories where commuter service also is provided were developed to meet the unique conditions of freight operations in commuter territories. Commuter operations involve substantially greater numbers of tracks and more complicated signal systems than those normally used in freight operations. Moreover, USRA was informed during its negotiations with profitable railroads that those railroads would accept no responsibility for providing commuter operations. The terms therefore provide that, between ConRail and any freight railroad operating within a commuter territory, the profitable railroad shall pay what-

[32] There are a few joint designations where the fee ownership is offered to a profitable railroad with trackage rights designated for ConRail or a profitable railroad.

[33] S. Rep. No. 93–601, 93d Cong., 1st. Sess., p 20 (1973)

ever portion of ownership and maintenance costs it would incur if there were no commuter operations. After a review of the commuter operations USRA determined that the investment cost should be the equivalent of 100 percent of the investment base of one track and that the profitable railroad's portion of maintenance costs would be covered by the payment of a fee based on use. In instances involving freight operations by both ConRail and a profitable railroad in a commuter territory, the portion of the capital and maintenance costs attributable to freight operations would be based on the principles contained in the freight terms subject to the freight and commuter allocation principles described in this paragraph.

Passenger Service Enities in General

Many of the rail lines and facilities transferred to ConRail are used for intercity and commuter passenger service, as well as for freight operations. The Act provides for the initial designation of such properties for transfer to ConRail under section 206(c)(1)(A), with properties within the Northeast Corridor designated to Amtrak under section 206(c)(1)(C). Amtrak is required to accept the designated properties, but under section 601(d)(1), it has an option as to the type of interest (ownership, leasehold or other) it will acquire. Other properties initially designated for transfer to ConRail and used in passenger operations also may be made available for subsequent purchase or lease from ConRail by public authorities under section 206(c)(1)(D). In this form such designations provide public authorities with an opportunity, but with no obligation to acquire properties.

Some rail lines and facilities which are not required for, or which cannot support freight operations are needed by Amtrak or others for passenger service. In considering such lines for designation USRA attempted to achieve a proper balance between the Act's goal of efficient and safe intercity rail passenger and commuter service and the other goals set forth in section 206(a).

Amtrak Designations in the Northeast Corridor

The establishment of improved high-speed service in the Northeast Corridor ("NEC") is the third stated goal of the Act (section 206(a)(3)). USRA's designations of properties for acquisition by Amtrak are designed, as required by section 206(c)(1)(C), to achieve that goal. Before making those designations, USRA consulted extensively with Amtrak, the Federal Railroad Administration (which has important statutory functions concerning the Northeast Corridor) and public authorities which use the Corridor for commuter services. All of their views were considered in the designations made.

The Penn Central line from Boston via New London through New York to Washington is designated as the basic Northeast Corridor. This basic Corridor designation includes all the rail lines now used to provide Amtrak intercity passenger service along that route. Excluded is trackage adjacent to the Corridor which is used for commuter service or for freight service, but not for Amtrak service. In the case of the Corridor lines in Massachusetts, New York and Connecticut, which have been purchased by or are under long-term lease to public authorities, the designation reaches only those trackage rights reserved by Penn Central that are necessary to operate Amtrak services. The underlying fee or leasehold interest of the public authorities is not disturbed.

Passenger yards, shops and other facilities pose a special problem. Those used in common with freight operations are designated in fee to ConRail under section 206(c)(1)(A) and are designated over for acquisition by Amtrak under section 206(c)(1)(C), reserving, as necessary, appropriate user rights to ConRail, the details of which will be specified in the property certifications to be made to the Special Court.

USRA has concluded, however, that where Amtrak use is clearly predominant, or shared with commuter operations, the facilities should not be designated in fee to ConRail under section 206(c)(1)(A). It is possible that Amtrak would choose to take a lease or lesser interest pursuant to section 206(c)(1)(C), rather than the fee interest ConRail would acquire. In such circumstances ConRail in effect would be committing some of its limited capital to fund acquisitions in fee of facilities used principally in passenger service.

While Amtrak's management has indicated to USRA that it would recommend purchasing all assets designated to it pursuant to section 206(c)(1)(C), that recommendation has not been approved by Amtrak's Board of Directors and no final commitment exists. Consequently, as to exclusively passenger facilities, the FSP designates for transfer to ConRail only such leasehold or occupancy and access rights as are necessary to the operation of present passenger services. In addition, the FSP designates the transfer to ConRail of an option, exercisable within 30 days after the Special Court's order of conveyance under section 303(b), to acquire such greater estate or right in such properties, including a fee, as Amtrak may have committed itself to acquire from ConRail not later than 60 days after the effective date of the FSP. The FSP also designates the transfer of such greater estate or right to Amtrak in the event that ConRail exercises the option. This method of designation will permit ConRail and Amtrak to negotiate directly concerning the nature of Amtrak's interest while at the same time reducing the threat to ConRail's finances that could result if it receives passenger service facilities in excess of those desired by Amtrak.[34]

[34] See the discussion of this complex problem in the Special Court opinion by Judge McGowan, *In re Penn Central Transportation Co.*, 384 F. Supp. 895; 978–981 (Special Court 1974).

A similar situation exists with respect to passenger terminals. Most of these terminals are used primarily for passenger services with freight services occupying only limited space for offices or for signalling or other equipment. Future needs of the freight operations do not require the continued use of such space beyond a transition period. Thus, these passenger stations should be viewed as exclusively passenger facilities. As such, they raise the same problem with respect to acquisition as do the passenger yards, shops and other facilities just discussed. Moreover, many of the passenger stations are large and functionally obsolete structures occupying valuable real estate which are not being fully or effectively used by present or anticipated future passenger services. For those reasons, the FSP designates only such leasehold, three-dimensional easements, occupancy and access rights for transfer to ConRail and for designation over to Amtrak as are necessary to the operation of present Amtrak services. The FSP also designates an option to ConRail to acquire greater rights and to transfer them to Amtrak similar to those just discussed with respect to passenger yards, shops and other facilities.[35]

Amtrak Properties Outside NEC.—Finally, there are problems raised by Amtrak services outside of the Corridor. Most rail lines employed in non-Corridor Amtrak services are included in the lines designated to ConRail for continued freight operations. However, there are a few rail lines[36] and several passenger stations and passenger yards, shops and other facilities which would not be used in freight operations and accordingly are not being designated for transfer to ConRail. USRA has no authority to designate them over to Amtrak; section 206(c)(1)(C) applies only to properties within the Northeast Corridor. As to such lines and facilities, Amtrak may have continuing rights of use and access pursuant to its contract with Penn Central. Amtrak is also free, of course, to negotiate further arrangements with the estates or to use its power under section 402 of the Rail Passenger Services Act. To clarify this situation, however, the Association will recommend an amendment to the Act permitting either the direct designation of rail properties to Amtrak or expanding the scope of section 206(c)(1)(C) to include properties located outside the Northeast Corridor. Properties which would be affected by such an amendment will be identified to Congress when this legislative proposal is submitted.

Commuter Designations.—Rail lines required for present or contemplated operation of commuter trains by state, local or regional transportation authorities fall into three groups: (1) lines designated under section 206(c)(1)(A) for transfer to ConRail and under section 206(c)(1)(C) for designation over to Amtrak; (2) lines designated under section 206(c)(1)(A) to ConRail with no designation over to Amtrak; and (3) lines not designated for transfer to ConRail or offered to a profitable railroad for continued operation.

As to lines designated over to Amtrak, the FSP reserves to ConRail appropriate trackage rights for the operation of commuter services with such trackage rights designated as available for purchase or lease by transportation authorities under section 206(c)(1)(D).

Lines transferred to ConRail (except for freight main lines) and not designated over to Amtrak, are designated under section 206(c)(1)(D), as available for purchase or lease or acquisition of trackage rights by public authorities. If the authorities choose to purchase, trackage rights would be retained for freight operations pursuant to the standard trackage rights terms and conditions.

As to the commuter lines not required for freight operations identified in the Appendix, the FSP designates the transfer to ConRail of an option under which ConRail will have the right to acquire on behalf of a commuter authority the fee, or any lesser interest in the property. The option may be exercised at any time before the expiration of 30 days after the Special Court's order of conveyance under section 303(b), and it is conditioned on ConRail's receiving within 60 days after the effective date of the FSP, a firm commitment from an appropriate commuter authority binding it to assume full responsibility for the obligations that flow from exercise of that option.

No commuter designation is required to preserve the rights of the authorities in Massachusetts, Connecticut and New York to properties they now own or lease. Their present rights are adequate to their needs.

Stations, yards, maintenance and service facilities used by the public authorities fall into the same three categories as rail lines. Accordingly, the designations in the FSP follow that pattern. In the case of facilities not needed for freight operations, the option to be designated to ConRail under section 206(c)(1)(A) also includes the right to acquire a lease or occupancy interest rather than a full fee interest for the reasons stated in the discussion with respect to the designation to Am-

[35] One special situation is represented by Washington Terminal, a separately operated Class I terminal company the stock of which is owned 50 percent by railroads in reorganization and 50 percent by Chessie. It is the Association's view that the assets of Washington Terminal Company itself are not reachable under the Act. Amtrak has expressed some interest in acquiring the 50 percent stock interest of Philadelphia, Baltimore and Washington RR Co. in Washington Terminal but has not decided whether it wishes ownership of this stock to achieve its goals in the Corridor. Because the Washington Terminal stock is of no value to ConRail, ConRail would have no interest in acquiring the stock unless Amtrak commits itself to acquire the stock from ConRail. Accordingly, there is designated for transfer to ConRail an option to acquire the stock, exercisable within 30 days after the Special Court order of conveyance, to be exercised only if Amtrak commits itself, no later than 60 days after the FSP effective date, to acquire it from ConRail. Another special situation involving the Washington Terminal is similarly treated by the designation to ConRail of an option to acquire P.B.&W's 50% interest in a trust agreement relating to the Ivy City Yard (also called the Joint Coach Yard).

[36] Royalton to Conewago, Pa., Kalamazoo to Dowagiac, Mich., and Niles, Mich., to Michigan City, Ind.

trak of stations and facilities in the NEC. ConRail will acquire the fee interest only if it has received a commitment from the authorities that they in turn will purchase the fee interest from ConRail.

Finally, as a special case, the Rhode Island Department of Transportation has offered to acquire the Penn Central's interest in Providence Union Station and Amtrak has agreed in principle to that acquisition. If the Rhode Island DOT makes a binding commitment to acquire that interest from ConRail within 60 days after the effective date of the FSP, the interest is designated for transfer to ConRail; its availability for purchase or lease by the Rhode Island DOT is designated under section 206(c)(1)(D), subject to Amtrak user rights, which are in turn designated over for acquisition by Amtrak under section 206(c)(1)(C).

If the Rhode Island DOT does not make the commitment within 60 days after the effective date of this Plan, then the designation to ConRail and over to Amtrak, includes the right to acquire such additional interests in the station, subject to commuter service user rights, as Amtrak may designate within that time.

Suitability for Other Public Purposes

Section 206(c)(1)(E) of the Act provides that USRA shall designate which rail properties of railroads in reorganization, not required for rail operations, are suitable for use for other public purposes. These "suitability" designations could be of importance to the rail estates, because they have the effect of triggering the restraints contained in section 304(b)(2) on the right to abandon rail property not transferred under the Act.

Section 206(c)(1)(E) directs USRA to "solicit the views and recommendations of the Secretary [of Transportation], the Secretary of the Interior, the Administrator of the Environmental Protection Agency and other agencies of the Federal Government and of the States and political subdivisions thereof within the region, and the general public." In complying with this provision, USRA sought the views of more than 4600 federal, state and local governmental bodies. Letters were sent to the primary officials of 15 federal agencies, the governor of each of the 17 states, 500 mayors, and almost 4200 other state or local planning units. In many instances these letters were sent to states or local areas that have no potentially abandoned rights-of-way within their boundaries. USRA adopted this policy to insure that any unit that might be interested in the planning process of neighboring jurisdictions would have an opportunity to express its views. Finally, a notice inviting comments from the general public on alternative uses for the rights-of-way was placed in the *Federal Register*, May 16, 1975.

As of July 18, 1975, USRA had received 74 responses. A number of responses raised matters beyond the scope of section 206(c)(1)(E) or any other provision of the Act. Some respondents submitted suggestions for alternative uses of rail property belonging to solvent carriers. Others submitted proposals for lines of the railroads in reorganization which USRA included in ConRail in the Preliminary System Plan. Other suggestions pertain to lines which were not to be included in ConRail in the Preliminary System Plan, but after further analysis, have been included in ConRail.

Some responses identified properties of the bankrupt estates, other than rights-of-way, such as freight and passenger stations presently abandoned or to be abandoned. Since many of these rail facilities currently are not used in rail service and will not be so used in the future, there is some question over whether they constitute rail property. Nevertheless, such facilities are designated where appropriate.

Several responses, including those from the Department of the Interior and the Rail Services Planning Office, suggested that title problems may hamper the ultimate availability of certain abandoned rights-of-way for alternative uses. In some instances the right-of-way may be an easement across property owned in fee by another. In other instances, clauses in deeds or statutory provisions may provide that once rail services cease, the land will revert to the heirs of the original owner or to abutting landowners.[37]

Several states and local governments have declined to suggest alternative public uses pending development of their final state rail plans. Some have stated that their lines not designated for ConRail in the Preliminary System Plan will be continued in rail operation. Many planners wrote that they intend to do an "alternative uses" study for a specific line once it is actually abandoned. New York State law provides that the state has first opportunity to purchase abandoned rail lines. Other states have such legislation pending. The reluctance of local planners to discuss other public uses of rights-of-way over which they intend to maintain service is understandable, as is the reluctance to undertake extensive planning efforts with respect to lines which may remain in rail service indefinitely. Postponing needed planning efforts, however, may prevent some of the more desirable rights-of-way from being used for public purposes. The minimum time limits for abandonment under section 304 are short, and they run from the effective date of the Final System Plan, not from the conveyance of properties by the Special Court. These generalized requests seeking designation of all potentially abandoned lines without identifying specific suitable uses for individual lines are troublesome since it seems clear that the Congress intended that there be at least some indication of specific interest before a public use designation would be made. Moreover, even absent the special "reasonable offer" pro-

[37] See Citizens' Advisory Committee on Environmental Quality, *From Rails to Trails*, Washington 1975, pp. 27–28.

cedures of section 304(b)(2), any public agencies wishing ultimately to negotiate for the acquisition or use of such properties will still be able to deal directly with the estates, if timely proposals are developed.

Testimony at the RSPO hearings and state responses have questioned the advisability of disposing of all abandoned rights-of-way immediately. Many fear that future needed rail service may not be available because of a failure to assess properly industrial development potential or because of other errors in the FSP. The Department of the Interior, some states, the president of the Illinois Central Gulf Railroad and others have suggested various forms of "rail banking" or "land banking" as a solution to the foregoing problems. Additional Congressional action, such as S. 1879 (Conversion of Abandoned Railroad Rights of Way Act), may help resolve this issue. USRA's obligation, however, has been to develop its "public purpose" designations within the provisions and intent of the present Act.

The Appendix in Part III, Section C–2 contains the section 206(c)(1)(E) designations, other than yards. (Yard designations are in Exhibit 3 of the Appendix to Part II.) Generally, designations were made wherever a request from a responsible source relates to a specific property. All designations are intended to indicate a suitability for use "for other public purposes" generally rather than for a specific public purpose. The Appendix also notes, however, any specific public purpose or purposes recommended to USRA and the source requesting that designation. A more precise description of these rail lines may be found in the line-by-line analysis in Part III.

It should also be noted that in most instances the suggestions are tentative and not to be interpreted as a commitment of the recommending agency to acquire the rights-of-way. In almost all cases the responses included a statement to the effect that "our intent is to maintain the line in rail service. This does not indicate support for abandonment." The designations reflect consideration of all recommendations, as indicated above, received by July 18, 1975 concerning suitability for other public use of all rail properties that the Final System Plan contemplates will not continue to be used in rail service.

Rail Properties Subject to Conveyance

The purpose of this section is to describe the categories of rail properties subject to the designation process, the quality of the inventory available for each category, the rationale underlying USRA's designation decisions and the rules of interpretations which govern the specific designations made in each property category.

The property categories are divided for purposes of discussion into four broad groupings: road properties, equipment, materials and supplies and general and administrative assets. When possible the property categories being designated conform to individual account definitions set forth in the Uniform System of Accounts prescribed by the ICC for railroad companies, 49 C.F.R. Pt. 1201. In some instances, such as yards, the defined categories contain assets that could be recorded in several ICC Accounts. Definitions for these categories are provided in appropriate footnotes.

Road Properties

Road properties include those properties that could be recorded in ICC Accounts 1 through 45.[38] These accounts have been subdivided for analysis into two groups: one, rail lines, which includes right-of-way land, track structure, signals, communication systems, bridges and tunnels and other appurtenances; and the other, facilities, which includes such items as yards, stations, shops, terminals and certain buildings.

Rail Lines

Rail lines represent a major portion of the properties in the road properties accounts. Basically, they are designated by mileposts to the nearest tenth of a mile. Moreover, as will be described in more detail, many other assets in the road property accounts are associated with the rail lines and therefore are included within the designations of rail lines.[39]

Quality of Railroad Title.—Historically, railroad real estate records have been kept on the basis of valuation maps. Valuation maps are large scale maps prepared by civil engineers and containing an outline, roughly to scale, of the railroad operating real property. These maps are extremely cumbersome; they are 3 by 6 feet in dimension and customarily are drawn on a scale of 1 inch equal to 100 feet. Thus one map may encompass a territory of less than 1 square mile. The northeast railroads have approximately 50,000 such maps which if assembled together would represent the operating properties of these railroads.

Each valuation map has a schedule that purports to set forth a record of the manner in which the railroad acquired its title to the property shown. The northeast railroads did not acquire large parcels of land at one

[38] Some road property also is recorded in Account 90 and is included herein. Because of their similarity, Account 37, Roadway Machines, is treated together with the equipment accounts.

[39] In designating offers and transfers of the rail lines and rail facilities, USRA has included property adjacent to rights of way and associated with it. Mindful of the requirement to limit such designations to properties "used or useful in rail transportation service," USRA has solicited the views of the estates as to which of those properties are used or would be useful, and which the estate felt served no reasonably foreseeable requirement of ConRail or a profitable railroad to which a relevant offer has been made. Penn Central's position was contained in a report prepared by its consultant, Vicor Palmieri and Co., Inc.; Reading submited a letter suggesting that specific properties should not be considered used or useful in rail transportation service. The estates' views have been considered, and accommodated to the extent appropriate, in the designations of specific yards. In addition the FSP leaves with the estates all property along rights-of-way that the estates now hold for industrial development or other future use that is not reasonably likely to be useful in rail transportation service.

time from one source as did the western land-grant railroads. Rather, they acquired long, narrow strips of land from a series of grantors either by purchase or through condemnation proceedings. The land depicted on one valuation map may represent acquisitions from numerous grantors, particularly within urban areas.

The valuation map schedules contain at best a generic description of the document under which the railroad acquired title, the date and place of recording, the railroad document number, if any, the grantor's name and a short remarks section. Unfortunately, over the years most of these schedules were prepared by persons untrained in real estate or title work. The schedules are not accurate and at best provide a starting point for a title search if one were to be undertaken. The nature of the railroads' property interests in their right of way is, consequently, often unclear.

The railroads have many different kinds of property interests in their rail lines. For example, much of the property was acquired through state condemnation proceedings. Depending on the exact language of the then controlling state statute, a railroad could acquire one of several types of interest. Under some state condemnation statutes, the railroad received only a license or easement, giving the holder the right to use the land for railroad purposes with the underlying fee ownership remaining with the grantor. If the railroad ceases to use the land for railroad purposes, the interest in the property then reverts, again according to the provisions of the particular statute, either to the grantor (or his heirs) or to the abutting land owners. Over the years, many states amended their condemnation statutes, each amendment providing for a different property interest to the condemning railroad.

In instances where the railroads acquired their interest by purchase, they used a variety of conveyancing documents over the years. Most of these acquisitions occurred before the development of printed or standardized legal forms. The conveyancing documents are often crude in form and contain many internal inconsistencies characterizing the purchasing railroad's interest, variously, as a lease, license, fee simple absolute, or right. Such inconsistencies have resulted in many lawsuits over the ownership of the land.

In some instances the railroad acquired its interest in the road by adverse possession. In such cases there is no supporting documentation and the exact nature of the railroad's interest depends on the provisions of particular state laws.

The uncertainty as to the type of title held by the railroads is further complicated by the absence of any accurate record of the many conditions and covenants made by the railroad with respect to the property. For example, many purchases were made from farmers who owned the land on both sides of the rail line and imposed a variety of conditions on their grant, not noted in the railroads' records, such as the railroad's obligation to construct and maintain a private crossing for the benefit of the abutting land owners.

In some urban areas the railroads acquired their rail lines from a town which already had either an easement or fee in a street which the town conveyed in whole, or in most cases in part, to the railroad. In such instances, the nature of the railroad interest depends on the nature of the town's interest, an unknown factor. There are also many instances in which a town dedicated or donated land to the railroad subject to certain conditions which, if breached, could cause the land to revert. Typically such conditions relate to the level of passenger service the railroad must maintain. The railroads do not have records of these special conditions, although they are known to exist.

A series of historical factors substantially increases the difficulty of title determination from the railroad's real estate records. During the days when the northeast railroads were acquiring property rather than disposing of it, the industry structure was considerably different. There were many smaller operating railroads each of which had its own record keeping system. Subsequent consolidations and leasing of the many operating railroads, which resulted in the present industry configuration, involved many transfers of real estate records, and, in the process, many of those records were lost over the years. Also, the railroads have not centralized the real estate records of many of the entities which they have acquired, and the records are located in a variety of offices throughout the systems.

Another complicating factor has been the constantly deteriorating financial position of the railroads bringing with it a lack of attention to record keeping. Thus, the real estate records are considerably out of date and often do not reflect recent transfers of the railroad's interest in its property. There has been no attempt to show, on the valuation maps or supporting schedules, railroad conveyances of certain interests to third parties, such as utility easements, operating rights and easements to other railroads, or leases of land or buildings along the rail lines.

In addition to the problem of inadequate description of the nature of the railroad's interest in the rail lines, the valuation maps are themselves inaccurate and have been found to include land which the railroads do not own. The maps are particularly unreliable with respect to buildings.

USRA concludes that a precise determination of the exact location and nature of the railroads' property interest is neither feasible nor necessary to the fulfillment of its obligations under the Final System Plan. What is important to the public interests to be served and to the transferees is the ability to run a railroad along the rail line. The exact dimensions and a definitive delineation of all the collateral agreements and rights that support such activity are not crucial since the very fact that a railroad has operated along the rail line for years is evidence that it possesses enough rail properties to support its operations. And the Act, of course, contemplates the transfer of such properties.

Under section 303(b) of the Act, the railroads in reorganization will convey all their right and interest in rail lines designated for transfer free and clear of any liens and encumbrances. This makes unnecessary, at least for designation and conveyance purposes, the large expenditure of time and money required to survey the land and search title records.

National, state and local needs are best served by honoring existing utility easements, crossing agreements, trackage right and other operating and joint facility agreements insofar as they relate to the particular property designated. These arrangements are therefore generally preserved in the designations under the FSP. It is not intended by these designations, however, to foreclose in any way the exercise by any designee of any termination or renegotiation rights pertaining to such agreements whether arising through operation of law or from the agreement itself.

Inventory of Rail Lines and Related Facilities.—The estates' valuation and real-estate records did not provide a basis for developing an inventory of the railroads' rail lines adequate for USRA's use.

The most complete existing inventory was found to be the Penn Central Engineering Department records, which assign a unique four-digit code, called a line code, to each individual railroad line. Using this system as a basis, USRA and its consultants developed unique line code designations for lines of the other railroads under study which could be easily used with the Penn Central's system.

The line-code descriptions then were compared with existing reference tools, including track charts, valuation maps, United States Geodetic Survey maps, operating timetables and interlocking diagrams.[40] In some instances physical inspections were used to verify these descriptions. The most useful tool was the railroads' track charts which depict the route of each line of railroad including milepost[41] locations, highway grade crossings, grade crossings with other lines of railroad, connections to other lines of railroad, overhead bridges and other engineering data.

USRA created a computerized file ("User File") listing each individual line of railroad for each estate and showing line-code designations as contained in the Penn Central's Engineering Department records or as designated for other railroad lines,[42] including origin and destination (by milepost, geographic reference and branch name). Milepost and line-code locations have been recorded for most facilities installed along the rail line and have been correlated with the User File. While this data base represents a more complete inventory of the estates' rail lines than previously existed, it is not perfect and does not purport to contain a complete inventory of facilities and buildings along the rail lines.

Milepost designations are not always precise and, therefore, milepost designations in the appendix are necessarily approximate. The valuation maps generally reflect historical designations which were made when the lines were built. Through the years, portions of lines have been relocated, and mileposts on some lines have been renumbered. Milepost designations contained in the track charts do not always correlate with the valuation maps, although these discrepancies have been minimized to the extent possible. Further, milepost designations in operating timetables may not always reflect either track charts or valuation maps, particularly where two formerly separate lines are now used as a part of one through route. And, in a few instances, the physical mileposts on the ground may not correspond to any of the above records. There also may be instances where a few small lines now operate as a part of a yard or as an industrial track and may not have been assigned a unique line code.

Designation of Rail Lines.—This FSP designates for transfer to ConRail, for offer to profitable railroads, for acquisition by Amtrak and for option to transportation authorities, the rail lines along the routes specified respectively, for operation by each in Chapter 1, "Industry Structure", and Chapter 2, "Passenger Service."

Unless otherwise specified, each such rail line includes all rail properties (as defined in section 102(10) of the Act) connected with, controlling or in any way pertaining to or used or usable by the designee in connection with the rail line designated including, but not limited to, minerals and mineral rights, franchises, permits, certificates of convenience and necessity, connecting spur and storage tracks, land,[43] grading,[44] tunnels and sub-

[40] Interlocking diagrams are detailed maps showing all lines of railroad and switches associated with an interlocking. An interlocking is a switch or group of switches interconnected and signal controlled to allow the passage of trains from one track to another in proper sequence.

[41] Mileposts are number markers placed approximately every mile along the line which denote the distance from a given location—usually a former key passenger station.

[42] The line codes originally used for Penn Central are those which existed as of January 1, 1974. In a few cases, Penn Central subsequently changed those code designations; however, the USRA data base used the same line code number under which the line was studied originally. Further, in some specific instances, USRA revised line codes in creating its computer data base to accommodate a few unique circumstances.

[43] Land means such properties which can be carried in Account 2 and includes land, roadway, office, shop, and other grounds; for ingress to or egress from such grounds; for borrow pits, waste banks, snow fences, sand fences, and other railway appurtenances; and for storage of material adjoining the rail line; land for wharves and docks and the riparian or water rights necessary therefore.

[44] Grading means such properties which can be carried in Account 3 and includes berm ditches, breakwaters, bulkheading, dikes (including those of eastern construction which are intended to function indefinitely), ditches, dressing slopes, excavation for conversion of tunnels into open cuts, filling, grading outfits, grubbing land, material taken from borrow pits, retaining walls, revetments, riprap, spoil banks, temporary trestling for fills, tools for grading, and wing dams.

ways,[45] bridges, trestles and culverts,[46] elevated structures,[47] ties,[48] rails,[49] engineering supplies,[50] other track material,[51] ballast,[52] fences, snowsheds and signs,[53] communications systems,[54] signals and interplant machinery,[55] powerplants,[56] power transmission systems,[57] and power plant machinery,[58] whether in place, on order or not yet installed.

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[45] Tunnels and subways means such properties which can be carried in Account 5 and includes tunnels and subways for the passage of trains, including apparatus for ventilating and lighting and safety devices therein, other than signals.

[46] Bridges, trestles and culverts means such properties which can be carried in Account 6 and includes substructure and superstructure of bridges, trestles, and culverts which carry the tracks of the carrier over watercourses, ravines, public and private highways, and other railways, including abutments, bridge signs, cofferdams, concrete and masonry ends for culverts, cribs, decking, including gravel for fire protection, dike protection, drainage systems, draw protection, drawbridge, engines and machinery, false work, guard timers, ice breakers, painting (except repainting), pier protection, piers and foundations, pipe culverts, retaining walls, riprap around abutments, riprap at, culvert ends, supports, water channels, waterproofing, wing dams and wing walls.

[47] Elevated structures means such properties which can be carried in Account 7 and includes elevated structures and foundations of elevated railway systems, and structures other than earthwork which are for the purpose of elevating tracks above the grade of streets, and which are not properly classable as bridges or trestles.

[48] Ties means such properties which can be carried in Account 8 and includes cross, switch, bridge and other wood or metal track ties used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.).

[49] Rails means such properties which can be carried in Account 9 and includes rails used in the construction of tracks for the movement or storage of locomotives and cars (including tracks in shops, fuel stations, supply yards, etc.).

[50] Engineering supplies means such properties which can be carried in Account 1 and includes atlases and maps, barometers, books for office use, cameras, compasses, camp equipage, chains for surveyors, drawing boards, drawing instruments, field glasses, furniture repairs and renewals, magnets and magnifiers, blueprint paper, periodicals and newspapers, photographic supplies, printing and stationery, provisions for business cars, rods for surveyors, sextants and slide rules, and triangles and tripods.

[51] Other track materials means such properties which can be carried in Account 10 and includes angle bars, anticreepers, bumping posts, compromise joints, connecting rods, including foundations or bases crossings, derails, frog blocking, frogs, guard-rail blocking, guard-rail clamps, guard-rail fasteners, switch guard rails and other, main rods, nut locks, nuts, offset bars, rail braces, rail chairs, rail clips, rail joint rail rests, rail shims, rail splices, splice bars, step chairs switch chairs, switch crossings, switch lamps, switch locks and keys, switch points, switch stands, switch targets, switches, tie plates, tie plugs, tie rods, track bolts, track insulators, and track spikes.

[52] Ballast means such properties which can be carried in Account 11 and includes gravel, stone, slag, cinders, sand, and like material used in ballasting tracks (including tracks in shops, fuel stations, supply yards, etc.).

[53] Fences, snowsheds and signs means such properties which can be carried in Account 13 and includes such fences as right-of-way fences and snow and sand fences, farm gates, cattle guards, wing fences, aprons, and hedges, on property not previously fenced, excluding those around stockyards, fuel stations, stations and shop grounds, and building sites; snowsheds, such signs as boundary signs, bridge-caution signs, crossing signs, curve and elevation markers, division-limit signs, mileposts, monuments, safety-first signs at crossings, section limit signs, slow or stop signs, tunnel-caution signs, whistle signs and yard-limit signs.

[54] Communication systems means such properties which can be carried in Account 26 and includes telegraph, telephone, radio, radar inductive train communication, and other communication systems, including terminal equipment, including such terminal equipment as batteries, interior cables and wires, interior conduits, connecting wires, current-controlling instruments, electric generators and motors, electric meters, stationary engines, fuses and mechanical protectors, rectifiers, rheostats, sending and receiving instruments, switchboards, telegraph repeaters, telephone repeaters, teletypewriters, testing outfits, transformers, and such outside equipment as aerial attachments, braces, brackets, cable boxes and appurtenances, aerial cables and wires, conduits and appurtenances, cross arms, gas and associated facilities for cables, guy stubs, guy wires, insulators, load coils, poles, submarine cables and connections, telephone pole boxes, towers, underground cables and connections, and such details of radio, radar, and inductive train communication equipment as aerials, or antenna and attachments, buildings or towers used exclusively for wireless, control units, power generating, converting, or supply equipment, radar console and associated equipment, roadside or office equipment for all wireless systems operated on special channels between train and train, train and tower or office, or between ship and shore, specialized testing and repair equipment, transmitters and receivers, including mobile units.

[55] Signals and interlockers means such properties which can be carried in Account 27 and includes interlocking and other signal apparatus for governing the movements of locomotives, cars, and trains, and for the protection of traffic at crossings, including towers and other buildings, furniture, fixtures, and machinery in connection therewith; roadway installations for train control and remote control buildings and machinery of power plants used primarily for the production of power for the operation of signals and interlockers, including such items as automatic-train control devices other than on equipment call-bell systems along track to call in flagman, electric call boxes, car-retarder systems, centralized traffic control, crossing flasher-light signals, highway and railway crossing gates, crossing signal bells, crossing warning signals, interlocker buildings and machinery, power apparatus primarily for the operation of signals and interlockers, power-distribution lines primarily for the operation of signals and interlockers, signal buildings, signal machinery, poles and foundations, and train-order signals.

[56] Power plants mean such properties which can be carried in Account 29 and includes power-plant and substation buildings; all foundations other than those special to particular machines and apparatus; and also dams, canal, pipe lines, and accessories devoted to the utilization of water for power, gas and sewer pipes and their connections, fixtures (including wiring) for lighting and heating, and furniture and miscellaneous fixtures and such power plant structure items as buildings, coal bunkers, pockets and trestles, fences (other than right-of-way boundary fences), fixtures for lighting (including wiring) and heating power-plant buildings, foundations (except special foundations for machines and other apparatus), fuel-oil tanks, furniture, hose and appliances for protecting buildings against fire, pavement within ground limits, permanent rights in water supply, platforms, smoke stacks and chimneys and their foundations where distinct from and not resting on boilers, water, sewer, gas, and drainage pipes and connections, wells (but not pumps); and such dam, canal, and pipeline items as aqueducts, bridges, fences (other than right-of-way boundary fences), footbridges, reservoirs, roadways, sluices, valves, and water rights.

[57] Power transmission systems means such properties which can be carried in Account 31 and includes systems for conveying electricity, steam, and compressed air from producing plants to place or building where used; also conduits and poles, cross arms, insulator pins, brackets, and other pole fixtures, and other structures for power-transmission and distribution systems, including those for electric railway operation, and lighting systems for general lighting purposes, and such items as air pipeline in car yards, compressed air pipelines, compressed air storage tanks (not at power houses or shops), cut-outs (not at power houses and substations), overhead trolley wires, rail-insulating devices, steam-heating pipelines in car yards, switchboards (not at power houses and substations), third-rail insulation and protection, transformers (not at power houses and substations), underground power tubes, braces and other supports for holding poles in position, brackets, cross arms, and other pole fixtures, conduits for wires and cables, cutting and trimming trees, guy stubs and wires, manholes, poles and towers, sewer traps, and stenciling or painting letters or numbers on poles.

[58] Power plant machinery means such properties which can be carried in Account 45 and includes machinery and other apparatus in power plants and substations for generating and transforming power used for the operation of trains and cars or to furnish power, heat and light for stations, shops, and general purposes, and also the cost of foundations special to particular machines or other apparatus and such items as air, compressors, ash-conveying machinery, battery-charging apparatus, boiler-room appliances and tools, boilers and fittings, circuit breakers and furnaces, lubricating devices, mechanical stokers, metal stacks on boilers, refrigerating machinery and apparatus, rotary converters, sewer connections for machinery, coal-conveying machinery, condensers, cranes, draft machinery, dynamos, engine-room appliances and tools, feed water heaters, special foundations for machines, steam distribution systems within the plant switchboards, tanks, tractor, trailers, and trucks, permanently assigned to the power plants, transformers, turbines, water meters, and well pumps.

In the terms customarily used for railroad conveyances, included are all items associated with the rail lines which could be recorded in ICC account numbers 1 through 45, and 90, and not otherwise designated for transfer or offer under this chapter or specifically excluded.[59]

In the appendix, specific rail lines are designated from each transferor to ConRail, profitable railroads, Amtrak and public authorities in accordance with subsections (A) through (D) of section 206(c)(1). As has been noted, designations of rail lines in accordance with subsection (E) as suitable for other public purpose use are listed in Part III, Section C-2.

Operating Agreements Associated with Rights of Way.—The present operating railroads are successors to dozens, and in the case of Penn Central, hundreds of smaller railroads whose lines were separately constructed during the 19th and early 20th century. This historical process as well as changes in operating patterns over the years caused the various railroads to enter into agreements ("Operating Agreements"),[60] relating to the joint use of tracks, terminals and other facilities. Generally, such agreements provide for either: (a) the right of one railroad to operate trains over the tracks of another railroad between certain points; or (b) the shared use of a particular facility (such as an interlocking tower or stations) by two or more railroads. Railroad consolidations and abandonments increased the number of such arrangements over the years, and thousands of such agreements exist today.

USRA attempted to assemble a full, comprehensive inventory of such agreements from the railroads' existing corporate records, but those records were inadequate for that purpose. USRA was able, however, to use the Penn Central's computerized system for monitoring and reporting joint facility debits and credits. That system also includes an inventory showing the railroad involved and a brief description of the service provided. To the extent available, some listings were also furnished by the other railroads but, in general, these listings did not provide the information needed for an accurate inventory. The information available to USRA, consequently, is inadequate to assess the value of these agreements and the desirability of their transfer under the FSP. Information is lacking on such basic provisions of these agreements as cancellation provisions and established charges. The collection of such a comprehensive inventory will require an item-by-item check through the agreements themselves.

To the extent agreements are known to USRA, they have been correlated with the User File and are now associated with the line codes.[61] The information now available usually includes agreement identification number, location of agreement by line segment and milepost, railroads involved and a brief summary of the service or rights covered.

These agreements, particularly those involving trackage rights, affect the continuity of the routes over which the railroads now operate, and many other services vital to their functioning. ConRail and the other transferees will require the rights provided under most of these operating agreements. There are, therefore, designated for transfer or offer to each transferee, all operating agreements associated with the rail lines each acquires. Excepted from this designation, however, are:

- Operating rights associated only with light density lines that are not being acquired.
- Operating rights, in the case of ConRail, which, if acquired, would impose an obligation to provide service beyond that contemplated for it under the industry structure delineated in the FSP.
- Operating rights having so high a fixed cost in relation to the benefits of foreseeable use by the transferee, as to make other available options economically more attractive.

As noted, USRA has neither a complete inventory, nor sufficient details as to the terms of individual agreements. A more precise delineation, in accordance with the foregoing designation standards, will be presented when USRA certifies these agreements to the Special Court.

Facilities and Other Road Properties

Apart from rail lines and associated assets, the other main grouping of road property assets is facilities. These assets have been divided for analysis into yards and maintenance and service facilities, intermodal terminals, marine facilities, rail welding facilities and stations and other structures.

Yards and Maintenance and Service Facilities.—In designing a restructured system, USRA has designated a system of yards and facilities adequate for system operations and for the servicing and maintenance of rolling stock designated to the various transferees. Yards are by no means uniform; they range in size from

[59] For example, communication systems property can be associated with a specific site, a specific piece of equipment, or generally associated with a system-wide operation or function. The designations here deal only with the communications equipment installed or customarily used along specific rail lines. Communications equipment at other facilities, not identified with a particular rail line (switch-boards in terminals); mobile communications gear installed in equipment (such as in locomotives); communications equipment which may not be associated with any particular site or equipment (mobile radios, transmitters) are designated for transfer with those assets where to do so provides more logical basis for allocation.

[60] Operating agreements refers to those agreements and arrangements relating to more than one railroad's use, operation, control or access to tracks, terminals, interlocking towers, or other facilities related to rail services.

[61] New line codes have been created for tracks or facilities on line segments not previously included in the User File usually involving the railroads' right to operate over the track of other railroads.

large classification yards, where trains are assembled for movement over the road, to local industrial yards, from which cars are delivered to customers. Yards range in area from less than 1 to over 800 acres.

USRA has compiled a list of about 500 significant yards owned by the railroads in reorganiaztion; it shows for each the name of the owner and the name and location of the yard. In addition to those listed, there are hundreds of other smaller yards along the rail lines where cars are switched by local crews. USRA consultants examined the larger fixed assets within most of the yards and compiled information as to the type and condition of the yard facilities.

Generally, yards [63] and service and maintenance facilities have been designated on the same basis as the lines with which they are associated. In particular:

- Several yards and facilities serving the lines designated for transfer have land or building capacity which exceeds the transferee's foreseeable needs. Only portions of these yards [64] are designated for transfer, with the excluded land or facilities remaining with the estates. Other yards along designated rail lines not needed for rail transportation service are listed in the appendix. These properties, too, remain with the estates.
- Passenger yards and repair and service facilities are designated for transfer to ConRail and from ConRail to Amtrak or state, local or regional transportation authorities in accordance with the principles described in the discussion of passenger service entities in this chapter.
- The Southern is offered certain Penn Central yards and facilities which are associated with lines offered to it.[65]
- Chessie is offered the freight yards and facilities on or adjacent to the EL and Reading lines that are offered to Chessie.
- Some lines over which Chessie will operate all freight service are designated for transfer to ConRail, subject to trackage rights to Chessie; in some cases, ConRail will retain the right to operate through freight trains and in others it will not. With a minor exception,[66] Chessie is offered all freight yards on or adjacent to those lines. Chessie is also offered limited rights in ConRail's Greenville, N.J., yard for access to the marine facility there; in Allentown Yard to the extent the Reading currently uses it; and in Elizabethport, N.J., Yard for handling traffic switched for Chessie by ConRail in the Elizabethport/Perth Amboy area. In Reading yards being offered to Chessie, ConRail will have full joint facility rights in the Port Reading, N.J., Yard and limited rights in Reading, Pa., Yard to the extent required for ConRail to serve local industries north of Reading (Belt Line Jct.), Pa. Chessie is not offered any yards that support passenger service only.
- Those yards and facilities offered to and refused by profitable railroads which are associated with lines alternatively designated to ConRail are designated for transfer to ConRail. Any remaining yards and service and maintenance facilities refused by profitable railroads are left with the estates.
- Except as specifically noted in the appendix,[67] there are designated for transfer to ConRail all other yards and facilities associated with lines designated for transfer to ConRail.

There are several yards and facilities where, on the basis of present traffic projections, USRA anticipates that operations will be curtailed and moved elsewhere. It is hoped that ConRail and the other railroads being offered yards will be able to consolidate yards and repair and service facilities. To give management the flexibility to restructure its yard and facility network to take into account unexpected changes in traffic patterns, these yards and facilities are being designated to the various transferees in their entirety.

Shops and Maintenance Facilities.—Most rolling stock maintenance and fueling is done at service and maintenance facilities. Some of these deserve special attention: shops and engine houses,[68] shop machinery,[69] fuel stations,[70] and roadway buildings.[71]

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[63] There is no separate ICC Account classification for yards. Yard assets are included in various road property accounts. Yards may be defined as parcels of land crossed by multiple track segments where railroads classify, relay, store, maintain or service the rolling stock. Yards and facilities include all easements, ingress and egress arrangements and any similar interests. Where less than an entire yard or other facility is designated, there are also designated such necessary easements, ingress or egress arrangements and similar interests associated with, over or bordering the portion not designated.

[64] The names and locations of such yards are set forth in the appendix. More exact description of the boundaries of the portion of the yard designated for transfer has been outlined on yard maps which have been compiled in a Final System Plan Map Compendium which is available at the Public Information Office of the Association.

[65] Two PC yards in Virginia and two in Delaware specified in the appendix.

[66] The portion of the Hoboken, N.J., Yard designated for offer to the Chessie is identified in the Final System Plan Map Compendium. It includes the Hoboken Terminal Building, subject to the option of transportation authorities to acquire appropriate use and occupancy rights. That portion of the Hoboken yard relating to lighterage services or the floating of freight and rail cars is not designated for offer to Chessie and is left with the estate.

[67] Thirty-three yards to be left with the estates, although associated with lines designated for transfer to ConRail, are listed in the Appendix.

[68] Shops and engine houses means such properties as can be carried in Account 20 and include the foundations, furniture and fixtures, drainage, sewerage, and water-supply systems, plants for heat and light, and all machinery apparatus and small tools associated therewith including air-compressor houses, bins for material, blacksmith shops, breakwaters for protection of buildings on piers, car sheds and shops, carpenter shops, electric-power distribution systems within buildings, fire-engine houses, footbridges (not public highways), foundries and machine shops, gas-compressor houses, heating and lighting plants, laboratories, lumber sheds, material and supply truck tracks, motorcrane tracks, offices shop, paint shops, pipelines (air and heat), planing mills and repair shops,

While a few of these facilities are found along rail lines and will follow the transfer or conveyance of the rail lines, most are located within yards to permit use of yard space for storage and maintenance. With a few exceptions [72] USRA allocates these facilities to the transferees on the same basis as the yard or line with which they are associated.

Intermodal Terminals.—Intermodal terminals [73] are facilities where truck trailers and containers are transferred to or from rail cars, trucks, and infrequently, ships. There are approximately 100 such terminals, most of which are located in yards. They generally are designated along with their associated yards.

Six intermodal terminals,[74] noted in the appendix, are not yard-related and, with one exception,[75] are designated on the same basis as the rail lines along which they are located.

platforms, shop and yard, scale houses and scales, scrap bins, sidewalks, interior steam distribution systems, storehouses, tanks (gas and oil), test rooms, turntables, upholstering shops, warehouses, air compressors, belting, blowers, boilers for furnishing power, boring machines, motor cars, push cars, cranes, drilling machines, drop tables, forges, framing machines, furnaces, grinding and polishing machines, hoists, hydraulic jacks, lathes, lifting magnets, metal chimneys, milling machines, motors, pipe cutting and threading machines, planers, pneumatic hammers, power equipment, punches, riveters, saws, shafting, shapers, slotters, stationary engines, steam hammers, vises, welding machines and woodworking machines.

[69] Shop machinery means such properties as can be carried in Account 44 and includes machinery and other apparatus in shops and engine houses (including special foundations and installation and small hand tools); it also includes air compressors, belting, blowers, boilers for furnishing power, boring machines, motor cars, push cars, cranes, drilling machines, drop tables, forges, framing machines, furnaces, grinding and polishing machines, hoists, hydraulic jacks, lathes, lifting magnets, metal chimneys, milling machines, motors, pipe-cutting and threading machines, planers, pneumatic hammers, power equipment, punches, riveters, saws, shafting, shapers, slotters, stationary engines, steam hammers, vises, welding machines and woodworking machines.

[70] Fuel stations means such properties as can be carried in Account 19, which supply fuel to locomotives or floating equipment and include breakwaters for protection of buildings, buildings on piers, coal buckets and hoists, coal pockets and chutes, dumping machinery, elevating machinery, fences, fuel houses or stations, fuel-oil plants, pumps and tanks, fuel platforms and wharves, stationary engines, tipple cars and weighing apparatus.

[71] Roadway buildings means such properties as can be carried in Account 17 and includes roadway shops and other roadway buildings such as blacksmith shops, breakwaters for protection of buildings, carpenter shops, fire-engine houses, frog shops for repair of track material, handcar houses, lighting plants, lumber sheds, planing mills, rail shops for repair of track material, repair shops, scrap bins, section dwelling houses, and tool houses, including drainage, water, gas, and sewer pipes and connections and all machinery, fixtures and furniture.

[72] The engine facility at Three Rivers, Mich., which is along the right of way designated to ConRail, is not required by ConRail and is left behind with the estate. While a portion of the Sayre, Pa., yard is designated for transfer to ConRail, the shops are left with the estate, except for the wheel-truing machine at the Sayre shops which is designated for transfer to ConRail.

[73] Intermodal terminals are such properties as can be carried in Account 25 and include all facilities for handling trailers on flat cars, containers on flat cars, automotive transfer and bulk commodity (flexi-flo) transfer, and all fixtures, machinery and appurtenances thereto which include loaders, cranes and hoists, other lift devices (including related machinery and appurtenances), drainage and sewerage, fences, grading, jockeys, offices, lighting systems, sidewalks, pavements and driveways on terminal grounds, terminal trucks and tractors and parking areas.

[74] Two RDG terminals are located on lines designated for offer to Chessie; two Penn Central terminals, one EL terminal and one CNJ terminal are located on lines designated to ConRail.

[75] The Port Newark intermodal terminal at Newark, N.J. is left with the estate although located on a rail line designated for transfer to ConRail.

In addition, USRA recommends that the Chicago & Western Indiana Railroad grant Chessie access rights to its intermodal terminal at Chicago now used by Erie Lackawanna; EL's right, title and interest in this terminal are designated for transfer to ConRail.

Six intermodal terminals designated for offer to Chessie are not designated over for transfer for ConRail. They are not useful to any other transferee either because they are located along lines which no transferee operates or because the transferees have alternative locations for handling intermodal transfers.

Marine Facilities.—The railroads in reorganization have 13 marine terminal facilities [76] and 10 ore and coal wharves,[77] all of which are associated with yards. The ore and coal wharves are designated for offer and transfer with those yards.

The marine terminal facilities are used for transfers between rail and water carriers. Although these facilities are associated with yards, their designations require some elaboration since in some instances the yard in which a facility is located is designated to more than one designee or is a yard in which a portion only is designated for transfer.

The only marine facility which will be useful to ConRail is the marine terminal facility at Greenville Yard, N.J. It, and no other such facility, is designated for transfer to ConRail.

The docks, wharves, and warehouses at Erie Lackawanna's marine terminal at Hoboken, N.J., are offered to Chessie, but the float bridges and other facilities related to lighterage services or the floating of rail cars are not. The Reading facilities at Pigeon Point, Del., Carney's Point, N.J., and Thompson Point, N.J., and the Penn Central facilities at Cape Charles and Little Creek, Va., are considered to be useful to Southern and accordingly are designated for offer to it.

Any marine terminal facility offered to and not accepted by Chessie or Southern will be left with the estates. ConRail will have alternate means of handling the traffic for which those profitable railroads would use those facilities.

Rail Welding Facilities.—Rail welding facilities are plants at which track material is welded. There are only three such facilities in which the railroads in reorganization have an interest. The two Penn Central facilities are designated for transfer to ConRail; the Reading

[76] Marine terminal facility as used here means the entire facility, including fuel stations and structures, wharves, docks, dry docks, slips, float bridges, other landings for vessels, float-bridge machinery, piling, pile protection, cribs, cofferdams, walls, and other necessary devices and apparatus for the operation or protection of wharves and docks including bridge pontoons, bulkheads, caissons and cribwork, dry docks, ferry-bridge machinery, ferry bridges, ferry slips, jetties and inclines, transfer-bridge machinery and transfer bridges, and any related rights or interests, including easements, licenses, permits, rights of way or access arrangements.

[77] Coal and ore wharves means such properties or can be carried in Account 24 and include the wharves, docks and the associated conveyors, machinery and fixtures, and storage areas for cars.

facility is not needed by any designee and is left with the estate.

Stations and Other Structures.—There are thousands of structures along rail lines including freight stations, passenger stations, wayside shanties, interlocking towers, and offices. While some of these structures are not used for railroad operations, others house equipment, records and personnel and are used and useful in the operation of the railroads. Portions of some passenger stations house the railroads' regional and divisional office headquarters. Some communications and signal equipment used in railroad operations is housed in structures which appear to be abandoned.

Because there is no comprehensive building inventory, the allocation of these structures, particularly those serving multiple users and uses, is complex. Frequently rail properties within buildings are designated to ConRail and others; but the buildings in which they are located, if not primarily used or useful for rail transportation service, are not so designated. This is particularly true of passenger stations which may contain equipment, offices or records transferred to ConRail, while the stations themselves are designated for acquisition by Amtrak or public authorities or are left with the estates. Since there will be a transition period after conveyance during which the transferees will consolidate and restructure their operations, it is necessary for them to have the right to use such buildings for a temporary period until suitable permanent arrangements for the equipment, records and personnel can be made. For that purpose, there is designated to each transferee a lease of not to exceed 2 years, including appropriate access and occupancy rights, of that portion of any structure, transferred to, or left with others, in which rail properties otherwise designated to that transferee are located. Within the two-year term, the transferee shall surrender to the lessor any leased space for which it has no foreseeable rail transportation service need.

Subject to that lease, and except as may otherwise be specifically provided in the appendix, the structures along the right of way are designated as follows:

- All structures along rail lines not transferred will be left with the estate.
- Stations and other passenger-related facilities for Amtrak and for transportation authorities are allocated as set forth in the section of this chapter devoted to passenger service entities.
- All structures located in yards are dsignated on the same basis as the yards in which they are located.
- All other structures along transferred rail lines which are used or useful in rail transportation service are transferred on the same basis as the rail lines along which they are located. For that purpose a structure will be deemed not to be used or useful in rail transportation when more than 60 percent of the total square footage of the structure is devoted to activities not related to rail transportation, and no firm, credible plans for ultimate use of at least 50 percent of the structure for rail-related purposes are made before the expiration of 60 days after the FSP's effective date.

Rolling Stock and Equipment

Rolling stock and equipment include the assets which could be carried in ICC Accounts 37 and 50 through 58. The primary assets contained in these accounts are for rolling stock: locomotives, freight cars, passenger cars, and work equipment; and for other equipment: roadway machinery, highway revenue equipment, floating equipment, and miscellaneous equipment. This section sets forth the designations for transfer and conveyance of those categories of assets.

Rolling Stock

Locomotive.[78]—An adequate fleet of locomotives is essential to efficient railroad operations. The locomotives of the railroads in reorganization generally have been maintained in better condition than the rest of their rolling stock. The normal productive life of a diesel-electric locomotive is 15–20 years, during which it usually is rebuilt once or twice. Some older electric locomotives have been rebuilt several times and have been in service as long as 40 years.

Freight Cars.[79]—Freight cars comprise approximately 85 percent of all units of rolling stock and represent the major portion of the railroads' investment in rolling stock and equipment. These cars generally have a 30-year life span with an average of one rebuilding at 15 years. The freight car fleets of the railroads in reorganization are in poor condition, with the result that adequate freight service often is not available because of insufficient serviceable freight cars.

[78] Locomotive means such properties as can be carried in Account 52 and includes all diesel-electric and electric road passenger, road freight, road switching and yard switching locomotives, and appurtenances and fixtures necessary to equip them for service, including all appurtenances to locomotives as, for example: air-brake equipment and hose, arm rests, awnings, brake fixtures, cab cushions, cab lamps, cab signals, clocks, fire-extinguishing apparatus, headlamps, metallic packing, pneumatic sanding equipment, radio equipment, seat boxes, signal lamps, speed recorders, steam-heat equipment and hose, storm doors, tool boxes, and train-signal equipment and hose, and communications equipment.

[79] Freight cars means such properties as can be carried in Account 53 and includes all freight cars of all classes, including motor-driven cars, and all appurtenances, furniture, and fixtures necessary to equip them for service, including the following freight cars: box, caboose, covered hopper, flat, hopper, gondola, tank, ore jenny, rack and associated tie-downs, refrigerator, and the following appurtenances to freight-train cars; air-brake equipment, including hose, cooking equipment and utensils, heating equipment, ice boxes, lamps and fixtures, seats, speed recorders, train-signaling equipment, including hose, and water tanks.

Passenger Cars.[80]—The number of passenger cars has dwindled considerably since World War II, after which the last major fleet reequipping took place. The last sleeping car was manufactured in 1958 and, except for commuter, rapid transit and Metroliner equipment, very few passenger cars were constructed until 1974. Since then, Amtrak has ordered about 500 new cars.

Many of the newer and better maintained passenger cars already are owned or leased by Amtrak or transportation authorities. Most of the estates' remaining passenger cars are 20 to 60 years old, generally in fair to poor condition and are expected to be retired as replacements become available.

Work Equipment.[81]—The rolling stock operated by a railroad and used in the maintenance of right-of-way and for its own business purposes is called "work equipment." As a general rule, this equipment consists of rolling stock originally constructed for revenue transportation use and later converted or dedicated for use for the railroad's own purposes. It is all nonautomotive, and designed to run on rails. "Roadway machinery," discussed elsewhere, is used for similar purposes, but is, generally, special purpose and automotive equipment which runs both on and off rails. Work equipment has an average life span of 20–30 years after conversion to its present configuration.

Property Interest In Rolling Stock.—The major part of the estates' locomotives and freight-car fleets is subject to lease, conditional sale or equipment trust agreements (sometimes referred to as "financing agreements"). Only the older locomotives and freight cars, some work-equipment cars and most of the older passenger cars, are not encumbered by financing agreements.

After World War I, most locomotives and freight cars were acquired under equipment-trust or conditional-sale agreements. Under each of these financing devices, a railroad acquires the "ownership" of the car through payment of the deferred purchase price, plus interest, over the life of the agreement, generally 15 to 20 years. The initial cash payment under an equipment-trust agreement is generally 20 percent of the purchase price while under conditional-sales agreements it varies.

During the past 15 years the declining financial position of the railroads in reorganization has forced increasing use of the equipment lease. Since 1970, the lease has been virtually the only means by which the railroads now in reorganization could acquire locomotives and freight cars. An equipment lease is less attractive in certain respects than an equipment-trust or conditional-sales agreement. The lease is usually for a 15-year term and the lease payments over that term often aggregate 250 percent of the original purchase price of the equipment. Unlike the typical equipment-trust or conditional-sale agreement, a lease does not require a down payment. In turn, the railroad obtains only the use of the equipment, while the ownership and equity stay with the lessor to whom the equipment must be returned in proper order and repair at the end of the lease. These obligations to maintain and return create additional liabilities under the lease if the cars are missing, destroyed or damaged.

Constraints on Selection of Rolling Stock.—The Act (section 303(b)(2)) states that as a general rule rail properties conveyed to ConRail or to profitable railroads are conveyed free and clear of all liens and encumbrances. Section 303(b)(3), however, provides that when rolling stock is transferred to ConRail or to a profitable railroad, the transferee must assume all the obligations under any lease, conditional-sale or equipment-trust agreement in respect to the rolling stock conveyed. Moreover, section 303(b)(4) imposes a similar requirement with respect to assets leased with reorganization court approval from nonaffiliated, nonrailroad lessors, and this requirement also may affect some equipment leases. Individual leases may cover hundreds of cars. If less than all of the rolling stock under a lease or financing agreement is transferred to ConRail or a profitable railroad, it is not clear whether section 303(b)(3) requires the transferee to assume all of the obligations under that agreement, or would permit the assumption of only a part of the obligations. If a partial assumption is permissible, section 303(b)(3) does not specify how the assumed portion would be determined. Section 303(b)(4) plainly requires assumption of all obligations under a financing agreement. As a practical matter, USRA has construed section 303(b)(3) as requiring the transferee to assume all obligations under a financing agreement and consequently the designations in the plan transfer all equipment covered under any single financing agreement.

The Inventory Available For Transfer.—The devel-

[80] Passenger cars means such properties as can be carried in Account 54 and includes all passenger cars of all classes, including self-propelled cars, including all appurtenances, furniture and fixtures necessary to equip them for service, including the following passenger cars: head end, dining, club and observation, parlor and sleeping, coach and combination. Also included are all appurtenances to passenger cars as, for example: air-brake equipment, including hose, bedding, chairs, coat hooks, curtains and fixtures, cushions, electric bells, floor coverings, heating equipment, refrigerators, kitchen equipment and utensils, lighting equipment, mail catchers, parcel racks, ranges and boilers, seats, speed recorders, steam-heat hose, table china, table glassware, table linen, table silver, toilet equipment, train-signal equipment, including hose, and water tanks.

[81] Work equipment means such properties as can be carried in Account 57 and includes all work equipment including motor-driven equipment, appurtenances, and fixtures necessary to equip it for service, including, for example: air-brake instruction cars, ballast cars, ballast unloader cars, boarding cars, bridge cars, business cars, camp cars, cinder cars, concrete mixers (mounted), derrick cars, dirt spreaders (mounted), ditching cars, dump cars, dynamometer cars, gas tank cars, grading cars, gravel cars, indicator cars, steam locomotive tenders used permanently as water cars, locomotives, business cars, outfit cars, painters' cars, pile drivers (mounted), rail saws (mounted), salt cars, sanding cars, scale test cars, scraper cars, snow dozers, snow drags, snow plows (moved by, but not attached to locomotives), sprinkling cars, steam shovels, steam wrecking derricks, supply cars, sweeper cars, tool cars, tool and block cars, track inspection cars, water cars, weed burners (mounted) and wrecking cars.

opment of an accurate rolling stock inventory was hampered by the decentralized record keeping procedures followed by the railroads. Typically, the responsibility for car record keeping rests with several departments: the transportation department which maintains daily movement data on all cars on the line, the accounting department which keeps historical car movement data for *per diem* [82] settlements, and the mechanical department which handles billing for repairs made by one railroad to cars of another railroad.

Penn Central car movement data is reliable and provides an instantaneous record of recent car movements. It does not, however, provide current records for cars which are off line, bad ordered, or for any reason not moving in a train. Historical *per diem* and demurrage [83] records, as well as car reporting systems of other railroads provide some help in finding such cars, but there may be a delay of several days, or even weeks, before the location of a car on a particular day is known.

While these systems may function for operational purposes, it is very difficult to assemble a complete record on any particular car. It was impossible to take a physical inventory of the equipment on hand as the equipment is mobile and subject to the control of third-party shippers as well as other railroads over whose lines the cars move.

USRA, through its consulting firm of Simpson & Curtin, has prepared a computerized inventory, ("S&C Inventory") as of December 31, 1973. It is based not only on estate records but on a representative sampling of rolling stock, and a variety of public sources including trade associaton records and reports filed by the bankrupt estates with the ICC and the various reorganization courts. USRA also has considered the opinions and expertise of knowledgeable persons within the estates and USRA. For each piece of rolling stock, the S&C inventory includes the type, serial number, date of building and rebuilding, the number of units permanently removed from service, the ledger value, the owner, the financing agreement identification number and type, if any, and for locomotives only, weight and mileage since last rebuilding, manufacturer and horsepower. The inventory also contains information on the *per diem* rate for freight cars and the seating capacity of passenger cars.

It does not reflect the number of cars or locomotives in bad order or destroyed but unreported. Characteristically, cash-short enterprises tend to pay inadequate attention to record keeping. The leases generally require repair of damaged equipment and replacement of destroyed equipment either in kind or in cash. As a result, there is some skepticism as to the accuracy of the estates' reporting of bad order and destroyed equipment. The estates have not attempted to correlate their car movement and *per diem* files with their property inventory records. USRA is attempting such a correlation and expects to identify by serial number and lease those cars which have been inactive for several months. Such inactivity suggests that the unit is either destroyed or awaiting repair.

Because of their high value, there is more incentive to keep accurate records on destroyed locomotives and, therefore, the locomotive inventory is more accurate. The fact that locomotives generally stay on the lines of the railroads which own them also makes inventorying easier.

Because of the policy of deferred maintenance adopted by the estates, a high percentage of their equipment is in bad order. Since the assumption of an estate's obligations under a lease includes the obligation to maintain and restore equipment, as well as to replace destroyed cars, it is important to know how many units under each lease are either in bad order or have been destroyed.

Lease Designation Standards.—The rolling stock and other designations include cars and locomotives subject to equipment trust and conditional sales agreements. These agreements have been analyzed by USRA and, generally, acquisition of equipment subject to these agreements is considered desirable in the interest of the transferees. Cars and locomotives held by the estates under leases often are not as desirable an investment as freight cars under equipment trust and conditional sales agreements. The obligations that may have to be assumed by the transferees of the leaseholds in equipment may be very substantial. Therefore, the FSP is much more selective in designating the lessee's interest for conveyance.

The lessees' interests in all rolling stock and equipment leases are designated for transfer except the lessees' interests in those leases which are not economically justifiable under the following lease designation standards.

Leasehold interests, excepted from the general designation of transfer, are those as to which the effective rate, considering:

- the number of serviceable cars actually available for use,
- the amounts ConRail would pay under the lease,
- the amounts ConRrail would be obliged to expend under the lease terms, and
- based on the actual physical condition of the available equipment, the other costs, current and future, which may be incurred,

is more than the effective rate ConRail would incur in acquiring the right to use the same number of economically equivalent equipment units as those actually serviceable and available under arrangements other than

[82] Per diem charges are the rentals paid by railroads for the use of another railroad's car.

[83] Demurrage charges are the fees paid by customers for the detention of a railroad's car.

the existing lease. In applying these standards, USRA will assume that:

- Equipment is missing and unaccounted for unless, not later than 45 days prior to the date the plan is certified to the Special Court under section 209(c), USRA has satisfactory evidence that the equipment exists or, if missing or destroyed, that it has been accounted for properly and all payments made to the lessor under the loss and casualty formula specified in the lease.
- A leasehold is unacceptable if more than 2 percent of the equipment is unaccounted for under the loss and casualty formula specified in the lease.
- A leasehold is unacceptable if more than 40 percent of the equipment and lessee's obligations have been assigned to or assumed by a third party, and the lessee remains contingently liable for the assigned portion of the lease.

The certified plan will list specific leasehold interests in accordance with this standard.

Summary of Rolling Stock Designation Decisions.—The inaccuracy of the rolling stock inventory records raises special designation problems. Nevertheless, the needs of ConRail and the acquiring profitable railroads for much of this equipment has required that substantially all of it be designated for transfer. Excepted, however, are those which impose demonstrably unreasonable burdens on the transferees, and others as are hereinafter identified.

The goals which the FSP is to effectuate include the improvement of passenger service. The Association has considered the available inventory of passenger equipment in order to make appropriate designations of this equipment. While ConRail itself will require some passenger cars and passenger-service locomotives to fulfill its common-carrier and commuter-service contract obligations, the allocation of this equipment depends in part on the needs of Amtrak and the transportation authorities.

As discussed above, the transportation authorities and Amtrak are unable at this time to enter into binding agreements for the purchase or lease of passenger equipment.[84] The Association does not wish to overcommit ConRail's limited resources to purchase what may be excess passenger equipment. The FSP, therefore, designates to ConRail an option, exercisable within 30 days following the Special Court's order of conveyance under section 302(b), unless sooner cancelled by ConRail, to acquire by purchase or lease all or part of the passenger cars and passenger service locomotives designated in the appendix.

[84] Several state, local or regional transportation authorities operating commuter service have expressed an interest in acquiring certain locomotives used in such services, but, as of the date of the FSP, no binding commitments have been made.

With minor exceptions,[85] no passenger service rolling stock has been offered to profitable railroads.

Nonpassenger service locomotives are in short supply considering the anticipated needs of the system. Because of better knowledge as to the condition of the bankrupts' locomotives, their much smaller numbers and their location, USRA was better able to assess the desirability of the transfers here designated, after assessment of the available financing agreements.

Except for 24 locomotives of the Reading specified in the appendix which are designated for transfer to ConRail, substantially all of the newer nonpassenger service locomotives of the Reading and Erie Lackawanna Railroads are offered to Chessie. Subject to the lease designation standards, these locomotives are designated for transfer to ConRail if they are not accepted by Chessie. The remaining Erie Lackawanna and Reading nonpassenger service locomotive fleet is left behind with the estates. All nonpassenger service locomotives of the other railroads in reorganization, except those under leases which are excepted under the lease designation standards, are designated for transfer to ConRail.

The Chessie is offered the freight cars in the Erie Lackawanna and Reading inventories identified for such offer in the appendix. To the extent that these freight cars are not accepted by Chessie, and subject to the leases qualifying under the lease designation standards, they are designated for transfer to ConRail. The remaining EL and RDG freight cars are not useful to ConRail and are left with the estates.

Subject to the lease designation standards, there are designated for transfer to ConRail all other freight cars of railroads in reorganization.

All work equipment associated with those particular portions of EL and RDG road properties being offered to Chessie also is designated for offer to Chessie. In addition, Chessie is offered a portion of the remaining EL and a portion of the remaining RDG equipment based, in each case, on the ratio that the EL or RDG line-of-road[86] track miles, as the case may be, acquired by Chessie bears to the total such miles of that railroad transferred under the FSP.

Designated for transfer to ConRail is all work equipment not offered to profitable railroads, except those subject to leases that are excepted under the lease designation standards. If a profitable railroad does not accept the offer made to it, all of the offered work equipment is designated for transfer to ConRail, except that subject to leases excepted under the lease designation standards.

[85] The Chessie has been offered one Erie Lackawanna passenger service locomotive and four Erie Lackawanna passenger cars currently used between Youngstown and Cleveland which will be useful to it in its operations.

[86] Line-of-road track includes all trackage, except switching track, yards, industrial sidings, team tracks and similar trackage.

Other Equipment

Roadway Machinery [87].—Roadway machines, like work equipment, are used for maintenance-of-way work. What distinguishes the two categories is that work equipment is compromised of nonautomotive rail cars, while roadway machinery is generaly comprised of both on-track and off-track automotive equipment.

The average life of most roadway machinery is 10 years except for cranes, which last about 15 years. While most are owned outright, some roadway machines are leased. Much of the roadway machinery operated by the estates is in only fair condition.

The S&C inventory reported information as to type, ledger value, building and rebuilding dates, number of units permanently removed from service, owner, how financed and identification number, if any. The roadway machinery property records of some of the estates are especially poor and, therefore, there is a greater probability of error in the inventory of this category of equipment.

In order for the Chessie to maintain adequate rail service on the lines of the Erie Lackawanna and Reading being offered to it, it will need the roadway machinery normally associated with those lines. Accordingly, all roadway machinery assigned to or used solely, or primarily, on the specific lines of Erie Lackawanna and Reading being offered to the Chessie also is designated as offered to the Chessie.[88] In addition there is designated as offered to the Chessie a portion of Erie Lackawanna and Reading roadway machinery not assigned to any specific rail line. Apportionment shall be on the same basis as that specified for work equipment cars.

Roadway machinery, like work equipment, is in short supply and will be needed by ConRail at the earliest possible time for use in its rehabilitation program. Accordingly, all roadway machinery except that offered to and accepted by Chessie, is designated for transfer to ConRail, except machinery under lease excepted under the lease designation standards.

[87] Roadway machinery means such properties as can be carried in Account 37 and includes all machinery used for maintenance of roadway and structures, including on and/or off track automotive vehicles, permanently equipped with special-purpose machinery such as hydraulic cranes, derricks, ditching apparatus, pile-driving equipment, and similar machines listed below and used exclusively in maintenance of way and structures: portable boilers, hand cars, lever cars, motor inspection cars, push cars, crane (small) cars for supply yards and general use, concrete mixers, ditching machines, dredging machines, portable engines, grading outfits, hydraulic outfits, hydraulic jacks, log loaders, pile drivers, unloading plows, rail unloaders, rock crushers, steam rollers, timber trucks, tools used for maintenance of way and structures, such as tampers, smoothers, grinders, tie cutters, tie inserters, spike hammers, etc.

[88] For road machinery and, except as otherwise indicated, for all other equipment discussed under the general heading of "other equipment," the interests designated are the interests of the estate, not the interests of the fee owner that leases or otherwise makes road machinery available to the estate.

Highway Revenue Equipment.[89]—Highway revenue equipment consists mainly of the tractors, trailers, trucks and containers used by railroads in their TOFC/COFC services or by their trucking company subsidiaries. The bulk of the highway revenue equipment designated in the FSP is owned by the Reading, or Penn Central, its trucking subsidiary (Pennsylvania Truck Lines) and an affiliated company (Excelsior Truck Leasing Co.) from which Penn Central and Pennsylvania Truck Lines lease highway revenue equipment which Excelsior maintains.

The FSP designates for transfer to ConRail all highway revenue equipment owned by Penn Central and Pennsylvania Truck Lines and, subject to the lease designation standards, Penn Central's and Penn Truck Lines leasehold interest in the equipment which is leased from Excelsior Truck Leasing.[90]

Chessie is offered the specified units listed in the appendix of the highway revenue equipment owned by Reading and Erie Lackawanna and also is offered the Reading's leasehold or contractual interest in any highway revenue equipment owned by Reading Transportation Co. and used in Reading's rail services.

All other highway revenue equipment owned by Reading, Erie Lackawanna, Ann Arbor, Central of New Jersey, and Lehigh Valley is left with those estates.

Floating Equipment.—Ann Arbor, Penn Central, Lehigh Valley, Reading and Erie Lackawanna operate marine equipment and facilities. The water craft used in these marine operations are known in railroad usage as "floating equipment." [91]

[89] Highway revenue equipment means such properties as can be carried in Account 55 and includes all bogies, buses, chassies, containers, semi-trailers, tractors, trucks, etc., used in revenue transportation service, including pickup and delivery service, substitute line-haul service and TOFC/COFC service, as well as all appurtenances, such as radio communication equipment, necessary to equip them for service.

[90] Excelsior leases numerous other kinds of equipment and assets to Penn Central and its subsidiaries. Excelsior is a wholly owned subsidiary of Penn Central and its assets consequently are "rail properties" which may be designated for transfer. Nevertheless, it is in all the parties' best interests to have Excelsior as an independent lessor owner. Consequently, the leasehold interests of Penn Central and its subsidiaries are designated for transfer, subject to the lease designation standards.

[91] Floating equipment means such properties as can be carried in Account 56 and includes all the marine or floating equipment of all kinds except work equipment, including all appurtenances, furniture and fixtures necessary to equip it for service and includes barges, car and other floats, ferryboats, lighters, scows, steamboats, tugboats, appurtenances to floating equipment which includes, for example, anchors, atlases, barometers, beds and bedding, binnacle lamps, blocks and tackle, china, crockery, and glass ware, chronometers, compases, navigation and communication equipment, desks and furniture, engines and foundations, fire buckets and extinguishers, floor coverings, gang-planks, heating equipment, boilers and foundations, cables, capstan bars, charts, pianos and other musical instruments, pumps, railings, rigging, sails, scales, seats, chairs, and cushions, spyglasses and telescopes, hoisting equipment, kitchen equipment, life preservers, lighting equipment, linen, logs, machinery and foundations, masts, steam distribution systems, steering equipment, ticket cases, tool boxes and tools, tracks on car floats, ventilating equipment; floating work equipment which includes derricks, dredges and pile drivers.

Except for four relatively modern tugboats leased by Penn Central in 1960, most floating equipment is old and is owned outright by the railroads. The S&C inventory lists the floating equipment and identifies the owners, date of building and most recent overhaul, weight, serial number, number of units permanently removed from service, horsepower capacity, financing agreement type and identification number, if any, and ledger value.

The railroads have curtailed their marine operations during the past several years. Under the FSP ConRail is not expected to provide lighterage service. While two New York City terminal and dock railroads have indicated an interest in providing car-float services at Greenville, there is no binding commitment for such services. Therefore, there is designated to ConRail an option exercisable at any time before the expiration of 30 days after the Special Court's order of conveyance under section 303(b), to acquire all or less of Penn Central's interest in certain floating equipment, identified in the appendix, and presently used at Greenville, N.J. A portion of the remaining Penn Central floating equipment identified in the appendix is offered to the Southern Railway for its marine service for the Delmarva Peninsula and of Reading equipment for service between Pigeon Point, Del., and Carney's and Thompson's Points, N.J.

Miscellaneous Equipment.[92]—Miscellaneous equipment refers to highway equipment not used in revenue transportation service. A substantial portion of the miscellaneous equipment used by the railroads in reorganization is leased.

The Chessie System is offered all the Reading and Erie Lackawanna miscellaneous equipment associated primarily with road properties offered to the Chessie. The Chessie is also offered a portion of the remaining Reading and Erie Lackawanna miscellaneous equipment, with apportionment on the same basis as that specified for work equipment and road machinery. To the extent that RDG and EL equipment is not accepted by the Chessie, it is designated for transfer to ConRail, subject to the lease designation standards.

Subject to the lease designation standards, all of the other estates' interest in miscellaneous equipment is designated for transfer to ConRail.

Materials and Supplies

In order to provide for the efficient and economical support of their operations, the railroads maintain on-hand inventories of materials and supplies (commonly referred to as "stores").[93] In some instances, these materials are acquired in anticipation of use based on historical demand patterns; in other instances they are acquired on the basis of advance work plans and material requirements projections. The quantity and value of materials on hand at any given time can be quite significant and constitute a substantial segment of the assets requiring designation.

A basically uniform system is used by the railroads to control and account for materials inventories. This system is designed to achieve item supply management, physical storage and custody, control, and financial accounting. The value of the materials inventory (including receipts, issues and current on-hand balance) is controlled through ICC-prescribed Account 712—Materials and Supplies. The account is subdivided by a number of Standard Material Classification Classes which are groupings of individual items of supply. In some cases these groupings are function (end-use) oriented; in others they are commodity (nature-of-the-item) oriented. For example: track and maintenance of way materials are generally found in Classes 1, 2, 4, 5, 6, 7, 8, and 10; rolling stock supplies are generally found in Classes 12, 19, 20, 22, 23, 24, 26, 29, and 32. Other classes have been established for such general commodities as shop supplies and plant maintenance items.

While the account and subaccount structure portrays the gross magnitude of materials and supplies in terms of dollar valuation, the most essential records for purposes of asset designation are the item stock records. These are the only records that reflect descriptions and actual quantities, and, equally important, the location of such quantities. As a general rule, these records provide for a current recording of receipts, issues, and on-hand inventory for each individual item of supply. The major variances between different railroads are in the method of maintenance (i.e., manual or ADP-oriented), and the level to which point-of-use locations are recorded (i.e., line-section level or division level).

With respect to physical location, it is important to recognize that materials may be stored in centralized storehouses, in divisional storehouses, along the right-of-way and even in off-property locations. Thus, in applying the designation principles for materials and supplies as set forth below, it cannot be assumed that there will always be a direct correlation between the location of other conveyed assets (such as rail lines and facilities) and the location of related materials. Ultimately, a thorough analysis of the stock records will be required to effect these designation principles.

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[92] Miscellaneous equipment means such properties as can be carried in Account 58 and includes all highway equipment such as buses, cars, tractors, trucks, trailers and automobiles not used in revenue transportation service and all appurtenances thereto including radio-communication equipment.

[93] Materials and supplies means such properties as can be carried in Account 712 of the Interstate Commerce Commission's Uniform System of Accounts and includes all supplies, all unapplied material, material on order or in the process of manufacture, wherever located, including fuel, stationery, commissary supplies, stocks, stores, and spare parts. Not included are USRA-owned materials and supplies such as those acquired under agreements negotiated under section 215 of the Act.

No attempt has been made to estimate the total value or item range of materials and supplies subject to designation. Materials inventories are by purpose and nature extremely dynamic, with items, quantities and values constantly fluctuating. Any estimates made at the time the FSP is written may bear little relationship to the actual situation at time of conveyance. It has been established, however, that the recordkeeping systems used by the railroads are basically similar, are generally adequate, and can be used to produce the information required for final determinations.

Generally, materials and supplies are designated for transfer or offer to those who will receive the rail lines, the facilities and other road properties, the rolling stock and the administrative assets with which the materials and supplies are most obviously or logically associated.

Designation.—Designated for transfer to ConRail are all maintenance-of-way material and supplies along rail lines designated to be transferred to ConRail, all maintenance of way materials and supplies which are not offered to others and all maintenance of way materials and supplies offered to others and not accepted. All maintenance-of-way materials and supplies associated with rail lines to be offered to a profitable railroad under this plan are designated for offer to that profitable railroad. All Erie Lackawanna and Reading maintenance-of-way materials and supplies not associated with the particular lines offered to profitable railroads or transferred to ConRail are designated to be apportioned, with the profitable railroads and ConRail each receiving an allocation of the inventory in proportion to the line-of-road track miles it receives of rail lines of the Erie Lackawanna or Reading, as the case may be.

Designated for transfer to ConRail are all of the estates' materials and supplies not offered to and accepted by others, associated with rolling stock and with equipment of a type which is transferred to ConRail. All EL and Reading inventories of materials and supplies associated with rolling stock and equipment is offered to Chessie if the rolling stock or equipment to which it relates is offered to Chessie. Where ConRail receives and Chessie accepts EL or Reading rolling stock or equipment of the same type, the entire inventory of associated materials and supplies is designated to be apportioned suitably between the two. Materials and supplies associated with rolling stock or equipment, of a type which is not transferred or offered to any designee, is left with the estates.

All materials and supplies in the PC stationery storehouse in Cleveland, Ohio and materials and supplies relating to passenger service operations of the EL at Hoboken, N.J. and of the Reading at Reading, Pa., are designated for transfer to ConRail. All other materials and supplies associated with a particular facility are offered, transferred, or left with the estate (as the case may be) on the same basis as the facility to which they relate.

Materials and supplies which cannot be apportioned under the foregoing designations, and materials and supplies (other than those in the Cleveland, Ohio stationery storehouse) relating to offices and administrative property and activities are designated to be apportioned in the manner described below for administrative assets.

Administrative Assets: Offices, Warehouses, Supplies, Records, Contract Rights, Other Intangibles and Fiscal Assets

To provide the rail service contemplated in the FSP, the transferees will need assets and supplies of a general nature, such as office space and business supplies. They also will need the files pertaining to the rail operations, other activities and properties being transferred to them, and records pertaining to the new personnel they will employ. To provide continuity of business operations through the transition, the transferees also will need to assume a wide variety of contracts and to obtain many sorts of rights. Some transfers of current receivables, payables, deposits, cash and other fiscal assets will be essential. As a first step in understanding the complexity of the problem of designations, several comments about the quality of inventory records and a description of various categories of administrative assets are in order.

Speaking broadly, administrative assets are items of property the rail estates have not had to inventory at the level of detail that will be required for their conveyance. There are lists of offices occupied by the estates, but even these are incomplete and often do not reflect information that would be useful to the conveyance process, such as size and configuration, nature and terms of tenancy, location in relation to other facilities and so forth.

For items other than office space, the problem is substantially worse. A business the size of Penn Central keeps files and records at literally thousands of locations, but it ordinarily has no need for any single, current master list even of the filing locations, let alone of the contents of files at each location. Similarly, equipment and business supplies are procured, provided, repaired, replaced and replenished through a wide variety of local arrangements, and there is nothing remotely approaching a central office master list of what is available. There is not even a central inventory of storage warehouses owned or leased by the estates.

Even if there were schedules of administrative assets, they would change almost hourly. Unlike rail lines and even rolling stock, administrative items are subject to constant adjustments resulting from the ebb and flow of a continuing business. Accordingly, the conveyance arrangements must take account of conditions not as they are when the FSP is written but as of the uncertain date on which conveyance occurs.

Moreover, administrative assets frequently cannot be put on lists classified by transferee until related decisions are made. Obviously, for example, personnel records must follow the individual employee. More significantly, the FSP contemplates major transfers of assets to profitable railroads which they are not obliged to accept. To the extent that they do accept such transfers, the solvent transferees will want to participate in the disposition of administrative assets.

Office Space and Warehouses.[94]—The estates have a wide variety of office space that can be expected to be needed at least at the outset by the transferees. This includes office space for personnel in headquarters offices, division and regional offices. It also includes sales and promotional offices, YMCA crew facilities, and operational space used for communications, control, and similar functions. Also in this category are warehouses and other equipment and supply storage areas. Some of this space is in buildings owned by the estates, while other space is leased on various terms, favorable and unfavorable. The percentage use of a building for rail office space varies from location to location.

Office Supplies and Equipment.[95]—This includes the furnishings, equipment, facilities and business supplies owned or leased by the estates and used in connection with the administration of rail operations. One significant feature of this category of assets is constant turnover as items are worn out or used up and replenished. Some of these assets are physically located at or associated with particular office space.

Other items, however, are located at general office supply or equipment storage points and cannot be identified with particular office locations.

Files and Records.[96]—It goes without saying that the rail estates and their affiliates possess a bewildering variety of files and records, many of which will be of postconveyance importance to more than one entity. The primary objective must be to establish a system that will, with a minimum of cost, make files and records, or duplicates, available to the entities that need them.

Executory Contracts and Agreements.—This includes, to the extent not designated elsewhere, all rights and obligations under executory contracts and agreements relating directly or indirectly to rail service. Such contracts include without limitation:

- insurance contracts relating to liability, loss or damage to property, fire and theft, employee benefits (including health, accident, and life-insurance benefits) and employee bonding;
- all contracts relating to employment, terms thereof, benefits, pensions and pension funds and employee housing and feeding;
- all contracts for the provision of office equipment, office furniture, supplies, custodial services, power, fuel, other utilities and repair and maintenance services and
- all subscriptions.

Current Assets, Cash and Cash Equivalents.—This includes, to the extent they are not elsewhere designated, all accounts receivable, deposits, bank accounts, interests in negotiable instruments, funds, reserves, cash and cash equivalents. These items are designated for transfer only to the extent that: they are segregated, earmarked, held aside or otherwise specifically allocated to the payment of liabilities that a transferee under the Act is or may become liable to pay, or represent amounts attributable to the operations or activities of a transferor for which a transferee assumes, either voluntarily or by operation of law, any present or future liability, absolute or contingent.

In general, the intention of the FSP is that accounts receivable and payable that are allocable to operations before conveyance shall be for the transferors, that receivables and payables that are allocable to operations after conveyance shall be for the transferees and that to whatever extent related personnel move to the transferees at the time of conveyance, the transferees will, subject to reimbursement of the cost, service the accounts as necessary on behalf of the transferors. In addition, the transferees will not take cash and other current assets except to the extent that (1) the items already have been, or should have been, set aside for purposes the transferees may be required to carry out, or (2) the transferees assume liabilities allocable to the transferors' operations. Items to be transferred will include, to the extent of the transferee's potential liability, withheld funds for the payment of taxes, pension funds and pension fund assets, funds for other employee benefits, other sinking funds and funded reserves.

Pension Plans.—Certain employees, many not covered by negotiated labor agreements, of the railroads in reorganization, are covered by supplemental pension plans. The pension obligations to employees of the estates under these plans are to some extent fully funded, to some extent partially funded and to some

[94] As used here, "office space" means office space and other similar facilities, including warehouses and warehouse space, occupied by individuals, records or equipment engaged or involved solely or predominantly in the provision of rail services.

[95] As used here "offices supplies and equipment" means all office supplies; office furniture, fixtures, and equipment; records warehouse equipment; automobiles, trucks or other vehicles used for executives or administrative transportation; remote secure record-storage facilities including all equipment therein; employee eating facilities; lounge furniture and equipment; conference-room facilities; audio-visual display equipment; any other supplies or equipment used in the conduct of railroad business.

[96] As used here, "files and records" means all current and historical working files; official or unofficial corporate records; paper documents; manuals; correspondence; data files; tariff and division files; engineering records including valuation accounts, track charts, and blueprints; without regard to where they are maintained or who has custody, which are in any manner related to rail facilities, equipment, operations, manpower, finances, or real and personal property of rail lines and associated activities otherwise conveyed.

extent unfunded. There are many different trusts and other agreements which apply to these plans and they are structured in many different ways. USRA is actively studying the details of the plans in order to recommend appropriate alternatives to ConRail.

While liabilities should be assumed in amounts sufficient to provide a sound and reliable benefits program, such liabilities should only be assumed consistent with the pension trustees' allocating and transferring assets in the trusts or plans necessary to establish such a benefits plan.

USRA believes that ConRail should assume, within appropriate limits, the pension obligations of the railroads in reorganization with respect to those employees to whom it offers employment. The FSP, therefore, designates for transfer those assets set aside for satisfying the pension obligations transferred, to the extent that:

- the assets can be transferred under the FSP;
- existing trust and other pension plan agreements permit such transfer;
- the transfer can be accomplished without material economic prejudice to ConRail or the employees; and
- transfer is consistent with applicable requirements of other laws and regulations.

The transfer may be accomplished through a division of assets under the existing trusts or pension plan agreements, through using the same trustees or administrators, through a new fund or through the establishment of new trust or pension plan agreements with new trustees or administrators. The exact arrangements must be worked out; this will involve the resolution of complex legal issues and negotiation with the bankrupt estates, employee interests, and the trustees or administrators of the pension plans. To the extent that it proves impracticable to make such arrangements, both the pension liability and the trust and pension plan assets to pay them will be left with the estates.

In merging or consolidating pension trusts or plans, the present pension trustees for the estates' employees and the administrators or trustees of ConRail's supplemental pension plan should be aware of the new obligations imposed by the Employee Retirement Income Security Act of 1974 (ERISA). At this early date, there is no case law or administrative guidance from the Department of Labor or the Internal Revenue Service, for example, regarding obligations to maintain benefits when plans are merged.

It might be noted, however, that Section 1021(b) of ERISA and Section 401(a)(12) of the Internal Revenue Code require in the case of any merger or consolidation of pension plans, or transfer of pension plan assets, that each plan participant be entitled to benefits immediately after the merger, consolidation or transfer equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer.

USRA will attempt to provide more definitive designations according with these principles, and subject to arrangements with the pension plan trustees, when the FSP is certified to the Special Court.

Data Processing Systems and Supplies.[97]—Effective rail services in the post-conveyance period will require continuation of the various operation, control and administrative functions based on use of data-processing systems. Information is now being collected from the rail estates on data-processing hardware and software, and on their uses and locations. While longer term projects on data processing consolidations may be undertaken by ConRail or other acquiring railroads based on corporate needs, it is essential that services being provided prior to conveyance continue under agreements between the transferor and the transferee until such time as it is feasible to disengage.

Miscellaneous Administrative Assets.—This includes, to the extent used in rail service and not elsewhere designated: all ledgers and books of account; all documents of title and other legal instruments; all computer hardware and software; all patents, trade secrets and other intellectual property (including trade names) relating to rail service; all customer lists and similar materials; all licenses granted by governmental bodies to the extent legally assignable;[98] all licenses, franchises and easements granted by any person other than a governmental body, and all policy and procedure manuals, promotional literature and rights to the contents thereof. This property is designated for transfer to ConRail except to the extent that it is associated with rail property designated for offer and is transferred to other transferees, in which case this property is designated to such other transferees.

Designations.—Many of the assets in this administrative assets group are not inherently tied to rail use. They are, however, "used or useful" in rail transportation service, they are "owned, leased or otherwise controlled" by railroads and hence they are "rail properties" within the meaning of section 102(10). It is clear,

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[97] As used here, "data processing systems and supplies" means all data processing and related hardware and software, regardless of use, to include: computers, data entry, data logging, reproduction, filing and retrieval equipment, photographic and facsimile transmission equipment, high and low speed computer terminals, computer peripheral units such as tape and disk drives, readers, printers, punches and their associated controllers, data capture and transmission devices such as ACI scanners, OCR and MICR equipment, plotting and display devices, data-transmission equipment such as communications lines and microwave channels, COM equipment, EAM or tab equipment; all leased and owned software packages and operating systems in administrative, operational or other use or in development; all data-processing-related furniture, storage cabinets, racks, shelves, flooring, environment monitoring and control devices, security and fire detection, prevention and control devices; all data processing expendable and nonexpendable (such as magnetic tapes) supplies.

[98] Intended to be included, for example, are fuel allocations, under Federal Energy Administration rules, deriving from contracts of the railroads in reorganizations.

partly because of the definition itself, that Congress intended that general business properties useful for operations be transferred along with rail lines, facilities and equipment.

Many of the "administrative assets" described in this part cannot be described or listed on an item-by-item basis and in many cases must be designated generically. The Act, however, provides that unless otherwise specified the transfer of any asset means the transfer of "all right, title and interest" in that asset. This makes it essential to specify clearly whose property rights are meant when a generic category of assets is designated for transfer.

In general, unless the designation specifies otherwise or the context otherwise requires, a designation in generic terms is intended to cover all properties of the specified kind belonging to the railroads in reorganization, all such properties in which railroads in reorganization have leasehold or other interests less than a leasehold, but only to the extent of such lesser interests, and all such properties belonging to any corporation or other entity directly or indirectly controlled by one or more railroads in reorganization. A "transferor" for purposes of this part is any entity to which any such asset belongs.

Many essential items in the administrative category are not owned but are leased by the railroads in reorganization. Not only office space but trucks and automobiles used for office administrative purposes, computers and other office machinery are rented in many instances. In each such case, unless the lessor is controlled by the railroad in reorganization, the property to be transferred is the railroad's interest as lessee, not the ownership of the property.

Many items in the administrative assets category must be available to ConRail and to other transferees on the day they take over rail operations, but are not needed over the longer term. For example, ConRail may have inherent need for substantially less than all of Penn Central's office space devoted to rail operations, but it will need essentially all of such space on the day after conveyance to provide continuity of service.

A further problem in the conveyance of administrative assets is the difficulty of dividing them. Rail lines, rolling stock and other assets used or useful only in the provision of rail-transportation service present many division and coordination problems, but the chosen pattern of future rail service broadly dictates the solutions. By contrast, particular administrative assets may be useful or essential to more than one transferee as well as the rail estates, which will continue to conduct complex administration of their own affairs.

For example, both the transferor estates and the transferees of rail property will need office space after the transfer. Files and records pertaining to past activities and the continued availability of computer hardware and software, may be essential both to the provision of rail service and to the administration of an estate. Contracts for the provision of many services and supplies will need to be duplicated, because the items covered will be useful to both the transferor and the transferee or transferees. Accounts payable and receivable as of the opening of business on the conveyance date will belong to the estates, but since the personnel for handling the accounts generally will be transferred to the transferee, arrangements must be made for the transferees to handle such matters on the transferors' behalf.

Principles of Designation.—In light of the foregoing considerations, the administrative assets are designated in accordance with the following principles:

- Office space specifically described in the appendix is designated as therein provided.
- Office space related to specifically identifiable rail lines or installations to be conveyed or offered to the designee for those properties in accordance with the principles discussed above at page 246. All remaining office space is designated or left undesignated as USRA may determine after receiving the recommendation of a task force consisting of representatives of the affected rail estate or estates, ConRail and the profitable railroads having an interest and wishing to participate.
- USRA will oversee the work of the task force and any negotiations between the transferor estates and the transferees relating to the retention by, or subletting back to, the transferors of office space not needed by the transferee.
- Office supplies and equipment normally used in particular office space are designated to the transferee or offeree of such space, provided that office supplies and equipment normally used by particular employees or functional departments are designated, in the event such employees or departments move to new space, to follow such employees or departments.
- All administrative assets relating to particular employees, including without limitation all personnel and other personal records, all insurance policies and coverages and all reserves for the payment of federal, state or local taxes arising out of the employment relationship, are designated to be transferred to the employers of such particular employees.
- Pension Fund assets shall be allocated based upon the principles discussed in this section.
- Files and records, both current and historical, which are associated with operations, equipment or personnel are designated to the designee for the operations, equipment or personnel with which they are associated. All other files and records are designated to be transferred or to remain with such entity, as may be determined by USRA after

receiving the recommendation of the joint task force. The joint task force shall give priority in its review to files and records pertaining to pending claims or litigation, title to property, pending business transactions, personnel and employment matters including employee benefits, and leases and other interests in rolling stock and other equipment.

- Files and records not otherwise designated are designated for transfer to ConRail, except that the transferors may at their expense make such searches and reviews and such copies of material relevant to their affairs as they may request.
- Executory contracts and agreements are designated in accordance with their subject matter: contracts relating to property to go with the property, contracts relating to personnel to go with the individuals and contracts relating to services to go with the service obligation.
- Data processing systems hardware and software shall be transferred to, or left with the entity having the principal anticipated use, subject to the others' right to use, under reasonable terms and conditions.
- Within the overall guidelines set forth above, USRA will oversee the work of a transition task force composed of representatives of the estates, ConRail and the profitable railroads, whose task will be the formulation of detailed inventories of administrative assets as necessary, the negotiation of recommendations to USRA as to the disposition of particular items or categories and the formulation of postconveyance arrangements for sharing items of joint interest. After receiving the recommendations of that task force, USRA will make more definitive designations upon certification of the FSP to the Special Court in accordance with the foregoing designations.

Finally, the administrative asset designations, as well as the other designations under this chapter, are based on the assets, including contracts and other arrangements known at least generally to exist when the FSP was prepared. With respect to assets, which are not known to exist or which may come into existence after the date of the FSP, the principles set forth in this chapter might not be appropriate. Different treatment of such assets may be required to effectuate the goals of the FSP. For that purpose additional principles may be applied to such assets when USRA certifies properties to the Special Court for transfer and conveyance pursuant to section 209(c) of the Act.

In general, it is not possible to provide for maintenance of assets and asset condition clauses commonly found in purchase or merger agreements. In the interim prior to conveyances USRA will attempt to keep itself informed of proposed asset dispositions and changes. If necessary, it may assert the public interest in certain property retentions before reorganization courts. It may also propose in its certifications any adjustments which may seem appropriate for these reasons.

APPENDIX
To Part II

Appendix to Part II

This appendix provides particulars with respect to the designations more generally made in Chapter 8; it is divided into seven sections and two exhibits:

Section A—Designations to ConRail

Section B—Designations of Offers to Profitable Railroads and Alternative Designations to ConRail

Section C—Designations to ConRail for Acquisition by Amtrak

Section D—Designations to ConRail for Acquisition by Transportation authorities

Section E—Designations from Profitable Railroads to ConRail or Other Profitable Railroads

Section F—Recommendations for Joint Use or Operation of Rail Properties Under Section 206(g) of the Act

Section G—Coordination Projects

Exhibit 1—Equipment and Rolling Stock Financing Agreement Code Number List

Exhibit 2—Terms and Conditions for Joint Designations

Exhibit 3—Yards designated for use "for other public purposes" under section 206(c)(1)(E).) For reference to "other public purpose" designations, see Chapter 8, p 239.)

Designation Principles

There are a number of general principles which govern all designations of rail lines and of other rail properties whose designation is linked to rail lines. Where lines are owned by a leased line and leased to one of the bankrupt systems, the designation normally shows the transferor as the leased line. Unless otherwise specifically provided, all such designations include the right, title and interest of the lessee as well as the right, title and interest of the lessor in the designated assets. Similarly, a designation of one of the bankrupt systems' interest in an operating agreement, trackage right or other contractual arrangement includes any interest of a leased line in such agreement.

Another general principle is that the designation of a rail line is not intended to cancel or terminate any trackage right, operating agreement or other contractual interest held by profitable railroads in the designated lines. Similarly, the designation of rail properties from terminal companies or joint facilities owned, leased or controlled by railroads in reorganization is not intended to terminate the user rights or contractual arrangements of profitable railroads in or to such terminals or facilities.

In other respects, the chapter presents the principles that are applied in making the designations required by the Act. The specific designations listed in the Appendix apply those principles to particular rail properties and other relevant subjects. Inventories of various categories of properties are, as indicated in the chapter, incomplete, inaccurate or out-of-date.

Any errors in the Appendix listings resulting from inventory inaccuracies will be corrected, as will be inadvertent errors in applying the principles in the chapter to specific decisions or in describing the property, the transferor or the transferee. Congress will be advised and the corrections will be included in FSP certifications to the Special Court.

Rail lines and associated properties are designated by line code and mile post by owner. Should a rail line designated by mile post and line be coded to the wrong owning entity, the designation shall be deemed amended to reflect the proper transferor.

When a designation is made in Chapter 8 but not in the Appendix, or is made in the Appendix and not in Chapter 8, it shall be effective as though made both in the Appendix and in Chapter 8.

SECTION A

Designations to ConRail

The rail properties of railroads in reorganization or of railroads leased, operated or controlled by railroads in reorganization are designated for transfer to ConRail pursuant to section 206(c)(1)(A) in accordance with the *general designations* set forth below, subject to the *exceptions and additions* specified below:

General Designations

Rail Lines and Trackage Rights—The Rail Lines Table at the end of this section provides the details as to the designations of rail line and trackage right transfers to ConRail by each transferor. Rail line transfers are indicated in the "interest" column of the table as "line to CRC". Where "line to CRC" designations are made, all of the transferor's right, title and interest are transferred. Trackage right transfers are indicated in the "interest" column of the table as "TR to CRC". Under such designations only operating rights over the transferor's lines are transferred to ConRail with the balance of the right, title and interest transferred to others. In the other designations in this section, the transfer of some rail properties depends on an association with, or location along transferred rail lines. Such designations apply, except as specifically noted, only to transferred rail lines, and not to transferred trackage rights.

Yards—

- Transferors' interest in all freight yards associated with rail lines designated to ConRail, except for those yards offered to profitable railroads.
- Leasehold, occupancy and access rights which are necessary to the operation of present Amtrak services in all yards associated with rail lines designated to ConRail.
- An option (described in Chapter 8) to purchase or lease all or less of Transferors' remaining interest in all passenger yards associated with rail lines in which ConRail is designated an interest.

Facilities (including ore and coal wharves, intermodal terminals service and maintenance facilities such as shops, shop machinery, enginehouses, fuel stations and roadway buildings)—

- Transferors' interest in all freight facilities associated with rail lines or yards or portions thereof designated to ConRail, except for such facilities offered to profitable railroads.
- Leasehold, occupancy and access rights in all passenger related facilities necessary to the operation of present Amtrak services and associated with rail lines designated to ConRail.
- An option (described in Chapter 8) to purchase or lease all or less of Transferors' remaining interest in all passenger related facilities associated with rail lines in which ConRail is designated an interest.

Stations and Structures—

- Transferors' interest in freight related structures associated with a yard or portion thereof designated to ConRail from Transferor.
- Leasehold, occupancy and access rights necessary to the operation of present Amtrak services in stations and other passenger related structures and an option (described in Chapter 8) to acquire all or less of Transferors' remaining interest in such structures.
- Transferors' interest in those freight related structures associated with rail lines designated to ConRail which structures are used and useful in rail transportation as that term is defined in Chapter 8.
- A 2-year lease with appropriate access and occupancy rights of Transferors' interest in that portion of any structure transferred to or left with others than ConRail in which rail properties otherwise designated to ConRail are located.

Freight Cars and Nonpassenger Service Locomotives—Transferor's interest in all freight cars and nonpassenger service locomotives except for:

- such equipment under leases not meeting lease designation standards, and
- such equipment designated for offer to the Chessie.

Passenger Service Locomotives—An option (described in Chapter 8) to purchase transferors' interests in passenger service locomotives, except:

- such equipment under leases not meeting lease designation standards, and
- such equipment designated for offer to the Chessie.

Passenger Cars—An option (described in Chapter 8) to purchase transferors' interests in passenger cars except:

- such equipment under leases not meeting lease designation standards
- such equipment designated for offer to the Chessie.

Work equipment—Transferors' interest in work equipment except:

- that offered to Chessie, and
- such equipment under leases not meeting lease designation standards.

Roadway machinery—Transferors' interest in roadway machinery except:

- that offered to Chessie, and
- such equipment under leases not meeting lease designation standards.

Miscellaneous equipment—Transferors' interest in miscellaneous equipment except:

- such equipment under leases not meeting lease designation standards,
- that equipment offered to Chessie, and
- those vehicles related to continued administration of the transferor.

Exceptions and Additions

To the extent indicated, the designations from each of the transferors whose names appear in the part of this section which follows vary from the general designations.

The following are excepted from the rail property transfers of the listed transferors:

Yards—Transferors' interest in only portions of the following yards are designated to ConRail, as outlined in the Final System Plan Map Compendium available at the Public Information Office of the Association:

Transferor	*Yard*
Connecting Railway Co.	Grogan Yard, Columbus, Ohio. "A" and "B" Yard, Columbus, Ohio.
Philadelphia, Baltimore & Washington RR Co.	59th Street, Chicago, Ill.
United New Jersey RR & Canal Co.	Greenville Yard, Jersey City, N.J. Harsimus Cove Yard, Jersey City, N.J.
Central RR of New Jersey	E-Port Yard, Elizabeth, N.J.

Transferors' interest in all of the following yards are not designated to ConRail:

Transferor	*Yard*
Canada Southern Railway Co.	Victoria Yard, Ft. Erie, Ontario.
Penna. Tunnel & Terminal R.R. Co.	New Lots Yard, New York, N.Y.
Philadelphia, Baltimore & Washington R.R. Co.	Effner Yard, Effner, Ind. "C" and "D" Yard, Columbus, Ohio.
Pittsburgh, Ft. Wayne & Chicago Railway Co.	12th Street Yard, Chicago, Ill.
Pittsburgh, Youngstown & Ashtabula Railway Co.	Girard Yard, Girard, Ohio. Austenburg Yard, Austenburg, Ohio.
Penndel Company	Southport Yard, Elmira, N.Y.
Cleveland, Cincinnati, Chicago & St. Louis Railway.	Benton Harbor Yard, Benton Harbor, Mich.

The portion transferred to ConRail of any yard transferred from the Chicago River and Indiana R.R. is limited to that needed to sustain ConRail operations.

The following additional rail properties of the transferors listed are designated for transfer to ConRail.

Transferor

Canada Southern Railroad Co.
Detroit River Tunnel Co.
Niagara River Bridge Co.
Michigan Central R.R. Co.

The rail properties in Canada ownea by the Canada Southern Railroad Co., the Detroit River Tunnel Co., and the Niagara River Bridge Co. which are designated in fee to ConRail are subject to the following alternative designation: If it should be determined that the transfer of properties owned and located in Canada designated in the FSP cannot be effected under the Act, then the stock and lease hold interest of PCTC and Michigan Central in the Canada Southern Railroad Co. and Detroit River Tunnel Co., the leasehold interest of the Penn Central and the stock interest of Canada Southern (if permitted by law) in Niagara River Bridge Co. are designated for transfer to ConRail.

Both the basic and the alternative designations of these properties will not become effective if within 60 days of the effective date of the FSP, Penn Central, Michigan Central, and Canada Southern, as appropriate, enter into a binding agreement for sale of the Canadian properties which reserves to ConRail trackage rights which, in the judgment of USRA, would provide operating and capital costs for ConRail similar to those under the designation and which are otherwise in accord with the needs of ConRail.

Mahoning Coal R.R. Co.

The transferor's interest in the Lake Erie & Eastern Railroad.

Michigan Central Railroad

The transferor's stock interest in the following corporations:
Detroit Terminal Railroad
Toledo Terminal Railroad.

Peoria & Eastern Railway Co.

The transferor's stock interest in the Peoria & Pekin Union Railway.

St. Lawrence and Adirondack Railway Co.

The designation of the rail properties of the St. Lawrence & Adirondack Rail way Co. to ConRail is subject to the following alternative designation: If it should be determined that the transfer designated in the FSP, of assets owned and located in Canada, cannot be effected under the Act, then the leasehold and stock interests of the Penn Central in the St. Lawrence and Adirondack Railway Co. ar designated for transfer to ConRail.

Indianapolis Union Railroad

The transferor's leasehold interest in the Indianapolis Belt Railroad.

Norwich & Worcester Railroad Co.

The designation to ConRail of rail properties of the Norwich & Worcester Railroad Co. is subject to the condition that, if within 60 days of the effective date of the FSP, the Norwich & Worcester provides for continuity of operations by entry into an agreement with another railroad for sale or operation of the designated properties, the designation to ConRail will not be effective.

Both the designation to ConRail and the designation to Providence & Worcester of rail properties of the Norwich & Worcester Railroad Co. are subject to the condition that if within 60 days of the effective date of the FSP the Norwich & Worcester has presented to USRA a sound plan to operate the rail lines designated on and after conveyance date, which would maintain the same service coverage as the designations would provide, then these designations will not be effective.

Manor Real Estate

The transferor's interests in all rail properties in Buckeye Yard.

Philadelphia, Baltimore & Washington Railroad Co.

Transferor's interest in the stock of the following corporations:
TRRA of Saint Louis
Pittsburgh, Chartiers & Youghiogheny

An option (described in Chapter 8) to purchase Transferor's interest in the stock of Washington Terminal Co. An option to purchase Transferor's interest in a trust agreement relating to the Ivy City Yard (also known as the Joint Coach Yard in Washington, D.C.)

The Transferor's interest in the Wilmington Heavy Repair Shop adjacent to the Edgemoor Yard.

Cleveland, Cincinnati, Chicago and St. Louis

The transferor's leasehold interest in the Central Railroad of Indianapolis.

Penn Truck Lines

The transferor's interest in all highway revenue equipment leased from Excelsior Truck Leasing Corp., subject to the lease designation standards described in Chapter 8; all franchises, licenses and other operating authorities, and an option to acquire other Penn Truck Lines interests in other equipment and other rail property; with such authorities, and option limited, however, to those used or useful in connection with operations to be conducted by ConRail.

Special exceptions and additions to designations are noted with respect to the transferors whose names appear in the following part of this section.

Transferor—Penn Central Transportation Co.

- *road properties*

Rail lines—

- There is designated for transfer to ConRail, an option to purchase Transferor's interest in the portion of USRA Line Code No. 434 between Howe and Maronts as described in Project C&NW 434 in Table D-2 of Section G of this Appendix.

Yards—

- Transferor's interests in and rights to use the properties of Manor Real Estate in Buckeye Yard in Columbus, Ohio.
- Transferor's interest in the trust agreement relating to the Ivy City Yard (also known as the Joint Coach Yard) in Washington, D.C.
- Transferor's interest in that portion of the following yards which is outlined on yard maps in the Final System Plan Map Compendium available at the Public Information Office of the Association.

Name	Location
Weehawken	Weehawken, N.J.
60th Street	New York City, N.Y.
30th Street	New York City, N.Y.
South Boston	Boston, Mass.
Pitcairn	Pitcairn, Pa.
Stanley	Toledo, Ohio.
Altoona	Altoona, Pa.
Utica	Utica, N.Y.
Cedar Hill	New Haven, Conn.
Grogan Yard	Columbus, Ohio.
Greenville	Greenville, N.J.
Harsimus Cove	Jersey City, N.J.
59th Street	Chicago, Ill.
"A"-"B"	Columbus, Ohio.

- Transferor's interests in the following yards are not designated for transfer to ConRail:

Name	Location
Dock Junction	Erie, Pa.
Buttonwood	Wilkes-Barre, Pa.
Malone	Malone, N.Y.
Newburgh	Newburgh, N.Y.
Southport	Elmira, N.Y.
New Lots	New York City, N.Y.
Newport	Newport, R.I.
Effner	Effner, Ind.
Victoria	Fort Erie, Ontario.
Fort	New London, Conn.
Plainfield	Plainfield, Conn.
New Kensington	New Kensington, Pa.
Girard	Girard, Ohio.
Piling	Toledo, Ohio.
C-D Yard	Columbus, Ohio.
Austinburg	Austinburg, Ohio.
W. Columbus	Columbus, Ohio.
12th Street	Chicago, Ill.
Joliet	Joliet, Ill.
Benton Harbor	Benton Harbor, Mich.
Plainville	Plainville, Conn.
Yard Avenue	Boston, Mass.
Midway	New London, Conn.
E. Boston	Boston, Mass.
Lowell	Lowell, Mass.

Marine Terminal Facilities—Transferor's interest in the marine terminal facility at Greenville Yard, Jersey City, N.J. is designated for transfer to ConRail.

Facilities (including shops, shop machinery, enginehouses, fuel stations and roadway buildings and service and maintenance facilities) not otherwise designated to Amtrak or transportation authorities.

- Transferor's interest in the engine service facility at Three Rivers, Mich. is not designated for transfer to ConRail.
- Transferor's interest in the Wilmington Heavy Repair Shop adjacent to the Edgemoor yard (which is offered to the Southern) is designated for transfer to ConRail.

Intermodal Terminals—Transferor's interest in the Port Newark intermodal terminal at Newark, N.J., is not designated for transfer to ConRail.

Rail Welding Facilities—Transferor's interest in all rail welding facilities is designated for transfer to ConRail.

Stations and other Structures not otherwise designated to Amtrak or transportation authorities—

- There is designated for transfer to ConRail such leasehold, occupancy and access rights in the Providence Union Station and the terminal agreement relating thereto as are necessary to the operation of present passenger services, and an option to purchase, lease or otherwise acquire all or less of transferor's remaining interest.
- Such leasehold, occupancy and access rights in transferor's interest in passenger stations and other structures associated with rail lines in the Northeast Corridor which are necessary to the operation of present passenger services and an option (described in Chapter 8) to purchase, lease, or otherwise acquire the remainder or less of transferor's interest.

- *equipment*

Type	Identification Number	Finance Method	Agreement Number
MU-Electric	800–805	Leased	738
"	807–821	"	738
"	850–860	"	738
"	862–869	"	738
"	880–889	"	738

Passenger Cars—There is designated for transfer to ConRail the option described in Chapter 8, to purchase the transferors' interest in all passenger cars, except:

Nonpassenger service locomotives—There is designated for transfer to ConRail an option to purchase Transferor's interest in the following locomotives which were manufactured and are operated in Canada:

Type	Identification No.
EMD GP-7	5821–5827
EMD GP-9	7432–7440

Freight cars—Transferor's interests in the following freight cars are not designated for transfer to ConRail.

Type	No. of Units	Identification Number	Finance method	Agreement number
Flat TOFC	100	006700–006799	Lease	673
Flat TOFC	100	006800–006899	Lease	672
Flat TOFC	100	006900–006999	Lease	671
Flat TOFC	100	009500–009599	Lease	670
Flat TOFC	100	009600–009699	Lease	669
Flat TOFC	050	009800–009849	Lease	666
Flat TOFC	019	009902–009923	Lease	668
Flat TOFC	023	009700–009799	(Unencumbered)	

Floating equipment—An option (described in Chapter 8), to purchase all or part of transferor's interest in the following floating equipment:

Type	Name or Identification Numbers	Number of Units
1960 Tug Boats	Cincinnati	1
1960 Tug Boats	New York	1
1960 Tug Boats	Harrisburg	1
1960 Tug Boats	Pittsburgh	1
1930 Car Floats	70	1
1957 Car Floats	72	1
1953 Car Floats	80–84	2
1944 Car Floats	640	1
1945 Car Floats	642–645	3
1966 Car Floats	669	1

Highway revenue equipment—

- Transferor's interest in all highway revenue equipment owned by transferor;
- Transferor's leasehold interest in highway revenue equipment leased from Excelsior Truck Leasing except such equipment under leases not meeting lease designation standards; and
- Transferor's leasehold interest in highway revenue equipment leased from Pennsylvania Truck Lines.

Transferor—Penn Central Transportation Co.—Con.

- *materials and supplies*
  - Transferor's interest in materials and supplies in the stationery storehouse in Cleveland, Ohio are designated for transfer to ConRail.
- *administrative assets*
  - Transferor's leasehold interest in the following buildings is designated for transfer to ConRail.
    - 6 Penn Center Plaza, Philadelphia, Pa.
    - 15 N. 32nd Street, Philadelphia, Pa.
    - 31 East Georgia St., Indianapolis, Ind.
- *other*

Stock—

- Transferor's stock interest in the following corporations:
  - Belt Railway Co. of Chicago
  - Illinois Terminal Railroad
  - Peoria & Pekin Union Railway
  - Detroit Terminal Railroad
  - Toledo Terminal Railroad
  - Indiana Harbor Belt Railroad
  - Calumet Western Railroad
  - Akron & Barberton Belt Railroad
  - Monongahela Railway
  - Trailer Train Company
  - Fruit Growers Express Co.
- An option (described in Chapter 8) to purchase transferor's interest in the stock of the following corporations:
  - Lakefront Dock & Railroad Terminal Company
  - Richmond-Washington Co.

NOTE: The rail properties in Canada owned by the Canada Southern Railroad Company, the Detroit River Tunnel Company, and the Niagara River Bridge Company which are designated in fee to ConRail are subject to the following alternative designation: If it should be determined that the transfer of properties owned and located in Canada designated in the FSP cannot be effected under the Act, then the stock and leasehold interest of PCTC and Michigan Central in the Canada Southern Railroad Company and Detroit River Tunnel Company, the leasehold interest of the Penn Central and the stock interest of Canada Southern (if permitted by law) in Niagara River Bridge Company are designated for transfer to ConRail. Both the basic and the alternative designations of these properties will not become effective if within 60 days of the effective date of the FSP, Penn Central, Michigan Central, and Canada Southern, as appropriate, enter into a binding agreement for sale of the Canadian properties which reserves to ConRail trackage rights which, in the judgment of USRA, would provide operating and capital costs for ConRail similar to those under the designation and which are otherwise in accord with the needs of ConRail.

- Trackage rights reserved by transferor for operating freight and passenger service over the rail properties sold to the Commonwealth of Massachusetts and MBTA.
- Trackage rights reserved by transferor for freight and passenger service under the West End Agreement with the Connecticut Transportation Authority and Metropolitan Transportation Authority.
- Trackage rights reserved by transferor for freight and passenger operations under the Hudson/Harlem lease agreement.
- All other trackage rights reserved by transferor and currently used by it in its operations over lines sold or leased by it to public authorities.
- Trackage rights in the transferor's leasehold interest in three specific line segments of the New York and Harlem Railroad Company as indicated in the Rail Lines Table.
- Transferor's leasehold interest in the following railroads:
  - Amsterdam, Chuchtanunda and Northern Railroad,
  - Central Railroad of Indianapolis.
- Transferor's leasehold and stock interest in the St. Lawrence & Adirondack Railway Company are designated for transfer to ConRail only if it should be determined that the transfer of Canadian rail properties of the St. Lawrence & Adirondack Railway Company to ConRail as designated in the FSP cannot be effected under the Act.

Transferor—Reading Company

- *equipment*

There is designated for transfer to ConRail:

Nonpassenger service locomotives—Transferor's interest in the following nonpassenger service locomotives:

Type	*No. of Units*	*Identification No.*	*Finance Method*	*Finance No.*
GP7	1	620	Unencumbered	
GP7	1	622	"	
GP7	1	623	"	
GP7	1	624	"	
GP7	12	625–636	"	
GP7	1	662	"	

Freight cars—

- Transferor's interest in approximately 1,100 hopper cars currently under construction.

- *materials and supplies*

There is designated for transfer to ConRail transferor's passenger related materials and supplies in Reading, Pa.

- *administrative assets*

There is designated for transfer to ConRail transferor's interest in the Reading Terminal at Reading, Pa. with an allocation of appropriate office space to Chessie necessary for operations, subject to payment of appropriate rental to ConRail.

Transferor—Lehigh Valley Railroad

- *road properties*

Yards—

- There is designated for transfer to ConRail Transferor's interest in that portion of the following yards which is outlined on yard maps in the Final System Plan Map Compendium available at the Public Information Office of the Association:

Name	*Location*
Jersey City	Jersey City, N.J.
Sayre	Sayre, Pa.

- No interest in the following yards is designated for transfer to ConRail:

Name	*Location*
Jim Thorpe	Jim Thorpe, Pa.
E. Claremont	Jersey City, N.J.
Geneva	Geneva, N.Y.
Rochester	Rochester, N.Y.
E. Buffalo	Buffalo, N.Y.
Suspension Bridge	Niagara, Falls, N.Y.
Manchester	Manchester, N.Y.

Transferor—Central Railroad of New Jersey

- *road properties*

Yards—There is designated for transfer to ConRail Transferor's interest in only that portion of the following yard which is outlined on yard maps in the Final System Plan Map Compendium available at the Public Information Office of the Association:

Name	*Location*
E-Port	Elizabeth, N.J.

Transferor—Erie Lackawanna

- *road properties*

Yards—There is designated for transfer to ConRail Transferor's interest in the 51st St. Yard in Chicago, Ill.

- *materials and supplies*

There is designated for transfer to ConRail Transferor's interest in passenger related materials and supplies at Hoboken, N.J.

- *administrative assets*

There is designated for transfer to ConRail Transferor's interest in the Hoboken Terminal at Hoboken, N.J. with an allocation of appropriate office space to Chessie necessary for operations, subject to payment of appropriate rental to ConRail.

- *other*

Stock—Transferor's stock interest and operating agreement in Chicago & Western Indiana.

Section A Rail Line Tables

INTERESTS DESIGNATED TO CONRAIL

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: BEECH CREEK R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
23MM	SNOW SHOE BR	END OF TRACK	0.0	1.9	WINBURNE IND TK	LINE TO CRC
2320	JERSEY SHORE SR	CF BN RICH EB	0.6	4.9	MILL HALL BR	LINE TO CRC
2320	CF BN	CF BN	4.9	5.0	MILL HALL BR	LINE TO CRC
2320	LOCK HAVEN	MILL HALL	11.3	14.0	MILL HAND BR	LINE TO CRC
2349	SNOW SHOE	WALLACETON	45.5	75.0	SNOW SHOE BRANCH	LINE TO CRC
2350	WALLACETON	CLRFLD BEECH	75.0	86.8	SNOW SHOE SEC	LINE TO CRC
2350	CLRFID BEECH	CLEARFIELD	86.8	87.9	CLEARFIELD YARD	LINE TO CRC
2351	MUNSON 2349	LOCH LOMOND	0.0	5.2	PHILLIPSBURG SEC	LINE TO CRC
2353	CLEARFIELD JCT	DIMELING WYNN	84.3	88.4	MADERA BR	LINE TO CRC
2354	DIMELING WYNN	FAUNCE	0.0	7.0	MADERA BR	LINE TO CRC
2354	FAUNCE	MADERA	7.0	16.7	MADERA BR	LINE TO CRC
2356	POTTS RUN JCT	BOARDMAN	0.0	1.3	BOARDMAN BR	LINE TO CRC
2359	CURRY RUN	MAHAFFEY	14.6	19.3	CHERRY TREE BR	LINE TO CRC

TRANSFEROR: CANADA SOUTHERN RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5104	BROOKFIELD	CF BROOKFIELD	10.0	10.6	MAIN LINE	LINE TO CRC
5104	CF BROOKFIELD	FEEDER EAST	10.6	15.5	MAIN LINE	LINE TO CRC
5104	FEEDER EAST	WELLAND	15.5	17.5	MAIN LINE	LINE TO CRC
5104	WELLAND	HEWITT	17.5	19.3	MAIN LINE	LINE TO CRC
5104	HEWITT	ST THOMAS	19.3	115.1	MAIN LINE	LINE TO CRC
5104	ST THOMAS	PELTON	115.1	219.1	MAIN LINE	LINE TO CRC
5104	PELTON	WINDSOR, ONT	219.1	224.8	MAIN LINE	LINE TO CRC
5131	FORT ERIE	CF BROOKFIELD	0.0	13.7	FORT ERIE BR	LINE TO CRC
5131	CF BROOKFIELD	ONTARIO ROAD	13.7	16.9	INDUSTRIAL TK	LINE TO CRC
5132	MCGREGOR	AMHERSTBURG	7.9	16.9	AMHERSTBURG BR	LINE TO CRC
5133	COMBER	LEAMINGTON	0.0	13.3	LEAMINGTON BR	LINE TO CRC
5133	LEAMINGTON	LEAMINGTON	13.3	15.6	LEAMINGTON BR	LINE TO CRC
5134	CHIPPEWA	MONTROSE JCT	12.3	14.4	NIAGARA BRANCH	LINE TO CRC
5134	NIAGARA FALLS	STAMFORD	16.9	19.2	NIAGARA BRANCH	LINE TO CRC

TRANSFEROR: CENTRAL R. R. CO. OF INDIANAPOLIS

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8399	INDIANAPOLIS	INDIANAPOLIS	0.0	0.5	CENTRAL RR OF INDLPS	LEASEHOLD TO CRC

TRANSFEROR: CLEVELAND & PITTSBURGH R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
22GG	VANPORT	VANPORT	0.0	0.3	BEAVER VALLEY BR	LINE TO CRC
2230	ROCHESTER	PA/OH ST LINE	0.0	14.6	BAYARD BR	LINE TO CRC
2230	PA/OH ST LINE	RIVER	14.6	26.5	BAYARD BR	LINE TO CRC
2231	RIVER	BELLAIRE	0.0	43.4	RIVER BR	LINE TO CRC
2232	RIVER(BAYARDER)	BRANCH (RIVERER	0.0	1.0	YELLOW CREEK SEC	LINE TO CRC
2412	ALLIANCE	TWIN	67.0	102.0	MAIN LINE	LINE TO CRC
2426	BAYARD	ALLIANCE	54.6	67.0	MAHONING SEC	LINE TO CRC
2427	BAYARD	MINERVA	0.0	2.7	TUSCARAWAS SEC	LINE TO CRC
2427	MINERVA	MINERVA JCT	2.7	2.9	TUSCARAWAS SEC	LINE TO CRC
2427	MINERVA JCT	PEKIN	2.9	4.5	TUSCARAWAS SEC	LINE TO CRC
2430	RIVER	BAYARD	26.6	55.1	BAYARD BR	LINE TO CRC
2444	HUGO	BRADY	25.6	27.4	HUGO IND TK	LINE TO CRC
3512	TWIN	CLEVELAND DB	102.0	123.3	MAIN LINE	LINE TO CRC
3537	TWIN	CROWN	0.0	2.4	CROWN BR	LINE TO CRC
3538	CLEVELAND	SILVER PLATE BR	0.5	1.8	SILVER PLATE	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5347	BENTON HARBOR	NILES	0.0	28.0	BENTON SEC	LINE TO CRC

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8131	TIFFIN	TIFFIN	31.2	36.2	SANDUSKY SEC	LINE TO CRC
8133	BERWICK	CAREY	42.8	49.7	EASTERN BR	LINE TO CRC
8133	CAREY	FOREST	49.7	63.7	EASTERN BR	LINE TO CRC
8133	FOREST	KENTON	63.7	74.1	EASTERN BR	LINE TO CRC
8133	KENTON	KENTON	74.1	76.1	EASTERN BR	LINE TO CRC

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
3112	WALDRON RD	KANKAKEE JCG	246.3	249.3	MAIN LINE	LINE TO CRC
3534	DB	CLARK	9.2	12.9	CLARK BR	LINE TO CRC
3643	GOSHEN CP412	YOST	54.0	57.5	MICHIGAN BRANCH	LINE TO CRC
5348	JACKSON	DIV POST	0.0	5.7	NORTHERN BR	LINE TO CRC
8105	BEREA	WELLINGTON	13.2	37.0	MAIN LINE	LINE TO CRC
8105	WELLINGTON	CRESTLINE	37.0	75.7	MAIN LINE	LINE TO CRC
8105	CRESTLINE	BURT-GALION	75.7	80.3	MAIN LINE	LINE TO CRC
8105	BURT-GALION	MARION AC	80.3	101.5	MAIN LINE	LINE TO CRC
8105	MARION AC	RIDGEWAY	101.5	124.7	MAIN LINE	LINE TO CRC
8105	RIDGEWAY	BELLEFONTAINE	124.7	140.8	MAIN LINE	LINE TO CRC
8111	BURT	SIMS	80.3	87.2	MAIN LINE	LINE TO CRC
8111	SIMS	PAGET CP 111	87.2	111.1	MAIN LINE	LINE TO CRC
8111	PAGET CP 111	JONES CP 117	111.1	114.5	VIA CUTOFF	LINE TO CRC
8111	PAGET CP111	JONES CP117	111.1	117.1	MAIN LINE	LINE TO CRC
8111	JONES CP117	WORTHINGTON	117.1	128.5	MAIN LINE	LINE TO CRC
8111	WORTHINGTON	COLUMBUS 5 AVE	128.5	136.4	MAIN LINE	LINE TO CRC
8111	COLUMBUS 5 AVE	COLUMBUS 4 ST	136.4	138.0	MAIN LINE	LINE TO CRC
8111	MIAMI XING	LILLY CHAPEL	141.5	155.4	CAMP CHASE IND	LINE TO CRC
8144	DELAWARE	SCIOTO	114.0	119.2	DELAWARE RNG TK	LINE TO CRC
8147	BELLEFONTAINE	BELLEFONTN "BN"	94.0	98.3	BELLEFONT RNG TK	LINE TO CRC
8147	BELLEFONTN "BN"	CP 100 DIVPOST	98.3	100.5	BELLEFONT SEC	LINE TO CRC
8211	LONDON, OH	SPRINGFIELD, O	163.5	182.9	MAIN LINE	LINE TO CRC
8211	SPRINGFIELD O	COLD SPRINGS	182.9	188.2	MAIN LINE	LINE TO CRC
8211	COLD SPRINGS	CP DRAWBRIDGE	188.2	206.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
8211	CP DRAWBRIDGE	DAYTON	206.7	207.0	VIA DAYTON UN	LINE TO CRC/TR TO OTHERS
8211	MIAMI CITY JN	CARLISLE JN	208.9	223.0	MAIN LINE	LINE TO CRC/TR TO OTHERS
8211	CARLISLE JN	EVENDALE	223.0	248.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
8211	EVENDALE	IVORYDALE	248.7	255.0	MAIN LINE	LINE TO CRC
8212	CINTI MD CABIN	STORRS JCT	0.0	2.5	MAIN LINE	LINE TO CRC
8212	STORRS JCT	WADE DIV	2.5	5.0	MAIN LINE	LINE TO CRC/TR TO OTHERS
8231	BELLEFONTAINE	CP FOUNTAIN	100.5	130.6	BELLEFONT RNG TK	LINE TO CRC
8232	NEW CASTLE	NEW CASTLE	95.3	96.9	SPRINGFIELD BR	LINE TO CRC
8248	BRYAN	BRYAN	58.7	60.0	NORTHERN BR	LINE TO CRC
8248	VAN WERT	VAN WERT	102.0	104.2	NORTHERN BR	LINE TO CRC
8248	ANSONIA	ANSONIA	151.3	152.0	NORTHERN BR	LINE TO CRC
8248	ANSONIA	MEEKER	152.0	154.1	NORTHERN BR	LINE TO CRC
8248	MEEKER	GREENVILLE	154.1	159.3	NORTHERN BR	LINE TO CRC
8248	GREENVILLE	WEST MANCHESTER	159.3	173.8	NORTHERN BR	LINE TO CRC
8248	WEST MANCHESTER	MANN	173.8	174.0	NORTHERN BR	LINE TO CRC
8248	MANN	CARLISLE JCT	174.0	203.9	CARLISLE BR	LINE TO CRC
8253	MECHANISBURG	SPRINGFIELD YD	145.8	163.0	MECHANICSBG RNG	LINE TO CRC
8254	CNTI WOOD ST	STORRS JCT B&O	0.0	2.5	OKLAHOMA RNG TK	LINE TO CRC
8305	INDIANAP WESTST	INDIANAP IJ	0.0	0.6	MAIN LINE	LINE TO CRC/TR TO OTHERS
8305	INDIANAP IJ	CP GALE	0.6	14.6	MAIN LINE	LINE TO CRC/TR TO OTHERS
8305	BELLEFONTAINE	OH/IN ST LINE	140.8	198.6	MAIN LINE	LINE TO CRC
8305	OH/IN ST LINE	UNION CITY	198.6	198.8	MAIN LINE	LINE TO CRC
8305	UNION CITY	INDPLS MASS AV	198.8	281.9	MAIN LINE	LINE TO CRC
8305	INDPLS MASS AV	INDPLS WASH ST	281.9	283.1	MAIN LINE	LINE TO CRC
8305	INDPLS WASH ST	INDPLS "IU"	283.1	283.7	I.U. RY	LINE TO CRC
8305	INDPLS "IU"	INDIANAPOLIS	283.7	283.8	I.U. RY	LINE TO CRC
8312	WADE DIVPOST	OH/IN ST LINE	5.0	20.5	MAIN LINE	LINE TO CRC/TR TO OTHERS
8312	OH/IN ST LINE	GUILFORD	20.5	27.9	MAIN LINE	LINE TO CRC/TR TO OTHERS
8312	GUILFORD	INDPLS "IU"	27.9	109.3	MAIN LINE	LINE TO CRC/TR TO OTHERS
8312	INDPLS BRANT	INDPLS BRANT	113.0	113.5	MAIN LINE	LINE TO CRC
8312	INDPLS BRANT	ZIONSVILLE	113.5	125.4	MAIN LINE	LINE TO CRC
8312	LEBANON	LEBANON	137.0	139.0	MAIN LINE	LINE TO CRC
8312	LEBANON	LEBANON CP139	139.0	139.4	MAIN LINE	LINE TO CRC
8312	LEBANON CP139	ALTAMONT	139.4	170.2	MAIN LINE	LINE TO CRC
8312	ALTAMONT	LAFAYETTE	170.2	173.8	MAIN LINE	LINE TO CRC
8312	TEMPLETON	SHEFF	192.6	211.3	MAIN LINE	LINE TO CRC
8313	INDIANAPOLIS IV	INDIANAPOLIS	0.0	4.0	INDUSTRIAL TK	LINE TO CRC
8332	HUNTER	DX IU XING	131.2	136.4	SPRINGFIELD BR	LINE TO CRC
8335	SPRING HILL	RILEY	5.5	10.3	LEASED TO L&N	LINE TO CRC/TR TO OTHERS
8335	RILEY	CORY	10.3	12.4	CLAY CITY SEC	LINE TO CRC/TR TO OTHERS
8335	RINCON JCT	ELNORA	41.2	61.8	PETERSBURG SEC	LINE TO CRC
8335	ELNORA	ASHBY	61.8	95.4	PETERSBURG SEC	LINE TO CRC
8335	ASHBY	OAKLAND CITY	95.4	106.2	PETERSBURG SEC	LINE TO CRC
8335	OAKLAND	STRAIGHT L JCT	106.2	130.9	PETERSBURG SEC	LINE TO CRC/TR TO OTHERS
8336	GRAY JCT "OAK"	AW&W YARD	0.0	2.8	AW&W SEC	LINE TO CRC
8337	BUCKSKIN	LYNNVL/TECUMSEH	0.0	7.8	LYNNVILLE SEC	LINE TO CRC
8343	YOST	KENT	57.5	133.4	MICHIGAN BR	LINE TO CRC
8343	KENT	S ANDERSON	133.4	166.6	MICHIGAN BR	LINE TO CRC
8344	GREENSBURG	CRAIG	223.7	225.0	WESTPORT SEC	LINE TO CRC
8346	LAWRNCBG CP22	AURORA	22.4	28.9	L&A RNG TK	LINE TO CRC
8348	HURRICANE RD	FRANKLIN	100.6	101.9	FRANKLIN IND TK	LINE TO CRC
8363	SOUTH ANDERSON	EMPORIA	166.6	172.7	ANDRSN-GRNVL SEC	LINE TO CRC
8363	EMPORIA	EMPORIA	172.7	173.5	ANDRSN-GRNVL SEC	LINE TO CRC
8363	GREENSBURG	GREENSBURG CP63	222.3	223.6	ANDRSN-GRNVL SEC	LINE TO CRC
8405	CP GALE	TERRE HAUTE	14.6	71.6	MAIN LINE	LINE TO CRC/TR TO OTHERS
8405	CP RINGO	IN/IL ST LINE	72.0	80.0	MAIN LINE	LINE TO CRC/TR TO OTHERS
8405	IN/IL LINE	PARIS MIDLAND	80.0	91.2	MAIN LINE	LINE TO CRC/TR TO OTHERS
8405	PARIS MIDLAND	PANA	91.2	167.2	MAIN LINE	LINE TO CRC
8405	PANA	JOAN	167.2	205.7	MAIN LINE	TR TO CRC
8405	JOAN	LENOX	205.7	237.7	MAIN LINE	TR TO CRC
8405	LENOX	GRANITE CITY WR	237.7	243.3	MAIN LINE	TR TO CRC
8405	GRANITE CITY WR	BRIDGE JCT.	243.3	248.1	MAIN LINE	TR TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
84C5	BRIDGE JCT	EAST ST. LOUIS	248.1	249.1	MAIN LINE	LINE TO CRC
8432	WYTON	LYONS	0.8	5.3	CAIRO BR	TR TO CRC
8432	LYONS	WESTVILLE	5.3	7.2	CAIRO BR	TR TO CRC
8432	WESTVILLE	PARIS	7.2	37.1	CAIRO BR	LINE TO CRC
8432	PARIS	PARIS	37.1	37.6	CAIRO BR	LINE TO CRC
8432	LAWRENCEVILLE	LAWRENCEVILLE	101.0	101.3	DANVL & CAIRO BR	LINE TO CRC
8432	LAWRENCEVILLE	LAWRENCEVILLE JCT	101.3	102.7	DANVL & CAIRO BR	LINE TO CRC
8432	LAWRENCEVILLE JCT	MT CARMEL	102.7	126.3	DANVL & CAIRO BR	LINE TO CRC
8432	MT CARMEL	MT CARMEL BR+N	126.3	127.4	DANVL & CAIRO BR	LINE TO CRC/TR TO OTHERS
8432	MT CARMEL BR+N	ELDORADO	127.4	182.9	DANVL & CAIRO BR	LINE TO CRC
8432	ELDORADO	HARRISBURG	182.9	188.7	DANVL & CAIRO BR	LINE TO CRC
8432	HARRISBURG	CARRIER MILLS	188.7	197.4	DANVL & CAIRO BR	LINE TO CRC
8432	CARRIER MILLS	FORMAN	197.4	229.8	DANVL & CAIRO BR	LINE TO CRC
8432	FORMAN	KARNAK	229.8	235.2	DANVL & CAIRO BR	LINE TO CRC/TR TO OTHERS
8432	CAIRO	CAIRO	255.0	260.0	DANVL & CAIRO BR	LINE TO CRC
8433	HARRISBURG, ILL	DELTA MINE	0.0	10.7	SALINE VALLEY BR	LINE TO CRC
8433	SAHARA MINE	HARCO	0.0	0.5	SALINE VALLEY BR	LINE TO CRC
8437	HILLSBORO	HILLSBORO	194.2	194.4	HILLSBORO BR	LINE TO CRC
8438	MT CARMEL BR&N	ILL/IND LINE	127.4	129.0	INDUSTRIAL TRAK	LINE TO CRC/TR TO OTHERS
8438	ILL/IND LINE	GIB POWER SKELTN	129.0	132.0	INDUSTRIAL TRACK	LINE TO CRC/TR TO OTHERS
8440	WANN	EAST ALTON	240.7	241.3	OLD LINE	LINE TO CRC
8440	EAST ALTON	LENOX	241.3	249.9	OLD LINE	TR TO CRC
8446	CP 72	GREENWOOD	0.0	5.0	TERRE HAUTE BR	LINE TO CRC
8446	GREENWOOD	SPRING HILL	5.0	5.5	TERRE HAUTE BR	LINE TO CRC/TR TO OTHERS

TRANSFEROR: CONNECTING RAILWAY CO.

1128	NO PHILADELPHIA	QUEEN LANE	0.0	2.2	CHESTNUT HILL BR	LINE TO CRC
1172	HOLMESBURG JCT	WELSH ROAD	0.0	3.4	BUSTLETON BR	LINE TO CRC
1173	TRENTON AVE EL	TACONY	0.0	5.5	KENS & TACONY BR	LINE TO CRC
1174	TRENTON AVE EL	TACNY BUCKIUS S	80.3	82.0	FRANKFORD ST BR	LINE TO CRC
1181	FAIRHILL YD	OXFORD ROAD	0.0	3.2	OXFORD RD BR	LINE TO CRC
1182	FAIRHILL YD	INDIANA AVE	0.0	0.8	FAIRHILL BR	LINE TO CRC
1183	MAIN LINE	MASTER STREET	0.0	0.3	ENGLESIDE BR	LINE TO CRC
1184	CHESTNUTHILL BR	WISSAHICKON AVE	0.0	0.3	MIDVALE BR	LINE TO CRC

TRANSFEROR: CONNECTING RAILWAY CO.

2428	NEWCOMERSTOWN	NEWCOMERSTOWN	83.3	84.8	DOVER SEC	LINE TO CRC

TRANSFEROR: CONNECTING RAILWAY CO.

2421	HUDSON	ARLINGTON	0.0	11.6	AKRON BR	LINE TO CRC
2421	ARLINGTON	LAMBERT	11.6	18.4	AKRON BR	LINE TO CRC
2421	LAMBERT	WARWICK	18.4	27.2	AKRON BR	LINE TO CRC
2421	WARWICK	ORRVILLE	27.2	37.2	AKRON SEC TK	LINE TO CRC
2421	ORRVILLE	ORRVILLE	37.3	38.7	ORRVILLE YARD	LINE TO CRC
8137	HOWARD	HOWARD	89.9	90.1	MT VERNON SEC	LINE TO CRC
8137	HOWARD	GAMBIER	90.1	94.3	MT VERNON SEC	LINE TO CRC
8137	GAMBIER	MOUNT VERNON	94.3	100.0	MT VERNON SEC	LINE TO CRC
8137	MOUNT VERNON	LINDEN	100.0	140.5	MT VERNON SEC	LINE TO CRC
8137	LINDEN	COLUMBUSJOYCEAV	140.5	144.2	MT VERNON SEC	LINE TO CRC
8146	HOWARD	MIDDLEWOOD SAND	0.0	4.2	HOWARD IND TK	LINE TO CRC

TRANSFEROR: CONNECTING RAILWAY CO.

8122	BREMEN	NEW LEXINGTON	173.9	185.0	WESTERN BR	LINE TO CRC
8134	TRINWAY	ZANESVILLE	0.3	14.1	TRINWAY SEC	LINE TO CRC
8134	ZANESVILLE	ZANESVILLE	14.1	16.5	ZNSVL YD RNG TK	LINE TO CRC
8135	ZANESVILLE	FAIR OAKS	16.5	18.2	ZANESVILLE SEC	LINE TO CRC
8135	FAIR OAKS	SPANGLER	18.2	18.7	ZANESVILLE SEC	LINE TO CRC
8135	SPANGLER	CROOKSVILLE	18.7	30.3	ZANESVILLE SEC	LINE TO CRC
8135	WILBREN	NEW LEXINGTON	36.8	38.3	ZANESVILLE SEC	LINE TO CRC
8136	BREMEN	BREMEN	49.7	49.9	MORROW SEC	LINE TO CRC

TRANSFEROR: CONNECTING RAILWAY CO.

8250	HAGEMAN	MILTONSON	31.4	36.5	BLUE ASH SEC	LINE TO CRC
8250	BRECON	AVONDALE	39.5	54.3	BLUE ASH SEC	LINE TO CRC
8250	AVONDALE	EGGLESTON AVE	54.6	55.7	BLUE ASH SEC	LINE TO CRC
8251	MIDDLETOWN	MIDDLETOWN	0.0	1.1	MIDDLETOWN SEC	LINE TO CRC
8251	OXFORD ROAD	UNION VILLAGE	3.7	7.0	MIDDLETOWN SEC	LINE TO CRC
8251	UNION VILLAGE	MIDDLETOWN JCT	7.0	13.9	MIDDLETOWN SEC	LINE TO CRC
8256	DAYTON	DAYTON	0.5	3.5	DAYTON-LYTLE RNG	LINE TO CRC
8256	PASADENA	HEMESTEAD	5.1	7.0	DAYTON-LYTLE RNG	LINE TO CRC

TRANSFEROR: CONNECTING RAILWAY CO.

8255	CLEMENT	HEMESTEAD 8256	0.0	5.1	CLEMENT-HEME RNG	LINE TO CRC

TRANSFEROR CONNECTING RAILWAY CO.

3612	MC CARROTHERS	GALENA	27.1	86.7	CARROTHERS BR	LINE TO CRC
3648	TOLEDO	RIVER	0.0	1.2	RIVER IND TK	LINE TO CRC

TRANSFEROR: CONNECTING RAILWAY CO.

5232	CARLETON	BROWNSVILLE	116.4	125.0	LINCOLN YD BR	LINE TO CRC
5232	BROWNSVILLE	ECORSE	125.0	136.4	LINCOLN YD BR	LINE TO CRC
5232	ECORSE	ECORSE	136.4	136.8	LINCOLN YD BR	LINE TO CRC
5232	ECORSE	ECORSE JCT	136.8	137.1	LINCOLN YD BR	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5252	DETROIT	AT DELRAY	0.0	1.2	FOREMAN WYE TK	LINE TO CRC
5257	DEARBORN C&O	HIGHLAND PARK	0.0	7.6	HIGHLAND PARK BRANCH	LINE TO CRC

TRANSFEROR: DETROIT MANUFACTURERS R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5299	DETROIT	DETROIT	0.0	1.5	DETROIT MANFTRS	LINE TO CRC

TRANSFEROR: DETROIT RIVER TUNNEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5104	WINDSOR, ONT	INT BOUNDARY	224.8	226.3	MAIN LINE	LINE TO CRC
5204	INT BOUNDARY	DETROIT	226.3	227.5	MAIN LINE	LINE TO CRC

TRANSFEROR: ERIE & KALAMAZOO R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
3635	VULCAN	OH/MI LINE	300.5	308.0	VULCAN OLD ROAD	LINE TO CRC
3635	OH/MI LINE	OTTAWA LAKE	308.0	310.0	VULCAN OLD ROAD	LINE TO CRC
3635	OTTAWA LAKE	RIGA	310.0	315.5	VULCAN OLD ROAD	LINE TO CRC

TRANSFEROR: ERIE & PITTSBURGH R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2434	NEW CASTLE	SHARON	49.8	70.6	E&P BR	LINE TO CRC
2434	SHARON	BRUIN	70.6	82.0	E&P BR	LINE TO CRC
2434	BRUIN	JAMESTOWN PA	82.0	90.5	E&P BR	LINE TO CRC

TRANSFEROR: FT. WAYNE & JACKSON R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
3136A	FORT WAYNE	HUGO (NEW)	0.0	3.5	4TH ST BR.	LINE TO CRC
3136B	FORT WAYNE	WASH CTR RD	0.0	3.2	WATERLOO BRANCH	LINE TO CRC
3136B	WATERLOO	WATERLOO	25.0	25.6	WATERLOO BRANCH	LINE TO CRC
5321	JACKSON	RAIRES	0.0	4.0	ELKHART BR	LINE TO CRC
5321	RAIRES	RAIRES	4.0	4.7	ELKHART BR	LINE TO CRC

TRANSFEROR: HOLYOKE & WESTFIELD R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4248	WESTFIELD	WESTFIELD	33.5	33.6	HOLYOKE SEC	LINE TO CRC
4248	WESTFIELD	HOLYOKE	33.6	43.5	HOLYOKE SEC	LINE TO CRC

TRANSFEROR: KALAMAZOO, ALLEGAN, & GRAND RAPIDS R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5341	KALAMAZOO	PARCHMENT	36.6	39.5	KALAMAZOO BR	LINE TO CRC
5341	PLAINWELL	PLAINWELL	46.7	48.1	KALAMAZOO BR	LINE TO CRC
5341	PLAINWELL	OTSEGO	48.1	52.5	KALAMAZOO BR	LINE TO CRC
5341	LAMAR	GRAND RAPIDS	91.3	94.5	KALAMAZOO BR	LINE TO CRC
5341	GRAND RAPIDS	GRAND RAPIDS	94.5	95.0	KALAMAZOO BR	LINE TO CRC

TRANSFEROR: LITTLE MIAMI R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8113	COLUMBUS UD	RUSS	0.0	1.7	MAIN LINE	LINE TO CRC
8113	RUSS	EAST ALTON	1.7	6.7	MAIN LINE	LINE TO CRC
8113	EAST ALTON	WEST ALTON	6.7	9.6	MAIN LINE	LINE TO CRC
8213	WEST ALTON	LONDON	9.6	25.0	MAIN LINE	LINE TO CRC
8213	LONDON	S CHARLESTON	25.0	36.3	MAIN LINE	LINE TO CRC
8213	S CHARLESTON	XENIA	36.3	54.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
8214	XENIA	DAYTON	0.0	15.1	MAIN LINE	LINE TO CRC/TR TO OTHERS
8214	MIAMI CITY JCT	DODSON	16.6	31.3	MAIN LINE	LINE TO CRC
8214	DODSON	WEST MANCHESTER	31.3	41.7	MAIN LINE	LINE TO CRC
8214	WEST MANCHESTER	NEW PARIS	41.7	51.7	MAIN LINE	LINE TO CRC
8221	XENIA	SPRING VALLEY	54.7	61.4	C&X BR	LINE TO CRC
8221	CLARE NEW	RENDCOMB JCT	111.0	113.1	C&X BR	LINE TO CRC/TR TO OTHERS
8221	RENDCOMB JCT	NORWOOD	113.1	115.8	C&X BR	LINE TO CRC/TR TO OTHERS
8236	RENDCOMB JCT	CINTI (OASIS)	113.1	119.7	UNDERCLIFF BR	LINE TO CRC/TR TO OTHERS
8236	CINTI OASIS	FRONT & SMITH	119.7	121.5	UNDERCLIFF BR	LINE TO CRC/TR TO OTHERS

TRANSFEROR: MAHONING COAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2440	CP 24	YOUNGSTOWN	23.8	58.3	YOUNGSTOWN BR	LINE TO CRC/TR TO OTHERS

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
3232	PORTER	EAST GARY	240.7	249.9	IVANHOE BR	LINE TO CRC
3232	EAST GARY	IVANHOE IHB	249.9	259.5	IVANHOE BR	LINE TO CRC
5204	DETROIT	BAY CITY JCT	1.4	2.2	MAIN LINE	LINE TO CRC
5204	BAY CITY JCT	WEST DETROIT	2.2	2.9	MAIN LINE	LINE TO CRC
5204	WEST DETROIT	TOWN LINE	2.9	7.6	MAIN LINE	LINE TO CRC
5231	YD	SCHAEFER	0.0	3.1	JUNCTION YD BR	LINE TO CRC
5231	SCHAEFER	TOWN LINE	3.1	4.1	JUNCTION YD BR	LINE TO CRC
5233	BAY CITY JCT	MILWAUKEE JCT	2.1	6.7	MACKINAW BR	LINE TO CRC
5233	MILWAUKEE JCT	UTICA, MICH	6.7	20.7	MACKINAW BR	LINE TO CRC
5233	UTICA	DEPEWS	20.7	27.8	MACKINAW BR	LINE TO CRC
5245	DETROIT	DET TRANSIT RR	0.0	4.4	DET BELT LINE	LINE TO CRC
5246	DET BELT	HUBER YARD	0.0	1.9	DET BELT EXT	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5247	DET BELT	ORLEANS ST	0.0	1.3	DET TRANSIT BR	LINE TO CRC
5249	DET (JCT YD BR)	ALLEN HENRY	0.0	1.1	DD&D BR	LINE TO CRC
5250	DET (TOLEDO BR)	DETROIT	0.0	0.8	DELTA SPUR	LINE TO CRC
5251	DET (TOLEDO BR)	DETROIT	0.0	2.9	EXPOSITION SPUR	LINE TO CRC
5254	DET (TOLEDO BR)	TECUMSEH YD	0.0	3.6	MARSH TK	LINE TO CRC
5304	TOWN LINE	JACKSON	7.6	75.6	MAIN LINE	LINE TO CRC
5304	JACKSON	KALAMAZOO	75.6	143.1	MAIN LINE	LINE TO CRC
5304	KALAMAZOO	ASYLUM SWITCH	143.1	145.0	MAIN LINE	LINE TO CRC
5304	DOWAGIAC	NILES	178.6	191.7	MAIN LINE	LINE TO CRC
5304	MICHIGAN CITY	PORTER "PO"	226.5	240.7	MAIN LINE	LINE TO CRC
5321	HAIRES	THREE RIVERS	4.7	68.2	ELKHART BR	LINE TO CRC
5337	JACKSON	NORTH LANSING	0.0	40.0	SAGINAW BR	LINE TO CRC
5340	RIVES JCT	EATON RAPIDS	10.6	24.5	GRAND RAPIDS BR	LINE TO CRC
5340	BOWEN	GRAND RAPIDS	88.1	94.5	GRAND RAPIDS BR	LINE TO CRC
5343	KALAMAZOO	DOUGLAS ST	0.3	1.8	SOUTH HAVEN BR	LINE TO CRC
5346	NILES	PAPER MILL SPUR	0.5	3.0	SO BEND SEC	LINE TO CRC
5346	PAPER MILL SPUR	MI/IN ST LINE	3.0	6.0	SO BEND SEC	LINE TO CRC
5346	MI/IN ST LINE	WEBSTER	6.0	7.3	SO BEND SEC	LINE TO CRC
5346	WEBSTER	SOUTH BEND	7.3	12.0	SO BEND SEC	LINE TO CRC
5356	BATTLE CREEK	END	0.0	0.3	BC&S IND TK	LINE TO CRC

TRANSFEROR: NEW YORK & HARLEM R. R. CO.*

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4131	CHATHAM	CHATHAM	126.3	127.5	HARLEM LINE	TR TO CRC
4236	MELROSE	PORT MORRIS	0.0	1.9	PORT MORRIS BR	TR TO CRC
9131	DOVER PLAINS	WASSAIC	76.6	81.6	HARLEM LINE	TR TO CRC

TRANSFEROR: NEW YORK CONNECTING R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4219	FREMONT	OAK	11.2	19.5	BAY RIDGE SEC	LINE TO CRC
4219	OAK	PELHAM BAY	19.5	25.8	BAY RIDGE BR	LINE TO CRC

TRANSFEROR: NORTHERN CENTRAL RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1224	CALVERT	COCKEYSVILLE	0.0	15.4	NOR CENT (B&P SEC)	LINE TO CRC
1324	HYDE	YORK	54.6	57.2	NORTHERN CENT SEC	LINE TO CRC
1325	WAGO JCT	LEMOYNE	66.7	83.2	YORK HAVEN LINE	LINE TO CRC
1325	LEMOYNE	DAY	83.2	85.8	YORK HAVEN LINE	LINE TO CRC/TR TO OTHERS
1325	DAY	BANKS	85.8	90.4	YORK HAVEN LINE	LINE TO CRC/TR TO OTHERS
1326	ENOLA	MARYSVILLE	88.8	90.4	ENOLA BR (IN YD)	LINE TO CRC/TR TO OTHERS

TRANSFEROR: NORTHERN CENTRAL RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2318	HORSEHEADS	HORSEHEADS	0.0	3.5	WATKINS GLEN SEC	LINE TO CRC
2318	MONTOUR FALLS	FALLS	14.2	15.1	WATKINS GLEN SEC	LINE TO CRC
2318	FALLS	WATKINS GLEN	15.1	17.4	WATKINS GLEN SEC	LINE TO CRC
2318	WATKINS GLEN	STARKEY	17.4	29.5	WATKINS GLEN SEC	LINE TO CRC
2318	STARKEY	HIMRODS JCT	29.5	32.9	WATKINS GLEN SEC	LINE TO CRC
2318	HIMRODS JCT	PENN YAN	32.9	40.0	SODUS BAY SEC	LINE TO CRC
2318	PENN YAN	PENN YAN	40.0	40.5	SODUS BAY SEC	LINE TO CRC
2318	PENN YAN	BELLONA	40.5	46.3	SODUS BAY SEC	LINE TO CRC
4855	NEWARK	NEWARK	16.3	18.8	SODUS BAY SEC	LINE TO CRC

TRANSFEROR: NORTHERN CENTRAL RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1314	DAUPHIN	SUNBURY	93.4	138.7	MAIN LINE	LINE TO CRC/TR TO OTHERS

TRANSFEROR: NORWICH & WORCESTER R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4227	GROTON	PLAINFIELD	0.0	28.0	NORWICH BR	LINE TO CRC
4227	PLAINFIELD	DAYVILLE	28.0	39.8	NORWICH BR	LINE TO CRC
4227	DAYVILLE	PUTNAM	39.8	42.0	NORWICH BR	LINE TO CRC
4227	PUTNAM	PUTNAM	42.0	45.8	NORWICH BR	LINE TO CRC

TRANSFEROR: PENNA. TUNNEL & TERMINAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4219	BAY RIDGE	PARKVILLE	0.0	3.4	BEDFORD IND TK	LINE TO CRC
4219	PARKVILLE	BEDFORD	3.4	4.6	BEDFORD IND TK	LINE TO CRC
4219	BEDFORD	FREMONT	4.6	11.2	BEDFORD SEC	LINE TO CRC

TRANSFEROR: PEORIA & EASTERN RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8561	INDIANAPOLIS IJ	BRANDT	1.1	3.5	P&E BRANCH	LINE TO CRC
8561	BRANDT	SPEEDWAY	3.5	6.2	SPEEDWAY RNG TK	LINE TO CRC
8561	CLERMONT	IN/IL ST LINE	9.2	79.9	PEORIA & EASTERN	LINE TO CRC
8561	IN/IL ST LINE	WALZ	79.9	82.0	PEORIA & EASTERN	LINE TO CRC
8561	WALZ	CORY, ILL	82.0	84.0	PEORIA & EASTERN	LINE TO CRC
8561	CORY, ILL	WYTON	84.0	86.0	PEORIA & EASTERN	LINE TO CRC
8561	WYTON	PEKIN EAST YD	86.0	201.0	PEORIA & EASTERN	LINE TO CRC
8561	PEKIN EAST YD	PEKIN	201.0	202.5	PEORIA & EASTERN	LINE TO CRC

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1130	ARSENAL	WEST CHESTER	2.1	27.4	WEST CHESTER BR	LINE TO CRC
1140	ARSENAL	BRILL	2.4	4.6	WEST PHILA ELEV	LINE TO CRC
1145	BRILL	FORT MIFFLIN	0.0	4.1	60TH ST BR	LINE TO CRC
1146	FORT MIFFLIN	ISLAND RD RDG	0.0	4.3	CHESTER&PHL BR	LINE TO CRC
1180	ARSENAL	31ST ST	0.0	1.0	WASHINGTON AVE BR	LINE TO CRC

* CRC TO ACQUIRE PCTC'S LEASEHOLD INTERESTS

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1180	23RD ST	DELAWARE AVE	1.5	4.2	WASHINGTON AVE BR	LINE TO CRC
1186	FERNWOOD	GRASSLAND	5.6	10.5	NEWTOWN SQ BR	LINE TO CRC
1187	GARRETT RD	MILLSBOURNE MLS	6.5	8.8	CARINGTON BR	LINE TO CRC
1211	RD(LONG BDG)	ROSSLYN	0.0	0.3	ROSSLYN CONN. TR	LINE TO CRC
1211	LANDOVER	MD/DC ST LINE	128.8	131.1	MAIN LINE	LINE TO CRC
1211	MD/DC ST LINE	ANACOSTA	131.1	134.2	MAIN LINE	LINE TO CRC
1211	ANACOSTA	VIRGINIA AVE	134.2	136.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
1211	VIRGINIA AVE	DC/VA ST LINE	136.7	138.5	MAIN LINE	LINE TO CRC/TR TO OTHERS
1211	DC/VA ST LINE	LONG BRIDGE	138.5	138.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
1222	PERRYVILLE	CRESWELL	0.3	38.2	C&PD	LINE TO CRC
1225	BOWIE	WOODZELL	0.0	45.6	POPES CREEK SEC	LINE TO CRC
1227	HERBERT	CHALK POINT	0.0	5.9	CHALK PT IND TK	LINE TO CRC
1245	LAMOKIN	UPLAND	0.0	0.5	CHESTER CREEK SEC	LINE TO CRC
1246	ISLAND ROAD	CHESTER	0.0	5.0	CHESTER&PHL TK	LINE TO CRC
1247	BALDWIN	CHESTER&PHL BR	0.0	1.0	CHESTER&PHL CONN	LINE TO CRC
1249	HOOK	SO CHESTER BR	0.0	0.4	LINWOOD TK	LINE TO CRC
1250	CLAYMONT BR	LAMOKIN RUN	0.0	4.4	SOUTH CHESTER TK	LINE TO CRC
1251	SO CHESTER BR	END	0.0	0.9	CLAYMONT TK	LINE TO CRC
1252	SHELLPOT BR	END	0.0	1.0	EDGEMOORTK (1251)	LINE TO CRC
1254	MINNICK	MILL CREEK	0.0	2.7	PERRYVILLE TK	LINE TO CRC
1255	OAK	JUNIATA ST	0.0	2.3	HARVEDEGRACE TK	LINE TO CRC
1256	DAVIS	NEWARK CENTER	0.0	1.9	POMEROY TK	LINE TO CRC
1257	BAY VIEW	PRESIDENT ST	0.0	4.0	PRESIDENT ST TK	LINE TO CRC
1258	BALTIMORE	STOCK YARD	0.0	1.1	CLAREMONT TK.	LINE TO CRC
1259	BAY VIEW	SPARROWS POINT	0.0	5.6	SPARROWS PT TK	LINE TO CRC
1260	SUTTON	SOLLERS (EAST)	3.3	6.3	UNION BR-BEAR CK	LINE TO CRC
1261	ODENTON	FORT MEADE	0.0	1.6	FORT MEADE TK	LINE TO CRC
1263	EDGE MOOR	KENTMERE	0.0	3.2	BRANDYWINE TK	LINE TO CRC
1322	CRESWELL	PORT	38.2	39.7	C&PD	LINE TO CRC

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

22BB	CARNEGIE	CARNEGIE	0.0	0.8	SUPERIOR BR	LINE TO CRC
22KK	ROSSLYN	CARNEGIE	0.0	2.5	JCT #1 BR (PC&Y)	LINE TO CRC
2206	MP 1.6	CORLISS	1.6	4.5	MAIN LINE	LINE TO CRC
2206	CORLISS	WAGNER	4.5	7.8	MAIN LINE	LINE TO CRC
2206	WAGNER	PA/WV LINE	7.8	35.1	MAIN LINE	LINE TO CRC
2206	PA/WV ST LINE	WEIRTON JCT	35.1	41.0	MAIN LINE	LINE TO CRC
2206	WEIRTON JCT	WV/OH ST LINE	41.0	42.3	MAIN LINE	LINE TO CRC
2206	WV/OH ST LINE	MINGO JCT	42.3	46.3	MAIN LINE	LINE TO CRC
2206	MINGO JCT	CADIZ JCT	46.3	66.0	MAIN LINE	LINE TO CRC
2206	CADIZ JCT	UHRICHSVILLE DP	66.0	92.3	MAIN LINE	LINE TO CRC
2221	ELLIOT	WAGNER	0.0	7.0	SCULLY BR	LINE TO CRC
2221	MONON	"OB"	1.2	4.0	SCULLY (DUFF) BR	LINE TO CRC
2235	WEIRTON JCT	FOLANSBEE	0.0	4.1	WHEELING SEC	LINE TO CRC/TR TO OTHERS
2235	FOLANSBEE	WHEELING BN	4.1	24.1	WHEELING SEC	LINE TO CRC
2235	WHEELING BN	BENWOOD	24.1	28.0	WHEELING(YDLIMIT)	LINE TO CRC
2238	CADIZ JCT	GEORGETOWN JCT	0.0	6.4	CADIZ SEC	LINE TO CRC
2238	GEORGETOWN JCT	CADIZ	6.4	7.9	CADIZ SEC	LINE TO CRC
2239	GEORGETOWN JCT	GEORGETOWN	0.0	6.2	HANNA SEC	LINE TO CRC
2244	CARNEGIE	HOUSTON	0.6	14.7	WASHINGTON SEC	LINE TO CRC
2244	HOUSTON	HOUSTON	14.7	15.5	WASHINGTON SEC	LINE TO CRC
2244	HOUSTON	TYLERDALE	15.5	21.1	WASHINGTON SEC	LINE TO CRC
2244	TYLERDALE	WASHINGTON	21.1	23.6	WASHINGTON SEC	LINE TO CRC
2246	BRIDGEVILLE	BRIDGEVILLE	0.0	0.9	BRIDGEVIL&MCDONALD	LINE TO CRC
2247	BURGETTS	ATLASBURG	0.0	4.3	BURGETTS BR.	LINE TO CRC
2248	BURGETTS	CHERRY VALLEY	0.0	1.3	HICKORY BR	LINE TO CRC
2249	LANGELOTH JCT	LANGELOTH	0.0	0.5	LANGELOTH BR.	LINE TO CRC
3107	VAN	KENNETH	1.2	5.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
3107	BRADFORD	OH/IN ST LINE	83.4	103.5	MAIN LINE	LINE TO CRC
3107	OH/IN ST LINE	UNION CITY	103.5	103.8	MAIN LINE	LINE TO CRC
3107	UNION CITY	KENT	103.8	156.9	MAIN LINE	LINE TO CRC
3107	KENT	LOGANSPORT RACE	156.9	196.0	MAIN LINE	LINE TO CRC
3107	LOGANSPORT RACE	VAN	196.0	198.3	MAIN LINE	LINE TO CRC/TR TO OTHERS
3107	KENNETH	NORTH JUDSON	202.7	237.5	MAIN LINE	LINE TO CRC
3107	NORTH JUDSON	SCHERERVILLE	237.5	280.0	MAIN LINE	LINE TO CRC
3131	VAN	FERN	114.5	115.9	CULVER SEC	LINE TO CRC
3131	PLYMOUTH M/L	PLYMOUTH	159.0	160.9	PLYMOUTH SEC	LINE TO CRC
3132	LOGANSPORT	OTTAWA ST	0.0	0.8	FORMER VANDALE	LINE TO CRC
3132	N. MANCHESTER	N. MANCHESTER	37.2	38.0	COLUMBIA CITY SEC	LINE TO CRC
3132	VANDALE	COLUMBIA CITY	55.3	56.5	COLUMBIA CITY SEC	LINE TO CRC
3134	CLYMERS DIVPOST	VAN	109.2	114.5	I&P BRANCH	LINE TO CRC
3135	DECATUR	ADAMS	70.4	86.6	FORT WAYNE SEC	LINE TO CRC
3207	SCHERERVILLE	MAYNARD	280.0	284.0	MAIN LINE	LINE TO CRC
3207	MAYNARD	IN/IL ST LINE	284.0	286.1	MAIN LINE	LINE TO CRC
3207	IN/IL ST LINE	BERNICE	286.1	287.6	MAIN LINE	LINE TO CRC
3207	BERNICE	BELT CROSSING	287.6	302.4	MAIN LINE	LINE TO CRC
3207	BELT CROSSING	CHICAGO 49 ST	302.4	305.6	MAIN LINE	LINE TO CRC
3207	CHICAGO 49 ST	CHICAGO 38 ST	305.6	307.0	WESTERN AVE SEC	LINE TO CRC
3207	CHICAGO 38 ST	CHICAGO 12 ST	307.0	309.9	WESTERN AVE SEC	LINE TO CRC
3207	CHICAGO 12 ST	WESTERN AVE	309.9	311.6	MAIN LINE	LINE TO CRC
3207	WESTERN AVE	CHICAGO UN STA	311.6	314.1	MAIN LINE	LINE TO CRC
3224	SOUTH BEND	SOUTH BEND	179.0	182.3	PLYMOUTH SEC	LINE TO CRC
8106	DENNISON AVE	HILLIARDS	0.5	11.0	MAIN LINE	LINE TO CRC
8106	UHRICHSVILLE DP	NEWARK, OHIO	92.3	157.4	MAIN LINE	LINE TO CRC
8106	NEWARK, OHIO	COLUMBUS UD	157.4	190.7	B&O MAINTAINED	LINE TO CRC
8206	HILLIARDS	BRADFORD DP	11.0	83.4	MAIN LINE	LINE TO CRC
8206	E GREENVILLE	ON CROSSING	92.6	96.6	MAIN LINE	LINE TO CRC
8206	NEW PARIS	OH/IN ST LINE	113.8	115.4	MAIN LINE	LINE TO CRC
8206	OH/IN LINE	GLEN	115.4	117.4	MAIN LINE	LINE TO CRC
8206	GLEN	RICHMOND,IND	117.4	119.6	MAIN LINE	LINE TO CRC/TR TO OTHERS
8206	RICHMOND, IND	NEWMAN	119.6	119.8	MAIN LINE	LINE TO CRC/TR TO OTHERS
8206	NEWMAN	CENTERVILLE	119.8	126.0	MAIN LINE	LINE TO CRC
8206	CHARLOTTESVILLE	THORNE	158.0	180.5	MAIN LINE	LINE TO CRC
8222	NORWOOD	MILL	10.0	16.4	RICHMOND BRANCH	LINE TO CRC/TR TO OTHERS
8222	NEWMAN	RICHMOND	74.9	76.6	RICHMOND BR	LINE TO CRC/TR TO OTHERS
8222	NEW CASTLE	NEW CASTLE	100.5	104.1	RICHMOND BR	LINE TO NW/TR TO CRC
8222	NEW CASTLE	ANDERSN GRIDLEY	104.1	121.5	RICHMOND BR	LINE TO CRC
8222	ANDERSON GRIDLEY	FIRST STREET	121.5	127.0	RICHMOND BR	LINE TO CRC
8222	KOKOMO	KOKOMO	156.5	159.5	RICHMOND BR	LINE TO CRC
8222	KOKOMO	ANOKA	159.5	177.3	RICHMOND BR	LINE TO CRC
8233	RICHMOND	PARRY	0.3	2.3	FORT WAYNE BR	LINE TO CRC
8235	RED BANK	RENDCOMB JCT	112.2	113.1	UNDERCLIFF NO 1	LINE TO CRC
8235	VALLEY	RENDCOMB JCT	112.4	113.1	UNDERCLIFF NO 2	LINE TO CRC
8306A	INDIANAPOLIS	WEST ST	0.0	0.4	I.U. RY	LINE TO CRC/TR TO OTHERS

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8306A	WEST ST	WOODS	0.4	1.6	I&F BRANCH	LINE TO CRC
8306A	WOODS	DAVIS	1.6	6.9	I&F BRANCH	LINE TO CRC/TR TO OTHERS
8306A	DAVIS	BRIDGEPORT	6.9	8.9	GREENCASTLE BR	LINE TO CRC/TR TO OTHERS
8306C	THORNE	PINE	180.5	185.3	MAIN LINE	LINE TO CRC
8306C	PINE	INDIANAP IU	185.3	186.8	MAIN LINE	LINE TO CRC
8333	INDPLS "UD"	DALE	0.2	1.7	LOUISVILLE BR	LINE TO CRC
8333	DALE	FRANKLIN	1.7	20.0	LOUISVILLE BR	LINE TO CRC
8333	FRANKLIN	COLUMBUS IND	20.0	40.5	LOUISVILLE BR	LINE TO CRC
8333	COLUMBUS, IND	IN/KY ST LINE	40.5	108.1	LOUISVILLE BR	LINE TO CRC
8334	FRANKFORT	CAMDEN	78.3	101.3	I&F BRANCH	LINE TO CRC
8334	CAMDEN	CLYMERS DIVPOST	101.3	109.2	I&F BRANCH	LINE TO CRC
8338	KRAFT (I&F BR)	MARTINSVILLE	3.0	30.6	PETERSBURG SEC	LINE TO CRC
8338	MARTINSVILLE	GOSPORT	30.6	44.5	PETERSBURG SEC	LINE TO CRC
8338	GOSPORT	WORTHINGTON	44.5	72.5	PETERSBURG SEC	LINE TO CRC
8338	WORTHINGTON JCT	RINCON JCT	72.5	73.8	PETERSBURG SEC	LINE TO CRC
8338	SWITZ CITY	SWITZ CITY	73.8	79.1	VINCENNES SEC	LINE TO CRC
8338	SWITZ CITY	SANDBORN	79.1	92.3	VINCENNES SEC	LINE TO CRC
8338	SANDBORN	BICKNELL	92.3	102.9	VINCENNES SEC	LINE TO CRC
8339	COLUMBUS, IN	COLUMBUS, IN	0.0	2.5	COLUMBUS-MAD SEC	LINE TO CRC
8340	COLUMBUS, IN	COLUMBUS, IN	0.0	3.8	SHELBYVILLE SEC	LINE TO CRC
8340	SHELBYVILLE	SHELBYVILLE	23.0	27.0	SHELBYVILLE SEC	LINE TO CRC
8342	THORNE	PINE	180.8	187.2	THORNE-KITLEY AV TK	LINE TO CRC
8349	INDPL VAN JCT	DAVIS	1.6	6.8	VANJCT-DAVIS RNG	LINE TO CRC
8350	MUNCIE	MUNCIE	41.9	42.7	MUNCIE YD RNG TK	LINE TO CRC
8351	BOYD	WATSON	0.0	4.0	JEFFERSONVL BR	LINE TO CRC
8352	JEFFERSONVILLE	CLARKSVILLE	0.0	1.6	NEW ALBANY BR	LINE TO CRC
8406	BRIDGEPORT	GREENCASTLE	8.9	36.5	GREENCASTLE BR	LINE TO CRC/TR TO OTHERS
8406	GREENCASTLE	GREENCASTLE	36.5	38.0	GREENCASTLE BR	LINE TO CRC/TR TO OTHERS
8406	GREENCASTLE	LIMEDALE	38.0	40.3	GREENCASTLE BR	LINE TO CRC/TR TO OTHERS
8406	LIMEDALE	KNIGHTSVILLE	40.3	54.5	GREENCASTLE BR	LINE TO CRC
8406	KNIGHTSVILLE	PRAIRIE	54.5	68.5	GREENCASTLE BR	LINE TO CRC
8406	PRAIRIE	PRESTON	68.5	72.4	GREENCASTLE BR	LINE TO CRC
8406	TERRE HAUTE	CP RINGO	71.6	72.0	GREENCASTLE BR	LINE TO CRC/TR TO OTHERS
8406	CP RINGO	IN/IL ST LINE	73.4	79.9	MAIN LINE	LINE TO CRC
8406	IN/IL ST LINE	E ST LOUIS EADS	79.9	238.5	MAIN LINE	LINE TO CRC
8434	PRESTON	DEWEY	0.7	0.9	CRAWFORDSVL SEC	LINE TO CRC

TRANSFEROR: PHILA. & TRENTON R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1175	FRANKFORD JCT	PORT RICH. CONN.	80.0	82.0	TRENTON AVE EL	LINE TO CRC
1175	PORT RICH. CONN.	FRANKFORD AVE	82.0	82.8	TRENTON AVE EL	LINE TO CRC
1471	BRISTOL	BRISTOL RTE413	0.0	2.6	BRISTOL BR.	LINE TO CRC

TRANSFEROR: PGH., FT. WAYNE & CHICAGO RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
22DD	AMBRIDGE	BADEN	0.0	3.0	ECONOMY BR EXT	LINE TO CRC
22EE	AMBRIDGE	BOLLINGER CORP	0.2	1.3	ECONOMY BR	LINE TO CRC
22FF	ROCHESTER	NEW BRIGHTON	0.0	2.3	BLOCKHOUSE RUN BR	LINE TO CRC
22HH	BEAVER FALLS	REPUBLIC STEEL	0.0	0.6	OIL ST SIDING	LINE TO CRC
22JJ	BEAVER FALLS	P&LE RR	0.0	1.8	MARGINAL BR	LINE TO CRC
2202	PITTSBURGH	FEDERAL ST	0.0	1.4	MAIN LINE	LINE TO CRC
2202	FEDERAL ST	JACKS RUN	1.4	4.8	MAIN LINE	LINE TO CRC
2202	JACKS RUN	ROCHESTER	4.8	25.9	MAIN LINE	LINE TO CRC
2202	ROCHESTER	WOOD JCT	25.9	34.0	MAIN LINE	LINE TO CRC
2233	ROCHESTER	ROCHESTER	25.9	26.4	LOW GRADE SEC	LINE TO CRC
2402	WOOD JCT.	PA/OH ST LINE	34.0	48.8	MAIN LINE	LINE TO CRC
2402	PA/OH ST LINE	ALLIANCE	48.8	83.0	MAIN LINE	LINE TO CRC
2402	ALLIANCE	ORRVILLE	83.0	124.0	MAIN LINE	LINE TO CRC
2402	ORRVILLE	WOOSTER	124.0	136.5	MAIN LINE	LINE TO CRC
2402	WOOSTER	CRESTLINE	136.5	188.7	MAIN LINE	LINE TO CRC
2402	CRESTLINE	BUCYRUS DIVPOST	188.7	200.6	MAIN LINE	LINE TO CRC
2430	BAYARD	FAIRHOPE	55.1	69.0	BAYARD BR	LINE TO CRC
2431	PACE	EAST GRAVEL	0.0	1.7	M&C BR	LINE TO CRC
2431	EAST GRAVEL	CANAL FULTON	1.7	8.1	M&C BR JT PC-B&O	LINE TO CRC
2431	CANAL FULTON	WARWICK	8.1	11.1	M&CSEC JT PC-B&O	LINE TO CRC
3102	BUCYRUS DIVPOST	OH/IN ST LINE	200.6	300.4	MAIN LINE	LINE TO CRC
3102	OH/IN ST LINE	ADAMS	300.4	314.4	MAIN LINE	LINE TO CRC
3102	ADAMS	JUNCTION	314.4	321.1	MAIN LINE	LINE TO CRC
3102	JUNCTION	VALPARAISO	321.1	423.0	MAIN LINE	LINE TO CRC
3202	VALPARAISO	HOBART DIVPOST	423.0	434.5	MAIN LINE	LINE TO CRC
3202	HOBART	LAKE JUNCTION	434.5	451.5	MAIN LINE	LINE TO CRC
3202	LAKE JUNCTION	IN/IL ST LINE	451.5	453.3	MAIN LINE	LINE TO CRC
3202	IN/IL ST LINE	RIVER BR JCT	453.3	454.7	MAIN LINE	LINE TO CRC
3202	RIVER BR JCT	SOUTH BRANCH	454.7	466.2	MAIN LINE	LINE TO CRC
3202	SOUTH BRANCH	CHGO ROOSEVELT	466.2	467.0	MAIN LINE	LINE TO CRC
3202	CHGO ROOSEVELT	CHGO MADISON	467.0	468.0	MAIN LINE	LINE TO CRC
3202	CHGO MADISON	CHGO LAKE ST	468.0	468.6	MAIN LINE	LINE TO CRC
3255	EAST CHICAGO	SINCLAIR REF	0.0	1.6	R&W NO. 3	LINE TO CRC

TRANSFEROR: PGH., YOUNGSTOWN & ASHTABULA RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2233	ROCHESTER	NEW BRIGHTON	26.4	29.3	LOW GRADE SEC	LINE TO CRC
2347	WARREN	STRUTHERS	55.7	58.6	SALAMANCA SEC	LINE TO CRC
242A	NEW BRIGHTON	WAMPUM JCT	29.3	41.7	LOW GRADE (2433)	LINE TO CRC
242B	WOOD	WAMPUM JCT	34.8	41.0	KOPPEL SEC (2422)	LINE TO CRC
2423	WAMPUM JCT	CASTLE	41.7	46.6	E&A BRANCH	LINE TO CRC
2423	CASTLE	PA/OH ST LINE	46.6	56.2	E&A BRANCH	LINE TO CRC
2423	PA/OH ST LINE	YOUNGSTOWN	56.2	65.4	E&A BRANCH	LINE TO CRC
2423	YOUNGSTOWN	DETOUR	65.4	75.5	E&A BRANCH	LINE TO CRC
2424	DETOUR	NO WARREN	75.5	80.9	PY&A BR	LINE TO CRC
2424	NO WARREN	GRINWALD ST	80.9	81.1	PY&A SEC	LINE TO CRC
2424	ASHTABULA NP	ASHTABULA OD	124.3	125.2	ASHTABULA SEC	LINE TO CRC
2425	ECANNA	GOODMAN YARD	76.6	79.4	DETOUR BR	LINE TO CRC
2425	GOODMAN YARD	ALLIANCE CP	79.4	102.1	DETOUR BR	LINE TO CRC
2434	CASTLE	NEW CASTLE	46.6	49.8	E&P BR	LINE TO CRC
2435	OAKLAND	NEW CASTLE	48.7	49.9	HOUSTON SEC	LINE TO CRC
2436	COVERTS	WALFORD	0.0	3.4	WALFORD SEC	LINE TO CRC
2437	ECANNA (E&A)	VAN WYE (PY&A)	0.0	0.5	VAN WYE SEC	LINE TO CRC
2438	CROSSCUT (E&A)	CHERRY ST (E&P)	47.3	51.5	CROSS CUT SEC	LINE TO CRC
2439	SOAPTOWN 2425	GOODMAN YD GM	0.0	0.5	GEM SEC	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

TRANSFEROR: ST. LAWRENCE & ADIRONDACK RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4756	INT BOUNDARY	HUNTINGDON	10.3	17.9	MALONE SEC	LINE TO CRC
4756	HUNTINGDON	ADIRONDACK JCT	17.9	56.4	MONTREAL BR	LINE TO CRC

TRANSFEROR: SHAMOKIN VALLEY & POTTSVILLE R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1347	SUNBURY KASE	SUNBURY 4 ST	0.0	0.2	SHAMOKIN SEC	LINE TO CRC
1347	PAXINOS	SHAMOKIN	12.0	18.2	SHAMOKIN SEC	LINE TO CRC
1347	FOLTON	SAGON JCT	23.0	26.0	SHAMOKIN SEC	LINE TO CRC

TRANSFEROR: TROY & GREENBUSH R. R. ASSN.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4735	RENSSELAER CP3	TROY	0.0	5.7	TROY SEC	LINE TO CRC

TRANSFEROR: UNION R. R. CO. OF BALTIMORE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1260	MONUMENT ST	SUTTON	0.0	3.3	UNION BR-BEAR CK	LINE TO CRC

TRANSFEROR: UNITED N. J. R. R. & CANAL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1124	TRENTON FAIR	TRENTON MG	0.3	1.4	BELVIDERE BR	LINE TO CRC
1124	TRENTON MG	MILFORD	1.4	34.4	BELVIDERE BR	LINE TO CRC
1124	MILFORD	PHILLIPSBURG	34.4	50.7	BELVIDERE BR	LINE TO CRC
1124	PHILLIPSBURG	BELVIDERE	50.7	64.3	BELVIDERE BR	LINE TO CRC
1124	BELVIDERE	BELVIDERE	64.3	65.3	BELVIDERE BR	LINE TO CRC
1125	CAMDEN	DELAIR	0.9	5.0	BORDENTOWN BR	LINE TO CRC
1125	DELAIR	EDGEWATER PK	5.0	16.0	BORDENTOWN SEC	LINE TO CRC
1125	EDGEWATER PK	BORDENTOWN BO	16.0	26.7	BORDENTOWN SEC	LINE TO CRC
1125	BORDENTOWN BO	WINDSOR	26.7	37.9	ROBBINSVILLE SEC	LINE TO CRC
1126	TRENTON	BORDENTOWN	0.0	6.0	BORDENTOWN BR	LINE TO CRC
1166	FLORENCE	OLIVE STREET	0.0	0.9	FLORENCE BRANCH	LINE TO CRC
1167	BORDENTOWN BR	PETTY ISLAND	0.0	2.0	PETTY ISLAND BR	LINE TO CRC
1168	FLORENCE	FLORENCE	0.0	1.6	TURNPIKE BR	LINE TO CRC
1420	JERSEY CITY	HARRISON	1.0	7.0	HARSIMUS BRANCH	LINE TO CRC
1421	WA-5	KEARNY	0.0	4.4	PASSAIC BRANCH	LINE TO CRC
1422	WA-5	GREENVILLE "BAY"	0.0	4.2	GREENVILLE BR	LINE TO CRC
1422	GREENVILLE "BAY"	GREENVILLE YD	4.2	6.5	GREENVILLE BR	LINE TO CRC/TR TO OTHERS
1423	UNION	PERTH AMBOY	0.0	5.9	PA&WOODBRIDGE BR	LINE TO CRC
1425	SO AMBOY JCT	JAMESBURG JG	0.5	13.6	AMBOY SEC TK	LINE TO CRC
1426	MIDWAY	JAMESBURG	0.0	5.0	JAMESBURG BR	LINE TO CRC
1426	JAMESBURG	JAMESBURG JG	5.0	5.5	JAMESBURG BR	LINE TO CRC
1428	NEW BRUNSWICK	MIDDLEBUSH	0.0	3.0	MILLSTONE BR	LINE TO CRC
1429	MONMOUTH JCT	HIGHWAY 26	0.0	2.7	KINGSTON BR	LINE TO CRC
1431	HARRISON	HARRISON&VISTA	0.0	1.0	CENTER ST BR	LINE TO CRC
1432	HUDSON	HARRISON	0.0	1.4	HARRISON BR	LINE TO CRC
1433	METUCHEN	BONHAMTOWN	0.1	1.7	BONHAMTON BR	LINE TO CRC
1434	MEADOWS YD	RED SHIP YD	0.0	0.9	MEADOWS TK NO. 1	LINE TO CRC
1434	MEADOWS YD	LINCOLN HWY	0.0	0.9	MEADOWS TK NO. 2	LINE TO CRC
1437	JAMESBURG	HIGHTSTOWN	13.6	21.7	HIGHTSTOWN SEC	LINE TO CRC
1438	HARRISON	SUSSEX ST	0.0	0.6	HRSN E NWK CONN	LINE TO CRC
1439	HUNTER	END	0.0	1.7	WEST NEWARK BR.	LINE TO CRC
1440	JERSEY CITY	JERSEY CITY	0.0	1.3	HUDSON ST BR	LINE TO CRC
1441	JERSEY CITY	CROXTON YD.	0.0	2.0	SUSQUEHANNA CONN.	LINE TO CRC
1455	MILHAM	COAL PORT YD.	0.0	2.1	MILHAM BR.	LINE TO CRC
1456	TRENTON	COAL PORT YD.	0.0	4.1	ENTERPRISE BR.	LINE TO CRC
1457	BELDEL BR.	BORDENTOWN BR.	0.0	1.0	SO. TRENTON BR.	LINE TO CRC
1459	"CK"	MARTINS CREEK	0.0	0.3	MARTINS CREEK BR.	LINE TO CRC
1460	ROXBURG	PP&L	0.0	0.2	ROXBURG BR.	LINE TO CRC

TRANSFEROR: CHICAGO, KALAMAZOO & SAGINAW RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5344	PARCHMENT	MOSEL ROAD	42.3	42.7	CK&S BR	LINE TO CRC
5344	MOSEL ROAD	KALAMAZOO	42.7	43.9	CK&S BR	LINE TO CRC
5344	KALAMAZOO	PAVILION JCT	43.9	45.9	CK&S BR	LINE TO CRC

TRANSFEROR: JOLIET & NORTHERN INDIANA R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
3233	HARTSDALE	IN/IL ST LINE	12.8	15.6	JOLIET BR	LINE TO CRC
3233	IN/IL ST LINE	MATTESON	15.6	24.8	JOLIET BR	LINE TO CRC

TRANSFEROR: MAHONING & SHENANGO VALLEY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2443	DOUGHTON JCT CP52	FARRELL EL BR	0.0	5.8	SHARON BR	LINE TO CRC

TRANSFEROR: NIAGARA RIVER BRIDGE CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5104	SUSP BRIDGE	INT BOUNDARY	0.0	0.2	MAIN LINE	LINE TO CRC
5104	FALLS VIEW	BROOKFIELD	0.0	10.0	MAIN LINE	LINE TO CRC
5104	INT BOUNDARY	FALLS VIEW	0.2	2.7	MAIN LINE	LINE TO CRC

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1121	GLENDALE	DUNLAP	0.0	41.0	TRENTON BR	LINE TO CRC
1121	DUNLAP	MORRIS	41.0	46.0	TRENTON BR	LINE TO CRC
1122	DALE	THORN	23.7	34.3	PHILA&THORNDALE	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1123	PARKESBURG	LENOVER	0.0	1.1	SUSQ (A&S) BRANCH	LINE TO CRC
1129	VALLEY	MANAYUNK	4.0	8.2	SCHUYLKILL BR	LINE TO CRC
1129	MANAYUNK	NORRISTOWN	8.2	18.1	SCHUYLKILL SEC	LINE TO CRC
1129	NORRISTOWN	READING	18.1	58.3	SCHUYLKILL SEC	LINE TO CRC
1129	READING	N READING	58.3	60.4	SCHUYLKILL SEC	LINE TO CRC
1136	ZOO	42ND ST	0.0	0.5	JERSEY TRACKS	LINE TO CRC
1137	BELMONT BDG	ZOO	0.0	1.7	BELLMONT BR	LINE TO CRC
1138	ZOO	ZOO	0.0	0.3	BERRY TRACKS	LINE TO CRC
1139	ZOO	ZOO	1.3	2.5	ZOO RUN DOWN TK	LINE TO CRC
1140	ZOO	ARSENAL	0.3	2.4	WEST PHILA ELEV	LINE TO CRC
1143	ARSENAL	DOCK ST	1.5	11.2	DELAWARE EXT	LINE TO CRC
1144	PENROSE	GIRARD POINT	0.0	1.4	GIRARD PT. BRANCH	LINE TO CRC
1149	POMEROY	LYKENS STEEL CO	0.0	2.9	COATESVILLE BR	LINE TO CRC
1150	FRAZER	FRAZER	23.6	24.4	FRAZER TRACK	LINE TO CRC
1151	WEST MANAYUNK	RDG RR	0.0	0.6	PENCOYD BR	LINE TO CRC
1152	PHOENIXVILLE	DEVAULT	0.0	6.0	PHOENIXVILLE BR	LINE TO CRC
1152	MP 9.2	DALE JCT	9.2	10.0	PHOENIXVILLE BR	LINE TO CRC
1153	SPRING CITY	ROYERSFORD	0.0	1.0	ROYERSFORD BR	LINE TO CRC
1154	READING	COURT ST	0.7	1.0	COURT STREET BR	LINE TO CRC
1176	DEL AVE BR	KENSINGTON	0.0	0.5	COMMERCE STREET BR	LINE TO CRC
1177	DEL AVE BR	LLEWELLYN ST	0.0	0.4	CANAL ST BR	LINE TO CRC
1178	DOCK ST	PORT RICHMOND	81.9	85.6	DELAWARE AVE BRANCH	LINE TO CRC
1179	DEL EXT	MORRIS ST	0.0	1.2	SWANSON ST BR	LINE TO CRC
1302	HARRISBURG YD	ROCKVILLE	105.5	109.9	MAIN LINE	LINE TO CRC
1302	ROCKVILLE	BANKS DIV PST	109.9	113.3	MAIN LINE	LINE TO CRC/TR TO OTHERS
1314	ROCKVILLE	DUAPHIN	90.6	93.4	MAIN LINE	LINE TO CRC/TR TO OTHERS
1314	MONTANDON JCT	NORTHUMBERLAND	278.0	286.1	MAIN LINE	LINE TO CRC
1314	NORTHUMBERLAND	KASE	286.1	286.4	MAIN LINE	LINE TO CRC/TR TO OTHERS
1314	KASE	SUNBURY	286.4	287.5	MAIN LINE	LINE TO CRC/TR TO OTHERS
1323	LENOVER	PORT	1.1	33.7	SUSQ (A&S) BR	LINE TO CRC
1323	PORT	SHOCKS	33.7	45.4	SUSQ (A&S) BR	LINE TO CRC
1323	SHOCKS	WAGO JCT	45.4	50.6	YORK HAVEN (A&S)	LINE TO CRC
1327	CORK	CORK	68.4	68.5	COLUMBIA BR	LINE TO CRC
1327	CORK	COLA	68.5	80.1	COLUMBIA BR	LINE TO CRC
1327	SHOCKS MILLS	ROYALTON	87.6	98.8	SUSQ (COLUMBIA)	LINE TO CRC
1328	ROYALTON	HARRISBURG	94.3	104.0	COLUMBIA (FORMER)	LINE TO CRC
1329	SUNBURY KASE	SUNBURY BANKS	0.0	1.0	DAN SEC TK	LINE TO CRC/TR TO OTHERS
1329	SUNBURY BANKS	SOUTH DANVILLE	1.0	10.2	DAN SEC TK	LINE TO CRC/TR TO OTHERS
1329	SOUTH DANVILLE	NESCOPECK	10.2	35.7	DAN SEC TK	LINE TO CRC/TR TO OTHERS
1329	NESCOPECK	BUTTONWOOD	35.7	59.7	BUTTON SEC	LINE TO CRC/TR TO OTHERS
1329	BUTTONWOOD	W/BARRE CAREY	59.7	60.5	BUTTON SEC	LINE TO CRC
1329	W/BARRE CAREY	LVRR	60.5	62.9	BUTTON SEC	LINE TO CRC
1331	HARRISBURG	LEMOYNE	0.0	1.5	CUMBERLAND VLY BR	LINE TO CRC
1331	LEMOYNE	NEW KENSINGTON	1.5	11.8	CUMBERLAND VLY BR	LINE TO CRC/TR TO OTHERS
1331	NEW KINGSTON	CARLISLE	11.8	18.3	CUMBERLAND VLY BR	LINE TO CRC/TR TO OTHERS
1331	CARLISLE	PENN ROAD	18.3	41.6	CUMBERLAND VLY BR	LINE TO CRC/TR TO OTHERS
1331	PENN ROAD	PA/MD LINE	41.6	68.2	CUMBERLAND VLY BR	LINE TO CRC/TR TO OTHERS
1331	PA/MD ST LINE	HAGERSTOWN	68.2	74.8	CUMBERLAND VLY BR	LINE TO CRC/TR TO OTHERS
1333	HONEY BROOK	NARVON	17.6	21.6	NEW HOLLAND SEC	LINE TO CRC
1333	NARVON	NEW HOLLAND	21.6	28.0	NEW HOLLAND SEC	LINE TO CRC
1333	NEW HOLLAND	LANCASTER	28.0	40.0	NEW HOLLAND SEC	LINE TO CRC
1333	LANCASTER	CORK	40.0	41.0	NEW HOLLAND SEC	LINE TO CRC
1334	LANCASTER	FAIRVIEW AVE	0.0	1.8	QUARRYVILLE BR	LINE TO CRC
1334	QUARRYVILLE	QUARRYVILLE	13.3	15.7	QUARRYVILLE BR	LINE TO CRC
1335	CONEWAGO	CONEWAGO	0.0	1.0	LEBANON SEC	LINE TO CRC
1335	LEBANON	LEBANON	20.2	21.7	LEBANON SEC	LINE TO CRC
1336	LEBANON	LEBANON	0.0	0.2	E LEBANON BR	LINE TO CRC
1340	STONY BROOK	STONY BROOK	7.0	7.2	YORK BRANCH	LINE TO CRC
1340	STONY BROOK	YORK	7.2	12.8	YORK BRANCH	LINE TO CRC
1346	SELINSGROVE	SELINSGROVE JCT	43.0	44.7	SELINSGROVE SEC	LINE TO CRC
1348	MONTANDON	LEWISBURG	0.0	1.6	MONTANDON SEC	LINE TO CRC
1348	LEWISBURG	MIFFLINBURG	1.6	11.6	MONTANDON SEC	LINE TO CRC
1412	WEEHAWKEN	HOBOKEN	0.0	3.0	RIVER LINE	LINE TO CRC
1412	HOBOKEN	CP WALDO	3.0	4.7	RIVER LINE	LINE TO CRC/TR TO OTHERS
1413	WEEHAWKEN	LITTLE FERRY	0.0	5.9	RIVER LINE	LINE TO CRC
1413	LITTLE FERRY	DUMONT	5.9	12.9	RIVER LINE	LINE TO CRC
1413	DUMONT	NJ/NY ST LINE	12.9	18.8	RIVER LINE	LINE TO CRC
1413	NJ/NY ST LINE	WEST HAVERSTRAW	18.8	33.3	RIVER LINE	LINE TO CRC
1413	WEST HAVERSTRAW	KINGSTON	33.3	87.0	RIVER LINE	LINE TO CRC
1413	KINGSTON	RAVENA	87.0	127.8	RIVER LINE	LINE TO CRC
1413	RAVENA	SELK JCT 132	127.8	132.5	RIVER LINE	LINE TO CRC
1435	KINGSTON	WALLKILL	0.0	26.1	WALLKILL VALLEY	LINE TO CRC
1435	WALLKILL	MONTGOMERY	26.1	33.0	WALLKILL VALLEY	LINE TO CRC
2102	BANKS	TYRONE	113.3	222.1	MAIN LINE	LINE TO CRC
2102	TYRONE	JOHNSTOWN SG	222.1	277.3	MAIN LINE	LINE TO CRC
2102	JOHNSTOWN SG	JOHNSTOWN JD	277.3	290.0	SANG HOLLOW EXT.	LINE TO CRC
2102	JOHNSTOWN SG	JOHNSTOWN JD	277.3	290.6	MAIN LINE	LINE TO CRC
2121	TYRONE	POST	0.0	52.5	BALD EAGLE BR	LINE TO CRC
2122	PETE	ALEXANDRIA	0.5	5.7	H&P SEC	LINE TO CRC
2122	WILLIAMSBURG	WYE	17.1	33.4	H&P SEC	LINE TO CRC
2122	WYE	ALTOONA	33.4	39.9	H&P BR	LINE TO CRC
2123	WYE	GALLITZIN SF	33.4	48.7	NEW PORTAGE SEC	LINE TO CRC
2125	MILESBURG	LEMONT	30.8	43.1	BELLEFONTE SEC	LINE TO CRC
2126	LEWISTOWN	YEAGERTOWN	0.0	3.9	MILROY BRANCH	LINE TO CRC
2127	LEWISTOWN	MAITLAND	0.0	7.0	LEWISTOWN BR.	LINE TO CRC
2128	HOLLIDAYSBURG	HOLLIDAYSBURG	7.8	8.0	MORRISON COVE SEC	LINE TO CRC
2128	HOLLIDAYSBURG	BROOKES MILLS	8.0	14.2	MORRISON COVE SEC	LINE TO CRC
2128	BROOKES MILLS	MARTINSBURG JCT	14.2	21.5	MORRISON COVE SEC	LINE TO CRC
2128	MARTINSBURG JCT	CURRY	21.5	24.2	MORRISON COVE SEC	LINE TO CRC
2129	BROOK	CREEK	14.2	45.8	BEDFORD SEC	LINE TO CRC
2129	CREEK	BEDFORD	45.8	46.5	BEDFORD SEC	LINE TO CRC
2129	NAPIER	NAPIER	46.5	51.0	BEDFORD SEC	LINE TO CRC
2130	BEDFORD"CREEK"	MT. DALLAS	0.0	6.9	MT DALLAS SEC	LINE TO CRC
2134	MARTINSBURG JCT	SNYDER STREET	0.0	0.8	MARTINSBURG BR	LINE TO CRC
2135	CRESSON	BRADLEY JCT.	0.0	11.8	CRESSON SEC	LINE TO CRC
2136	BRADLEYJCT "DP"	DISHART	11.8	15.0	SUSQUEHANNA SEC	LINE TO CRC
2137	EBENSBURG JCT	BLACK LICK	6.4	43.3	BLACK LICK SEC	LINE TO CRC
2139	VINTONDALE	C&I RR	0.0	0.3	REXIS BRANCH	LINE TO CRC
2141	SOUTH FORK	EHRENFELD "W"	0.0	1.5	SOUTH FORK SEC	LINE TO CRC
2141	SOUTH FORK	WINDBER	0.0	18.6	SOUTH FORK SEC	LINE TO CRC
2141	SOUTH FORK	LV (2ND TRACK)	0.0	4.3	MAPLE SEC.	LINE TO CRC
2142	SCALP LEVEL	JCT/CENTRAL SEC	0.0	0.7	PAINT CK (CENT SEC)	LINE TO CRC
2143	SCALP LEVEL	CENTRAL CITY	0.0	19.5	CENTRAL SEC	LINE TO CRC
2144	LOVETT	RUTHERFORD	0.0	2.0	BEAVER SEC.	LINE TO CRC
2144	RUTHERFORD	LLOYDELL	2.0	4.8	BEAVER SEC.	LINE TO CRC
2145	WINDBER	EUREKA #36	0.0	1.5	WINDBER BR	LINE TO CRC
2146	SCALP LEVEL	EUREKA #37	0.0	1.5	EUREKA #37 BR	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2147	SOUTHFORK	SUMMERHILL	0.0	1.6	SUMMERHILL BRANCH	LINE TO CRC
2148	LILLY (M/I)	HUGHES COAL CC	0.0	1.7	LILLY BR.	LINE TO CRC
2149	BC	PORTAGE	0.0	2.7	BENS CREEK BR.	LINE TO CRC
2150	BENS CREEK BR	SONMAN	0.0	0.9	SONMAN BRANCH	LINE TO CRC
2152	CONEMAUGH	JOHNSTOWN	0.0	1.6	JOHNSTOWN BR	LINE TO CRC
2153	BELLWOOD	END OF BRANCH	0.0	0.4	BELLWOOD BR.	LINE TO CRC
2202	JOHNSTOWN JD	PITTSBURGH	290.0	353.2	MAIN LINE	LINE TO CRC
2206	PITTS MONON	MP 1.6	1.1	1.6	MAIN LINE	LINE TO CRC
2211	JOHNSTOWN JD	ETNA	0.0	72.4	M/L CONEMAUGH	LINE TO CRC
2211	ETNA	FEDERAL ST	72.4	77.2	M/L CONEMAUGH	LINE TO CRC
2216	GREENSBURG JCT	SO GREENSBURG	0.0	2.5	GREENSBURG SEC	LINE TO CRC
2217	SO GREENSBURG	COUNTY JCT	2.5	3.9	SOUTHWEST SEC	LINE TO CRC
2217	COUNTY JCT	CONNELLSVILLE	3.9	24.5	SOUTHWEST SEC	LINE TO CRC
2217	CONNELLSVILLE	CONNELLSVILLE	24.5	25.0	SOUTHWEST SEC	LINE TO CRC
2217	CONNELLSVILLE	DUNBAR	25.0	27.5	SOUTHWEST SEC	LINE TO CRC
2218	RADEBAUGH "RG"	COUNTY JCT	0.0	4.0	SW (RADEBAUGH) SEC	LINE TO CRC
2219	THOMSON "PG"	E PITTSBG "WG"	0.0	2.9	PORT PERRY BR	LINE TO CRC
2220	MONON	DUQUESNE PG	0.0	10.1	MONONGAHELA BR	LINE TO CRC
2220	DUQUESNE PG	BROWNSVL JCT	10.1	52.4	MONONGAHELA BR	LINE TO CRC
2221	ELLIOT	MONON	0.0	1.2	SCULLY (DUFF) BRANCH	LINE TO CRC
2226	E LIBERTY "CM"	ASPINWALL "OY"	0.5	3.0	BRILLIANT BRANCH	LINE TO CRC
2227	ASPINWALL "OY"	SHARPSVILLE	0.0	0.7	BRLNT W LEG WYE	LINE TO CRC
2228	JCT/BRILLNT BR	NADINE	0.0	1.6	ALLEGHENY BR CONN	LINE TO CRC
2229	PITTSBURGH 11ST	PITTSBURGH 57ST	0.2	4.6	ALLEGHENY BR	LINE TO CRC
2229	PITTSBURGH 57ST	NEW KENSINGTON	4.6	18.6	ALLEGHENY BR	LINE TO CRC
2229	NEW KENSINGTON	ARNOLD	18.6	19.5	ALLEGHENY BR	LINE TO CRC
2229	KISKI JCT "AJ"	SCHENLEY	28.7	29.2	ALLEGHENY BR	LINE TO CRC
2229	SCHENLEY	TEMPLETON	29.2	53.5	ALLEGHENY BR	LINE TO CRC
2240	BLAIRSVILLE	BLAIRSVILLE	2.7	2.9	INDIANA BR	LINE TO CRC
2240	BLAIRSVILLE	BLACK LICK	2.9	7.3	INDIANA BR	LINE TO CRC
2241	APOLLO	11TH ST	0.0	1.9	APOLLO BR.	LINE TO CRC
2242	SCHENLEY	LEECHBURG	0.0	6.1	SCHENLEY BR.	LINE TO CRC
2243	HARRIS	BUTLER	0.0	21.1	BUTLER SEC	LINE TO CRC
2250	30TH ST PITTS	4TH ST (B&LE)	0.0	2.0	WHITEHALL BR	LINE TO CRC
2251	MAYS	JCT W/UNION RR	0.0	0.6	AXLE WORK BR	LINE TO CRC
2252	SOUTH DUQUESNE	MCKEESPORT	0.0	1.0	MCKEESPORT BR	TR TO CRC
2253	CLAIRTON 2220	LARGE C/PMACCHM	0.0	3.2	PETERS CREEK BR	LINE TO CRC
2254	MONONGAHELA MC	COKEBURG JCT	0.0	11.9	ELLSWORTH SEC	LINE TO CRC
2254	COKEBURG JCT	MARIANNA	11.9	19.2	MARIANNA SEC	LINE TO CRC
2254	MARIANNA	END OF TRACK	19.2	20.7	MARIANNA YD	LINE TO CRC
2257	W BROWNSVL JCT	MILLSBORO MONON	52.0	62.0	W BROWNSVL SEC	LINE TO CRC
2258	W BROWNSVILLE B	BROWNSVILLE	52.0	52.5	REDSTONE SEC.	LINE TO CRC
2263	CONNELLSVILLE	TROTTER	0.0	0.3	CROSSM RUN BR.	LINE TO CRC
2265	SCOTTDALE	HAMMONDSVILLE	0.0	2.9	SCOTTSDALE BR	LINE TO CRC
2265	HAMMONDSVILLE	HAMMONDSVILLE	2.9	3.0	SCOTTSDALE BR	LINE TO CRC
2265	HAMMONDSVILLE	MT PLEASANT	3.0	4.8	SCOTTSDALE BR	LINE TO CRC
2265	MT PLEASANT	MT PLEASANT	4.8	4.9	SCOTTSDALE BR	LINE TO CRC
2265	MT PLEASANT	MT PLEASANT	4.9	5.0	SCOTTSDALE BR	LINE TO CRC
2265	MT PLEASANT	MT PLEASANT	5.0	5.2	SCOTTSDALE BR	LINE TO CRC
2265	MT PLEASANT	MT PLEASANT	5.2	5.5	SCOTTSDALE BR	LINE TO CRC
2266	TARR	TARR	0.0	0.6	TARR BRANCH	LINE TO CRC
2267	YUKON JCT	COWANSBURG	0.0	9.1	YUKON SEC	LINE TO CRC
2276	E PITTSBG "WG"	TURTLE CREEK	0.0	1.9	E PITTSBURGH BR	LINE TO CRC
2277	TRAFFORD	EXPORT	0.0	10.2	TURTLE CREEK BR	LINE TO CRC
2280	SHAFTON	CEREAL	0.0	2.1	YOUGHIOGHENY BR	LINE TO CRC
2281	MANOR	HARRISON CITY	0.0	1.6	MANOR BR.	LINE TO CRC
2282	JEANNETTE	PENN RUBBER CO	0.0	1.2	JEANETTE BR.	LINE TO CRC
2285	LATROBE, PA.	UNITY YARD	0.0	0.9	UNITY BR.	LINE TO CRC
2286	SALINA	AVENMORE	0.0	1.9	AVENMOR BR.	LINE TO CRC
2287	WINFIELD JCT.	WEST WINFIELD	0.0	8.5	WINFIELD BR.	LINE TO CRC
2288	NEW KENSINGTON	PARNASSUS	0.0	1.9	INDIANA RUN BR	LINE TO CRC
2289	JEANNETTE, PA.	CAPLAN SCRAP CO	0.0	0.5	BRUSH CREEK BR.	LINE TO CRC
2290	JEANNETTE, PA.	HARRISN CITY RD	0.0	0.7	BULL RUN BR.	LINE TO CRC
2292	CREIGHTON	FREEPORT BRICK	0.0	0.3	BAILEY RUN BR	LINE TO CRC
2296	VERONA	RANTON JCT.	0.0	1.1	PLUM CREEK BR	LINE TO CRC
2299	LATROBE	KINGSTOWN	0.0	3.5	LATROBE IND. TK.	LINE TO CRC
23MB	COAL RUN JCT	"MP 25"	0.0	2.5	MOSHANNON&CLEARFIELD	LINE TO CRC
23MB	MP 25	END	2.5	7.5	MOSHANNON&CLEARFIELD	LINE TO CRC
23MD	JCT/MCS&CLRFD	TROUT RUN	0.0	2.2	TROUT RUN BRANCH	LINE TO CRC
23MI	SMOKE RUN	ROXBURGE	0.0	3.1	LITTLE MUDDY RUN	LINE TO CRC
23MK	SMOKE RUN	END	0.0	3.1	MUDDY RUN TK	LINE TO CRC
2314	EMPORIUM	DRIFTWOOD	150.0	168.2	MAIN LINE	LINE TO CRC
2314	DRIFTWOOD	KEATING	168.2	183.2	MAIN LINE	LINE TO CRC
2314	KEATING	LOCK HAVEN	183.2	223.2	MAIN LINE	LINE TO CRC
2314	LOCK HAVEN	EAST LINDEN	223.2	242.8	MAIN LINE	LINE TO CRC
2314	EAST LINDEN	MONTANDON JCT	242.8	278.0	MAIN LINE	LINE TO CRC
2315	ELM	LOVE	2.9	33.7	ERIE SEC	LINE TO CRC
2315	LOVE	EYE	33.7	36.5	M/L ERIE	LINE TO CRC
2315	EYE	CORRY	36.5	37.0	M/L ERIE	LINE TO CRC
2315	CORRY	SPRING	37.0	44.5	M/L ERIE	LINE TO CRC
2315	SPRING	WARREN	44.5	65.8	EMPORIUM SEC	LINE TO CRC
2315	WARREN	WARREN	65.8	66.5	EMPORIUM SEC	LINE TO CRC
2315	KANE	RIDGWAY	92.5	119.0	EMPORIUM SEC	LINE TO CRC
2315	RIDGWAY	EMPORIUM	119.0	149.8	EMPORIUM SEC	LINE TO CRC
2315	EMPORIUM	EMPORIUM	149.8	150.0	EMPORIUM SEC	LINE TO CRC
2316	LINDEN	ANTLERS	242.5	243.4	WILLIAMSPORT BR	LINE TO CRC
2316	NEWBERRY	WILLIAMSPORT	245.6	249.3	WILLIAMSPORT BR	LINE TO CRC
2321	POST	LOCK HAVEN	52.5	54.3	BALD EAGLE BRANCH	LINE TO CRC
2322	GENEVA DIVPOST	HIMRODS JCT	17.1	35.3	CORNING BR	LINE TO CRC
2322	HIMRODS JCT	"YD"	35.3	69.8	CORNING BR	LINE TO CRC
2322	"YD"	NY/PA ST LINE	69.8	85.8	CORNING BR	LINE TO CRC
2322	NY/PA ST LINE	JERSEYSHORE SR	85.8	168.5	CORNING BR	LINE TO CRC
2322	JERSEY SHORE SR	CP AD	168.5	177.2	CORNING BR	LINE TO CRC
2322	CP AD	NEWBERRY JCT	177.2	180.9	CORNING BR	LINE TO CRC
2324	RED BANK	ROSE	0.0	40.9	LOW GRADE SEC	LINE TO CRC
2324	ROSE	DRIFTWOOD	40.9	109.9	LOW GRADE SEC	LINE TO CRC
2326	LAWSONHAM	SLIGO	0.0	10.6	SLIGO IND TK	LINE TO CRC
2329	RED BANK	BRADY	63.5	64.6	ALLEGHENY BR	LINE TO CRC
2329	EMLENTON	EMLENTON	88.9	90.3	ALLEGHENY BR	LINE TO CRC
2329	EMLENTON	MP95=99	90.3	95.0	ALLEGHENY BR	LINE TO CRC
2329	MP95=99	MP105=110	99.0	105.0	ALLEGHENY BR	LINE TO CRC
2329	MP105=110	BRIDGE	110.0	132.3	ALLEGHENY BR	LINE TO CRC
2330	BRADY	PHILLIPSTON	0.0	1.4	EAST BRADY TK	LINE TO CRC
2330	PHILLIPSTON	EAST BRADY	1.4	3.2	EAST BRADY TK	LINE TO CRC
2331	WATSONTOWN	OTTAWA	0.0	9.5	WATSONTOWN SEC	LINE TO CRC
2331	OTTAWA	STRAWBERRY RIDGE	9.5	12.3	WATSONTOWN SEC	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2335	BRADLEY JCT.	GARVEY	11.8	27.0	CRESSON SEC(2135)	LINE TO CRC
2335	GARVEY	HM	27.0	39.1	CRESSON SEC(2135)	LINE TO CRC
2335	HM	PUNXSUTAWNEY	39.1	56.5	CRESSON SEC(2135)	LINE TO CRC
2335	PUNXSUTAWNEY	PUNXSUTAWNEY	56.5	57.4	CRESSON SEC(2135)	LINE TO CRC
2336	DISHART	CHERRYTREE "CC"	15.0	29.3	SUSQ SEC (2136)	LINE TO CRC
2339	CORRYVILLE	FARMERS VALLEY	81.1	85.0	FARMERS VLY SEC	LINE TO CRC
2340	DUNKIRK	FREDONIA	0.0	3.6	VALLEY BR	LINE TO CRC
2341	STONEBORO	ROSE SIDING	56.0	128.0	JP&C BR	LINE TO CRC
2344	WELLSBORO JCT.	WELLSBORO	0.0	3.9	WELLSBORO IND TK	LINE TO CRC
2345	POLK JN	POLK JN	0.0	1.3	RENO IND TK	LINE TO CRC
2345	FRANKLIN	FRANKLIN	9.6	11.8	RENO IND TK	LINE TO CRC
2345	RENO	RENO	12.9	14.3	RENO IND TK	LINE TO CRC
2348	OSCEOLA MILLS	WALLACETON	19.1	29.7	MILLS IND TK	LINE TO CRC
2348	BIGLER	WOODLAND	31.5	34.7	BIGLER IND(CLRFD)	LINE TO CRC
2348	CLEARFIELD	GRAMPIAN	40.3	52.8	GRAMPIAN IND TK	LINE TO CRC
2352	CRESSON	GLASGOW	0.0	37.3	IRVONA BRANCH	LINE TO CRC
2358	CLRFLD BEECH	KARTHAUS	1.4	31.4	WBV BR	LINE TO CRC
2358	KARTHAUS	KEATING	31.4	53.6	WBV SEC	LINE TO CRC
2359	CB JCT	CURRY RUN	0.0	14.6	CHERRY TREE BR	LINE TO CRC
2359	MAHAFFEY	CHERRY TREE	19.3	35.8	CHERRY TREE BR	LINE TO CRC
2360	JCT W/B&E BR	TOSCANOVILLE	0.0	0.7	HOOVERHURST BR	LINE TO CRC
2362	FOWLERJCT 2336	ARCADIA	7.3	11.1	HOOVERHST (B&E) BR	LINE TO CRC
2367	SOUTHFORK	STERLING NO 1	0.0	1.0	STERLING NO 1	LINE TO CRC
2371	GARMANTOWN	MARSTELLER	0.0	2.2	MOSS CREEK BR.	LINE TO CRC
2373	PATTON	END	0.0	1.1	PATTON NO. 2	LINE TO CRC
2376	AMES	LA JOSE	35.6	36.1	LAJOSE BR	LINE TO CRC
2378	MCGEES	BELKNAP RIDGE	41.0	44.0	MCGEES BR	LINE TO CRC
2378	BELKNAP RIDGE	GLEN CAMPBELL	44.0	48.7	MCGEES BR	LINE TO CRC
2379	JCT/CRESSON SEC	END	0.0	3.5	BEAR RUN BR.	LINE TO CRC
2380	HILLMAN (2335)	END	0.0	1.4	HILLMAN BR.	LINE TO CRC
2384	GLEN CAMPBELL	END	0.0	0.4	SUTER BR.	LINE TO CRC
2385	OSCEOLA MILLS	MADERA	0.0	14.6	MOSHANNON SEC	LINE TO CRC
2386	MAPLE	END	0.0	0.5	MAPLETON NO 1	LINE TO CRC
2387	JCT W/MAPLE 1	END	0.0	1.0	MAPLETON NO 2	LINE TO CRC
2388	CLEARFIELD BR	PHILIPSBURG SEC	0.0	1.7	PHILLIPSBURG TK	LINE TO CRC
2390	CHERRY TREE "CJ"	DIXONVILLE	0.0	18.0	CHERRYTREE(CT&D)	LINE TO CRC
2391	FLEMING SUMMIT	PURCHASE LINE	5.8	7.0	CT&D CUTOFF TK	LINE TO CRC
2392	JCT W/CT&D	SHANKTOWN	0.0	0.9	SHANKTOWN BR.	LINE TO CRC
2393	WANDIN "WN"	HEILWOOD	0.0	7.2	MANVER SEC TK	LINE TO CRC
2395	CLYMER	SAMPLE RUN MINE	0.0	2.0	WESTERN BR CT&D	LINE TO CRC
2396	REMBRANDT	END	0.0	0.5	LONG RUN BR CT&D	LINE TO CRC
2399	JCT W/CLRFLD	HANIBURG	0.0	0.5	GRAHAM BR	LINE TO CRC
2440	ASHTABULA	DORSET JCT CP24	0.0	23.8	YOUNGSTOWN BR	LINE TO CRC/TR TO OTHERS
2441	DORSET JCT	OH/PA ST LINE	14.8	29.3	STONEBORO BR	LINE TO CRC
2441	OH/PA ST LINE	JAMESTOWN, PA	29.3	34.5	STONEBORO BR	LINE TO CRC
2441	JAMESTOWN	STONEBORO	34.5	56.0	STONEBORO BR	LINE TO CRC
2442	JEFFERSON JCT	JEFFERSON	5.6	11.6	JEFFERSON IND TK	LINE TO CRC
244A	ASHTABULA	ASH HARBOR	0.0	2.3	ASH HRBR(YOUNGSTOWN)	LINE TO CRC/TR TO OTHERS
2445	NEWTON FALLS	SO CANAL ST	3.0	5.5	NEWTON FLS IND TK	LINE TO CRC
2445	ALLIANCE	ALLIANCE M/I	22.9	24.7	NEWTON FLS IND TK	LINE TO CRC
2446	MINERVA	MINERVA	40.9	41.7	MINERVA YARD	LINE TO CRC
2446	MINERVA	WOLF	41.7	64.0	ALLIANCE BR	LINE TO CRC
2447	WOLF	FAN	64.0	74.0	PINEY FORK SEC	LINE TO CRC
2447	FAN	PINEY FORK	74.0	82.6	PINEY FORK SEC	LINE TO CRC
2449	PHILLIPS 2446	JENSIE MINE	0.0	4.1	WOLF RUN BR	LINE TO CRC
3123	OLIVERS	HAMLET	2.7	27.6	KANKAKEE BR	LINE TO CRC
3123	HAMLET	SCHNEIDER	27.6	78.6	KANKAKEE BR	LINE TO CRC
3123	SCHNEIDER	IN/IL ST LINE	78.6	82.7	KANKAKEE BR	LINE TO CRC
3123	IN/IL ST LINE	KANKAKEE	82.7	102.5	KANKAKEE BR	LINE TO CRC
3123	KANKAKEE	GRANVILLE JCT	102.5	180.6	KANKAKEE BR	LINE TO CRC
3123	GRANVILLE JCT	MORONTS	180.6	185.5	KANKAKEE BR	LINE TO CRC
3124	KANKAKEE ICG	KANKAKEE HARBSON	0.0	1.5	BRADLEY BR - EAST	LINE TO CRC
3125	KANKAKEE ENT AVE	KANKAKEE S STREET	0.0	1.1	BRADLEY BR - WEST	LINE TO CRC
3200	ELKHART DIVPOST	SOUTH BEND	420.0	435.4	MAIN LINE	LINE TO CRC
3200	SOUTH BEND	SOUTH BEND "BF"	435.4	436.9	MAIN LINE	LINE TO CRC
3200	SOUTH BEND "BF"	PORTER "PO"	436.9	482.2	MAIN LINE	LINE TO CRC
3200	PORTER "PO"	PINE	482.2	499.3	MAIN LINE	LINE TO CRC
3200	PINE	WHITING "MS"	499.3	505.7	MAIN LINE	LINE TO CRC
3200	HALL "JN"	ENGLEWOOD 61ST	513.9	515.6	FORMER NYCRR M/L	LINE TO CRC
3221	E OF ELKHART	ELKHART BC	95.5	97.3	ELKHART BR	LINE TO CRC
3223	SOUTH BEND	OLIVERS	0.5	2.7	KANKAKEE BR	LINE TO CRC
3231	WHITING "MS"	LAKE JUNCTION	0.0	0.4	MAIN LINE	LINE TO CRC
3234	ELKHART CP-B	MISHAWAKA	0.0	13.5	E&W SEC TK	LINE TO CRC
3237	SOBEND KK LINE	SOBEND ILYMSEC	0.0	2.6	SS&S CONN TK	LINE TO CRC
3250	INDIANA HARBOR	OSBORN	0.0	6.3	DANVLER-IHE MAINT	LINE TO CRC
3252	SO BEND M/L	SOUTH BEND	0.0	2.0	MC CONN BR	LINE TO CRC
3500	BAY VIEW	NY/PA ST LINE	8.2	68.4	MAIN LINE	LINE TO CRC
3500	NY/PA ST LINE	FAIRVIEW CP97	68.4	97.0	MAIN LINE	LINE TO CRC
3500	FAIRVIEW CP97	PA/OH ST LINE	97.0	112.4	MAIN LINE	LINE TO CRC
3500	PA/OH ST LINE	ASHTABULA "CD"	112.4	127.9	MAIN LINE	LINE TO CRC
3500	ASHTABULA "CD"	PAINESVILLE BO	127.9	154.0	MAIN LINE	LINE TO CRC
3500	PAINESVILLE BO	COLLINWOOD "QD"	154.0	174.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
3500	COLLINWOOD "QD"	CLEVELAND "DE"	174.7	182.5	MAIN LINE	LINE TO CRC/TR TO OTHERS
3500	CLEVELAND "DE"	BEREA DIVPOST	182.5	194.3	MAIN LINE	LINE TO CRC
3515	ERIE	ELM	0.0	2.9	ERIE SEC	LINE TO CRC
3531	COLLINWOOD	SHORT LINE JCT.	0.0	17.9	CLEVE SHORT LINE	LINE TO CRC
3532	CLARK	LINNDALE	12.9	15.6	C.U.T. BR	LINE TO CRC
3532	LINNDALE	BEREA	15.6	22.3	C.U.T. BR	LINE TO CRC
3536	BUCKEYE ROAD	KINGSBURY YARD	0.0	1.5	ORANGE SEC	LINE TO CRC
3541	MILL	WHITE	0.0	1.8	HARVARD CONN	LINE TO CRC
3600	BEREA DIVPOST	TOLEDO CP286	194.3	286.5	MAIN LINE	LINE TO CRC
3600	TOLEDO CP286	AIRLINE JCT	286.5	290.8	MAIN LINE	LINE TO CRC
3600	AIR LINE JCT	OH/IN ST LINE	290.8	355.3	MAIN LINE	LINE TO CRC
3600	OH/IN ST LINE	ELKHART DIVPOST	355.3	420.0	MAIN LINE	LINE TO CRC
3621	VIENNA JCT	MI/OH ST LINE	47.3	49.3	TOLEDO BR	LINE TO CRC
3621	MI/OH ST LINE	SWAN CREEK	49.3	57.7	TOLEDO BR	LINE TO CRC
3622	STANLEY "SA"	CP 8	4.0	8.8	WESTERN BR	LINE TO CRC
3632	CP MAUMEE	STANLEY "SA"	1.2	4.0	MIAMI CUT BRANCH	LINE TO CRC
3632	STANLEY "SA"	STONEY RIDGE	4.0	8.5	EASTERN BR	LINE TO CRC
3633	ELYRIA JCT	ELYRIA JCT	208.8	209.4	NORWALK BR	LINE TO CRC
3633	GENOA	GENOA	281.5	283.5	NORWALK BR	LINE TO CRC
3633	GENOA	MILLBURY JCT	283.5	287.3	NORWALK BR	LINE TO CRC
3633	MILLBURY JCT	MILLBURY JCT	287.3	287.8	NORWALK BR	LINE TO CRC
3634	QUINCY	WHITE PIGEON	377.7	419.0	HILLSDALE BR	LINE TO CRC
3634	WHITE PIGEON	WHITE PIG JCT	419.0	421.3	HILLSDALE BR	LINE TO CRC
3635	TOLEDO NEB ST	VULCAN	299.2	300.2	VULCAN OLD ROAD	LINE TO CRC
3635	VULCAN	VULCAN	300.2	300.5	VULCAN OLD ROAD	LINE TO CRC
3642	GOSHEN	GOSHEN	0.0	0.7	SHIPSHEWANA BR.	LINE TO CRC
3644	OAKDALE CP266	ROCKWELL JCT	1.8	2.4	STANLEY BR	LINE TO CRC
3649	TOLEDO.	WATER ST	0.0	1.0	WATER ST IND TK	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
41A1	WEIR JCT	DEAN STREET	0.0	1.5	DEAN ST IND TK	LINE TO CRC
4103	FRAMINGHAM	WORCESTER	21.2	44.3	MAIN LINE	LINE TO CRC
4103	WORCESTER	SPRINGFIELD	44.3	98.3	MAIN LINE	LINE TO CRC
4103	SPG CP 98	PITTSFIELD	98.6	148.6	MAIN LINE	LINE TO CRC
4103	PITTSFIELD	MA/NY ST LINE	148.6	162.0	MAIN LINE	LINE TO CRC
4103	MA/NY ST LINE	POST RD CP187	162.0	187.4	MAIN LINE	LINE TO CRC
4130	MANSFIELD	WALPOLE	0.0	8.5	FRAMINGHAM BR	LINE TO CRC
4130	FRAMINGHAM CTR	SO SUDBURY	0.0	4.0	LOWELL SEC(41A3)	LINE TO CRC
4130	WALPOLE	FRAMINGHAM	8.5	21.0	FRAMINGHAM BR	LINE TO CRC
4130	FRAMINGHAM	FRAMINGHAM CTR	21.0	23.4	FRAMINGHAM BR	LINE TO CRC
4132	BEACON PARK	CHELSEA	0.0	7.5	GRAND JCT SEC	LINE TO CRC
4134	NATICK	SAXONVILLE	0.0	3.8	SAXONVILLE SEC	LINE TO CRC
4135	FRAMINGHAM	METCALFS	0.0	7.2	HOLISTON SEC	LINE TO CRC
4140	ATHOL JCT	LUDLOW	0.0	5.4	ATHOL SEC	LINE TO CRC
4141	NORTH ADAMS JCT	NORTH ADAMS	0.0	18.1	NORTH ADAMS BR	LINE TO CRC
4141	NORTH ADAMS	NORTH ADAMS	18.1	18.5	NORTH ADAMS SEC	LINE TO CRC
4142	POST RD CP187	SCHODACK JCT SM	187.4	191.8	MAIN LINE	LINE TO CRC
4164	MASS/RI LINE	RED BRIDGE	3.7	6.9	EAST JCT SEC	LINE TO CRC
4165	PROVIDENCE	EAST PROVIDENCE	0.0	1.9	BRISTOL SEC	LINE TO CRC
4166	PROVIDENCE	WASHINGTON	0.0	14.3	WASHINGTON SEC	LINE TO CRC
4166	WASHINGTON	END OF TRACK	14.3	17.0	WASHINGTON SEC	LINE TO CRC
4168	CRANSTON	SO PROVIDENCE	0.0	3.4	HARBOR & CT IND	LINE TO CRC
4169	NORWOOD CENT	EAST WALPOLE	0.0	2.3	WRENTHAM SEC	LINE TO CRC
4170	WOONSOCKET	SLATERSVILLE	0.0	3.4	SLATERSVILLE SEC	LINE TO CRC
4172	SOUTH BAY	BOSTON FRT TERM	0.0	1.1	BOS FRT TERM BR	LINE TO CRC
4173	BOSTON	READVILLE TER	0.5	10.5	DORCHESTER BRANCH	LINE TO CRC
4174	BUZZARDS BAY	SANDWICH	0.0	7.5	HYANNIS SEC	LINE TO CRC
4176	NEEDHAM HTS	COOK STREET	11.6	13.9	NEEDHAM BR	LINE TO CRC
4176	COOK STREET	END OF TRACK	13.9	14.1	NEEDHAM BR YD	LINE TO CRC
4177	BRAINTREE	MIDDLEBORO	0.0	24.6	MIDDLEBORO BR	LINE TO CRC
4178	MIDDLEBORO PILGRM	MIDDLEBORO	0.0	1.1	BUZZARDS BAY SEC	LINE TO CRC
4178	MIDDLEBORO	BUZZARDS BAY	1.1	19.8	BUZZARDS BAY SEC	LINE TO CRC
4181	MILTON SWITCH	MILTON	0.0	6.5	MILTON SEC	LINE TO CRC
4182	FITCHBURG	LANCASTER MILLS	0.0	1.5	LANC MILLS IND	LINE TO CRC
4183	FRAMINGHAM CTR	FITCHBURG	0.0	35.0	FITCHBURG SEC	LINE TO CRC
4183	FITCHBURG	FITCHBURG	35.0	35.3	FITCHBURG SEC	LINE TO CRC
4184	BRAINTREE	NANTASKET JCT	0.0	8.2	NANTASKET SEC.	LINE TO CRC
4188	ATTLEBORO	WHIT	0.0	9.4	ATTLEBORO SEC	LINE TO CRC
4189	WHIT	CP COTLEY	9.4	13.3	NEW BEDFORD BR	LINE TO CRC
4189	CP COTLEY	NEW BEDFORD	13.3	31.9	NEW BEDFORD SEC.	LINE TO CRC
4190	CP COTLEY	ALDEN/PILGRIM	0.0	7.8	MIDDLEBORO BRANCH	LINE TO CRC
4192	MYRICKS	FERRY STREET	0.0	11.9	FALL RIVER SEC	LINE TO CRC
4192	FERRY STREET	MA/RI ST LINE	11.9	14.2	NEWPORT SEC	LINE TO CRC
4192	MA/RI ST LINE	PORTSMOUTH	14.2	20.8	NEWPORT SEC	LINE TO CRC
4192	PORTSMOUTH	PORTSMOUTH	20.8	21.2	NEWPORT SEC	LINE TO CRC
4194	BRAINTREE HLDS	RANDOLPH	0.0	2.5	RANDOLPH SEC.	LINE TO CRC
4196	BRAINTREE	WEST QUINCY	0.0	1.7	WEST QUINCY SEC	LINE TO CRC
4198	FRANKLIN JCT	MILFORD	0.0	9.2	MILFORD SEC.	LINE TO CRC
4199	NASH ROAD	WATUPPA	0.0	12.1	WATUPPA SEC	LINE TO CRC
4220	BERKSHIRE JCT	NEW MILFORD	0.0	11.2	NEW MILFORD SEC	LINE TO CRC
4220	NEW MILFORD	NESTLES XING	11.2	13.2	NEW MILFORD SEC	LINE TO CRC
4220	CANAAN, CONN	CT/MA ST LINE	47.5	49.9	CANAAN SEC	LINE TO CRC
4220	CT/MA ST LINE	RISING	49.9	64.0	CANAAN SEC	LINE TO CRC
4220	RISING	SOUTH LEE	64.0	71.5	CANAAN SEC	LINE TO CRC
4220	SOUTH LEE	PITTSFIELD	71.5	85.9	CANAAN SEC	LINE TO CRC
4222	WATERBURY	TERRYVILLE	0.0	8.2	TERRYVILLE SEC	LINE TO CRC
4222	TERRYVILLE	BRISTOL	8.2	12.0	TERRYVILLE SEC	LINE TO CRC
4222	BRISTOL	PLAINVILLE	12.0	17.2	TERRYVILLE SEC	LINE TO CRC
4223	CAMPBELL HALL	EAST WALDEN	0.0	9.1	MAYBROOK BR	LINE TO CRC
4223	EAST WALDEN	HIGHLAND	9.1	28.0	MAYBROOK BR	LINE TO CRC
4223	HIGHLAND	POUGHKEEPSIE	28.0	29.5	MAYBROOK BR	LINE TO CRC
4223	POUGHKEEPSIE	HOPEWELL JCT	29.5	42.6	MAYBROOK BR	LINE TO CRC
4223	HOPEWELL JCT	NY/CT ST LINE	42.6	71.2	MAYBROOK BR	LINE TO CRC
4223	NY/CT ST LINE	DERBY JCT	71.2	104.8	MAYBROOK BR	LINE TO CRC
4233	KINGS BRIDGE	EAST VIEW	3.0	20.7	PUTNAM IND SOUTH	LINE TO CRC
4235	DV TOWER	BANK ST.	0.0	12.1	WEST 30TH ST.	LINE TO CRC
4243	HIGHLAND JCT.	TORRINGTON	0.0	19.2	TORRINGTON SEC	LINE TO CRC
4243	TORRINGTON	END OF TRACK	19.2	20.7	TORRINGTON BRANCH	LINE TO CRC
4244	PLAINVILLE	HARTFORD	0.0	13.0	NEW BRITAIN SEC.	LINE TO CRC
4246	HOPEWELL JCT	BEACON	0.0	12.8	BEACON SEC	LINE TO CRC
4247	NEW HAVEN	IVY STREET	0.0	2.0	CANAL SEC	LINE TO CRC
4247	IVY STREET	PLAINVILLE	2.0	27.5	CANAL SEC	LINE TO CRC
4247	PLAINVILLE	PLAINVILLE	27.5	27.8	CANAL SEC	LINE TO CRC
4248	PLAINVILLE	PLAINVILLE	0.0	0.5	HOLYOKE SEC	LINE TO CRC
4248	PLAINVILLE	FARMINGTON	0.5	3.4	HOLYOKE SEC	LINE TO CRC
4248	FARMINGTON	AVON	3.4	9.4	HOLYOKE SEC	LINE TO CRC
4248	WESTFIELD	WESTFIELD	31.7	33.5	HOLYOKE SEC	LINE TO CRC
4249	WESTFIELD	WFD(HOLYOKESEC)	0.0	0.4	FLORENCE SEC	LINE TO CRC
4249	WFD(HOLYOKESEC)	EASTHAMPTON	0.4	11.9	FLORENCE SEC	LINE TO CRC
4251	AIR LINE JCT	MIDDLETOWN	0.0	22.3	MIDDLETOWN SEC.	LINE TO CRC
4253	MIDDLETOWN	LAUREL	0.0	5.7	LAUREL SEC	LINE TO CRC
4254	MIDDLETOWN	PORTLAND	0.0	1.0	PORTLAND IND TK	LINE TO CRC
4255	SPRINGFIELD	E LONGMEADOW	0.0	7.0	E LONGMEADOW SEC	LINE TO CRC
4255	E LONGMEADOW	MASS/CONN LINE	7.0	8.8	E LONGMEADOW SEC	LINE TO CRC
4255	MASS/CONN LINE	HAZARDVILLE	8.8	12.5	E LONGMEADOW SEC	LINE TO CRC
4255	BROAD BROOK	EAST WINDSOR	18.0	18.8	E LONGMEADOW SEC	LINE TO CRC
4255	EAST WINDSOR	EAST HARTFORD	18.8	27.0	E LONGMEADOW SEC	LINE TO CRC
4255	EAST HARTFORD	EAST HARTFORD	27.0	29.1	E LONGMEADOW SEC	LINE TO CRC
4258	HIGHLAND JCT	E AURORA ST	0.0	1.3	WATERTOWN BR	LINE TO CRC
4259	HARTFORD 4244	HARTFORD	0.0	2.0	GRIFFINS IND TK	LINE TO CRC
4260	WINDSOR LOCKS	SUFFIELD	0.0	4.2	SUFFIELD IND TK	LINE TO CRC
4261	BERLIN	NEW BRITAIN	0.0	2.6	BERLIN SEC. TK	LINE TO CRC
4262	HARTFORD	EAST HARTFORD	0.0	2.3	WILLIMANTIC SEC	LINE TO CRC
4262	EAST HARTFORD	MANCHESTER	2.3	10.0	WILLIMANTIC SEC	LINE TO CRC
4263	HARTFORD	HARTFORD	0.0	3.8	WETHERSFIELD SEC	LINE TO CRC
4263	HARTFORD	WETHERSFIELD	3.8	7.0	WETHERSFIELD SEC	LINE TO CRC
4263	NO CROMWELL	CROMWELL	13.7	14.1	WETHERSFIELD SEC	LINE TO CRC
4263	CROMWELL	MIDDLETOWN	14.1	15.6	WETHERSFIELD SEC	LINE TO CRC
4263	MIDDLETOWN	MIDDLETOWN	15.6	16.2	WETHERSFIELD SEC	LINE TO CRC
4265	PLAINFIELD	VERSAILLES	0.0	9.8	PLAINFIELD SEC	LINE TO CRC
4266	HUDSON	CLAVERACK	0.0	4.2	CLAVERACK IND TK	LINE TO CRC
4268	STUYVESANT 125	SCHODACK JCT SM	0.0	8.5	HUD RIVER CONN	LINE TO CRC
4270	OAK	HARLEM RIVER	0.0	1.3	HARLEM RIVER LINE	LINE TO CRC
4272	HELL GATE LINE	OAK POINT	0.0	0.5	OAK POINT SPUR	LINE TO CRC
4275	BELL DOCK	MILL RIVER	0.0	1.5	BELLE DOCK BR	LINE TO CRC
4700	RENSSELAER	ALBANY-RENSLR	141.5	142.1	MAIN LINE	LINE TO CRC
4700	ALBANY-RENSLR	ALBANY CP 4	142.1	143.6	MAIN LINE	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4700	ALBANY CP4	CARMAN CP8	143.6	156.5	MAIN LINE	LINE TO CRC
4700	CARMAN CP8	SCHENECTADY CP9	156.5	159.6	MAIN LINE	LINE TO CRC
4700	SCHENECTADY CP9	SAND BANK	159.6	160.9	MAIN LINE	LINE TO CRC
4700	HOFFMANS CP11	UTICA	169.9	237.5	MAIN LINE	LINE TO CRC
4700	UTICA	SYRACUSE "JG"	237.5	291.5	MAIN LINE	LINE TO CRC
4700	SYRACUSE "JG"	BELLE ISLE	291.5	296.5	MAIN LINE	LINE TO CRC
4721	SYR PLUM ST	SYRACUSE "JG"	0.0	2.2	MASSENA BR	LINE TO CRC
4721	SYRACUSE	WOODARD	2.2	7.2	MASSENA BR	LINE TO CRC
4721	WOODARD	WATERTOWN JCT.	7.2	72.1	MASSENA BR	LINE TO CRC
4722	WATERTOWN JCT	WATERTOWN	72.1	73.0	MASSENA BR(4721)	LINE TO CRC
4723	WATERTOWN	ROOTS	73.0	78.5	MASSENA BR(4721)	LINE TO CRC
4724	ROOTS	PHILA NY	78.5	89.6	MASSENA BR(4721)	LINE TO CRC
4724	PHILA NY	MASSENA	89.6	160.8	MASSENA BR(4721)	LINE TO CRC
4732	SCHODACK JCT SM	SELKIRK JCT 132	8.1	11.5	HUD RIVER CON (4142)	LINE TO CRC
4732	SELKIRK JCT 132	UNIONVILLE	11.5	18.1	WEST SHORE	LINE TO CRC
4733	UTICA BROAD ST	END OF TRACK	0.0	2.1	BROAD ST SPUR	LINE TO CRC
4733	HARBOR	SCHUYLER JCT	0.0	0.5	HARBOR CONN	LINE TO CRC
4733	UNIONVILLE	SO SCDY CP 151	138.0	151.6	WEST SHORE	LINE TO CRC
4733	SO SCDY CP 151	ROTTERDAM CP 10	151.6	159.5	WEST SHORE	LINE TO CRC
4733	ILION	UTICA	218.5	227.9	WEST SHORE	LINE TO CRC
4733	SO UTICA EL	NEW YORK MILLS	232.7	233.6	WEST SHORE	LINE TO CRC
4734	SELKIRK	PORT OF ALBANY	3.7	10.8	ALBANY SEC	LINE TO CRC
4737	CARMAN	SO SCHENECTADY	0.0	3.7	CARMAN BRANCH	LINE TO CRC
4737	CARMAN	CARMAN	0.0	0.1	CARMAN BRANCH	LINE TO CRC
4738	SCHENECTADY CP9	AQUEDUCT	0.0	4.1	AQUEDUCT BR	LINE TO CRC
4739	HOFFMANS	ROTTERDAM CP10	0.0	2.0	HOFFMANS BR	LINE TO CRC
4739	HOFFMANS	HOFFMANS CP11	0.0	0.8	HOFFMANS BR	LINE TO CRC
4741	UTICA	UTICA THRUWAY	0.2	2.0	LYONS FALLS BR	LINE TO CRC
4741	UTICA THRUWAY	BOONVILLE	2.0	35.0	LYONS FALLS BR	LINE TO CRC
4741	BOONVILLE	LYONS FALLS	35.0	45.0	LYONS FALLS BR	LINE TO CRC
4744	MCCONNELLSVILLE	ROME (ROME RD)	27.4	38.8	CAMDEN SEC	LINE TO CRC
4744	ROME (ROME RD)	ROME	38.8	39.9	CAMDEN SEC	LINE TO CRC
4745	ONEIDA	ONEIDA	251.9	252.5	VERNON BR	LINE TO CRC
4745	ONEIDA	CANASTOTA	252.5	257.7	VERNON BR	LINE TO CRC
4746	EAST SYRACUSE	EAST SYRACUSE	5.5	5.8	FAYETTEVILLE BR	LINE TO CRC
4747	WOODARD	OSWEGO	7.2	35.2	PHOENIX BR	LINE TO CRC
4748	SCRIBA	OSWEGO	22.2	24.3	ONTARIO BR	LINE TO CRC
4748	OSWEGO	OSWEGO RIVERST	24.3	26.6	ONTARIO BR	LINE TO CRC
4749	WATERTOWN MAIN ST	WATERTOWN	1.5	2.6	LIMERICK BR	LINE TO CRC
4751	LOWVILLE	CARTHAGE MAINST	58.1	73.7	LOWVILLE SEC	LINE TO CRC
4751	CARTHAGE MAINST	CARTHAGE	73.7	74.3	LOWVILLE SEC	LINE TO CRC
4751	CARTHAGE	PHILADELPHIA	74.3	87.3	LOWVILLE BR	LINE TO CRC
4752	CARTHAGE	NEWTON FALLS	29.0	75.5	NEWTON FALLS BR	LINE TO CRC
4753	G&O JCT	EMERYVILLE	0.9	8.0	G&O BR	LINE TO CRC
4754	DEKALB JCT	DEKALB JCT	0.0	0.1	OGDENSBURG BR	LINE TO CRC
4755	HELENA	ROOSEVELTOWN	62.6	66.9	ROOSEVELTOWN BR	LINE TO CRC
4757	SYRACUSE JCT.	FAIRMOUNT	2.8	4.7	AUBURN BR.	LINE TO CRC
4759	EMERYVILLE	BALMAT	0.0	4.3	ST JOE LEAD BR	LINE TO CRC
4800	BFLO 49A WEST	BAY VIEW	0.6	8.2	MAIN LINE	LINE TO CRC
4800	BELLE ISLE	LYONS	296.5	334.9	MAIN LINE	LINE TO CRC
4800	LYONS	WAYNEPORT	334.9	359.2	MAIN LINE	LINE TO CRC
4800	WAYNEPORT	ROCHESTER MAIN ST	359.2	369.7	MAIN LINE	LINE TO CRC
4800	ROCHESTER MAIN ST	ROCHESTER	369.7	371.0	MAIN LINE	LINE TO CRC/TR TO OTHERS
4800	ROCHESTER	ROCHESTER CP35	371.0	373.2	MAIN LINE	LINE TO CRC/TR TO OTHERS
4800	ROCHESTER CP35	CHILI JN CP37	373.2	382.6	MAIN LINE	LINE TO CRC/TR TO OTHERS
4800	CHILI JN CP37	FRONTIER W END	382.6	435.7	MAIN LINE	LINE TO CRC/TR TO OTHERS
4800	FRONTIER W END	BFLO 49A WEST	435.7	438.5	MAIN LINE	LINE TO CRC
4821	ROCHESTER CP35	NIAGARA CP81	1.9	70.4	FALLS ROAD	LINE TO CRC
4821	NIAGARA CP81	SUSP BDG CP85	70.4	75.8	FALLS ROAD	LINE TO CRC
4822	LYONS CP 13	GENEVA RIVERST	0.0	17.1	CORNING BR	LINE TO CRC
4833	WAYNEPORT CP18	CHILI JCT	347.3	368.9	WEST SHORE BR E	LINE TO CRC
4834	OAKFIELD	BUFFALO	391.9	424.4	OAKFIELD SEC.	LINE TO CRC
4836	PITTSFORD	BRIGHTON	93.9	98.6	PITTSFORD BR	LINE TO CRC
4836	BRIGHTON	BRIGHTON CP30	98.6	99.1	PITTSFORD BR	LINE TO CRC
4837	OTIS CP70	CHARLOTTE	2.5	9.7	CHARLOTTE BR	LINE TO CRC
4838	WINDSOR BEACH	STATE ST	0.0	7.3	ROCHESTER BRANCH	LINE TO CRC
4839	CALEDONIA	G&W JCT	32.7	35.0	CALEDONIA BR	LINE TO CRC
4842	BUFFALO CP49	NO BUF JCT CP55	0.4	7.2	BELT LINE BR	LINE TO CRC
4843	EXCHANGE ST	BLACK ROCK "F"	0.0	4.4	NIAGARA BR	LINE TO CRC
4843	BLACK ROCK "F"	NIAGARA CP81	4.4	19.7	NIAGARA BR	LINE TO CRC
4843	BUFFALO CP49A	EXCHANGE ST.	438.2	439.5	NIAGARA BR	LINE TO CRC
4844	TON JCT (LVRR)	NO TON CP BL-3	33.5	35.3	TONAWANDA BR	LINE TO CRC
4845	NO. TONAWANDA	WURLITZER	0.0	3.5	WURLITZER RNG TK	LINE TO CRC
4847	BFLO M/L	BFLO OAKFD SEC	0.0	2.1	A BRANCH	LINE TO CRC
4848	WINDSOR BEACH	CHARLOTTE	93.0	94.0	ONTARIO BR	LINE TO CRC
4848	CHARLOTTE	CHARLOTTE	94.0	95.6	ONTARIO BR	LINE TO CRC
4848	RIVERVIEW	SUSP BDG CP85	172.2	175.4	ONTARIO BR	LINE TO CRC
4850	NO BUFFALO JCT	HARRIET	0.0	4.3	WONALANCET BR.	LINE TO CRC
4851	EL ATTICA BR	BATAVIA	0.0	0.5	ATTICA BR	LINE TO CRC
4853	EBENEZER	DEPEW	1.3	5.1	GARDENVILLE BR.	LINE TO CRC
4857	FAIRMOUNT	AUBURN	4.7	26.9	AUBURN BR.	LINE TO CRC
4857	AUBURN	CAYUGA	26.9	36.0	AUBURN BR.	LINE TO CRC
4857	CAYUGA	GENEVA	36.0	50.0	AUBURN BR.	LINE TO CRC
4857	GENEVA	CANANDAIGUA	50.0	74.0	AUBURN BR.	LINE TO CRC
4857	CANANDAIGUA	ROCHESTER ROAD	74.0	76.0	AUBURN BR.	LINE TO CRC
5248	MONROE	C&O	0.3	1.9	MONROE BR	LINE TO CRC
5258	MONROE	MONROE PORT	0.0	2.1	MONROE IND (JT)	LINE TO CRC
5321	THREE RIVERS	THREE RIVERS JCT	68.2	69.9	ELKHART BR	LINE TO CRC
5321	THREE RIVERS JCT	MI/IN ST LINE	69.9	82.9	ELKHART BR	LINE TO CRC
5321	MI/IN ST LINE	ELKHART(EAST)	82.9	95.5	ELKHART BR	LINE TO CRC
5341	THREE RIVERS	SOUTH YARD	9.5	34.1	KALAMAZOO BR	LINE TO CRC
5341	SOUTH YARD	KALAMAZOO	34.1	36.6	KALAMAZOO BR	LINE TO CRC
8122	CP 8	RIDGEWAY	8.8	81.5	WESTERN BR	LINE TO CRC
8122	RIDGEWAY	MOUNDS	81.5	126.3	WESTERN BR	LINE TO CRC
8122	MOUNDS	TRURO	126.3	141.2	WESTERN BR	LINE TO CRC
8122	TRURO	BREMEN	141.2	173.9	WESTERN BR	LINE TO CRC
8122	NEW LEXINGTON	CORNING	185.0	197.5	WESTERN BR	LINE TO CRC
8130	SPORE	SPORE	62.9	63.8	THURSTON SEC	LINE TO CRC
8130	SPORE	BUCYRUS COLSAN	63.8	69.3	THURSTON SEC	LINE TO CRC
8130	BUCYRUS COLSAN	BUCYRUS	69.3	71.3	THURSTON SEC	LINE TO CRC
8130	EDISON	EDISON	87.0	87.2	THURSTON SEC	LINE TO CRC
8130	EDISON	MOUNT GILEAD	87.2	88.7	THURSTON SEC	LINE TO CRC
8130	HEATH	HEATH	133.0	133.2	THURSTON SEC	LINE TO CRC
8130	HEATH	HEBRON	133.5	138.9	THURSTON SEC	LINE TO CRC
8132	STONY RIDGE	LUCKEY	8.5	15.8	EASTERN BR	LINE TO CRC
8139	FULTONHAM SPUR	FULTONHAM	0.0	3.1	FULTONHAM RNG TK	LINE TO CRC
8139	GLASS ROCK	FULTONHAM	45.6	57.5	Z&W RUNNING TK	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8149	TRURO	EAST COLUMBUS	0.0	4.0	EAST COLUMBUS BR	LINE TO CRC
8149	EAST COLUMBUS	WOODLAND AVE	4.0	6.4	EAST COLUMBUS BR	LINE TO CRC
8431	HIGHLANDS	SHEFF	6.3	66.3	DANVILLE BR	LINE TO CRC
8431	SHEFF	IN/IL ST LINE	66.3	100.6	DANVILLE BR	LINE TO CRC
8431	IN/IL ST LINE	DANVILLE-JACKSON	100.6	109.1	DANVILLE BR	LINE TO CRC
8431	DANVILLE-JACKSON	WYTON	109.1	110.2	DANVILLE BR	LINE TO CRC
9100	POUGHKEEPSIE	STUYVESANT 125	73.6	125.6	HUDSON LINE	LINE TO CRC
9100	STUYVESANT	RENSSELAER DP	125.6	140.5	HUDSON LINE	LINE TO CRC

TRANSFEROR: PENN CENTRAL TRANS-MICH CENT PARALLEL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
5221	WEST DETROIT	DELRAY	2.7	5.3	TOLEDO BR	LINE TO CRC
5221	DELRAY	ECORSE	5.3	9.3	TOLEDO BR	LINE TO CRC
5221	ECORSE	VIENNA JCT	9.3	47.3	TOLEDO BR	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1427	HOWELL	JAMESBURG	13.5	27.2	FREEHOLD BRANCH	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1127	SHORE	JERSEY	0.0	2.3	DRRR&B CO BR	LINE TO CRC
1127	JERSEY	HADDONFIELD	2.3	8.1	DRRR&B CO BR	LINE TO CRC
1162	PAVONIA	PEMBERTON	2.6	24.9	PEMBERTON BR	LINE TO CRC
1165	MT. HOLLY	LUMBERTON RD	0.3	1.3	MEDFORD BR	LINE TO CRC
1169	HINSON, N. J.	END	0.0	1.1	PENNSAUKEN BR.	LINE TO CRC
117A	HINSON BORD BR	DRRR&B CC BR	0.0	0.3	CONN TK NO 1	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2317	NEWBERRY	HEPBURNVILLE	0.0	5.5	ELMIRA SEC	LINE TO CRC
2317	SOUTHPORT	SOUTHPORT	74.0	75.5	SOUTHPORT YD	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4835	ROCHESTER	ROCHESTER	0.8	0.9	ROCH BRANCH SEC	LINE TO CRC
4835	SCOTTSVILLE YD	SCOTTSVILLE YD	3.1	3.9	ROCH BRANCH SEC	LINE TO CRC
4835	GENESEE JCT	GENESEE JCT	5.2	5.7	ROCH BRANCH SEC	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2314	DIV POST	OLEAN	8.4	70.4	MAIN LINE	LINE TO CRC
2314	OLEAN	NY/PA ST LINE	70.4	79.3	MAIN LINE	LINE TO CRC
2314	NY/PA ST LINE	EMPORIUM	79.3	121.2	MAIN LINE	LINE TO CRC
2327	BROCTON	BROCTON	50.8	51.0	CHATAUQUA BR	LINE TO CRC
2327	CORRY	CORRY	93.8	93.9	CHATAUQUA BR	LINE TO CRC
2327	CORRY	LOVELL	93.9	95.0	CHATAUQUA BR	LINE TO CRC
2327	TITUSVILLE	OIL CITY	119.9	137.0	CHATAUQUA BR	LINE TO CRC
2327	OIL CITY	OIL CITY	137.0	137.5	CHATAUQUA BR	LINE TO CRC
2328	OIL CITY	BRIDGE	0.0	1.9	OIL CITY IND TK	LINE TO CRC
2338	LARABEE	CORRYVILLE	0.0	2.5	CLERMONT SEC	LINE TO CRC
2346	OLEAN	OLEAN	115.6	116.9	SALAMANCA SEC	LINE TO CRC
4814	BUFFALO	DIV POST	0.0	8.4	MAIN LINE	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1332	OLY	YORK	0.0	12.5	FREDERICK SEC	LINE TO CRC
1332	YORK	YORK	12.5	13.1	FREDERICK SEC	LINE TO CRC
1332	YORK	YORK WM	13.1	14.7	FREDERICK SEC	LINE TO CRC
1332	YORK WM	SPRING GROVE	14.7	23.9	FREDERICK SEC	LINE TO CRC
1332	SPRING GROVE	HANOVER	23.9	33.0	FREDERICK SEC	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2222	ESPLEN	CORLISS	0.0	0.6	SHERIDAN BR	LINE TO CRC
2223	ESPLEN	OC BRIDGE	0.0	0.8	OHIO CONN BRIDGE	LINE TO CRC
2223	OC BRIDGE	JACKS RUN	0.8	2.7	OHIO CONN BRIDGE	LINE TO CRC
2224	EAST LEG WYE	AT ESPLEN	0.0	1.4	OHIO CONN BRIDGE	LINE TO CRC
2231	BELLAIRE	POWHATAN PN	43.4	58.7	POWHATAN SEC	LINE TO CRC
2231	POWHATAN PN	COAL	58.7	72.7	COAL SEC	LINE TO CRC
2236	OHIO JCT 2231	OH/WVA LINE	0.0	1.8	TERMINAL BR	LINE TO CRC
2236	OH/WVA LINE	BENWOOD	1.8	6.9	TERMINAL BR	LINE TO CRC
2237	POWHATAN	Y&O COAL CO	0.0	17.9	CAPTINA SEC	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
3138	FORT WAYNE	KENDALLVILLE	93.3	121.0	GR&I BR	LINE TO CRC
5338	STURGIS	STURGIS	147.2	150.4	GR&I BR	LINE TO CRC
5338	VICKSBURG	KALAMAZOO	171.9	185.4	GR&I BR	LINE TO CRC
5338	KALAMAZOO	DOCK	185.4	187.1	GR&I BR	LINE TO CRC
5338	DOCK	COOPER	187.1	192.0	GR&I BR	LINE TO CRC
5338	COOPER	FISHER	192.0	227.5	GR&I BR	LINE TO CRC
5338	FISHER	GRAND RAPIDS	227.5	234.0	GR&I BR	LINE TO CRC
5338	GRAND RAPIDS	COMSTOCK PARK	234.0	239.4	GR&I BR	LINE TO CRC
5355	BATTLE CREEK	END	0.0	1.6	DT&M IND TK	LINE TO CRC
5355	MARSHALL	MARSHALL	43.3	47.0	DT&M IND TK	LINE TO CRC
5358	FULLER	KINNEY	2.7	7.5	MUSKEGON SEC.	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
3235	RIVER BR JCT	HEGEWISCH SC&S	0.0	4.7	CALUMET RVR SEC	LINE TO CRC
3236	59TH ST	EC	0.0	2.5	ENGLEWOOD CON SEC	LINE TO CRC
3246	COLEHOUR JCT	BERNICE	0.0	9.3	SC&S BR	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8334	DAVIS	CLERMONT	6.9	12.6	I&F BRANCH	LINE TO CRC
8334	CLERMONT	LEBANON	12.6	31.6	I&F BRANCH	LINE TO CRC
8334	LEBANON	FRANKFORT	31.6	48.1	I&F BRANCH	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8333	IN/KY ST LINE	LOUISVL IC JCT	108.1	110.6	LOUISVILLE BR	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8435	PARIS	PARIS(MIDLAND)	20.3	21.3	PEORIA SEC	LINE TO CRC
8435	PARIS	PARIS	21.3	22.5	PEORIA SEC	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
8148	W ZANESVILLE	SO ZANESVILLE	0.7	3.4	ZANESVL TERM RR	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
2422	RAVENNA E&C	RAVE	84.7	85.8	Y&R CONN(2415)	LINE TO CRC
2423	DETOUR	RAVENNA (E&A)	75.5	76.6	DETOUR BR (E&A)	LINE TO CRC
2423	RAVENNA (E&A)	NILES JCT (E&C)	76.6	77.8	Y&R CONN	LINE TO CRC
5353	LANSING	LANSING	0.0	0.7	LANSING TRANSIT	LINE TO CRC
5354	LANSING	LANSING	0.0	2.1	LANSING MANFTRS	LINE TO CRC
5354	LANSING	LANSING	4.1	5.0	LANSING MANFTRS	LINE TO CRC

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4841	EBENEZER JN	N&W RR	0.0	5.2	WEST SENECA BR.	LINE TO CRC

TRANSFEROR: HUDSON RIVER BRIDGE CO. AT ALBANY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4700	RENSSELAER DP	RENSSELAER	140.5	141.5	MAIN LINE	LINE TO CRC

TRANSFEROR: NEW YORK & LONG BRANCH R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
0222	RARITAN RVR NO	SOUTH AMBOY	0.0	2.7	NY&LONGBRANCH	LINE TO CRC
0222	SOUTH AMBOY	LONG BRANCH	2.7	22.5	NY&LONGBRANCH	LINE TO CRC
0222	LONG BRANCH	ASBURY PARK	22.5	28.1	NY&LONGBRANCH	LINE TO CRC

TRANSFEROR: PENNSYLVANIA-READING SEASHORE LINES

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
9902	BULSON ST	CAMDEN BROWN	1.0	2.5	CLEMENTON BRANCH	LINE TO CRC
9902	CAMDEN BROWN	WINSLOW	2.5	26.1	CLEMENTON BRANCH	LINE TO CRC
9903	WINSLOW	TUCKAHOE	26.1	53.1	CAPE MAY BRANCH	LINE TO CRC
9903	TUCKAHOE	CAPE MAY	53.1	80.0	CAPE MAY BRANCH	LINE TO CRC
9904	CAPE MAY	CAPE MAY POINT	0.0	2.0	CAPE MAY PT BRANCH	LINE TO CRC
9906	TUCKAHOE	PALERMO	53.1	59.6	OCEAN CITY BRANCH	LINE TO CRC
9916	GLASSBORO	GLASSBORO	18.3	19.3	WILLIAMSTOWN SEC TK	LINE TO CRC
9918	BEESLEYS POINT	BEESLEYS POINT	0.0	2.0	BEESLEY POINT TK	LINE TO CRC

TRANSFEROR: RARITAN RIVER RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
0225	SOUTH RIVER	WRIGHTS	0.0	1.0	RARITAN RIVER RR	LINE TO CRC
0225	SAYREVILLE JCT	SAYREVILLE	0.0	2.0	RARITAN RIVER RR	LINE TO CRC
0225	SOUTH AMBOY	NEW BRUNSWICK	0.0	12.3	RARITAN RIVER RR	LINE TO CRC

TRANSFEROR: SOUTH MANCHESTER RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
4256	MANCHESTER	SO. MANCHESTER	0.0	1.9	MANCHESTER IND TK	LINE TO CRC

TRANSFEROR: PENNSYLVANIA & ATLANTIC RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
1164	PEMBERTON	LEWIS	24.9	27.8	DIX RUNNING TK	LINE TO CRC

TRANSFEROR: AMSTERDAM, CHUCTANUNDA & NORTHERN RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
7400	AMSTERDAM	AMSTERDAM	0.0	0.8	AMS, CHUC & NORTHERN	LEASEHOLD TO CRC

INTERESTS DESIGNATED TO CONRAIL

TRANSFEROR: WEST JERSEY & SEASHORE RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
9901	LUCASTON	WINSLOW	13.6	27.2	MAIN LINE	LINE TO CRC
9901	WINSLOW	ATLANTIC CITY	27.2	58.0	MAIN LINE	LINE TO CRC
9901	ATLANTIC CITY	END OF TRACK	58.0	59.0	ATL CITY IND TK	LINE TO CRC
9907	PLEASANTVILLE J	MAIN LINE	56.9	62.2	PLEASANTVL SEC TK	LINE TO CRC
9908	JCT/PLEASANTVILLE	WRIGHT AVE	0.0	0.4	LINWOOD SEC TK	LINE TO CRC
9908	WRIGHT AVE	LINWOOD	0.4	3.8	LINWOOD SEC TK	LINE TO CRC
9909	PAVONIA	CAMDEN BROWN	0.7	2.5	MILLVILLE SEC TK	LINE TO CRC
9909	CAMDEN "BROWN"	WOODBURY	2.5	10.5	MILLVILLE SEC TK	LINE TO CRC
9909	WOODBURY.	GLASSBORO	10.5	18.0	MILLVILLE SEC TK	LINE TO CRC
9909	GLASSBORO	VINELAND	18.0	31.8	MILLVILLE SEC TK	LINE TO CRC
9909	VINELAND	VINELAND	31.8	34.0	MILLVILLE SEC TK	LINE TO CRC
9909	VINELAND	S. VINELAND	34.0	38.1	MILLVILLE SEC TK	LINE TO CRC
9909	S. VINELAND	MILLVILLE	38.1	39.8	NO. 1 RNG TK	LINE TO CRC
9909	MILLVILLE	MANUMUSKIN	39.8	48.1	MANUMUSKIN SEC TK	LINE TO CRC
9911	E. GLOUCESTER	BELLMAWR	3.9	7.9	GRENLOCH SEC TK	LINE TO CRC
9911	BELLMAWR	GLENDORA	7.9	9.5	GRENLOCH SEC TK	LINE TO CRC
9912	WOODBURY W END	PENNS GR DEL.RV	8.8	30.1	PENNS GROVE BR	LINE TO CRC
9913	PEN. GV WALK.AV	DEEP WATER	29.8	32.4	DEEP WATER PT SEC	LINE TO CRC
9914	WOODBURY	SALEM	8.8	37.2	SALEM SEC TK	LINE TO CRC
9915	GLASSBORO	BRIDGETON JCT.	17.8	36.0	BRIDGETON SEC TK	LINE TO CRC
9915	BRIDGETON JCT.	BRIDGETON	36.0	38.5	BRIDGETON SEC TK	LINE TO CRC
9917	JCT/MANUMUSKIN	LEESBURG	46.4	51.5	LEESBURG SEC TK	LINE TO CRC
9919	PAULSBORO	SHELLSIDING	0.0	2.0	SHELL SIDING	LINE TO CRC
9920	PAULSBORO	PAULSBORO	0.0	0.9	PAULSBORO BRANCH	LINE TO CRC

TRANSFEROR: NIAGARA JUNCTION RAILROAD

4898	NIAGARA JCT	NIAGARA FALLS	0.0	4.6	NIAGARA JCT BR	LINE TO CRC

TRANSFEROR: CHICAGO RIVER & INDIANA R. R.

3297	CHI,14ST,CRI	CHI,43ST,CRI	0.0	13.1	CR&I	LINE TO CRC

TRANSFEROR: DAYTON UNION RAILWAY

8211	DAYTON	MIAMI CITY JN	207.0	208.6	VIA DAYTON UN	LINE TO CRC/TR TO OTHERS
8211	MIAMI CITY JN	MIAMI CITY JN	208.6	208.9	MAIN LINE	LINE TO CRC/TR TO OTHERS
8214	DAYTON	WAYNE AVE JCT	15.1	15.4	MAIN LINE	LINE TO CRC/TR TO OTHERS
8214	WAYNE AVE JCT	DAYTON UD	15.4	16.0	VIA DAYTON UNION	LINE TO CRC/TR TO OTHERS
8214	DAYTON DU	MIAMI CITY JCT	16.0	16.6	VIA DAYTON UNION	LINE TO CRC/TR TO OTHERS

TRANSFEROR: UNION DEPOT

8106	COLUMBUS UD	DENNISON AVE	0.0	0.5	MAIN LINE	LINE TO CRC
8106	COLUMBUS UD	COLUMBUS UD	190.7	191.1	VIA COLUMBUS UD	LINE TO CRC

TRANSFEROR: INDIANAPOLIS UNION RAILWAY

8306B	INDIANAPOLIS	INDIANAPOLIS	0.0	3.2	I.U. RY	LINE TO CRC
8314	INDIANAPOLIS	INDIANAPOLIS	0.0	12.0	I.U. RY	LEASEHOLD TO CRC

TRANSFEROR: WAYNESBURG SOUTHERN

2298	WAYNESBORO	BLACKSVILLE	0.0	34.7	WAYNESBURG SOUTHERN	LINE TO CRC

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

1102	ZOO	ZOO 44TH ST	2.0	3.2	SUBURBAN LINE	LINE TO CRC
1102	ZOO (44 ST)	DOWNINGTOWN	3.2	32.3	MAIN LINE	LINE TO CRC
1102	DOWNINGTOWN	PARK	32.3	43.9	MAIN LINE	LINE TO CRC
1102	PARK	PARKESBURG DP	43.9	45.0	MAIN LINE	LINE TO CRC
1135	ZOO	ZOO (44 ST)	0.0	0.8	NY-PITTSBG SUB	LINE TO CRC
1302	PARKESBURG DP	LANCASTER(EAST)	45.0	64.5	MAIN LINE	LINE TO CRC
1302	LANCASTER(EAST)	LANCASTER(WEST)	64.5	73.0	MAIN LINE	LINE TO CRC
1302	LANCASTER(WEST)	CONEWAGO	73.0	90.5	MAIN LINE	LINE TO CRC
1302	ROY	HARRIS	94.5	104.8	MAIN LINE	LINE TO CRC
1302	HARRIS	HARRISBURG YC	104.8	105.5	MAIN LINE	LINE TO CRC
4103	SPRINGFIELD	SPG CP 98	98.3	98.6	MAIN LINE	LINE TO CRC
4217	MILL RIVER	CT/MA ST LINE	1.3	55.8	MAIN LINE	LINE TO CRC
4217	CT/MA ST LINE	SPRINGFIELD CP98	55.8	61.8	MAIN LINE	LINE TO CRC

SYSTEM: READING COMPANY

TRANSFEROR: IRONTON RAILROAD CO.

0354	HOKENDAUQUA	IRONTON	0.0	9.7	IRONTON RAILROAD	LINE TO CRC

TRANSFEROR: ALLENTOWN TERMINAL RAILROAD

0502	ALLENTOWN	ALLENTOWN	0.0	1.5	ALLENTOWN TERM BR	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
TRANSFEROR: DELAWARE & BOUND BROOK RAILROAD						
0326	WEST TRENTON	WEST TRENTON	32.0	32.5	NEW YORK BR	LINE TO CRC/TR TO OTHERS
0326	WEST TRENTON	BELLE MEAD	32.5	50.1	NEW YORK BR	LINE TO CRC/TR TO OTHERS
0326	BELLE MEADE	WESTON	50.1	56.3	NEW YORK BR	LINE TO CRC/TR TO OTHERS
0326	WESTON	BOUND BROOK JCT	56.3	58.4	NEW YORK BR	LINE TO CRC/TR TO OTHERS
TRANSFEROR: EAST PENNSYLVANIA RAILROAD						
0312	READING PIKE	ALLENTOWN BURN	1.1	35.4	EAST PENNA BR	TR TO CRC
TRANSFEROR: NORTH PENNSYLVANIA RAILROAD						
0301	TABOR JCT	JENKIN	7.0	10.8	BETHLEHEM BR	LINE TO CRC/TR TO OTHERS
0301	JENKIN	QUAKERTOWN	10.8	40.2	BETHLEHEM BR	LINE TO CRC/TR TO OTHERS
0301	QUAKERTOWN	BETHLEHEM	40.2	56.6	BETHLEHEM BR	LINE TO CRC/TR TO OTHERS
0311	LANSDALE	FORTUNA	0.0	1.5	DOYLESTOWN BR	LINE TO CRC/TR TO OTHERS
0323	FAIRLESS JCT	MORRISVILLE	0.0	6.6	MORRISVILLE BR	TR TO CRC
0326	JENKIN	NESHAMINY	10.8	21.2	NEW YORK BR	LINE TO CRC/TR TO OTHERS
0326	NESHAMINY	'PA/NJ LINE'	21.2	31.4	NEW YORK BR	LINE TO CRC/TR TO OTHERS
0326	PA/NJ LINE	WEST TRENTON	31.4	32.0	NEW YORK BR	LINE TO CRC/TR TO OTHERS
TRANSFEROR: PHILADELPHIA, GERMANTOWN & NORRISTOWN RAILROAD						
0328	NORTH BROAD ST	TABOR JCT	2.9	7.0	NINTH STREET BR	LINE TO CRC/TR TO OTHERS
0329	16TH STREET	NORRISTOWN KALB	3.5	17.3	NORRISTOWN BR	LINE TO CRC/TR TO OTHERS
TRANSFEROR: PORT READING R. R.						
0336	WESTON	PORT READING	0.0	19.4	PORT READING BR	TR TO CRC
TRANSFEROR: WILMINGTON & NORTHERN RAILROAD						
0340	BIRDSBORO "EE"	W&N JCT	63.4	64.7	WILM & NORTHERN	TR TO CRC
TRANSFEROR: READING COMPANY						
0303	NICE	WAYNE	0.0	0.7	BLUE LINE CONN	TR TO CRC
0305	BARNES	HAUCKS	103.0	105.4	CATAWISSA BR	LINE TO CRC
0305	MILTON	WEST MILTON	169.0	170.8	CATAWISSA BR	LINE TO CRC
0305	WEST MILTON	NEWBERRY JCT	170.8	203.5	CATAWISSA BR	LINE TO CRC
0309	PARK	FALLS	2.4	5.4	CITY BRANCH	TR TO CRC
0313B	MILL CREEK JCT	MIDDLEPORT	1.5	7.0	SCHUYLKILL VALLEY BR	LINE TO CRC
0313C	POTTSVILLE JCT	MILL CREEK JCT	0.0	1.5	FRACKVILLE BR	LINE TO CRC
0313C	MILL CREEK JCT	ST CLAIR	1.5	4.1	FRACKVILLE BR	LINE TO CRC
0316	HERN	TREVORTON	0.0	6.6	HERNDON BR	LINE TO CRC
0316	TREVORTON	TREVORTON	6.6	7.8	HERNDON BR	LINE TO CRC
0318A	READING	OLEY	0.0	0.2	LEBANON VALLEY BR	TR TO CRC
0318B	READING	HARRISBURG	0.0	53.6	LEBANON VALLEY BR	TR TO CRC
0319	CLINTON	BARNES	78.3	103.0	LITTLE SCHUYLKILL	LINE TO CRC
0320	NICE	NEWTOWN BRANCH	0.0	1.8	LOW GRADE BRANCH	TR TO CRC
0321	BARNES	HERN	103.0	139.0	MAHONY&SHAMOKIN	LINE TO CRC
0322B	FALLS	NORRIS	5.4	18.0	MAIN LINE RDG	TR TO CRC
0322B	NORRIS	POTTSTOWN	18.0	40.5	MAIN LINE RDG	LINE TO CRC/TR TO OTHERS
0322B	POTTSTOWN	READING (PIKE)	40.5	59.9	MAIN LINE RDG	LINE TO CRC/TR TO OTHERS
0322B	READING (PIKE)	READING (BELT)	59.9	61.4	MAIN LINE RDG	LINE TO CRC/TR TO OTHERS
0322B	READING (BELT)	POTTSVILLE	61.4	93.6	MAIN LINE RDG	LINE TO CRC
0324	CARMEL	WARMINSTER	0.0	7.3	NEW HOPE BRANCH	LINE TO CRC/TR TO OTHERS
0327	NEWTOWN JCT	CHELTENHAM JCT	6.2	9.6	N.Y. SHORT LINE	LINE TO CRC/TR TO OTHERS
0327	CHELTENHAM JCT	NESHAMINY	9.6	19.2	N.Y. SHORT LINE	LINE TO CRC/TR TO OTHERS
0328	SPRING GARDEN	NORTH BROAD ST	1.0	2.9	NINTH STREET BR	LINE TO CRC/TR TO OTHERS
0330	NORRISTOWN KALB	NORRIS	0.3	1.0	NORRISTOWN BR	LINE TO CRC/TR TO OTHERS
0337	E LITITZ	LITITZ	20.0	21.3	READING&COLUMBIA	LINE TO CRC
0337	LITITZ	MANHEIM	21.3	26.0	READING&COLUMBIA	LINE TO CRC
0337	MANHEIM	LANCASTER JCT	26.0	28.3	READING&COLUMBIA	LINE TO CRC
0337	LANDISVILLE	COLUMBIA	30.2	38.7	READING&COLUMBIA	LINE TO CRC
0338	LANCASTER JCT	LANCASTER	0.0	7.9	READING&COLUMBIA	LINE TO CRC
0339	BLANDON	LAUREL	0.0	3.4	READING BELT LINE	TR TO CRC
0339	LAUREL	BELT	3.4	5.6	READING BELT LINE	TR TO CRC
0339	BELT	KLAPPERTHAL JCT	5.6	13.0	READING BELT LINE	TR TO CRC
0340	CUMRU JCT	BIRDSBORO "EE"	11.7	18.8	READING BELT LINE	TR TO CRC
0341	FALLS	NICE	5.4	7.1	RICHMOND BRANCH	TR TO CRC
0343	HERN	SUNBURY	139.0	156.4	SS&L BR	LINE TO CRC
0343	SUNBURY	WEST MILTON	156.4	170.3	SS&L BR	LINE TO CRC
0344	SHENANDOAH JCT	SHENANDOAH	0.0	6.0	SHENANDOAH BR	LINE TO CRC
0345	NORRISTOWN ELM	NORRISTOWN KALB	9.9	10.5	NORRISTOWN BR	LINE TO CRC/TR TO OTHERS
0347	HAZLETON JCT	SILVERBROOK	0.0	3.5	TAMAQUA HAZ & NOR	LINE TO CRC
0349	MINE HILL XING	WESTWOOD	0.0	5.1	WEST END BR	LINE TO CRC
0349	WESTWOOD	BUCKLEY	5.1	8.5	WEST END BR	LINE TO CRC
0349	BUCKLEY	RICHARDSON JCT	8.5	11.2	WEST END BR	LINE TO CRC
0350	WESTWOOD	TREMONT JCT	0.0	9.2	WEST END BR	LINE TO CRC
0350	TREMONT JCT	TREMONT	29.6	29.9	WEST END BR	LINE TO CRC
0350	TREMONT	HAZLEBROOK JCT	29.9	34.5	WEST END BR	LINE TO CRC
0350	HAZLEBROOK JCT	GOOD SPRING	34.5	35.3	WEST END BR	LINE TO CRC
0350	GOOD SPRING	KEFFERS	35.3	37.0	WEST END BR	LINE TO CRC
0380	GOOD SPRING	END OF TRACK	0.0	1.4	GOOD SPRING COLLIERY	LINE TO CRC
0381	WEST JCT	BRANCHDALE	0.0	2.7	MUDDY COLLIERY	LINE TO CRC
0382	SILVERTON	WEST JCT	2.0	2.6	MUDDY COLLIERY	LINE TO CRC
0383	SWATARA JCT	END OF TRACK	0.0	1.8	SWATRA COLLIERY	LINE TO CRC
0384	MUNCY	END OF TRACK	0.0	0.6	MUNCY IND TR	LINE TO CRC
0389	MIDDLETOWN	MIDDLETOWN	5.4	6.6	MIDDLETOWN&HUMMELSTN	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

SYSTEM: ANN ARBOR R. R.

TRANSFEROR: ANN ARBOR R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
6901	PITTSFIELD	ANN ARBOR	40.5	45.0	ANN ARBOR RR	LINE TO CRC
6901	ANN ARBOR	ANN ARBOR	45.0	47.5	ANN ARBOR RR	LINE TO CRC
6903	TOLEDO	HALLETT	0.0	3.8	ANN ARBOR RR	LINE TO CRC
6903	HALLETT	DIANN	3.8	20.5	ANN ARBOR RR	LINE TO CRC
6903	DIANN	DUNDEE	20.5	22.8	ANN ARBOR RR	LINE TO CRC
6903	DUNDEE	DUNDEE	22.8	23.0	ANN ARBOR RR	LINE TO CRC
6904	DUNDEE	DUNDEE	23.0	24.8	ANN ARBOR RR	LINE TO CRC
6904	DUNDEE	MILAN	24.8	30.9	ANN ARBOR RR	LINE TO CRC
6904	MILAN	PITTSFIELD	30.9	40.5	ANN ARBOR RR	LINE TO CRC
6907	PITTSFIELD	SALINE	0.0	6.5	ANN ARBOR RR	LINE TO CRC
6908	TOLEDO	TOLEDO	0.0	2.0	ANN ARBOR RR	LINE TO CRC

SYSTEM: LEHIGH VALLEY R. R.

TRANSFEROR: LEHIGH VALLEY R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
0501	JERSEY CITY	CONSTABLE JCT	1.6	5.5	MAIN LINE LVRR	LINE TO CRC
0501	CONSTABLE JCT	GREENVILLE "BAY"	5.5	6.5	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0501	GREENVILLE "BAY"	NEWARK INT	6.5	11.4	MAIN LINE LVRR	LINE TO CRC
0502A	NEWARK INT	ALDENE	11.4	16.9	MAIN LINE LVRR	LINE TO CRC
0502A	ALDENE	BOUND BROOK	16.9	33.1	MAIN LINE LVRR	LINE TO CRC
0502A	BOUND BROOK	MANVILLE	33.1	36.4	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0502A	MANVILLE	FLEMINGTON JN	36.4	51.0	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0502A	FLEMINGTON JCT	EASTON INT	51.0	77.0	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0502A	EASTON INT	BETHLEHEM INT	77.0	88.6	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0502A	BETHLEHEM INT	ALLENTOWN	88.6	93.3	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0502B	CLARK	GARDEN ST PKWY	19.4	20.3	BLOODGOODS BRANCH	LINE TO CRC
0502C	RARITAN JCT	SILVER LK AVE	19.8	26.4	RARITAN BRANCH	LINE TO CRC
0502D	MUSCONETCONGJCT	FLOOD GATE RD	69.9	73.0	MUSCONETCONG BR	LINE TO CRC
0502E	GLENDON	HELLERTOWN RD	79.3	81.5	SOUTH SIDE IND	LINE TO CRC
0503A	ALLENTOWN	LEHIGHTON	93.3	119.1	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0503A	LEHIGHTON	FRASER	119.1	147.1	MAIN LINE LVRR	LINE TO CRC/TR TO OTHERS
0503B	ALLENTOWN	HAMILTON ST	93.1	96.1	BARBERS QUARRY BR	LINE TO CRC
0503C	ALLENTOWN	13TH ST	94.0	97.0	WEST END IND TK	LINE TO CRC
0505	FRANKLIN	WILKES BARRE	174.0	176.0	FORMER LVRR MAIN	LINE TO CRC
0505	WILKES BARRE	COXTON INT	176.0	185.5	FORMER LVRR MAIN	LINE TO CRC
0506	FRASER	LAUREL RUN	147.1	164.1	GRACEDALE SEC	LINE TO CRC/TR TO OTHERS
0506	LAUREL RUN	DUPONT	164.1	175.3	MOUNTAIN CUTOFF	LINE TO CRC/TR TO OTHERS
0506	DUPONT	COXTON INT	175.3	179.9	MOUNTAIN CUTOFF	LINE TO CRC/TR TO OTHERS
0507	COXTON INT	RANSOM (DE)	185.5	191.0	MAIN LINE LVRR	LINE TO CRC
0509	NATIONAL JCT	NAT DOCKS BR	1.6	2.0	NJ JCT BRANCH	LINE TO CRC/TR TO OTHERS
0509	JERSEY CITY PRR	PRR JCT	1.7	2.0	NAT DOCKS BR	LINE TO CRC
0509	PRR JCT	CONSTABLE JCT	2.0	5.2	NAT DOCKS BR	LINE TO CRC/TR TO OTHERS
0509	CONSTABLE JCT	BAYONNE	5.2	7.8	NAT DOCKS BR	LINE TO CRC
0509	NAT DOCKS BR	BAYONNE CNJ	7.8	8.5	BRANCH NO 6	LINE TO CRC
0510	PERTH AMBOY	SO PLAINFIELD	17.5	27.1	PERTH AMBOY BR	LINE TO CRC
0511	HILLSIDE	IRVINGTON	12.7	15.6	IRVINGTON BR	LINE TO CRC
0512	LANDSDOWN	CLINTON	57.7	59.5	CLINTON BRANCH	LINE TO CRC
0513	EASTON	BELFAST JCT	77.1	88.2	EASTON&NORTHERN	LINE TO CRC
0514	PENN HAVEN JCT	ASHMORE	130.6	141.0	ASHMORE BRANCH	LINE TO CRC
0514	ASHMORE	HAZLETON JCT	141.0	145.8	HAZLETON BR	LINE TO CRC
0514	HAZLETON JCT	ONEIDA JCT	145.8	148.0	CAMP SEC	LINE TO CRC
0514	ONEIDA JCT	SHIMER	148.0	149.4	CAMP SEC	LINE TO CRC
0514	ONEIDA JCT	HARLEIGH JN	148.0	150.0	SHEPPTON BR	LINE TO CRC
0514	SHIMER	LAUREL JCT	149.4	157.5	SHIMER SEC	LINE TO CRC
0515	LAUREL JCT	DELANO	157.5	158.4	DELANO SEC	LINE TO CRC
0516	ASHMORE	PINK ASH JCT	141.0	144.1	FREELAND BRANCH	LINE TO CRC
0517	PINK ASH JCT	HARLEIGH JCT	144.1	151.8	EBERVALE BRANCH	LINE TO CRC
0518	HAZLETON JCT	HARLEIGH JCT	145.8	149.6	TOMHICKEN BR	LINE TO CRC
0518	HARLEIGH JCT	TOMHICKEN	149.6	154.2	GOWAN SEC	LINE TO CRC
0518	TOMHICKEN	GOWAN COLLIERY	154.2	167.8	GOWAN SEC	LINE TO CRC
0520	KINGSTON&RIVERST	HARVEY JCT	179.5	180.4	BOWMANS CK BR	LINE TO CRC
0520	HARVEY JCT	LUZERNE	180.4	181.2	BOWMANS CK BR	LINE TO CRC
0520	COXTON	KINGSTON	186.4	194.6	WEST PITTSTON BR	LINE TO CRC
0529	FLEMINGTON JCT	FLEMINGTON	50.8	52.5	FLEMINGTON BR	LINE TO CRC
0599	CONSTABLE JCT	CLAREMONT TER	0.0	1.0	CLAREMONT TERM	LINE TO CRC
0601	RANSOM (DE)	MEHOOPANY	191.0	214.1	MAIN LINE LVRR	LINE TO CRC
0601	MEHOOPANY	TOWANDA	214.1	254.8	MAIN LINE LVRR	LINE TO CRC
0601	TOWANDA	SAYRE	254.8	271.0	MAIN LINE LVRR	LINE TO CRC
0602	SAYRE	SAYRE	271.0	271.2	MAIN LINE LVRR	LINE TO CRC
0602	SAYRE	PA NY LINE	271.2	272.4	MAIN LINE LVRR	LINE TO CRC
0602	PA/NY ST LINE	VAN ETTEN JCT	272.4	285.8	MAIN LINE LVRR	LINE TO CRC
0602	KENDAIA	GENEVA JCT	332.0	342.1	MAIN LINE LVRR	LINE TO CRC
0602	GENEVA JCT	GENEVA	342.1	344.5	MAIN LINE LVRR	LINE TO CRC
0603A	CALEDONIA	P&L JCT	392.5	394.1	MAIN LINE LVRR	LINE TO CRC
0603A	NIAGARA JCT	BFLO TIFFT JCT	438.0	442.2	MAIN LINE LVRR	LINE TO CRC
0603A	BFLO TIFFT JCT	BFLO TIFFT TERM	442.2	453.1	MAIN LINE LVRR	LINE TO CRC
0603B	BFLO TIFFT JCT	BUFFALO	442.2	443.6	LEHIGH & LK ERIE	LINE TO CRC
0604	TUNKHANNOCK	TUNKANNOCK	206.7	207.3	MONTROSE BR	LINE TO CRC
0605	TOWANDA JCT	TOWANDA	253.2	255.0	ST LINE&SULLIVN	LINE TO CRC
0606	AUBURN	AUBURN CASE AVE	355.5	357.0	AUBURN BR	LINE TO CRC
0608	ELMIRA	HORSEHEADS	0.3	5.6	WAVERLY-ELMIRA BR	LINE TO CRC
0608	SAYRE	PA/NY ST LINE	271.0	272.4	WAVERLY-ELMIRA BR	LINE TO CRC
0608	PA/NY ST LINE	WAVERLY	272.4	273.2	WAVERLY-ELMIRA BR	LINE TO CRC
0609	VAN ETTEN JCT	ITHACA	285.8	307.1	ITHACA BRANCH	LINE TO CRC
0610	ITHACA	LUDLOWVILLE	306.8	315.5	AUBURN&ITHACA BR	LINE TO CRC
0610	LUDLOWVILLE	NYS EL & GAS	315.5	321.0	AUBURN&ITHACA BR	LINE TO CRC
0611	AUBURN	AUBURN (0606)	348.7	349.2	AUBURN&ITHACA BR	LINE TO CRC
0612	CAYUGA	CAYUGA	356.7	357.5	SENECA FALLS BR	LINE TO CRC
0614A	ROCHESTER JCT	MORTIMER	379.5	388.0	ROCHESTER BRANCH	LINE TO CRC
0614A	MORTIMER	RIVER JCT	388.0	390.8	ROCHESTER BRANCH	LINE TO CRC
0614A	ROCHESTER	ROCHESTER	392.0	392.4	ROCHESTER BRANCH	LINE TO CRC
0614B	ROCHESTER JCT	LIMA	379.5	385.5	ROCHESTER BRANCH	LINE TO CRC
0615	NIAGARA JCT	TONAWANDA JCT	438.0	448.5	NIAGARA FALLS BR	LINE TO CRC
0615	CP 83 (LV)	CP 85 (LV)	462.5	465.5	NIAGARA FALLS BR	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
TRANSFEROR: LEHIGH & SUSQUEHANNA R. R.*						
0502A	BETHLEHEM	BETHLEHEM JCT	88.6	89.8	BETHLEHEM CONN	*/TR TO OTHERS
0504	FRASER	LAUREL RUN	143.8	161.2	LEHIGH & SUSQ	*/TR TO OTHERS
0521	PHILLIPSBURG	EASTON	72.1	72.8	LEHIGH & SUSQ	*/TR TO OTHERS
0521	EASTON	W EASTON	72.8	74.4	LEHIGH & SUSQ	*
0521	FREEMANSBURG	BETHLEHEM JCT	81.3	84.6	LEHIGH & SUSQ	*
0521	BETHLEHEM JCT	STEEL	84.6	85.5	LEHIGH & SUSQ	*/TR TO OTHERS
0521	STEEL	LEHIGHTON	85.5	114.7	LEHIGH & SUSQ	*/TR TO OTHERS
TRANSFEROR: RARITAN TERMINAL & TRANS. CO.						
0211	RARITAN RIVER N	NORTH SHORE	21.7	23.2	RARITAN NORTH SHORE	LINE TO CRC
TRANSFEROR: BUFFALO CREEK RAILROAD						
6470	WILLIAMS ST	PECK SLIP	0.0	5.6	BUFFALO CREEK RR	LINE TO CRC/TR TO OTHERS
SYSTEM: CENTRAL R. R. CO. OF NEW JERSEY						
TRANSFEROR: CENTRAL R. R. CO. OF NEW JERSEY**						
0201	JERSEY CITY	HY INTERLOCKING	0.0	2.6	MAIN LINE CNJ	LINE TO CRC
0201	HY INTERLOCKING	BAYONNE 33ST	2.6	5.0	MAIN LINE CNJ	LINE TO CRC
0201	BAYONNE 33ST	BAYONNE 'BV'	5.0	7.0	MAIN LINE CNJ	LINE TO CRC
0201	ELIZABETHPRT PH	RARITAN	8.9	35.8	MAIN LINE CNJ	LINE TO CRC/TR TO OTHERS
0201	RARITAN	HIGH BRIDGE	35.8	52.2	MAIN LINE CNJ	LINE TO CRC/TR TO OTHERS
0201	HIGH BRIDGE	HIGH BRIDGE	52.2	52.7	MAIN LINE CNJ	LINE TO CRC/TR TO OTHERS
0201	HIGH BRIDGE	HAMPTON	52.7	56.6	MAIN LINE CNJ	LINE TO CRC/TR TO OTHERS
0201	HAMPTON	PHILLIPSBURG	56.6	71.2	MAIN LINE CNJ	LINE TO CRC/TR TO OTHERS
0201	PHILLIPSBURG	PHILLIPSBURG	71.2	72.1	MAIN LINE CNJ	LINE TO CRC/TR TO OTHERS
0202	COMMUNIPAW	WEST SIDE AVE	1.0	3.1	WEST SIDE BRANCH	LINE TO CRC
0203	BRILLS JCT	NEWARK	5.5	7.3	NEWARK & NEW YORK BR	LINE TO CRC
0204	KEARNY	BRILLS JCT	4.0	5.5	NEWARK & NEW YORK BR	LINE TO CRC
0205	BRILLS JCT	ELIZABETHPORT	0.0	5.5	NEWARK&ELIZ BR	LINE TO CRC
0206	FOSTERS LANE	FLEMINGTON	13.7	15.7	SOUTH BRANCH	LINE TO CRC
0207	HOPATCONG JCT	WHARTON	23.8	25.1	HIGH BRIDGE BR	LINE TO CRC
0208	LAKE JCT	MORRIS CTY JCT	0.6	0.9	LAKE HOPATCONG BR	LINE TO CRC
0211	ELIZABETHPORT	WOODBRIDGE JCT	9.5	20.0	PERTH AMBOY BR	LINE TO CRC
0211	WOODBRIDGE JCT	RARITAN RVR NO	20.0	21.7	PERTH AMBOY BR	LINE TO CRC
0212	ELIZABETH RIVER	WARNERS	0.0	3.5	SOUND SHORE BRANCH	LINE TO CRC
0213	RAHWAY	PETROLEUM	0.0	1.5	CARTARET BR	LINE TO CRC
0214	WILLIAMS&CLARK	CHROME	1.3	2.7	REFORMATORY BR	LINE TO CRC
0215	RED BANK	LAKEHURST	38.1	66.0	SOUTHERN M/L	LINE TO CRC
0215	LAKEHURST	CHATSWORTH	66.0	84.3	SOUTHERN M/L	LINE TO CRC
0215	WINSLOW JCT	VINELAND	104.2	120.1	SOUTHERN M/L	LINE TO CRC
0215	VINELAND	NORMA	120.1	123.9	SOUTHERN M/L	LINE TO CRC
0215	BRIDGETON JCT	BRIDGETON JCT	130.5	130.8	SOUTHERN M/L	LINE TO CRC
0215	BRIDGETON JCT	BRIDGETON	130.8	132.8	SOUTHERN M/L	LINE TO CRC
0217	KEANSBURG	NATCO	5.2	7.2	SEASHORE BRANCH	LINE TO CRC
0217	NATCO	MATAWAN	7.2	10.9	SEASHORE BRANCH	LINE TO CRC
0218	EASTLONGBRANCH	BRANCHPORT	0.0	1.2	INDUSTRIAL BRANCH	LINE TO CRC
0219	LAKEHURST	LAKEHURST	39.8	40.0	TR&B BRANCH	LINE TO CRC
0219	LAKEHURST	TOMS RIVER	40.0	47.4	TR&B BRANCH	LINE TO CRC
0220	BRIDGETON JCT	DEERFIELD	0.0	3.8	DEERFIELD BRANCH	LINE TO CRC
0221	BRIDGETON JCT	MAURICETOWN	0.0	18.1	CUMBERLAND & MAURICE	LINE TO CRC
0223	OCEANPORT	MONMOUTH PARK	0.0	0.7	MONMOUTH PK TERM	LINE TO CRC
0299	COMMUNIPAW AVE	JERSEY AVE YARD	0.0	0.7	JERSEY AVE BRANCH	LINE TO CRC
TRANSFEROR: DOVER & ROCKAWAY RAILROAD						
0207	WHARTON	ROCKAWAY	25.1	30.1	HIGH BRIDGE BR	LINE TO CRC
0207	ROCKAWAY	PUBLIC ROAD	30.1	31.1	HIGH BRIDGE BR	LINE TO CRC
TRANSFEROR: WHARTON & NORTHERN RAILROAD						
0209	PICATINNY	MORRIS CTY JCT	11.1	14.6	WHARTON&NORTHERN	LINE TO CRC
TRANSFEROR: MT. HOPE MINERAL RAILROAD						
0210	WHARTON	MOUNT HOPE	0.0	3.6	MT HOPE MIN RR	LINE TO CRC
TRANSFEROR: BAYSHORE CONNECTING RAILWAY						
1499	OAK ISLAND	KEARNY	0.0	2.7	BAY SHORE CONN RR	LINE TO CRC
TRANSFEROR: LEHIGH & NEW ENGLAND RAILWAY						
0224A	BETHLEHEM JCT	MARTINS CREEK	0.0	28.3	L&NE	LINE TO CRC
0224B	HAUTO	TAMAQUA	0.0	7.3	L&NE	LINE TO CRC
0224C	ALLEN JCT	ALLENTOWN	0.0	4.8	L&NE	LINE TO CRC

* CRC TO ACQUIRE RDG'S INTERESTS AND LV'S LEASEHOLD

** INCLUDES ANY OF CENTRAL RAILROAD OF PENNSYLVANIA'S REMAINING INTEREST IN PROPERTY AT MINOOKA JCT.

INTERESTS DESIGNATED TO CONRAIL

SYSTEM: LEHIGH & HUDSON RIVER R. R.

TRANSFEROR: LEHIGH & HUDSON RIVER R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
0101	MAYBROOK	NY/NJ ST LINE	0.0	23.8	L&HR	LINE TO CRC
0101	NY/NJ ST LINE	BELVIDERE	23.8	72.0	L&HR	LINE TO CRC

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
6101	GL	GREAT NOTCH	2.9	16.8	BOONTON LINE (NOTE 1)	LINE TO CRC/TR TO OTHERS
6101	GREAT NOTCH	MOUNTAIN VIEW	16.8	21.4	BOONTON LINE (NOTE 1)	LINE TO CRC/TR TO OTHERS
6101	MOUNTAIN VIEW	DENVILLE	21.0	34.0	BOONTON LINE	LINE TO CRC/TR TO OTHERS
6101	DOVER	PORT MORRIS	38.5	45.7	MAIN LINE (FORMER DL&W)	LINE TO CRC/TR TO OTHERS
6102	BERGEN JCT	RIDGEWOOD JCT	3.3	19.4	BERGEN COUNTY (NOTE 2)	LINE TO CRC/TR TO OTHERS
6102	RIDGEWOOD JCT.	SUFFERN	20.2	30.5	MAIN LINE (FORMER ERIE)	LINE TO CRC/TR TO OTHERS
6102	SUFFERN	NEWBURGH JCT.	30.5	44.9	MAIN LINE (FORMER ERIE)	LINE TO CRC/TR TO OTHERS
6102	NEWBURGH JCT.	EAST GREYCOURT	44.9	52.5	MAIN LINE (FORMER ERIE)	LINE TO CRC/TR TO OTHERS
6102	EAST GREYCOURT	PORT JERVIS	52.5	86.7	MAIN LINE (FORMER ERIE)	LINE TO CRC/TR TO OTHERS
6103	EAST M Q	M C	63.3	65.5	GRAHAM LINE	TR TO CRC
6151	WEST END	PATERSON JCT.	1.9	13.6	MAIN LINE (NOTE 3)	LINE TO CRC/TR TO OTHERS
6151	PATERSON JCT	XW	13.6	14.9	MAIN LINE (NOTE 3)	LINE TO CRC/TR TO OTHERS
6151	XW	RIDGEWOOD JCT.	14.9	20.2	MAIN LINE (FORMER ERIE)	LINE TO CRC/TR TO OTHERS
6152	NJ & NY JCT	N HACKENSACK	7.6	16.0	NJ&NY BRANCH	LINE TO CRC/TR TO OTHERS
6152	NANUET JCT	SPRING VALLEY	9.0	11.5	PIERMONT BRANCH	LINE TO CRC/TR TO OTHERS
6152	N HACKENSACK	NANUET JCT	16.0	28.2	NJ&NY BRANCH	LINE TO CRC/TR TO OTHERS
6164	SPRING VALLEY	WOODBINE	30.7	31.5	NJ&NY BRANCH	LINE TO CRC/TR TO OTHERS
6183	NO TOWER	CAMPBELL HALL J	5.0	5.8	MONTGOMERY BRANCH	TR TO CRC
6183	CAMPBELL HALL J	MONTGOMERY	5.8	10.5	MONTGOMERY BRANCH	TR TO CRC
6191	SUSSEX BR JCT	NETCONG	47.4	48.2	SUSSEX BRANCH	LINE TO CRC/TR TO OTHERS
6192	PORT MORRIS	SUSSEX BR JCT	45.7	47.4	WASHINGTON LINE	LINE TO CRC/TR TO OTHERS
6252	E NEW YORK MILLS	UTICA	283.6	286.9	UTICA BRANCH	TR TO CRC
6301	WAVERLY	SOUTHPORT "TF"	255.2	271.9	MAIN LINE	TR TO CRC
6301	SOUTHPORT "TF"	ELMIRA FS	271.9	273.0	MAIN LINE	TR TO CRC
6301	ELMIRA FS	HORSEHEADS "HO"	273.0	276.8	MAIN LINE	TR TO CRC
6301	HORSEHEADS "HO"	HORNELL	276.8	331.1	MAIN LINE	TR TO CRC
6401	HORNELL	PORTAGE	331.8	361.5	BUFFALO DIV	TR TO CRC
6401	PORTAGE	EAST LINDEN	361.5	382.9	BUFFALO DIV	TR TO CRC
6401	EAST LINDEN	ATTICA AT	382.9	392.5	BUFFALO DIV	TR TO CRC
6401	ATTICA AT	BUFFALO UNION	392.5	418.0	BUFFALO DIV	TR TO CRC
6401	BUFFALO UNION	BUFFALO IC	418.0	420.8	BUFFALO DIV	TR TO CRC
6401	BUFFALO IC	NEW CONNECTION	420.8	421.6	BUFFALO DIV	TR TO CRC
6401	NEW CONNECTION	BUFFALO FW	421.6	422.4	BUFFALO DIV	TR TO CRC
6551	DUNKIRK	DUNKIRK	458.4	459.5	DUNKIRK BRANCH	LINE TO CRC
6561	FRANKLIN	RENO	27.4	28.5	FRANKLIN BRANCH	TR TO CRC
6561	RENO	OIL CITY	28.5	33.8	FRANKLIN BRANCH	TR TO CRC
6563	LEETONIA	LISBON	21.8	34.0	LISON BRANCH	LINE TO CRC
6601A	STERLING	MARION	223.6	305.1	MAIN LINE	LINE TO CRC
6601B	MARION	MARION W END	0.0	2.5	MAIN LINE	LINE TO CRC
6601B	KENTON	KENTON	21.3	25.2	MAIN LINE	LINE TO CRC
6601B	DECATUR	DECATUR	95.8	96.9	MAIN LINE	LINE TO CRC
6602	URBANA	BOWLUSVILLE	352.1	360.1	DAYTON BRANCH	LINE TO CRC
6602	BOWLUSVILLE	GLEN ECHO	360.1	360.8	DAYTON BRANCH	LINE TO CRC
6602	GLEN ECHO	MAITLAND	360.8	366.2	DAYTON BRANCH	LINE TO CRC
6602	MAITLAND	FAIRBORN	366.2	376.1	DAYTON BRANCH	LINE TO CRC/TR TO OTHERS
6602	FAIRBORN	TATES POINT	376.1	386.1	DAYTON BRANCH	LINE TO CRC/TR TO OTHERS
6602	TATES POINT	DAYTON	386.1	388.5	DAYTON BRANCH	LINE TO CRC
6801	WEST END	NEWARK-	1.9	9.0	MORRISTOWN LINE	LINE TO CRC/TR TO OTHERS
6801	NEWARK	ORANGE	9.0	11.0	MORRISTOWN LINE	LINE TO CRC/TR TO OTHERS
6801	SUMMIT	DANVILLE	20.0	36.4	MORRISTOWN LINE	LINE TO CRC/TR TO OTHERS
6801	DENVILLE	DOVER	34.0	38.5	MORRISTOWN LINE	LINE TO CRC/TR TO OTHERS
6841	SUMMIT	MILLINGTON	20.0	30.0	GLADSTONE BRANCH	LINE TO CRC/TR TO OTHERS
6842	FOSEVILLE AVE	MONTCLAIR	9.0	13.4	MONTCLAIR BRANCH	LINE TO CRC/TR TO OTHERS

TRANSFEROR: ROCHESTER & GENESSEE VALLEY RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTERESTS
6442	MORTIMER	ROCHESTER	379.0	384.8	ATTICA BR (NOTE 6)	LINE TO CRC

Notes to Rail Lines Tables

Notes for Erie Lackawanna Branch Names

1. Formerly designated as Greenwood Lake Branch of former Erie RR; still carried by this name in EL track charts and valuation records.
2. Bergen Junction to Rutherford Junction was formerly the Erie Railroad Main Line and still carries this name in EL track charts and valuation records.
3. Formerly designated as Boonton Line of former DL&W; still carried by this name in EL track charts and valuation records.
4. Formerly designated as Newark Branch of former Erie RR; still carried by this name in EL track charts and valuation records.
5. West End to Bergen Junction designated in operating timetable as Bergen County Line.
6. Avon to Rochester carried in EL track charts and valuation records as the Rochester and Genesee Valley Railroad.
7. Hoboken to West End was originally a portion of what historically was designated as the former DL&W Boonton Line; track charts and valuation records still carry this designation.

SECTION B

Designations of Offers to Profitable Railroads and Alternative Designations to ConRail

The rail properties of railroads in reorganization or of railroads leased, operated or controlled by railroads in reorganization are designated for offer to profitable railroads pursuant to section 206(c)(1)(B) on the *terms* and in accordance with the *general designations* set forth below, subject to the *exceptions and additions* specified below:

Terms

Offers to profitable railroads must specify the terms of the offers made; if such offers are not accepted, the properties offered may, in the alternative, be designated for transfer to ConRail.

Offers to Profitable Railroads—The designations of rail properties offered to profitable railroads are listed under separate projects. Each of these projects, with two exceptions, is offered separately and may be accepted or not accepted by the offeree separately. The two exceptions are the offer to Chessie of Projects USRA–1, CS–5, CS–12 and CS–19, as discussed in Note 7, Chapter 8, and the offer to GTW of Projects GTW–6 and GTW–7. In these two instances the projects are offered as packages.

This section also contains the offering prices for each project or, where applicable, groups of projects. In most cases the offering prices are based on net liquidation value and are shown with the rail line designations. Where the offering price exceeds net liquidation value, it is set forth in Table 1.

No offering prices are shown where the interest being transferred to the profitable railroad is a trackage right. As explained in Chapter 5, in those cases the entire compensation to the transferor is paid by the transferee of the fee interest. The entity acquiring the trackage rights interest will reimburse its share of the acquisition cost through the inclusion of such cost as a capital charge with the standard terms and conditions applicable to trackage rights designations.

Allocation of Offering Prices—The offering prices for properties of railroads in reorganization being offered for conveyance to profitable railroads involved the use of net liquidation value or going concern worth when operated by the acquiring railroad. In some offerings involving a combination of properties, a mix of the two techniques was necessarily employed. Since some of the offered properties are owned by more than one transferor, it was necessary to develop principles for allocating the offering prices among the transferring entities in a manner which rendered the offer acceptable in whole, but which provided constitutional minimum consideration to each estate. This allocation was based first on the amount of the offer and second on the valuation of the properties involved. When the offer was equivalent to the net liquidation value of the properties, the compensation was allocated to each transferor on that basis. Where the offering price exceed the net liquidation value of the properties and two or more owners were involved, the amount by which the offering price exceeded the net liquidation value of the properties was allocated to the entities contributing to the going concern worth either on the basis of their respective going concern worths or on the basis of route miles.

The offering price to Chessie for the package of properties owned by the Reading, Erie Lackawanna and Penn Central was allocated by first assigning to each transferor entity compensation equivalent to the net liquidation value of the properties transferred by that entity. Second, the excess of the offering price over the combined net liquidation values of the properties being transferred was allocated among the transferor entities based on the relative contributions of their properties to the going concern worth of the package as a whole. This resulted in the Reading being allocated a going concern worth premium over net liquidation value of $9.041 million and the Penn Central a premium of $.911 million.

The excess of the $6 million offering price to the Southern Railway over the net liquidation value of the properties being transferred was allocated by route miles to the entities which contributed going concern worth, with the result that the excess was allocated 59.1 percent to Delaware Railroad, 34.5 percent to the Philadelphia, Baltimore & Washington Railroad and 6.4 percent to the Baltimore & Eastern Railroad. The offering price equaled the net liquidation value for the Penndel properties leaving no excess. The same route mile allocation technique was used in allocating the P&LE offering prices among Penndel and PB&W.

There are six offers to solvent railroads where the offering price for properties exceeds net liquidation value. These offers are shown in the table below with the net liquidation value of each transferor's properties, the allocation of any excess of the offering price over net liquidation value to the owners, and the total compensation to be received by the owners if the offer is accepted.

TABLE 1

[Dollars in millions]

Project	*Buyer*	*Owner*	*Net liquidation value*	*Allocation of excess over NLV*	*Total offering price*
USRA-1, CS-5, CS-12, CS-19	Chessie	Reading	$14.129	$9.041	$23.170
	Chessie	Penn Central	2.339	.911	3.250
	Chessie	Erie Lackawanna	36.142		36.142
NW-11	N&W	Connecting Railway	.096	.764	.860
GTW-6, GTW-7.	GTW	Michigan Central	.539	.582	1.121
Sou-4	Southern	PB&W	.233	1.185	1.418
Sou-4	Southern	Baltimore & Eastern	.069	.220	.289
Sou-4	Southern	Delaware Railroad	.512	2.028	2.540
Sou-4	Southern	Penndel	1.753		1.753
P&LE-10	P&LE	PB&W	.113	.291	.404
P&LE-10	P&LE	Penndel	.027	.069	.096
IL-8	C&EI	Penn Central	.811	1.433	2.244

Alternate designations—Section 206(c)(1)(B) provides that in the event a profitable railroad fails to accept an offer, the FSP shall designate what additions shall be made to the designations of transfers to ConRail under subparagraph (A) of section 206(c)(1).

The Rail Lines Table provides the details as to those alternative designations for transfer to ConRail of any rail line offered to and not accepted by a profitable railroad. To the extent that such alternative designations become effective, the yards, facilities, stations and structures associated with such rail lines are designated to ConRail in accordance with the principles set forth in Chapter 8 and the General Designations portion of Section A of this Appendix.

To the extent that locomotives, freight and passenger cars, work equipment, roadway machinery and miscellaneous equipment are offered to and not accepted by a profitable railroad, such equipment is alternatively designated to ConRail where so indicated in Chapter 8 and where appropriate under the principles set forth in the General Designations portion of Section A of this Appendix.

No marine terminal facilities, floating or highway revenue equipment is alternatively designated to ConRail.

Materials and supplies and administrative assets offered to and not accepted by a profitable railroad are designated for transfer to ConRail on the same basis as material and supplies and administrative assets are designated in Section A of this Appendix.

If Chessie does not accept the offer of the stock in the Akron and Barberton Belt Railroad, EL's stock interest in the Akron & Barberton Belt Railroad is designated for transfer to ConRail.

If Chessie does not accept the offer of EL's or Reading's stock in Trailer Train Company, an option (described in Chapter 8) is transferred to ConRail, exercisable at any time prior to 30 days after the Special Court's order of conveyance under Section 303(b).

General Designations

Rail Lines and trackage rights—The Rail Lines Table at the end of this section provides the details as to designations of rail line and trackage right offers to profitable railroads by the railroads in reorganization ("Transferor"). Where all of the Transferor's right, title and interest is designated, the offered interest is shown as "Line-to" the profitable railroad; where only trackage rights are offered, the offered interest is shown as "TR to" the profitable railroad; and there are some joint designations which are made of a "Line-to" a profitable railroad and trackage rights to ConRail. Under trackage right designations only operating rights over the Transferor's lines are transferred to ConRail with the balance of the right, title and interest transferred to others. In the other designations in this section, the offer of some rail properties depends on an association with, or locations along offered rail lines. Such designations apply, except as specifically noted, only to offered rail lines, and not to offered trackage rights.

Additional details with respect to these designations are contained in Section G of this appendix, where the "coordination projects" designated in Section B are listed in the order in which they appeared in the Preliminary System Plan. In some of the projects, one railroad is offered "overhead rights" over a rail line operated principally by another railroad, and in others a railroad is offered "unrestricted trackage rights." "Overhead trackage rights" permit the railroad to operate trains over a particular line of railroad but not to serve shippers, sidings, or team tracks located along that line of railroad. "Unrestricted trackage rights" include the right to serve shippers, sidings, and team tracks located along the line of railroad as well as the right to operate through trains over the line.

In addition to rail lines and trackage rights, the following other rail properties are offered to the profitable railroads offered rail lines:

Yards—A railroad which is offered a rail line or local freight service trackage rights is also offered any portion of a freight yard which is associated with the offered rail line interest and which also is needed for its freight operations.

Facilities—A railroad which is offered a yard, a rail line, or local freight service trackage rights, is also offered any freight-related structures which are associated with such yard, line, or rights, and which also are needed for its freight operations.

Stations and Structures—All freight-related structures associated with any offered portion of a yard are offered with that portion of the yard.

All other freight-related structures associated with offered rail lines are offered with such lines if they are needed for present freight operations by the railroad which is offered the rail lines or the local freight service trackage rights over such lines.

A railroad offered other rail property is offered a lease of not to exceed 2 years (with appropriate access and occupancy rights) with respect to any portion of a structure transferred to or left with others, in which such other offered rail property is located.

Materials, Supplies and Administrative Assets—Interests in materials, supplies and administrative assets, including offices, warehouses, supplies, records, contract rights and other intangible and fiscal assets are offered and are allocated as described in Chapter 8.

Exceptions and Additions

To the extent indicated, the designations of offers to the profitable railroads whose names appear in the part of the section which follows, vary from the general designations.

Offered to Providence & Worcester RR

Transferor—Norwich and Worcester Railroad Company

The designation to Providence & Worcester of rail properties of the Norwich & Worcester of rail properties of the Norwich & Worcester Railroad Company will not be effective if within 60 days of the effective date of the FSP the Norwich & Worcester has presented to USRA a sound plan to operate the rail lines designated on and after conveyance date, which would maintain the same service coverage as the designations would provide.

Offered to Delaware and Hudson Railroad

Transferor—Penn Central Transportation Company

There is designated for offer to the Delaware and Hudson Railroad transferor's interest in the stock of Wilkes-Barre Connecting Railroad.

Offered to Chessie

Transferor—Penn Central Transportation Company

There is designated for transfer to the Chessie Transferor's interest in the stock of the Nicholas, Fayette and Greenbrier Railroad.

Transferor—Erie Lackawanna Railway

- *Rail Properties*
  - *yards*
    - There is designated for offer to Chessie Transferor's interest in only that portion of the Hoboken, N.J. freightyard described in Chapter 8.
    - Transferor's interest in the Ontario Yard at Harding, Ohio and the Mansfield Yard at Mansfield, Ohio are not offered to the Chessie.

    Marine Terminal Facilities—There is designated for offer to Chessie Transferor's interest in the marine and terminal facilities at Hoboken, New Jersey except for the float bridges and other facilities related to lighterage services or the floating of rail cars.
- *equipment*

The following equipment is designated for offer to Chessie.

Passenger service locomotives—Transferor's interest in the following passenger service locomotive:

Type	No. of Units	Identification No.	Finance Method	Agreement No.
Locomotive	1	1401	Unencumbered	

Passenger cars—Transferor's interest in the following passenger cars:

Type	No. of Units	Equipment RD No.	Finance Method	Financing Agreement No.
Coach	1	1301	Unencumbered	
Coach	1	1304	"	
Coach	1	1305	"	
Coach	1	1306	"	

Locomotives—Transferor's interest in the following nonpassenger service locomotives:

Type	No. of units	Identification number	Finance method	Agreement number
Road Freight	13	3669–3681	CSA	38
"	15	3654–3668	Lease	65
"	19	3635–3653	"	18
"	14	3621–3634	CSA	38
"	10	3611–3620	CSA	24
"	10	3601–3610	CSA	24
"	3	801–803	Lease	66
"	24	2563–2586	CSA	38
"	12	2551–2562	CSA	38
"	9	3307–3315	Lease	18
"	3	3304–3306	CSA	38
"	13	3316–3328	CSA	38
Road Switcher	6	1260–1265	Unencumbered	
"	5	1405–1409	"	
"	3	1400–1404	"	
"	15	1270–1284	"	
"	13	1234–1246	"	
"	10	1224–1233	"	
"	22	1202–1223	"	
"	2	1200–1201	"	
"	15	2513–2527	CSA	38
Road Freight A &B.	12	2501–2512	CSA	38
"	8	456–463	Unencumbered	
"	7	434–440	"	
"	5	446–455	"	
"	19	7091–7134	"	
"	10	6321–6362	"	

Freight cars—Transferor's interest in the following freight cars:

Type	No. of Units	Identification Number	Finance Method	Agreement Number
Box	66	57000–57065	Unencumbered	
"	98	68500–68599	Unencumbered	
"	48	68950–69999	Unencumbered	
"	196	63400–63599	Lease	77
Box	21	85595–85849	Lease	81
Box	1	86717	Lease	81
Box	47	56747–56810	CSA	26
"	87	56612–56746 56747–56810	CSA	26
Box	48	190000–190059	CSA	26
Box	272	73162–73724	Unencumbered	
"	894	70250–71845	Unencumbered	
Box	25	67700–67724	Unencumbered	
"	2	67725–67726	Unencumbered	
"	62	67727–67789	CSA	24
Box	3	67790–67792	Unencumbered	
"	47	67825–67871	CSA	26
"	108	66789–66899	CSA	30/24
Box	95	66900–66996	CSA	31
Box	45	68080–68124	CSA	26
Box	78	68000–68079	Lease	77
Box	11	67875–67885	Lease	77
Box	1	66401–66403	Unencumbered	
"	26	66450–66680	Unencumbered	
"	11	66636–66691	Unencumbered	
"	72	66700–66774	Unencumbered	
"	620	67000–67999	Unencumbered	
"	55	84522–84909	Unencumbered	
"	28	85000–85029	Unencumbered	
"	268	88000–88299	Unencumbered	

Freight cars—Transferor's interest in the following freight cars:—Con.

Type	No. of Units	Identification Number	Finance Method	Agreement Number
Box	13	92270–92282	Lease	82
"	49	69100–69149	CSA	27
"	98	92000–92099	Lease	82
"	139	92100–92242	Lease	82
Box	18	92250–92267	CSA	26
"	11	92300–92316	Lease	82
Box	97	68600–68699	Unencumbered	
Box	148	68800–68949	Unencumbered	
Box	75	69275–69349	Lease	
"	50	69200–69249	Lease	79
Box	30	69150–69179	Lease	79
"	20	60000–60019	Lease	(1)
Other	20	5000–5019	CSA	26
Other	18	5020–5039	CSA	21
Other	78	68375–68454	CSA	24
"	99	69000–69099	CSA	24
Box	23	69250–69272	CSA	26
Box	53	68300–68353	Unencumbered	
"	19	68354–68374	Unencumbered	
Gondola	92	14500–14599	CSA	24
Gondola	50	14700–14749	CSA	30
Gondola	50	15650–15699	CSA	24
Gondola	199	9800–9999	CSA	24
"	1	44000	CSA	26
"	399	44200–44599	CSA	37
Gondola	100	17900–17999	CSA	33
"	100	43500–43599	CSA	26
"	100	43600–43699	CSA	26
Gondola	199	43200–43399	CSA	34/35
Gondola	100	43400–43499	CSA	[5] 25
"	100	43700–43799	CSA	26
"	150	43800–43949	CSA	26
Gondola	100	44100–44199	CSA	37
"	3	12400–12499	CSA	29
"	4	13000–13049	CSA	29
"	49	14750–14799	CSA	30
"	1	16980	CSA	26
Gondola	1	17601	CSA	30
Gondola	49	15600–15649	Unencumbered	
"	1	17600	Unencumbered	
"	231	11800–12299	Unencumbered	
Gondola	129	12400–12999	Unencumbered	
"	176	11000–11599	Unencumbered	
"	77	13416–13876	Unencumbered	
Gondola	4	15750–15753	Unencumbered	
"	95	15900–15999	CSA	21
"	100	17700–17799	CSA	24
"	50	43200–43549	CSA	21
Gondola	25	17575–17599	CSA	21
"	50	17625–17674	CSA	21
Gondola	50	9000–9049	CSA	32
"	75	9100–9174	CSA	34
"	50	9050–9099	Lease	77
Flat	50	8200–8249	CSA	33
Flat	78	8100–8199	Unencumbered	
Flat	42	7300–7424	Unencumbered	
Covered hopper	50	21350–21399	CSA	21
" "	49	21300–21349	CSA	29
" "	19	45580–45601	Lease	83
Covered hopper	1	45602	Unencumbered	
Flat	96	21800–21899	Unencumbered	
"	124	18500–18699	Unencumbered	
"	90	21500–21599		
"	16	21000–21049	Unencumbered	
"	67	19000–19299	Unencumbered	

Type	No. of Units	Identification Number	Finance Method	Agreement Number
Flat	98	18000–18099	Unencumbered	
Covered hopper	50	45800–45849	Lease	84
" "	25	20000–20024	CSA	24
" "	25	20050–20074	CSA	26
" "	55	21400–21454	CSA	24
" "	50	20100–20149	CSA	21
" "	129	20150–20279	CSA	26/21
" "	25	20025–20049	Unencumbered	
Covered hopper	6	20294–20299	Lease	80
" "	1	21455	Unencumbered	
Covered hopper	20	46239–46258	Lease	(2)
" "	2	45246–45247	Lease	(2)
" "	3	60010–60012	Lease	(3)
Covered hopper	2	60014–60015	Lease	(4)
" "	2	60721–60722	Lease	(4)
" "	12	30573–31613	Lease	(3)
Covered hopper	2	33035–33041	Lease	(3)
" "	15	42460–42474	Lease	(2)
" "	7	43087–43096	Lease	(2)
Covered hopper	3	80107–80122	Lease	(3)
" "	1	30243	Lease	(3)
" "	7	40417–40623	Lease	(2)
Covered hopper	6	42494–42499	Lease	(2)
Hopper	348	32000–32499	Unencumbered	
"	244	32500–32749	CSA	24
Hopper	244	32750–32999	CSA	24/26
"	747	33250–33999	Unencumbered	
"	242	33000–33249	Lease	77

[1] North American.
[2] General American Trans. Co. (Lessor).
[3] North American Car Corp. (Lessor).
[4] Shippers Car Line (ACF Industries (Lessor)).
[5] Car No. 43434 is under Agreement No. 33.

Work equipment—Transferor's interest in:

- all work equipment associated exclusively with rail lines offered to Chessie,
- that portion of the remaining work equipment which bears the same relation to the total of transferor's work equipment as the total of line of road track miles offered to Chessie bears to the total such miles designated to all designees.

Roadway machinery—Transferor's interest in:

- all roadway machinery associated exclusively with rail lines offered to Chessie,
- that portion of the remaining roadway machinery which bears the same relation to the total of Transferor's roadway machinery as the total line of road track miles offered to the Chessie bears to the total such miles designated to all designees from Transferor.

Miscellaneous equipment—Transferor's interest in:

- all miscellaneous equipment associated exclusively with rail lines offered to Chessie,
- that portion of the remaining miscellaneous equipment which bears the same relation to the total of Transferor's miscellaneous equipment as the total line of road track miles offered to Chessie bears to the total such miles designated to all designees from Transferor, except such vehicles as are required for the continued administration of transferor's estate.

Highway revenue equipment—All Transferor's interest in the following highway revenue equipment:

Type	No. of Units	Identification No.	Finance Method	Agreement No.
Trailers	31	200066–200195	Leased	61
"	10	200201–200304	"	61
"	2	202000–202227	"	61
"	35	200400–200449	"	63
"	49	200450–200498	"	62

[1] Greyh
[2] Gulfle

*Highway revenue equipment*All Transferor's interest in the following highway revenue equipment:—Continued

Type	*No. of Units*	*Identification No.*	*Finance Method*	*Agreement No.*
Trailers	233	200500–200774	Leased	69
"	49	203001–203050	"	72
"	107	203751–203860	"	69
"	23	203918–204914	"	73
"	45	204524–204599	"	63
"	49	204600–204673	"	63
"	46	205001–205050	"	1
"	49	205100–205149	"	1
"	147	205150–205299	"	1
"	26	401000–401038	"	66
"	32	501000–501078	"	74
"	48	508201–508250	"	60
"	14	700200–700221	"	61
"	5	705425–705454	"	63
"	55	200001–200065	Unencumbered	
"	3	200900–200999	"	
"	185	201001–201200	"	
"	137	201201–201350	"	
"	135	201351–201500	"	
"	1	202294	"	
"	1	297245	"	
"	1	201734	"	
"	10	300000–300011	"	
"	8	350151–350160	"	
"	1	700998	"	
"	1	700450	"	
"	188	201501–201700	Leased	70
"	45	201701–201750	"	60
"	44	201751–201800	"	71
"	18	201801–201950	"	71
"	33	201951–202100	"	60
"	277	202101–202400	"	61
"	288	202401–202700	"	47
"	149	202701–202850	"	[1]
"	148	202851–203000	"	[1]
"	697	203051–203750	"	47
"	1	200306	"	[2]
"	14	203050–208839	"	63
"	1	205922–205944	"	63
"	6	203919–203952	"	73
"	52	207270–207369	"	72
"	52	207920–208019	"	72
"	6	220502–220520	"	73
"	60	280380–280489	"	63
"	63	280700–280774	"	63
"	62	291800–291899	"	63
"	9	295985–295999	"	63
"	12	296150–296174	"	63
"	23	297350–297399	"	63
"	51	297900–297999	"	63
"	17	298425–298474	"	63
"	26	298550–298599	"	63
"	1	303375	"	63
"	77	303554–304553	"	73
"	17	354505–354535	"	73
"	3	454135–454601	"	73
"	19	572848–572872	"	1
"	18	572923–572947	"	1

[1] Greyhound.
[2] Gulflex.

- *administrative assets*
  - Transferor's interest in the following buildings:
    Midland Building, Cleveland, Ohio
    Republic Building, Cleveland, Ohio
    Columbia Building, Cleveland, Ohio
    333 South Broadway, Akron, Ohio
    1221 Clinton Street, Buffalo, New York
    500 Railroad Avenue, Elmira, New York
    Erie-Lackawanna Station, Jamestown, New York
    Erie-Lackawanna Station, Scranton, Pa.
    Erie-Lackawanna Station, Syracuse, New York
  - All such office space necessary for present operations in the EL Terminal Building in Hoboken, N.J. subject to the payment of appropriate rent to ConRail to which the building is designated for transfer.
- *other*

  Transferor's stock interest in the stock of the following corporations:
  Akron & Barberton Belt Railroad
  Trailer Train Company

Transferor—Reading Company

- *road properties*
- *equipment*

The following equipment is designated for offer to Chessie:
Locomotives—Transferor's interest in the following locomotives:

Type	*No. of units*	*Identification No.*	*Finance method*	*Agreement No.*
Road Freight	20	3401–3420	Unencumbered	
"	5	3671–3675	Lease	41
"	1	3656	Unencumbered	
"	30	3626–3655	"	
"	6	3620–3625	"	
"	20	3600–3619	CSA	1
"	5	7600–7604	Lease	44
"	5	6300–6304	"	45
Switcher	10	2771–2780	"	
"	25	2601–2625	"	41
"	10	2761–2770	"	43
"	11	2750–2760	"	42
"	5	2715–2719	Unencumbered	
"	5	1511–1515	Unencumbered	
"	4	1507–1510	CSA	1
"	6	1501–1506	CSA	1
"	14	2701–2714	CSA	5
"	6	1516–1521	Unencumbered	
"	3	22–24	Unencumbered	

Freight cars—
- Transferor's interest in approximately 300 gondolas under construction, and
- Transferor's interest in the following freight cars:

Type	*No. of Units*	*Identification Number*	*Finance Method*	*Agreement Number*
Box	73	115800–115874	CSA	2
"	49	115900–115949	CSA	2
"	60	118100–118159	Lease	25
"	50	118200–118249	Unencumbered	
"	112	114000–114175	Lease	24
"	40	111250–111289	"	25
"	4	19400–19459	Unencumbered	
"	58	107500–107999	"	
"	7	110000–110059	"	
"	34	108000–108499	"	
"	368	109000–109399	"	
"	89	118000–118099	"	
"	97	104000–104699	"	
"	1	105091	"	
"	7	115200–115239	"	
"	69	106000–106790	"	
"	33	107000–107499	"	
"	11	111000–111081	"	
"	98	111100–111199	"	
"	49	111200–111249	"	

Type	No. of Units	Identification Number	Finance Method	Agreement Number
Box	10	19800–19899	Lease	33
"	50	18400–18599	"	30
"	50	19000–19049	"	39
"	297	18600–18899	"	35
"	199	20000–20199	"	39
"	7	19900–19906	Unencumbered	
"	4	19907–19910	"	
"	17	19950–19999	"	
Gondola	25	99125–99149	CSA	1
"	50	99150–99199	Lease	30
Flat	57	9300–9356	Unencumbered	
Box	24	19301–19325	CSA	32
"	49	19350–19399	Lease	29
"	49	19700–19749	Lease	32
"	37	19750–19789	Lease	32
"	89	19800–19899	Lease	33
"	146	18400–18599	Lease	30
"	22	19276–19300	Unencumbered	
"	32	19950–19999	Unencumbered	
"	49	18200–18249	Unencumbered	
Box	30	105300–105529	Unencumbered	
"	35	115400–115459	Unencumbered	
"	76	18000–18109	Unencumbered	
"	31	18110–18149	Unencumbered	
"	15	19200–19275	Unencumbered	
Box	86	17200–17299	Lease	27
"	64	17000–17064	CSA	1
"	49	17100–17149	CSA	1
"	10	17160–17169	Lease	32
Gondola	449	38100–38549	Lease	27
"	150	30400–30549	Lease	26
"	99	38000–38099	Lease	26
"	147	31700–31849	Lease	30
"	100	38600–38699	Lease	34
"	100	38700–38799	Lease	38
"	100	37200–37299	CSA	4
Gondola	75	36750–36824	Lease	(1)
"	297	33000–33499	Unencumbered	
"	316	33500–33999	Unencumbered	
"	37	37000–37039	Unencumbered	
"	94	37100–37199	Unencumbered	
"	146	34000–34499	Unencumbered	
"	171	36500–36734	Unencumbered	
"	198	31000–31999	Unencumbered	
"	500	31200–31699	Unencumbered	
"	151	35000–35399	Unencumbered	
Covered Hopper	25	15000–15024	Lease	31
" "	75	15025–15099	"	31
" "	2	79250–79299	Unencumbered	
" "	1	79300–79499	"	
" "	79	79550–79649	"	
" "	147	79650–79799	"	
" "	98	79800–79899	"	
" "	15	79170–79185	"	
" "	3	79900–79902	Lease	25
				5
" "	19	79903–79922	"	2
" "	76	79923–79999	"	25
" "	100	78900–78999	"	33
" "	150	78750–78899	"	34
" "	100	78650–78749	"	30
" "	2	79195–79196	"	31
" "	3	79197–79199	Unencumbered	
Hopper	200	41250–41449	Lease	28
"	124	41650–41849	"	37
"	75	41650–41849	"	36

Type	No. of Units	Identification Number	Finance Method	Agreement Number
Hopper	200	41450–41649	"	30
"	396	40001–40400	CSA	1
"	293	63200–63495	CSA	3
"	485	63500–63999	CSA	3
"	427	64000–64999	CSA	3
Caboose	10	94100–94109	Lease	30
"	10	94110–94119	"	35
"	41	92880–92929	Unencumbered	
"	40	94001–94049	"	
"	20	94050–94074	"	

[1] Buncher 7.1.74.

Work equipment—Transferor's interest in

- all work equipment associated exclusively with rail lines offered to Chessie
- that portion of the remaining work equipment which bears the same relation to the total of Transferor's work equipment as the total of line of road track miles offered to the Chessie bears to the total miles designated to all designees from Transferor.

Roadway machinery—Transferor's interest in

- all roadway machinery associated exclusively with rail lines offered to Chessie
- that portion of the remaining roadway machinery which bears the same relation to the total of Transferor's roadway machinery as the total of line of road track miles offered to Chessie bears to the total such miles designated to all designees from Transferor.

Miscellaneous equipment—Transferor's interest in

- all miscellaneous equipment associated exclusively with rail lines offered to Chessie
- that portion of the remaining miscellaneous equipment which bears the same relation to the total of Transferor's miscellaneous equipment as the total of line of road track miles offered to Chessie bears to the total such miles designated to all designees from Transferor except such vehicles as are required for the continued administration of the Transferor's estate.

Highway Revenue Equipment—Transferor's interest in the following highway revenue equipment:

Type	No. Units	Identification number	Finance method	Agreement No.
Trailer	82	200044–200129	Unemcumbered	
"	187	206001–206200	Leased	46
"	94	207001–207100	"	47
"	196	207101–207300	"	47
"	1	400015	Unencumbered	

- *administrative assets*

The following are designated for offer to Chessie:

- Transferor's interest in the following buildings:
  - 929 Penn Street, Reading, Pa.
  - 220 Beech Street, Wilmington, Delaware
- Such office space necessary for present operations in the Reading Terminal Building in Reading, Pa. subject to the payment of appropriate rent to ConRail to which the building is designated for transfer.

- *other*

Stock—Transferor's stock interest in the following corporations:
Trailer Train Company
Baltimore & Cumberland Valley Ext. R.R.
Washington & Franklin R.R.

Offered to Southern Railway

Transferor—Penn Central Transportation Company

The following properties are designated for offer to the Southern Railway:

- *road properties*

Yards—Transferor's interest in the Edgemoor Yard in Wilmington, Del. except for the Wilmington Heavy Repair Shop.

Marine and Terminal Facilities—Transferor's interest in the following marine and terminal facilities:
Cape Charles, Va.
Little Creek, Va.

- *equipment*

Floating equipment—All Transferor's interest in the following floating equipment:

No. of units	Type	Name	Finance method
1	1949 car bay float	"Richardson"	Unencumbered.
2	Tugboats	"Philadelphia"	"
1	Tugboat	Chicago	"

Transferor—Penndel Co.

The following properties are designated for offer to the Southern Railway:

- *road properties*

Marine and Terminal Facilities—Transferor's interest in the following marine and terminal facilities:
Cape Charles, Va.
Little Creek, Va.

- *other*

  - *Stock*—Transferor's stock interest in the Norfolk & Portsmouth Belt Line.

Offered to Southern Railway

Transferor—Reading Co.

The following properties are designated for offer to the Southern Railway:

- *road properties*

Marine and Terminal Facilities—Transferor's interest in the following marine and terminal facilities:
Pigeon Point, Delaware
Carney's Point, New Jersey
Thompson Point, New Jersey

- *Floating equipment*

Floating equipment—Transferor's interest in the following floating equipment:

Type	Identification Number	Finance method
1954 tugboat	"Brandywine"	Unencumbered.
1947 car floats	17, 22	"
1951 car floats	24, 25	"
1946 car float	26	"

Transferor—Wilmington & Northern Railroad

The following properties are designated for offer to the Southern Railway:

- *road properties*

Marine and Terminal Facilities—Transferor's interest in the following marine and terminal facilities:
Pigeon Point, Delaware
Carney's Point, New Jersey
Thompson Point, New Jersey

Transferor—Philadelphia, Baltimore & Washington Railroad Co.

- *road properties*

Yards—There is designated for offer to Chessie Transferor's interest in the Edgemoor Yard in Wilmington, Del. except for the Wilmington Heavy Repair Shop.

Section B Rail Line Tables

INTERESTS DESIGNATED TO THE BESSEMER & LAKE ERIE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: PA 3 OFFERING PRICE $40,639

ESTATE: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: ERIE & PITTSBURGH R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2434	LEXINGTON	THORNTON CP103	123.5	129.3	JAMESTOWN SEC	LINE TO BLE

INTERESTS DESIGNATED TO THE BOSTON & MAINE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: BM 13 OFFERING PRICE $9,052

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4130	CHELMSFORD	LOWELL B&M	24.4.	26.5	LOWELL SEC(41A3)	LINE TO BM

PROJECT: BM 81 OFFERING PRICE $313,537

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4733	ROTTERDAM JCT	S AMSTERDAM	159.5	165.0	WEST SHORE	LINE TO BM
4733	S AMSTERDAM	SO FT PLAIN	165.0	194.5	WEST SHORE	LINE TO BM

INTERESTS DESIGNATED TO THE BURLINGTON NORTHERN

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: BN 434 OFFERING PRICE $23,256

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3123	HOME	SEATONVILLE	188.3	191.5	KANKAKEE BR	LINE TO BN
3123	SEATONVILLE	SEATONVILLE JCT	191.5	192.2	KANKAKEE BR	LINE TO BN
3123	LX	PC JUNCTION	193.8	194.3	KANKAKEE BR	LINE TO BN

SYSTEM: CHICAGO & NORTHWESTERN

TRANSFEROR: CHICAGO & NORTHWESTERN

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3123	SEATONVILLE JCT	LX	192.2	193.8	VIA C&NW	TR TO BN

PROJECT: IL 14 OFFERING PRICE $53,248

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8432	FORMAN	KARNAK	229.8	235.2	DANVL & CAIRO BR	TR TO BN
8432	KARNAK	OLMSTED	235.2	245.3	DANVL & CAIRO BR	LINE TO BN
8432	OLMSTED	AMERICA	245.3	248.0	DANVL & CAIRO BR	LINE TO BN

INTERESTS DESIGNATED TO THE CENTRAL VERMONT

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: CV 674 OFFERING PRICE $254

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4265	WILLIMANTIC	WILLIMANTIC	23.1	23.3	PLAINFIELD SEC	LINE TO CV

INTERESTS DESIGNATED TO THE CHICAGO & NORTHWESTERN

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: CNW 434 OFFERING PRICE $1,759

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3123	LX	LADD JCT	193.8	193.9	VIA C&NW	LINE TO CNW
3123	LADD JCT	LADD JCT	193.9	194.2	KANKAKEE BR	LINE TO CNW

PROJECT: CNW 434 A OFFERING PRICE $12,314

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3137	LADD JCT	CHURCHILL	194.2	196.9	CHURCHILL BRANCH	LINE TO CNW

INTERESTS DESIGNATED TO THE CHICAGO & EASTERN ILLINOIS

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: IL 6 OFFERING PRICE $15,724

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8432	WYTON	LYONS	0.8	5.3	CAIRO BR	LINE TO CEI/TR TO CRC
8432	LYONS	WESTVILLE	5.3	7.2	CAIRO BR	LINE TO CEI/TR TO CRC

PROJECT: IL 8

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8405	PANA	JOAN	167.2	205.7	MAIN LINE	LINE TO CEI/TR TO CRC
8405*	JOAN	LENOX	205.7	237.7	MAIN LINE	LINE TO CEI/TR TO CRC

* BN to obtain title jointly or obtain unrestricted trackage rights.

INTERESTS DESIGNATED TO THE DETROIT & MACKINAC

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: DM 440 A OFFERING PRICE $112,196

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5236	KAWKAWLIN	STANDISH	5.0	28.0	MACKINAW BR	LINE TO DM

PROJECT: DM 440 B OFFERING PRICE $514,520

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5236	STANDISH	SALLINGS	28.0	116.5	MACKINAW BR	LINE TO DM

PROJECT: DM 440 C OFFERING PRICE $23,692

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5236	SALLINGS	GAYLORD	116.5	120.4	MACKINAW BR	LINE TO DM

PROJECT: DM 441 OFFERING PRICE $445,584

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5236	GAYLORD	MACKINAW CITY	120.4	182.3	MACKINAW BR	LINE TO DM
5236	MACKINAW CITY	END OF TRACK	182.3	182.7	MACKINAW YD	LINE TO DM

INTERESTS DESIGNATED TO THE DETROIT, TOLEDO, & IRONTON

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: DTI I

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8211	COLD SPRINGS	CP DRAWBRIDGE	186.2	206.7	MAIN LINE	TR TO DTI
8211	CP DRAWBRIDGE	DAYTON	206.7	207.0	VIA DAYTON UN	TR TO DTI
8211	MIAMI CITY JN	CARLISLE JN	208.9	223.0	MAIN LINE	TR TO DTI
8211	CARLISLE JN	EVENDALE	223.0	248.7	MAIN LINE	TR TO DTI

TRANSFEROR: LITTLE MIAMI R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8213	S CHARLESTON	XENIA	36.3	54.7	MAIN LINE	TR TO DTI
8214	XENIA	DAYTON	0.0	15.1	MAIN LINE	TR TO DTI
8214	DAYTON CU	MIAMI CITY JCT	16.0	16.6	VIA DAYTON UNION	TR TO DTI
8221	RENDCOMB JCT	NORWOOD	113.1	115.8	C&X BR	TR TO DTI
8236	RENDCOMB JCT	CINTI (OASIS)	113.1	119.7	UNDERCLIFF BR	TR TO DTI
8236	CINTI OASIS	FRONT & SMITH	119.7	121.5	UNDERCLIFF BR	TR TO DTI

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8222	NORWOOD	MILL	10.0	16.4	RICHMOND BRANCH	TR TO DTI

INTERESTS DESIGNATED TO THE DETROIT, TOLEDO, & IRONTON

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

TRANSFEROR: DAYTON UNION RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8211	DAYTON	MIAMI CITY JN	207.0	208.6	VIA DAYTON UN	TR TO DTI
8211	MIAMI CITY JN	MIAMI CITY JN	208.6	208.9	MAIN LINE	TR TO DTI
8214	DAYTON	WAYNE AVE JCT	15.1	15.4	MAIN LINE	TR TO DTI
8214	WAYNE AVE JCT	DAYTON DU	15.4	16.0	VIA DAYTON UNION	TR TO DTI

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6602	MAITLAND	FAIRBORN	366.2	376.1	DAYTON BRANCH	TR TO DTI
6602	FAIRBORN	TATES POINT	376.1	386.1	DAYTON BRANCH	TR TO DTI

PROJECT: DTI 392 A OFFERING PRICE $23,495

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3635	ADRIAN N&W	ADRIAN DT&I	328.3	329.2	VULCAN OLD ROAD	LINE TO DTI
3635	ADRIAN DT&I	WHIG ROAD	329.2	333.6	VULCAN OLD ROAD	LINE TO DTI

PROJECT: DTI 393 OFFERING PRICE $49,671

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: ERIE & KALAMAZOO R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3635	RIGA	PALMYRA	315.5	322.4	VULCAN OLD ROAD	LINE TO DTI

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3635	PALMYRA	LENAWEE JCT	322.4	324.5	VULCAN OLD ROAD	LINE TO DTI
3635	LENAWEE JCT	ADRIAN N&W	324.5	328.3	VULCAN OLD ROAD	LINE TO DTI

PROJECT: DTI 395/395 A OFFERING PRICE $56,947

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3640	LENAWEE JCT	CLINTON	0.0	13.6	CLINTON BR	LINE TO DTI

INTERESTS DESIGNATED TO THE GRAND TRUNK WESTERN

PROJECT: GTW 6

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5234	DENMARK JCT	SAGINAW "MX"	4.9	20.2	MACKINAW BR	LINE TO GTW
5234	SAGINAW "MX"	SAGINAW	20.2	20.7	MACKINAW BR	LINE TO GTW
5235	SAGINAW	MERSHON	101.5	102.2	MACKINAW BR	LINE TO GTW
5235	MERSHON	BAY CITY	102.2	113.3	MACKINAW BR	LINE TO GTW
5235	BAY CITY	BAY CITY	113.3	114.6	MACKINAW BR	LINE TO GTW
5236	BAYCITY ES	BAY CITY WS	0.0	0.7	MACKINAW BR	LINE TO GTW
5236	BAY CITY WS	WENONA	0.7	2.7	MACKINAW BR	LINE TO GTW
5236	WENONA	KAWKAWLIN	2.7	5.0	MACKINAW BR	LINE TO GTW
5237	FORD DIVPOST	SAGINAW	98.1	101.5	SAGINAW BR	LINE TO GTW

INTERESTS DESIGNATED TO THE GRAND TRUNK WESTERN

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5241	WATER ST JCT	BAY CITY	106.1	109.6	BAY CITY E.S. BR	LINE TO GTW
5242	JCT/MIDLAND BR	END	0.0	2.8	BAY CITY W.S. BR	LINE TO GTW
5243	WATER ST JCT	BAY CITY	0.0	3.1	BAY CITY BELT RR	LINE TO GTW
5244	BAY CITY ES	ESSEXVILLE	0.0	2.5	NO WATER ST TK	LINE TO GTW
5256	BAY CITY	BAY CITY	1.1	2.7	SO WATER-PC/C&O	LINE TO GTW
5337	SWAN CREEK	PAINES	91.8	95.5	SAGINAW BR	LINE TO GTW
5337	PAINES	FORDNEY DIVPOST	95.5	98.1	SAGINAW BR	LINE TO GTW

PROJECT. GTW ,

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

5240	BC & BC JN	AUBURN	0.0	9.3	MIDLAND BR	LINE TO GTW
5240	AUBURN	MIDLAND	9.3	18.2	MIDLAND BR	LINE TO GTW

PROJECT: GTW 445 A OFFERING PRICE $2,925

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

5233	LAPEER JCT	LAPEER	59.8	60.3	MACKINAW BR	LINE TO GTW

PROJECT: GTW 445 B OFFERING PRICE $9,947

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

5233	OXFORD GTW	OXFORD	43.6	45.0	MACKINAW BR	LINE TO GTW
5233	LAPEER	LAPEER JCT	59.5	59.8	MACKINAW BR	LINE TO GTW

PROJECT: GTW 451/452/453 OFFERING PRICE $5,946

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

5340	CHARLOTTE	CHARLOTTE	34.5	35.2	GRAND RAPIDS BR	LINE TO GTW

PROJECT: GTW 455 A OFFERING PRICE $35,174

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

5337	OWOSSO	OWOSSO	61.1	65.8	SAGINAW BR	LINE TO GTW

PROJECT: GTW 472 OFFERING PRICE $213,747

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENNDEL CO.

5358	WALKER	MUSKEGON	10.0	38.2	MUSKEGON SEC	LINE TO GTW
5358	MUSKEGON	MUSKEGON	38.2	39.2	MUSKEGON SEC	LINE TO GTW
5358	MUSKEGON	MUSKEGON	39.2	39.6	MUSKEGON SEC.	LINE TO GTW

PROJECT: GTW 472 A OFFERING PRICE $9,387

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENNDEL CO.

5359	MUSKEGON	MUSKEGON HTS	0.0	1.3	MUSKEGON HGHTS SEC	LINE TO GTW

INTERESTS DESIGNATED TO THE GRAND TRUNK WESTERN

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: GTW 688 OFFERING PRICE $5,356

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5233	OXFORD	OXFORD GTW	42.2	43.6	MACKINAW BR	LINE TO GTW

PROJECT: GTW 1300 OFFERING PRICE $46,652

SYSTEM: ANN ARBOR R. R.

TRANSFEROR: ANN ARBOR R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6902	DURAND	OWOSSO	96.0	106.0	ANN ARBOR RR	LINE TO GTW
6905	DURAND	DURAND	95.8	96.0	ANN ARBOR RR	LINE TO GTW

PROJECT: GTW 1301 OFFERING PRICE $102,452

SYSTEM: ANN ARBOR R. R.

TRANSFEROR: ANN ARBOR R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6902	OWOSSO	OWOSSO JCT	106.0	108.0	ANN ARBOR RR	LINE TO GTW
6906	OWOSSO JCT	OWOSSO	108.0	109.3	ANN ARBOR RR	LINE TO GTW
6906	OWOSSO	ASHLEY	109.3	128.3	ANN ARBOR RR	LINE TO GTW

PROJECT: MI 5

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5235	SAGINAW	MERSHON	101.5	102.2	MACKINAW BR	TR TO GTW
5235	MERSHON	BAY CITY	102.2	113.3	MACKINAW BR	TR TO GTW

INTERESTS DESIGNATED TO THE ILLINOIS CENTRAL GULF

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: ICG 605 B OFFERING PRICE $54,320

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8432	HUTSONVILLE	ROBINSON	71.0	82.0	DANVL & CAIRO BR	LINE TO ICG

PROJECT: IL 10 OFFERING PRICE $277,122

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8405	LENOX	GRANITE CITY WR	237.7	243.3	MAIN LINE	LINE TO ICG/TR TO CRC
8405	GRANITE CITY WR	BRIDGE JCT	243.3	248.1	MAIN LINE	LINE TO ICG/TR TO CRC
8440	EAST ALTON	LENOX	241.3	249.9	OLD LINE	LINE TO ICG/TR TO CRC

INTERESTS DESIGNATED TO THE ILLINOIS TERMINAL RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: ITRR I OFFERING PRICE $13,034

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8436	SOUTH MORTON	FARMDALE JCT.	162.7	167.8	ALLENTOWN SEC	LINE TO ITR

PROJECT: IT 611 B OFFERING PRICE $75,112

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8435	ATLANTA	ALLENTOWN	132.7	158.0	PEORIA SEC	LINE TO ITR
8435	ALLENTOWN	ALLENTOWN	158.0	158.3	PEORIA SEC	LINE TO ITR

INTERESTS DESIGNATED TO THE LOUISVILLE & NASHVILLE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: IN 11

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8306A	WOODS	DAVIS	1.6	6.9	I&F BRANCH	TR TO LN
8306A	DAVIS	BRIDGEPORT	6.9	8.9	GREENCASTLE BR	TR TO LN
8406	BRIDGEPORT	GREENCASTLE	8.9	36.5	GREENCASTLE BR	TR TO LN
8406	GREENCASTLE	GREENCASTLE	36.5	38.0	GREENCASTLE BR	TR TO LN
8406	GREENCASTLE	LIMEDALE	38.0	40.3	GREENCASTLE BR	TR TO LN

PROJECT: IN 12

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8335	OAKLAND	STRAIGHT L JCT	106.2	130.9	PETERSBURG SEC	TR TC LN

PROJECT: IN 13 OFFERING PRICE $60,370

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8335	SPRING HILL	RILEY	5.5	10.3	LEASED TO L&N	TR TO LN
8335	RILEY	CORY	10.3	12.4	CLAY CITY SEC	TR TO LN
8335	CORY	CLAY CITY	12.4	26.5	CLAY CITY SEC	LINE TO LN
8446	GREENWOOD	SPRING HILL	5.0	5.5	TERRE HAUTE BR	TR TO LN

INTERESTS DESIGNATED TO THE MILWAUKEE ROAD

PROJECT: MILW 422 OFFERING PRICE $3,550

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3140	DEPUE JCT	CRIP RR	0.0	1.2	DEPUE BR	LINE TO MILW

121.5

INTERESTS DESIGNATED TO THE NORFOLK & WESTERN

PROJECT: NW 387/388 OFFERING PRICE $3,058

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3633	BELLEVUE	BELLEVUE	249.8	249.9	NORWALK BR	LINE TO NW
3633	BELLEVUE	BELLEVUE	249.9	250.7	NORWALK BR	LINE TO NW
3633	BELLEVUE	BELLEVUE	250.7	250.8	NORWALK BR	LINE TO NW

PROJECT: NW 429 OFFERING PRICE $10,167

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8234	PORTLAND	PORTLAND	42.9	44.6	RIDGEVILLE SEC	LINE TO NW

PROJECT: NW 496/496A OFFERING PRICE $9,533

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8136	CIRCLEVILLE	CIRCLEVILLE	80.1	81.1	MORROW SEC	LINE TO NW

PROJECT: NW 497/498/498A OFFERING PRICE $1,104

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8136	CIRCLEVILLE	CIRCLEVILLE	81.1	81.4	MORROW SEC	LINE TO NW

PROJECT: NW 523 OFFERING PRICE $91,490

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8222	FIRST STREET	ELWOOD	127.0	137.3	RICHMOND BR	LINE TO NW
8222	ELWOOD	ELWOOD	137.3	137.6	RICHMOND BR	LINE TO NW
8222	ELWOOD	ELWOOD	137.6	138.4	RICHMOND BR	LINE TO NW
8222	ELWOOD	ELWOOD	138.4	139.0	RICHMOND BR	LINE TO NW

INTERESTS DESIGNATED TO THE NORFOLK & WESTERN

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: NW 531/531 A/532 OFFERING PRICE $19,061

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8248	CECIL	N PAULDING	78.8	81.5	NORTHERN BR	LINE TO NW

PROJECT: NW 533/534/534A/535 OFFERING PRICE $12,247

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8248	CELINA	CELINA	125.8	127.3	NORTHERN BR	LINE TO NW
8248	COLDWATER	COLDWATER	132.4	132.7	NORTHERN BR	LINE TO NW

PROJECT: NW 573 OFFERING PRICE $41,650

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8345	CONNERSVILLE	CONNERSVILLE COHEN	67.3	68.0	WHITEWATER RNG TK	LINE TO NW
8345	CONNERSVILLE COHEN	CONNERSVILLE PHILCO	68.0	72.0	WHITEWATER RNG TK	LINE TO NW
8345	CONNERSVILLE PHILCO	BEESON N&W	72.0	74.1	WHITEWATER RNG TK	LINE TO NW

PROJECT: NW 643A OFFERING PRICE $17,530

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8131	CLYDE	CLYDE	16.1	16.9	SANDUSKY SEC	LINE TO NW
8131	CLYDE	CLYDE	16.9	17.3	SANDUSKY SEC	LINE TO NW

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3633	CLYDE	CLYDE	257.7	258.5	NORWALK BR	LINE TO NW
3633	FREMONT	FREMONT	265.5	268.0	NORWALK BR	LINE TO NW

PROJECT: NW 1260 OFFERING PRICE $7,998

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6601B	LIMA	LIMA	51.0	54.3	MAIN LINE	LINE TO NW

PROJECT: NW 1262 OFFERING PRICE $18,247

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6601B	HUNTINGTON	HUNTINGTON	125.8	126.6	MAIN LINE	LINE TO NW
6601B	HUNTINGTON	HUNTINGTON	126.6	127.4	MAIN LINE	LINE TO NW
6601B	ROCHESTER	ROCHESTER	167.6	170.6	MAIN LINE	LINE TO NW

PROJECT: OH 11 * OFFERING PRICE $2,016

PROJECT: OH 12 OFFERING PRICE $905,603

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: LITTLE MIAMI R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8221	CLARE N&W	RENDCOMB JCT	111.0	113.1	C&X BR	TR TO NW
8221	RENDCOMB JCT	NORWOOD	113.1	115.8	C&X BR	TR TO NW

* SEE DESCRIPTION OF COORDINATION PROJECT OH-11.

INTERESTS DESIGNATED TO THE NORFOLK & WESTERN

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO. ..

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8206	GLEN	RICHMOND,IND	117.4	119.6	MAIN LINE	TR TO NW
8206	RICHMOND, IND	NEWMAN	119.6	119.8	MAIN LINE	TR TO NW
8222	NORWOOD	MILL	10.0	16.4	RICHMOND BR	TR TO NW
8222	MILL	HAMILTON	16.4	30.7	RICHMOND BR	LINE TO NW/TR TO CRC
8222	HAMILTON	OLD RIVER JCT	30.7	31.5	RICHMOND BR	LINE TO NW/TR TO CRC
8222	NEW RIVER JCT	EATON	33.1	57.4	RICHMOND BR	LINE TO NW
8222	EATON	OH/IN ST LINE	57.4	68.5	RICHMOND BR	LINE TO NW/TR TO CRC
8222	OH/IN ST LINE	GLEN	68.5	72.1	RICHMOND BR	LINE TO NW/TR TO CRC
8222	GLEN	GLEN	72.1	72.4	RICHMOND BR	LINE TO NW/TR TO CRC
8222	NEWMAN	RICHMOND	74.9	76.6	RICHMOND BR	TR TO NW
8222	RICHMOND	NEW CASTLE	76.6	100.5	RICHMOND BR	LINE TO NW
8222	NEW CASTLE	NEW CASTLE	100.5	104.1	RICHMOND BR	LINE TO NW/TR TO CRC

SYSTEM: CHESSIE

TRANSFEROR: CHESSIE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8222	OLD RIVER JCT	NEW RIVER JCT	31.5	33.1	VIA B&O	TR TO NW

PROJECT: OH 13

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: LITTLE MIAMI R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8221	CLARE NEW	RENDCOMB JCT	111.0	113.1	C&X BR	TR TO NW
8236	RENDCOMB JCT	CINTI (OASIS)	113.1	119.7	UNDERCLIFF BR	TR TO NW
8236	CINTI OASIS	FRONT & SMITH	119.7	121.5	UNDERCLIFF BR	TR TO NW

PROJECT: OH 14 OFFERING PRICE $5,322

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3633	BELLEVUE	BELLEVUE	248.3	249.8	NORWALK BR	LINE TO NW

PROJECT: NW 2 *

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1331	LEMOYNE	NEW KENSINGTON	1.5	11.8	CUMBERLAND VLY BR	TR TO NW
1331	NEW KINGSTON	CARLISLE	11.8	18.3	CUMBERLAND VLY BR	TR TO NW
1331	CARLISLE	PENN ROAD	18.3	41.6	CUMBERLAND VLY BR	TR TO NW
1331	PENN ROAD	PA/MD LINE	41.6	68.2	CUMBERLAND VLY BR	TR TO NW
1331	PA/MD ST LINE	HAGERSTOWN	68.2	74.8	CUMBERLAND VLY BR	TR TO NW

INTERESTS DESIGNATED TO THE PITTSBURGH & LAKE ERIE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: PLE 4

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MAHONING COAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2440	CP 24	YOUNGSTOWN	23.8	58.3	YOUNGSTOWN BR	TR TO PLE

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2440	ASHTABULA	CP 24	0.0	23.8	YOUNGSTOWN BR	TR TO PLE
244A	ASHTABULA	ASH HARBOR	0.0	2.3	ASH HRBR(YOUNGSTOWN)	TR TO PLE

* NW ALSO GETS TRACKAGE RIGHTS BETWEEN ROCKVILLE AND LEMOYNE.

INTERESTS DESIGNATED TO THE PITTSBURGH & LAKE ERIE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: PLE 10

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2234	EAST WEIRTON	CHESTER "HS"	3.0	22.0	NEW CUMBERLAND BR	LINE TO PLE
2234	CHESTER HS	SHIPPINGPORT	22.0	28.7	NEW CUMBERLAND BR	LINE TO PLE

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2234	SHIPPINGPORT	KOBUTA	28.7	34.4	NEW CUMBERLAND BR	LINE TO PLE
2234	KOBUTA	KOBUTA	34.4	34.8	NEW CUMBERLAND BR	LINE TO PLE

PROJECT: PA 10 OFFERING PRICE $7,205

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PGH., YOUNGSTOWN & ASHTABULA RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2436	WALFORD	WALFORD	3.4	4.3	WALFORD SEC	LINE TO PLE
2436	WALFORD	WALFORD	4.3	4.7	WALFORD SEC	LINE TO PLE

INTERESTS DESIGNATED TO THE PROVIDENCE & WORCESTER

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: PW 1

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4115	CRANSTON	PROVIDENCE	180.7	185.1	SHORE LINE-4116	TR TO PW
4215	CRANSTON	CRANSTON	179.0	180.7	SHORE LINE	TR TO PW

PROJECT: PW 36/36 A OFFERING PRICE $199,016

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4165	EAST PROVIDENCE	EAST PROVIDENCE	1.9	2.4	BRISTOL SEC	LINE TO PW
4165	EAST PROVIDENCE	EAST PROVIDENCE	2.4	2.8	BRISTOL SEC	LINE TO PW
4165	EAST PROVIDENCE	WARREN	2.8	11.8	BRISTOL SEC	LINE TO PW

PROJECT: PA 38/38 A OFFERING PRICE $12,921

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4167	CRANSTON	HOWARD	0.0	3.2	PONTIAC SEC	LINE TO PW

PROJECT: PW 47B A OFFERING PRICE $148,632

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: NORWICH & WORCESTER R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4227	PUTNAM	CT/MASS LINE	45.8	53.1	NORWICH BR	LINE TO PW
4227	CT/MASS LINE	AUBURN MASS	53.1	66.0	NORWICH BR	LINE TO PW

INTERESTS DESIGNATED TO THE PROVIDENCE & WORCESTER

PROJECT: PW 2 — OFFERING PRICE $35,317

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: NORWICH & WORCESTER R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4227	AUBURN, MASS	HOPE AVENUE	66.0	68.5	NORWICH BR	LINE TO PW
4227	HOPE AVENUE	WORCESTER	68.5	70.8	NORWICH BR	LINE TO PW

PROJECT: PW 40 — OFFERING PRICE $31,949

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4264	HILL	MA/CONN LINE	0.5	2.0	SOUTHBRIDGE SEC	LINE TO PW
4264	MA/CONN LINE	CONN/MA LINE	2.0	5.4	SOUTHBRIDGE SEC	LINE TO PW
4264	CONN/MA LINE	SOUTHBRIDGE	5.4	11.1	SOUTHBRIDGE SEC	LINE TO PW

INTERESTS DESIGNATED TO THE SOUTHERN

PROJECT: SO 4

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: DELAWARE R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
122A	PORTER	SEAFORD	14.4	84.1	DELMARVA BR	LINE TO SOU
122B	SEAFORD	DELMAR	84.1	97.3	SEAFORD SEC	LINE TO SOU
1228	WEST YARD	BANK	0.0	0.8	WEST WILM TK	LINE TO SOU
1228	BRIDGE	PORTER	0.0	14.4	NEW CASTLE SEC	LINE TO SOU
1229	BANK	FARNHURST	2.1	4.1	NEW CASTLE IND	LINE TO SOU
1229	FARNHURST	N CASTLE	4.1	6.2	NEW CASTLE IND	LINE TO SOU
1229	N CASTLE	N CASTLE TASKER	6.2	6.6	NEW CASTLE IND	LINE TO SOU
1231	TOWNSEND	DL/MD ST LINE	0.0	5.2	CENTREVILLE SEC	LINE TO SOU
1231	DL/MD ST LINE	CENTREVILLE	5.2	35.1	CENTREVILLE SEC	LINE TO SOU
1232	MASSEY	MASSEY	0.0	0.5	CHESTERTOWN SEC	LINE TO SOU
1233	CLAYTON	DL/MD ST LINE	0.0	13.7	OXFORD SEC	LINE TO SOU
1233	DL/MD ST LINE	EASTON	13.7	44.0	OXFORD SEC	LINE TO SOU
1240	SEAFORD	SOU STATES COOP	0.0	1.2	CAMBRIDGE SEC	LINE TO SOU
1240	SOU STATES COOP	GEN MILLS	1.2	2.3	CAMBRIDGE SEC	LINE TO SOU
1240	GEN MILLS	DL/MD ST. LINE	2.3	5.7	CAMBRIDGE SEC	LINE TO SOU
1240	DL/MD ST LINE	CAMBRIDGE	5.7	32.9	CAMBRIDGE SEC	LINE TO SOU
1265	CLAYTON	SMYRNA	0.0	1.3	SMYRNA TRACK	LINE TO SOU

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1235	HARRINGTON	GEORGETOWN	0.0	23.9	D&MV SEC TK	LINE TO SOU
1236	GEORGETOWN	INDIAN RIVER	0.0	12.8	SNOW HILL SEC	LINE TO SOU
1236	INDIAN RIVER	DL/MD ST LINE	12.8	19.2	SNOW HILL SEC	LINE TO SOU
1236	DL/MD ST LINE	SNOW HILL	19.2	42.0	SNOW HILL SEC	LINE TO SOU
1237	GEORGETOWN	LEWES	23.9	38.0	REHOBOTH RNG TK	LINE TO SOU
1238	ELLENDALE	MILTON	0.0	6.8	MILTON TK	LINE TO SOU

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1221	BELL	BRIDGE	0.0	3.6	SHELLPOT BRANCH	LINE TO SOU/TR TO CRC
1221	BRIDGE	RAGAN	3.6	7.0	SHELLPOT SEC	LINE TO SOU/TR TO CRC
1223	DAVIS	PORTER	0.0	6.6	DELMARVA (ND&C) BR	LINE TO SOU
1230	PORTER	REYBOLD	6.6	10.6	N&DC RNG TK	LINE TO SOU

TRANSFEROR: PENNDEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
122C	DELMAR	FRUITLAND	0.0	9.7	POCOMOKE SEC	LINE TO SOU
122C	FRUITLAND	POCOMOKE	9.7	31.5	POCOMOKE SEC	LINE TO SOU
122C	POCOMOKE	MD/VA ST LINE	31.5	35.8	POCOMOKE SEC	LINE TO SOU
122C	MD/VA ST LINE	CAPE CHARLES	35.8	95.0	POCOMOKE SEC	LINE TO SOU
1242	KINGS CREEK	KINGS CREEK	0.0	1.2	CRISFIELD SEC	LINE TO SOU
1264	NORFOLK	NORTH JCT	0.0	1.0	LITTLE CREEK TK	LINE TO SOU
1264	CAMDEN HTS	LITTLE CREEK	4.2	6.7	LITTLE CREEK TK	LINE TO SOU

INTERESTS DESIGNATED TO THE SOUTHERN

TRANSFEROR: BALTIMORE & EASTERN RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1239	PRESTON	HURLOCK	10.0	16.1	VIENNA RNG TK	LINE TO SOU
1239	HURLOCK	HURLOCK	16.1	17.0	VIENNA RNG TK	LINE TO SOU
1239	HEBRON	SALISBURY	35.2	40.8	MARDELLA TK	LINE TO SOU
1239	SALISBURY	SALISBURY	40.8	42.1	MARDELLA TK	LINE TO SOU
1239	SALISBURY	SALISBURY	42.1	42.7	MARDELLA TK	LINE TO SOU
1239	SALISBURY	PERDUE SIDING	42.7	45.7	MARDELLA TK	LINE TO SOU
1239	BERLIN	BERLIN	64.0	65.2	OCEAN CITY TK	LINE TO SOU
1267	SALISBURY	MILL STREET	0.0	0.6	MILL STREET TK	LINE TO SOU

SYSTEM: READING COMPANY

TRANSFEROR: WILMINGTON & NORTHERN RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0352	WILMINGTON	WILMINGTON	0.0	2.2	WILM & NORTHERN	TR TO SOU
0352	WILMINGTON	FISMERE JCT BO	2.2	2.9	WILM & NORTHERN	TR TO SOU
0391	WILMINGTON	MARYLAND AVE	0.0	0.8	MARYLAND AVE BR	TR TO SOU
0393	DEL RIV EXT	CHRISTIANA AVE	0.0	1.8	CHRISTIANA AVE BR	TR TO SOU
0395	DEL RIV EXT	S WALNUT ST	0.0	1.3	SO WALNUT ST BR	TR TO SOU
0396A	MILL CREEK JCT	WARD	0.0	0.8	DEL RIVER EXT	TR TO SOU
0396B	WARD	PIGEON POINT	0.0	3.1	DEL RIVER EXT	TR TO SOU

PROJECT: IN 14 OFFERING PRICE $100,954

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8432	MT CARMEL	MT CARMEL EM+N	126.3	127.4	DANVL & CAIRO BR	TR TO SOU
8438	MT CARMEL EE&N	ILL/IND LINE	127.4	129.C	INDUSTRIAL TRAK	TR TO SOU
8438	ILL/IND LINE	GIB POWER SKELTN	129.0	132.0	INDUSTRIAL TRACK	TR TO SOU
8438	GIBPOWER SKELTN	MP 140	132.0	140.C	EVANSVILLE BR	LINE TO SOU
8438	MP 140	I&N MP 1541	140.0	154.1	EVANSVILLE BR	LINE TO SOU

INTERESTS DESIGNATED TO THE TOLEDO, PEORIA, & WESTERN

PROJECT: TPW 1

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3107	VAN	KENNETH	1.2	5.7	MAIN LINE	TR TO TPW
3107	LOGANSPORT RACE	VAN	196.0	198.3	MAIN LINE	TR TO TPW

PROJECT: TPW 630 OFFERING PRICE $234,923

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3133	KENNETH	KENTLAND	5.7	57.2	EFFNER SEC	LINE TO TPW
3133	KENTLAND	EFFNER	57.2	61.3	EFFNER SEC	LINE TO TPW

PROJECT: TPW 577 A OFFERING PRICE $72,797

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8312	SHEFF	IN/IL ST LINE	211.3	216.3	MAIN LINE	LINE TO TPW
8312	IN/IL LINE	SHELDON	216.3	218.5	MAIN LINE	LINE TO TPW
8312	SHELDON	SHELDON	218.5	219.4	MAIN LINE	LINE TO TPW

INTERESTS DESIGNATED TO THE UNION RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: PA 13 OFFERING PRICE $63,227

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2252	SOUTH DUQUESNE	MCKEESPORT	0.0	1.0	MCKEESPORT BR	LINE TO URR/TR TO CRC

INTERESTS DESIGNATED TO THE WESTERN MARYLAND

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

PROJECT: PA 9

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1331	PENN ROAD	PA/MD LINE	41.6	68.2	CUMBERLAND VLY BR	TR TO WM
1331	PA/MD ST LINE	HAGERSTOWN	68.2	74.8	CUMBERLAND VLY BR	TR TO WM

INTERESTS DESIGNATED TO THE CHESSIE

PROJECT: USR I

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: UNITED N. J. R. R. & CANAL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1422	GREENVILLE "BAY"	GREENVILLE YD	4.2	6.5	GREENVILLE BR	TR TO CHESSIE

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1412	HOBOKEN	CP WALDO	3.0	4.7	RIVER LINE	TR TO CHESSIE

SYSTEM: LEHIGH VALLEY R. R.

TRANSFEROR: LEHIGH VALLEY R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0501	CONSTABLE JCT	GREENVILLE "BAY"	5.5	6.5	MAIN LINE IVBR	TR TO CHESSIE
0509	NATIONAL JCT	NAT DOCKS BR	1.6	2.0	NJ JCT BRANCH	TR TO CHESSIE
0509	PRR JCT	CONSTABLE JCT	2.0	5.2	NAT DOCKS BR	TR TO CHESSIE

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6101	GL	GREAT NOTCH	2.9	16.8	BOONTON LINE (NOTE 1)	TR TO CHESSIE
6101	GREAT NOTCH	MOUNTAIN VIEW	16.8	21.4	BOONTON LINE (NOTE 1)	TR TO CHESSIE
6101	MOUNTAIN VIEW	DENVILLE	21.0	34.0	BOONTON LINE	TR TO CHESSIE
6101	DOVER	PORT MORRIS	38.5	45.7	MAIN LINE (FORMER DL&W)	TR TO CHESSIE
6101	PORT MORRIS	NJ/PA ST LINE	45.7	73.2	MAIN LINE (FORMER DL&W)	LINE TO CHESSIE
6101	NJ/PA ST LINE	SLATEFORD JCT	73.2	74.3	MAIN LINE (FORMER DL&W)	LINE TO CHESSIE
6102	BERGEN JCT	RIDGEWOOD JCT	3.3	19.4	BERGEN COUNTY (NOTE 2)	TR TO CHESSIE
6102	RIDGEWOOD JCT.	SUFFERN	20.2	30.5	MAIN LINE (FORMER ERIE)	TR TO CHESSIE
6102	SUFFERN	NEWBURGH JCT.	30.5	44.9	MAIN LINE (FORMER ERIE)	TR TO CHESSIE
6102	NEWBURGH JCT.	EAST GREYCOURT	44.9	52.5	MAIN LINE (FORMER ERIE)	TR TO CHESSIE
6102	EAST GREYCOURT	PORT JERVIS	52.5	86.7	MAIN LINE (FORMER ERIE)	TR TO CHESSIE
6102	PORT JERVIS	NY/PA LINE	86.7	90.8	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6102	NY/PA LINE	MILL RIFT	90.8	91.2	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6103	NEWBURGH JCT	EAST M Q	45.0	63.3	GRAHAM LINE	LINE TO CHESSIE
6103	EAST M Q	M Q	63.3	65.5	GRAHAM LINE	LINE TO CH./TR TO CRC
6103	M Q	HOWELLS JCT	65.5	76.5	GRAHAM LINE	LINE TO CHESSIE
6151	WEST END	PATERSON JCT.	1.9	13.6	MAIN LINE (NOTE 3)	TR TO CHESSIE
6151	PATERSON JCT	XW	13.6	14.9	MAIN LINE (NOTE 3)	TR TO CHESSIE
6151	XW	RIDGEWOOD JCT.	14.9	20.2	MAIN LINE (FORMER ERIE)	TR TO CHESSIE
6152	NJ & NY JCT	N HACKENSACK	7.6	16.0	NJ&NY BRANCH	TR TO CHESSIE
6152	NANUET JCT	SPRING VALLEY	9.0	11.5	PIERMONT BRANCH	TR TO CHESSIE
6152	N HACKENSACK	NANUET JCT	16.0	28.2	NJ&NY BRANCH	TR TO CHESSIE
6160	JERSEY CITY	BERGEN JCT (HL)	0.0	3.3	MAIN LINE (FORMER ERIE) NOTE 5	LINE TO CHESSIE
6160	CROXTON	WEEHAWKEN	0.0	5.2	WEEHAWKEN BRANCH	LINE TO CHESSIE
6161	CROXTON	SPARKILL	2.2	23.9	NORTHERN BRANCH	LINE TO CHESSIE
6162	SPARKILL	PIERMONT DOCK	0.5	1.9	PIERMONT BRANCH	LINE TO CHESSIE
6163	SPARKILL	ORANGEBURG	1.9	4.4	PIERMONT BRANCH	LINE TO CHESSIE
6164	SPRING VALLEY	WOODBINE	30.7	31.5	NJ&NY BRANCH	TR TO CHESSIE
6165	SPRING VALLEY	TALLMANS	11.5	16.5	PIERMONT BRANCH	LINE TO CHESSIE
6165	TALLMANS	SUFFERN	16.5	18.0	PIERMONT BRANCH	LINE TO CHESSIE
6166	DB JCT	PATERSON JCT	4.5	17.3	NEWARK BRANCH	LINE TO CHESSIE
6167	RUTHERFORD JCT	CARLTON HILL	8.7	10.2	CARLTON HILL	LINE TO CHESSIE
6168	PASSAIC	XW	11.5	14.9	PASSAIC BRANCH	LINE TO CHESSIE
6169	KINGSLAND JCT	HARRISON	0.0	5.5	HARRISON BRANCH	LINE TO CHESSIE
6170	FOREST HILL	BLOOMFIELD	8.4	10.0	ORANGE BRANCH	LINE TO CHESSIE
6172	MOUNTAIN VIEW	POMPTON JCT	21.4	28.1	GREENWOOD LAKE SPUR	LINE TO CHESSIE
6172	POMPTON JCT	POMPTON JCT	28.1	28.3	GREENWOOD LAKE SPUR	LINE TO CHESSIE
6173	LITTLE FALLS	MOUNTAIN VIEW	18.3	21.0	TOTOWA SPUR	LINE TO CHESSIE
6181	GREYCOURT	VAILS GATE	0.0	13.0	NEWBURGH BRANCH	LINE TO CHESSIE
6181	VAILS GATE	NEWBURGH	13.0	19.1	NEWBURGH BRANCH	LINE TO CHESSIE
6183	MO TOWER	CAMPBELL HALL J	5.0	5.8	MONTGOMERY BRANCH	LINE TO CH./TR TO CRC
6183	CAMPBELL HALL J	MONTGOMERY	5.8	10.5	MONTGOMERY BRANCH	LINE TO CH./TR TO CRC
6184	MIDDLETOWN	CRAWFORD JCT	0.0	3.5	FORMER NYO&W	LINE TO CHESSIE
6184	CRAWFORD JCT	FAIROAKS	3.5	4.9	FORMER NYO&W	LINE TO CHESSIE
6191	SUSSEX BR JCT	NETCONG	47.4	48.2	SUSSEX BRANCH	TR TO CHESSIE
6192	PORT MORRIS	SUSSEX BR JCT	45.7	47.4	WASHINGTON LINE	TR TO CHESSIE
6192	SUSSEX BR JCT	WASHINGTON	47.4	67.5	WASHINGTON LINE	LINE TO CHESSIE
6192	WASHINGTON	PHILLIPSBURG	67.5	78.0	PHILLIPSBURG BR	LINE TO CHESSIE
6192	PHILLIPSBURG	PHILLIPSBURG	78.0	80.3	PHILLIPSBURG BR	LINE TO CHESSIE
6193	CHESTER JCT	SUCCASUNNA	41.3	45.0	CHESTER BRANCH	LINE TO CHESSIE
6194	WASHINGTON	WASHINGTON	66.5	67.6	OLD ROAD	LINE TO CHESSIE
6201	SLATEFORD JCT.	BELLS BRIDGE	74.3	78.8	MAIN LINE (FORMER DL&W)	LINE TO CHESSIE
6201	BELLS BRIDGE	SCRANTON	78.8	133.2	MAIN LINE (FORMER DL&W)	LINE TO CHESSIE
6201	SCRANTON	PA/NY LINE	133.2	180.2	MAIN LINE (FORMER DL&W)	LINE TO CHESSIE
6201	PA/NY LINE	BINGHAMTON BD	180.2	192.9	MAIN LINE (FORMER DL&W)	LINE TO CHESSIE
6241	SCRANTON	WEST PITTSON	133.8	144.0	BLOOMSBURG BRANCH	LINE TO CHESSIE
6241	WEST PITTSTON	PLYMOUTH	144.0	153.9	BLOOMSBURG BRANCH	LINE TO CHESSIE
6242	DELAWARE	SLATEFORD JCT	79.3	84.8	OLD ROAD	LINE TO CHESSIE
6243	PORTLAND	BATH JCT	82.0	109.0	BANGOR&PORTLAND	LINE TO CHESSIE
6243	BATH JCT	BATH	109.0	110.5	BANGOR&PORTLAND	LINE TO CHESSIE
6244	PITTS TCM ST	AVOCA	1.8	6.3	WYOMING BRANCH	LINE TO CHESSIE
6244	AVOCA	HILLSIDE JCT	6.3	8.4	WYOMING BRANCH	LINE TO CHESSIE
6244	HILLSIDE JCT	LITTLE VIRGINIA	8.4	10.7	WYOMING BRANCH	LINE TO CHESSIE
6244	LITTLE VIRGINIA	HAINES JCT	10.7	16.2	WYOMING BRANCH	LINE TO CHESSIE
6244	HAINES JCT	ROCK JCT	16.2	17.0	WYOMING BRANCH	LINE TO CHESSIE
6245	ROCK JN	DUNMORE IND PARK	0.0	2.7	JESSUP BRANCH	LINE TO CHESSIE
6246	TAYLOR	CAYUGA	135.9	140.7	KEYSER VALLEY BR	LINE TO CHESSIE
6247	HILLSIDE	SUSCON	154.4	157.0	SUSQ CONN RR	LINE TO CHESSIE

INTERESTS DESIGNATED TO THE CHESSIE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6251	BINGHAMTON BD	CHENANGO FORKS	190.7	202.8	SYRACUSE BRANCH	LINE TO CHESSIE
6251	CHENANGO FORKS	SYRACUSE	202.8	271.2	SYRACUSE BRANCH	LINE TO CHESSIE
6251	SYRACUSE	FULTON	271.2	295.0	SYRACUSE BRANCH	LINE TO CHESSIE
6251	FULTON	FULTON	295.0	295.8	SYRACUSE BRANCH	LINE TO CHESSIE
6252	CHENANGO FORKS	E NEW YORK MILLS	202.8	283.6	UTICA BRANCH	LINE TO CHESSIE
6252	E NEW YORK MILLS	UTICA	283.6	286.9	UTICA BRANCH	LINE TO CH./TR TO CRC
6255	MARTINS CRK JCT	MARTINS CREEK	92.4	97.0	MARTINS CK (B&P)	LINE TO CHESSIE
6256	HAINES JCT	SCRANTON	0.0	3.1	SCRANTON BR	LINE TO CHESSIE
6257	SUSCON	WESTMINSTER JCT	154.4	156.6	WB&NE BRANCH	LINE TO CHESSIE
6301	BINGHAMTON BD	BINGHAMTON DH	213.2	214.1	MAIN LINE	LINE TO CHESSIE
6301	BINGHAMTON DH	WAVERLY	214.1	255.2	MAIN LINE	LINE TO CHESSIE
6301	WAVERLY	SOUTHPORT "TF"	255.2	271.9	MAIN LINE	LINE TO CH./TR TO CRC
6301	SOUTHPORT "TF"	ELMIRA FS	271.9	273.0	MAIN LINE	LINE TO CH./TR TO CRC
6301	ELMIRA FS	HORSEHEADS "HO"	273.0	276.8	MAIN LINE	LINE TO CH./TR TO CRC
6301	HORSEHEADS "HO"	HORNELL	276.8	331.1	MAIN LINE	LINE TO CH./TR TO CRC
6302	MILL RIFT	EAST SHOHOLA	91.2	105.5	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6302	EAST SHOHOLA	WEST SHOHOLA	105.5	106.4	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6302	WEST SHOHOLA	NARROWSBURG NO	106.4	124.9	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6302	NARROWSBURG NO	DEPOSIT MX	124.9	174.5	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6302	DEPOSIT MX	LANESBORO	174.5	189.8	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6303	LANESBORO	SR SUSQUEHANNA	189.8	194.0	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6303	SR SUSQUEHANNA	DH BINGHAMTON	194.0	210.9	MAIN LINE (FORMER ERIE)	LINE TO CHESSIE
6303	DH BINGHAMTON	BINGHAMTON BD	210.9	213.2	MAIN LINE	LINE TO CHESSIE
6351	BINGHAMTON W BD	VESTAL	192.3	200.0	VESTAL SPUR	LINE TO CHESSIE
6352	ERWINS	KANONA	269.0	289.6	WAYLAND BRANCH	LINE TO CHESSIE
6355	PAINTED POST	ERWINS	291.9	293.3	ROCH DIV (FORMER ERIE)	LINE TO CHESSIE
6355	COOPERS	COOPERS	294.8	295.3	ROCH DIV (FORMER ERIE)	LINE TO CHESSIE
6355	CAMPBELL	CAMPBELL	299.5	299.8	ROCH DIV (FORMER ERIE)	LINE TO CHESSIE
6355	BATH	BATH	309.6	310.9	ROCH DIV (FORMER ERIE)	LINE TO CHESSIE
6356	LANESBORO JA	JEFFERSON JCT	1.7	3.5	JEFFERSON BRANCH	LINE TO CHESSIE
6401	HORNELL	PORTAGE	331.8	361.5	BUFFALO DIV	LINE TO CH./TR TO CRC
6401	PORTAGE	EAST LINDEN	361.5	382.9	BUFFALO DIV	LINE TO CH./TR TO CRC
6401	EAST LINDEN	ATTICA AT	382.9	392.5	BUFFALO DIV	LINE TO CH./TR TO CRC
6401	ATTICA AT	BUFFALO UNION	392.5	418.0	BUFFALO DIV	LINE TO CH./TR TO CRC
6401	BUFFALO UNION	BUFFALO IO	418.0	420.8	BUFFALO DIV	LINE TO CH./TR TO CRC
6401	BUFFALO IO	NEW CONNECTION	420.8	421.6	BUFFALO DIV	LINE TO CH./TR TO CRC
6401	NEW CONNECTION	BUFFALO FW	421.6	422.4	BUFFALO DIV	LINE TO CH./TR TO CRC
6401	BUFFALO FW	WARWICK AVE	422.4	423.9	BUFFALO DIV	LINE TO CHESSIE
6441	GROVELAND	NO ALEXANDER	325.8	360.2	GROVELAND BRANCH	LINE TO CHESSIE
6443	AVON	AVON	366.2	366.4	ATTICA BR	LINE TO CHESSIE
6443	AVON	N ALEXANDER	366.4	395.9	ATTICA BRANCH	LINE TO CHESSIE
6443	N ALEXANDER	ATTICA	395.9	401.0	ATTICA BRANCH	LINE TO CHESSIE
6451	S DAYTON	WATERBORO	43.0	58.5	B&SW BRANCH	LINE TO CHESSIE
6461	MAIN STREET	SUSPENSION BRD	7.3	27.2	NIAGARA FALLS BR	LINE TO CHESSIE
6462	EAST BUFFALO	BLACK ROCK	389.7	399.5	BLACK ROCK BR	LINE TO CHESSIE
6463	NO. TONAWANDA	LOCKPORT	13.7	27.1	LOCKPORT BRANCH	LINE TO CHESSIE
6464	EAST BUFFALO	NYC&STL JCT.	389.7	393.4	CITY BRANCH	LINE TO CHESSIE
6464	NYC&STL JCT.	BUFFALO	393.4	395.2	CITY BRANCH	LINE TO CHESSIE
6465	DEPEW JCT	EAST BUFFALO	385.5	389.7	LANCASTER SPUR	LINE TO CHESSIE
6466	BUFFALO IO	E FERRY ST	2.8	6.0	ERIE BR	LINE TO CHESSIE
6468	L & O JCT	LOWERTOWN	25.3	29.1	GULF BR	LINE TO CHESSIE
6469	ELMWOOD AVE	BLACK ROCK	2.6	3.8	INTERNATIONAL BR	LINE TO CHESSIE
6501	SALAMANCA WC	RH STEAMBURG	1.2	14.0	MAIN LINE	LINE TO CHESSIE
6501	RH STEAMBURG	WATERBORO	14.0	23.2	MAIN LINE	LINE TO CHESSIE
6501	WATERBORO	NIOBE JCT.	23.2	47.0	MAIN LINE	LINE TO CHESSIE
6501	CM JUNCTION	CORRY	56.3	60.9	MAIN LINE	LINE TO CHESSIE
6501	CORRY	MEADVILLE	60.9	102.5	MAIN LINE	LINE TO CHESSIE
6501	MEADVILLE	BUCHANAN	102.5	105.4	MAIN LINE	LINE TO CHESSIE
6501	BUCHANAN	SHENANGO	105.4	130.8	MAIN LINE	LINE TO CHESSIE
6501	SHENANGO	PYMATUNING	130.8	136.3	MAIN LINE	LINE TO CHESSIE
6501	PYMATUNING	SN JUNCTION	136.3	164.9	MAIN LINE	LINE TO CHESSIE
6501	SN JUNCTION	BRADY LAKE	164.9	188.4	MAIN LINE	LINE TO CHESSIE
6501	HORNELL	CUBA JCT	331.8	383.9	MAIN LINE	LINE TO CHESSIE
6501	CUBA JCT	SALAMANCA WC	383.9	413.8	MAIN LINE	LINE TO CHESSIE
6502	CLE RIVER BED	DK	0.0	1.2	MAHONING DIV	LINE TO CHESSIE
6502	DK	WEST END	1.2	3.3	MAHONING DIV	LINE TO CHESSIE
6502	WEST END	XR SOLON	3.3	14.9	MAHONING DIV	LINE TO CHESSIE
6502	"XR" SOLON	SOLON NW	14.9	16.5	MAHONING DIV	LINE TO CHESSIE
6502	SOLON NW	SOLON	16.5	17.5	MAHONING DIV	LINE TO CHESSIE
6502	SOLON	KS JEDDOE	17.5	32.7	MAHONING DIV	LINE TO CHESSIE
6502	KS JEDDOE	HM JEDDOE	32.7	34.2	MAHONING DIV	LINE TO CHESSIE
6502	HM JEDDOE	MAHONING	34.2	40.5	MAHONING DIV	LINE TO CHESSIE
6502	MAHONING	RB PHALANX	40.5	48.3	MAHONING DIV	LINE TO CHESSIE
6502	RB PHALANX	SN JUNCTION	48.3	49.6	MAHONING DIV	LINE TO CHESSIE
6502	SN JUNCTION	YOUNGSTOWN	49.6	67.1	MAHONING DIV	LINE TO CHESSIE
6502	YOUNGSTOWN	HUBBARD	67.1	74.7	MAHONING DIV	LINE TO CHESSIE
6502	HUBBARD	SHARON	74.7	80.9	MAHONING DIV	LINE TO CHESSIE
6502	SHARON	SHARPSVILLE	80.9	84.1	MAHONING DIV	LINE TO CHESSIE
6502	SHARPSVILLE	PYMATUNING	84.1	87.9	MAHONING DIV	LINE TO CHESSIE
6503	BROADWAY	WEST END	2.2	3.3	C.U.T. CONNECTION	LINE TO CHESSIE
6542	NIOBE JCT.	CM JUNCTION	0.0	13.2	C&E BRANCH	LINE TO CHESSIE
6552	CARROLLTON	LIMESTONE	0.0	6.2	BRADFORD BRANCH	LINE TO CHESSIE
6552	LIMESTONE	BRADFORD	6.2	9.9	BRADFORD BRANCH	LINE TO CHESSIE
6552	BRADFORD	LEWIS RUN	9.9	17.6	BRADFORD BRANCH	LINE TO CHESSIE
6552	MT JEWETT J&R	CLARION JCT	31.8	52.2	BRADFORD BRANCH	LINE TO CHESSIE
6552	CLARION JCT	JOHNSONBURG	52.2	53.2	BRADFORD BRANCH	LINE TO CHESSIE
6553	BROCKWAY	CRENSHAW	0.0	2.7	TORY BRANCH	LINE TO CHESSIE
6554	BROCKWAY	WI TOWER	0.0	0.9	WEST CLARION BR	LINE TO CHESSIE
6555	CRAB CREEK	HAZELTON	67.5	69.1	HAZELTON BR	LINE TO CHESSIE
6556	YOUNGSTOWN	MERIDIAN RD	0.0	4.8	Y&A BRANCH	LINE TO CHESSIE
6557	OHIO WORKS JCT	GIRARD	5.1	6.0	CANAL BR WEST	LINE TO CHESSIE
6558	CRAB CREEK	WEST AVE	0.0	1.6	CANAL BR EAST	LINE TO CHESSIE
6561	BUCHANAN	FRANKLIN	0.0	27.4	FRANKLIN BRANCH	LINE TO CHESSIE
6561	FRANKLIN	RENO	27.4	28.5	FRANKLIN BRANCH	LINE TO CH./TR TO CRC
6561	RENO	OIL CITY	28.5	33.8	FRANKLIN BRANCH	LINE TO CH./TR TO CRC
6562	FERRONA	FARRELL	0.0	3.6	NEW CASTLE BRANCH	LINE TO CHESSIE
6562	FARRELL	WHEATLAND	3.6	4.4	NEW CASTLE BRANCH	LINE TO CHESSIE
6562	WHEATLAND	NEW CASTLE	4.4	19.3	NEW CASTLE BRANCH	LINE TO CHESSIE
6562	NEW CASTLE	GARDNER AV	19.3	23.3	NEW CASTLE BRANCH	LINE TO CHESSIE
6563	NILES	MINERAL RIDGE	0.0	3.0	LISBON BRANCH	LINE TO CHESSIE
6563	MINERAL RIDGE	MARQUIS	3.0	14.5	LISBON BRANCH	LINE TO CHESSIE
66014	BRADY LAKE	STERLING	188.4	223.6	MAIN LINE	LINE TO CHESSIE
6801	WEST END	NEWARK	1.9	9.0	MORRISTOWN LINE	TR TO CHESSIE
6801	NEWARK	ORANGE	9.0	11.0	MORRISTOWN LINE	TR TO CHESSIE
6801	SUMMIT	DANVILLE	20.0	36.4	MORRISTOWN LINE	TR TO CHESSIE
6801	DENVILLE	DOVER	34.0	38.5	MORRISTOWN LINE	TR TO CHESSIE
6841	SUMMIT	MILLINGTON	20.0	30.0	GLADSTONE BRANCH	TR TO CHESSIE
6842	ROSEVILLE AVE	MONTCLAIR	9.0	13.4	MONTCLAIR BRANCH	TR TO CHESSIE

INTERESTS DESIGNATED TO THE CHESSIE

TRANSFEROR: LACKAWANNA & WYOMING VALLEY RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6253	SCRANTON	LITTLE VIRGINIA	0.0	3.6	LACK&WYOMG VLY	LINE TO CHESSIE
6254	PITTSTON	WILKES BARRE	12.4	18.4	LACK&WYOMG VLY	LINE TO CHESSIE

PROJECT: CS-5

SYSTEM: READING COMPANY

TRANSFEROR: DELAWARE & BOUND BROOK RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0326	WEST TRENTON	WEST TRENTON	32.0	32.5	NEW YORK BR	TR TO CHESSIE
0326	WEST TRENTON	BELLE MEAD	32.5	50.1	NEW YORK BR	TR TO CHESSIE
0326	BELLE MEADE	WESTON	50.1	56.3	NEW YORK BR	TR TO CHESSIE
0326	WESTON	BOUND BROOK JCT	56.3	56.4	NEW YORK BR	TR TO CHESSIE
0348	W TRENTON	W TRENTON	32.6	32.8	TRENTON BRANCH	LINE TO CHESSIE
0348	W TRENTON	TRENTON	32.8	36.2	TRENTON BRANCH	LINE TO CHESSIE
0348	TRENTON	TRENTON	36.2	36.4	TRENTON BRANCH	LINE TO CHESSIE

TRANSFEROR: EAST PENNSYLVANIA RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0312	READING PIKE	ALLENTOWN BURN	1.1	35.4	EAST PENNA BR	LINE TO CH./TR TO CRC

TRANSFEROR: NORTH PENNSYLVANIA RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0301	WILLOW STREET	TABOR JCT	0.0	5.9	BETHLEHEM BR	LINE TO CHESSIE
0301	TABOR JCT	JENKIN	7.0	10.8	BETHLEHEM BR	TR TO CHESSIE
0301	JENKIN	QUAKERTOWN	10.8	40.2	BETHLEHEM BR	TR TO CHESSIE
0301	QUAKERTOWN	BETHLEHEM	40.2	56.6	BETHLEHEM BR	TR TO CHESSIE
0311	LANSDALE	FORTUNA	0.0	1.5	DOYLESTOWN BR	TR TO CHESSIE
0323	FAIRLESS JCT	MORRISVILLE	0.0	6.6	MORRISVILLE BR	LINE TO CH./TR TO CRC
0326	JENKIN	NESHAMINY	10.8	21.2	NEW YORK BR	TR TO CHESSIE
0326	NESHAMINY	"PA/NJ LINE"	21.2	31.4	NEW YORK BR	TR TO CHESSIE
0326	PA/NJ LINE	WEST TRENTON	31.4	32.0	NEW YORK BR	TR TO CHESSIE

TRANSFEROR: PHILADELPHIA, GERMANTOWN & NORRISTOWN RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0328	NORTH BROAD ST	TABOR JCT	2.9	7.0	NINTH STREET BR	TR TO CHESSIE
0329	16TH STREET	NORRISTOWN KALB	3.5	17.3	NORRISTOWN BR	TR TO CHESSIE

TRANSFEROR: PLYMOUTH RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0335	PLYMOUTH JCT	ORELAND	0.0	9.1	PLYMOUTH BR	LINE TO CHESSIE

TRANSFEROR: PORT READING R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0336	WESTON	PORT READING	0.0	19.4	PORT READING BR	LINE TO CH./TR TO CRC

TRANSFEROR: WILMINGTON & NORTHERN RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0340	BIRDSBORO "BE"	W&N JCT	63.4	64.7	WILM & NORTHERN	LINE TO CH./TR TO CRC
0352	WILMINGTON	WILMINGTON	0.0	2.2	WILM & NORTHERN	LINE TO CHESSIE
0352	WILMINGTON	ELSMERE JCT BO	2.2	2.9	WILM & NORTHERN	LINE TO CHESSIE
0352	ELSMERE JCT B&O	ELSMERE JCT	2.9	3.1	WILM & NORTHERN	LINE TO CHESSIE
0352	ELSMERE JCT	DEL/PA ST LINE	3.1	12.7	WILM & NORTHERN	LINE TO CHESSIE
0352	DEL/PA LINE	COATESVILLE	12.7	30.2	WILM & NORTHERN	LINE TO CHESSIE
0352	COATESVILLE	ELVERSON	30.2	51.7	WILM & NORTHERN	LINE TO CHESSIE
0352	ELVERSON	BIRDSBORO "BE"	51.7	63.4	WILM & NORTHERN	LINE TO CHESSIE
0391	WILMINGTON	MARYLAND AVE	0.0	0.8	MARYLAND AVE BR	LINE TO CHESSIE
0393	DEL RIV EXT	CHRISTIANA AVE	0.0	1.8	CHRISTIANA AVE BR	LINE TO CHESSIE
0395	DEL RIV EXT	S WALNUT ST	0.0	1.3	SO WALNUT ST BR	LINE TO CHESSIE
0396A	MILL CREEK JCT	WARD	0.0	0.8	DEL RIVER EXT	LINE TO CHESSIE
0396B	WARD	PIGEON POINT	0.0	3.1	DEL RIVER EXT	LINE TO CHESSIE

TRANSFEROR: TRENTON-PRINCETON TRACTION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0348	TRENTON	EAST TRENTON	35.6	38.7	E TRENTON IND TK	LINE TO CHESSIE
0399	JCT/E TRENTON	LAWRENCEVILLE	1.1	3.4	TRENTON/PRINCETON TRAC	LINE TO CHESSIE

TRANSFEROR: READING COMPANY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0303	NICE	WAYNE	0.0	0.7	BLUE LINE CONN	LINE TO CH./TR TO CRC
0304	CATASAUQUA	ALBURTIS	0.0	14.1	C&F BRANCH	LINE TO CHESSIE
0306	EASTWICK	MARCUS HOOK	0.0	14.2	CHESTER BR	LINE TO CHESSIE
0306	MARCUS HOOK	PENN CENTRAL	14.2	14.5	VIA PC	LINE TO CHESSIE
0306	PENN CENTRAL	END OF TRACK	14.5	15.3	CHESTER BR	LINE TO CHESSIE
0307A	CEDAR HOLLOW	END OF TRACK	0.0	2.5	CEDAR HOLLOW BR	LINE TO CHESSIE
0307B	BRIDGEPORT	DOWNINGTOWN	0.0	21.3	CHESTER VALLEY BR	LINE TO CHESSIE
0309	CALLOWHILL JCT	PARK	0.4	2.4	CITY BRANCH	LINE TO CHESSIE
0309	PARK	FALLS	2.4	5.4	CITY BRANCH	LINE TO CH./TR TO CRC
0310	LEBANON "WALL"	REX	0.0	6.5	CORNWALL BR	LINE TO CHESSIE
0314	FRANKFORD JCT	SUMMERDALE	8.1	9.5	FRANKFORD BR	LINE TO CHESSIE
0314	SUMMERDALE	FRANKFORD	9.5	10.7	FRANKFORD BR	LINE TO CHESSIE

INTERESTS DESIGNATED TO THE CHESSIE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0315	CARLISLE JCT	MT. HOLLY SPRINGS	6.3	7.8	GETTYSBURG & HSBG	LINE TO CHESSIE
0315	MT HOLLY SPRINGS	BIGLERVILLE	7.8	22.9	GETTYSBURG & HSBG	LINE TO CHESSIE
0315	BIGLERVILLE	GETTYSBURG WM	22.9	31.1	GETTYSBURG & HSBG	LINE TO CHESSIE
0315	GETTYSBURG WM	GETTYSBURG END	31.1	31.2	GETTYSBURG & HSBG	LINE TO CHESSIE
0318A	READING	OLEY	0.0	0.2	LEBANON VALLEY BR	LINE TO CH./TR TO CRC
0318B	READING	HARRISBURG	0.0	53.6	LEBANON VALLEY BR	LINE TO CH./TR TO CRC
0320	NICE	NEWTOWN BRANCH	0.0	1.8	LOW GRADE BRANCH	LINE TO CH./TR TO CRC
0322B	FALLS	NORRIS	5.4	18.0	MAIN LINE RDG	LINE TO CH./TR TO CRC
0322B	NORRIS	POTTSTOWN	18.0	40.5	MAIN LINE RDG	TR TO CHESSIE
0322B	POTTSTOWN	READING (PIKE)	40.5	59.9	MAIN LINE RDG	TR TO CHESSIE
0322B	READING (PIKE)	READING (BELT)	59.9	61.4	MAIN LINE RDG	TR TO CHESSIE
0322C	ABRAMS MP 20.7	FIRST AVENUE	0.0	1.3	NORTH ADAMS IND TK	LINE TO CHESSIE
0324	CARMEL	WARMINSTER	0.0	7.3	NEW HOPE BRANCH	TR TO CHESSIE
0324	WARMINSTER	IVYLAND	7.3	9.4	NEW HOPE BRANCH	LINE TO CHESSIE
0327	NEWTOWN JCT	CHELTENHAM JCT	6.2	9.6	N.Y. SHORT LINE	TR TO CHESSIE
0327	CHELTENHAM JCT	NESHAMINY	9.6	19.2	N.Y. SHORT LINE	TR TO CHESSIE
0328	SPRING GARDEN	NORTH BROAD ST	1.0	2.9	NINTH STREET BR	TR TO CHESSIE
0330	NORRISTOWN KALB	NORRIS	0.3	1.0	NORRISTOWN BR	TR TO CHESSIE
0331	ERIE	OLNEY	0.0	1.9	OLNEY BR	LINE TO CHESSIE
0332	PERKIOMEN	OAKS	0.0	1.5	PERKIOMEN BR	LINE TO CHESSIE
0333	HARRIS	LURGAN	0.0	42.4	PHL HBG & PTSBG	LINE TO CHESSIE
0334	SHIP	PENN ROAD	40.1	41.3	PHL HBG & PTSBG	LINE TO CHESSIE
0337	SINKING SPRING	MONTELLO	0.0	0.9	READING&COLUMBIA	LINE TO CHESSIE
0337	MONTELLO	AKRON	0.9	15.0	READING&COLUMBIA	LINE TO CHESSIE
0339	BLANDON	LAUREL	0.0	3.4	READING BELT LINE	LINE TO CH./TR TO CRC
0339	LAUREL	BELT	3.4	5.6	READING BELT LINE	LINE TO CH./TR TO CRC
0339	BELT	KLAPPERTHAL JCT	5.6	13.0	READING BELT LINE	LINE TO CH./TR TO CRC
0338	CUMRU JCT	BIRDSBORO "BE"	11.7	18.8	READING BELT LINE	LINE TO CH./TR TO CRC
0341	FALLS	NICE	5.4	7.1	RICHMOND BRANCH	LINE TO CH./TR TO CRC
0341	NICE	PORT RICHMOND	7.1	11.8	RICHMOND BRANCH	LINE TO CHESSIE
0342	LAUREL	EVANSVILLE	8.4	14.0	SCHUYLKILL&LEHIGH	LINE TO CHESSIE
0345	LANSDALE DALE	KNEEDLER	0.0	1.5	STONY CREEK BR	LINE TO CHESSIE
0345	KNEEDLER	NORRISTOWN	1.5	9.0	STONY CREEK BR	LINE TO CHESSIE
0345	NORRISTOWN	NORRISTOWN ELM	9.0	9.9	STONY CREEK BR	LINE TO CHESSIE
0345	NORRISTOWN ELM	NORRISTOWN KALB	9.9	10.5	NORRISTOWN BR	TR TO CHESSIE
0389	HUMMELSTOWN	HUMMELSTOWN	0.0	0.8	MIDDLETOWN&HUMMELSTN	LINE TO CHESSIE

SYSTEM: LEHIGH VALLEY R. R.

TRANSFEROR: LEHIGH VALLEY R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0501	GREENVILLE "BAY"	NEWARK INT	6.5	11.4	MAIN LINE LVRR	TR TO CHESSIE
0502A	NEWARK INT	ALDENE	11.4	16.9	MAIN LINE LVRR	TR TO CHESSIE
0502A	ALDENE	BOUND BROOK	16.9	33.1	MAIN LINE LVRR	TR TO CHESSIE
0502A	BOUND BROOK	MANVILLE	33.1	36.4	MAIN LINE LVRR	TR TO CHESSIE
0502A	MANVILLE	FLEMINGTON JN	36.4	51.0	MAIN LINE LVRR	TR TO CHESSIE
0502A	FLEMINGTON JCT	EASTON INT	51.0	77.0	MAIN LINE LVRR	TR TO CHESSIE
0502A	EASTON INT	BETHLEHEM INT	77.0	88.6	MAIN LINE LVRR	TR TO CHESSIE
0502A	BETHLEHEM INT	ALLENTOWN	88.6	93.3	MAIN LINE LVRR	TR TO CHESSIE

SYSTEM: CENTRAL R. R. CO. OF NEW JERSEY

TRANSFEROR: CENTRAL R. R. CO. OF NEW JERSEY*

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0201	ELIZABETHPT FH	RARITAN	8.9	35.8	MAIN LINE CNJ	TR TO CHESSIE
0201	RARITAN	HIGH BRIDGE	35.8	52.2	MAIN LINE CNJ	TR TO CHESSIE
0201	HIGH BRIDGE	HIGH BRIDGE	52.2	52.7	MAIN LINE CNJ	TR TO CHESSIE
0201	HIGH BRIDGE	HAMPTON	52.7	56.6	MAIN LINE CNJ	TR TO CHESSIE
0201	HAMPTON	PHILLIPSBURG	56.6	71.2	MAIN LINE CNJ	TR TO CHESSIE
0201	PHILLIPSBURG	PHILLIPSBURG	71.2	72.1	MAIN LINE CNJ	TR TO CHESSIE

PROJECT: USR 7

SYSTEM: LEHIGH VALLEY R. R.

TRANSFEROR: LEHIGH VALLEY R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0502A	EASTON INT	BETHLEHEM INT	77.0	88.6	MAIN LINE LVRR	TR TO CHESSIE
0502A	BETHLEHEM INT	ALLENTOWN	88.6	93.3	MAIN LINE LVRR	TR TO CHESSIE
0503A	ALLENTOWN	LEHIGHTON	93.3	119.1	MAIN LINE LVRR	TR TO CHESSIE
0503A	LEHIGHTON	FRASER	119.1	147.1	MAIN LINE LVRR	TR TO CHESSIE
0506	FRASER	LAUREL RUN	147.1	164.1	GRACEDALE SEC	TR TO CHESSIE
0506	LAUREL RUN	DUPONT	164.1	175.3	MOUNTAIN CUTOFF	TR TO CHESSIE
0506	DUPONT	COXTON INT	175.3	179.9	MOUNTAIN CUTOFF	TR TO CHESSIE

TRANSFEROR: LEHIGH & SUSQUEHANNA R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0504	FRASER	LAUREL RUN	143.8	161.2	LEHIGH & SUSQ	TR TO CHESSIE
0521	PHILLIPSBURG	EASTON	72.1	72.8	LEHIGH & SUSQ	TR TO CHESSIE
0521	BETHLEHEM JCT	STEEL	84.6	85.5	LEHIGH & SUSQ	TR TO CHESSIE
0521	STEEL	LEHIGHTON	85.5	114.7	LEHIGH & SUSQ	TR TO CHESSIE

*INCLUDES ANY OF CENTRAL RAILROAD OF PENNSYLVANIA'S REMAINING INTEREST IN PROPERTY AT MINOOKA JCT.

INTERESTS DESIGNATED TO THE CHESSIE

PROJECT: CS 12

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8123	NITRO	GAULEY BRIDGE	108.5	162.9	KANAWHA SEC	LINE TO CHESSIE
8123	GAULEY BRIDGE	SWISS	162.9	173.1	SWISS RNG TK.	LINE TO CHESSIE
8138	CHARLESTON	CHARLESTON B&O	0.0	0.5	HITOP SEC	LINE TO CHESSIE

PROJECT: CS 19

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8138	BLUE CREEK	BLUE CREEK	12.6	13.4	VIA B&O	LINE TO CHESSIE
8138	BLUE CREEK	ACUP	13.4	26.5	HITOP SEC	LINE TO CHESSIE
8141	PETERS JCT	CORNELIA MINE	0.0	13.9	PETERS CREEK BR	LINE TO CHESSIE

PROJECT: CS 18

SYSTEM: LEHIGH VALLEY R. R.

TRANSFEROR: BUFFALO CREEK RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6470	WILLIAMS ST	PECK SLIP	0.0	5.6	BUFFALO CREEK RR	TR TO CHESSIE

PROJECT: BO 326 OFFERING PRICE $5,166

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2240	INDIANA	INDIANA	16.5	17.3	INDIANA BR	LINE TO CHESSIE

PROJECT: BO 335 OFFERING PRICE $5,019

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2262	UNIONTOWN	UNIONTOWN	0.0	1.1	COAL LICK RUN BR	LINE TO CHESSIE

PROJECT: BO 372 A OFFERING PRICE $18,407

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND & PITTSBURGH R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2427	DOVER	NEW PHILADELPHIA	28.8	31.8	TUSCARAWAS SEC	LINE TO CHESSIE

INTERESTS DESIGNATED TO THE CHESSIE

PROJECT: BO 373 OFFERING PRICE $6,475

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2428	DOVER	DOVER	103.0	103.3	DOVER SEC	LINE TO CHESSIE
2428	DOVER	DOVER "DJ"	103.3	103.9	DOVER SEC	LINE TO CHESSIE
2428	DOVER "DJ"	DOVER "DJ"	103.9	104.2	DOVER SEC	LINE TO CHESSIE

PROJECT: BO 374 OFFERING PRICE $4,139

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2428	CAMBRIDGE	CAMBRIDGE	58.8	59.8	DOVER SEC	LINE TO CHESSIE

PROJECT: BO 497/498/498A OFFERING PRICE $34,303

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8136	WASH CT HOUSE	WASH CT HOUSE	107.4	107.7	MORROW SEC	LINE TO CHESSIE
8136	WASH CT HOUSE	WASH CT HSE BO	108.7	109.0	MORROW SEC	LINE TO CHESSIE
8136	WILMINGTON	CLARKSVILLE	128.3	139.1	MORROW SEC	LINE TO CHESSIE

PROJECT: BO [illegible] OFFERING PRICE $5,220

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8232	MIAMI SEC	TROY	25.1	26.1	SPRINGFIELD BR	LINE TO CHESSIE

PROJECT: BO 551 OFFERING PRICE $22,647

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8232	TROY	TROY	26.1	26.9	SPRINGFIELD BR	LINE TO CHESSIE
8232	ARCANUM	CONT GRAIN	45.8	49.6	SPRINGFIELD BR	LINE TO CHESSIE

PROJECT: BO 663 OFFERING PRICE $20,589

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2217	REDSTONE JCT	REDSTONE JCT	36.0	36.2	SOUTHWEST SEC	LINE TO CHESSIE
2260	REDSTONE JCT	UNIONTOWN	36.2	37.4	SOUTHWEST BR	LINE TO CHESSIE
2261	FAIRCHANCE(SWSEC)	FAIRCHANCE	0.0	0.9	FAIRCHANCE BR.	LINE TO CHESSIE

INTERESTS DESIGNATED TO THE CHESSIE

PROJECT: CO 444 A OFFERING PRICE $2,925

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5233	VASSAR	VASSAR	86.2	86.4	MACKINAW BR	LINE TO CHESSIE
5233	VASSAR	CARO JCT	86.4	86.7	MACKINAW BR	LINE TO CHESSIE

PROJECT: CO 481/482 OFFERING PRICE $3,663

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8132	FOSTORIA	FOSTORIA	34.3	35.1	EASTERN BR	LINE TO CHESSIE

PROJECT: CO 496/496.A OFFERING PRICE $5,605

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8136	LANCASTER	LANCASTER	58.3	59.9	MORROW SEC	LINE TO CHESSIE

PROJECT: CO 514 A OFFERING PRICE $332,887

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8123	POINT PLEASANT	POINT PLEASANT	69.0	69.6	KANAWHA SEC	LINE TO CHESSIE
8123	POINT PLEASANT	RED HOUSE	69.6	98.8	KANAWHA SEC	LINE TO CHESSIE
8123	RED HOUSE	NITRO	98.8	108.5	KANAWHA SEC	LINE TO CHESSIE

PROJECT: IN 3

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY (ALL OTHER LINES)

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8212	STORRS JCT	WADE DIV	2.5	5.0	MAIN LINE	TR TO CHESSIE
8312	WADE DIVPOST	OH/IN ST LINE	5.0	20.5	MAIN LINE	TR TO CHESSIE
8312	OH/IN ST LINE	GUILFORD	20.5	27.9	MAIN LINE	TR TO CHESSIE
8312	GUILFORD	INDPLS "IU"	27.9	109.3	MAIN LINE	TR TO CHESSIE

PROJECT: OH 5

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3500	PAINESVILLE BO	COLLINWOOD "OD"	154.0	174.7	MAIN LINE	TR TO CHESSIE
3500	COLLINWOOD "OD"	CLEVELAND "OB"	174.7	182.5	MAIN LINE	TR TO CHESSIE

INTERESTS DESIGNATED TO THE CHESSIE

PROJECT: NY I

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4800	ROCHESTER MAIN ST	ROCHESTER	369.7	371.0	MAIN LINE	TR TO CHESSIE
4800	ROCHESTER	ROCHESTER CP35	371.0	373.2	MAIN LINE	TR TO CHESSIE
4800	ROCHESTER CP35	CHILI JN CP37	373.2	382.6	MAIN LINE	TR TO CHESSIE
4800	CHILI JN CP37	FRONTIER W END	382.6	435.7	MAIN LINE	TR TO CHESSIE

PROJECT: WV I OFFERING PRICE $70,290

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1331	HAGERSTOWN	POTOMAC R.	74.8	82.1	WINCHESTER SEC	LINE TO CHESSIE

TRANSFEROR: PENNCEL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1331	POTOMAC R.	MD/WV STATE LINE	82.1	82.3	WINCHESTER SEC	LINE TO CHESSIE
1331	MD/WV LINE	MARTINSBURG	82.3	92.5	WINCHESTER SEC	LINE TO CHESSIE
1331	MARTINSBURG	WV/VA LINE	92.5	106.6	WINCHESTER SEC	LINE TO CHESSIE
1331	WV/VA ST LINE	WINCHESTER	106.6	115.9	WINCHESTER SEC	LINE TO CHESSIE

PROJECT: IL II

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8305	INDIANAP WESTST	INDIANAP IJ	0.0	0.6	MAIN LINE	TR TO CHESSIE
8305	INDIANAP IJ	CP GALE	0.6	14.6	MAIN LINE	TR TO CHESSIE
8405	CP GALE	TERRE HAUTE	14.6	71.6	MAIN LINE	TR TO CHESSIE
8405	CP RINGO	IN/IL ST LINE	72.0	80.0	MAIN LINE	TR TO CHESSIE
8405	IN/IL LINE	PARIS MIDLAND	80.0	91.2		TR TO CHESSIE

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8306A	INDIANAPOLIS	WEST ST	0.0	0.4	I.U. RY	TR TO CHESSIE
8406	TERRE HAUTE	CP RINGO	71.6	72.0	GREENCASTLE BR	TR TO CHESSIE

INTERESTS DESIGNATED THE DELAWARE AND HUDSON

PROJECT: DH I *

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1137	BELMONT BDG	ZOO	0.0	1.7	BELMONT BR	TR TO DH
1138	ZOO	ZOO	0.0	0.3	BERRY TRACKS	TR TO DH
1140	ZOO	ARSENAL	0.3	2.4	WEST PHILA ELEV	TR TO DH

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1140	ARSENAL	BRILL	2.4	4.6	WEST PHILA ELEV	TR TO DH
1211	LANDOVER	MD/DC ST LINE	128.8	131.1	MAIN LINE	TR TO DH
1211	MD/DC ST LINE	ANACOSTA	131.1	134.2	MAIN LINE	TR TO DH
1211	ANACOSTA	VIRGINIA AVE	134.2	136.7	MAIN LINE	TR TO DH
1211	VIRGINIA AVE	DC/VA ST LINE	136.7	138.5	MAIN LINE	TR TO DH
1211	DC/VA ST LINE	LONG BRIDGE	138.5	138.7	MAIN LINE	TR TO DH

SYSTEM: READING COMPANY

TRANSFEROR: EAST PENNSYLVANIA RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0312	READING PIKE	ALLENTOWN BURN	1.1	35.4	EAST PENNA BR	TR TO DH

TRANSFEROR: READING COMPANY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0309	PARK	FALLS	2.4	5.4	CITY BRANCH	TR TO DH
0322B	FALLS	NORRIS	5.4	18.0	MAIN LINE RDG	TR TO DH
0322B	NORRIS	POTTSTOWN	18.0	40.5	MAIN LINE RDG	TR TO DH
0322B	POTTSTOWN	READING (PIKE)	40.5	59.9	MAIN LINE RDG	TR TO DH
0339	BLANDON	LAUREL	0.0	3.4	READING BELT LINE	TR TO DH
0339	LAUREL	BELT	3.4	5.6	READING BELT LINE	TR TO DH
0339	BELT	KLAPPERTHAL JCT	5.6	13.0	READING BELT LINE	TR TO DH

SYSTEM: LEHIGH VALLEY R. R.

TRANSFEROR: LEHIGH VALLEY R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0502A	BETHLEHEM INT	ALLENTOWN	88.6	93.3	MAIN LINE LVRR	TR TO DH
0503A	ALLENTOWN	LEHIGHTON	93.3	119.1	MAIN LINE LVRR	TR TO DH
0503A	LEHIGHTON	FRASER	119.1	147.1	MAIN LINE LVRR	TR TO DH
0506	FRASER	LAUREL RUN	147.1	164.1	GRACEDALE SEC	TR TO DH
0506	LAUREL RUN	DUPONT	164.1	175.3	MOUNTAIN CUTOFF	TR TO DH

TRANSFEROR: LEHIGH & SUSQUEHANNA R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0502A	BETHLEHEM	BETHLEHEM JCT	88.6	89.8	BETHLEHEM CONN	TR TO DH
0504	FRASER	LAUREL RUN	143.8	161.2	LEHIGH & SUSQ	TR TO DH
0521	BETHLEHEM JCT	STEEL	84.6	85.5	LEHIGH & SUSQ	TR TO DH
0521	STEEL	LEHIGHTON	85.5	114.7	LEHIGH & SUSQ	TR TO DH

PROJECT: NW 2

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: NORTHERN CENTRAL RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1325	LEMOYNE	DAY	83.2	85.8	YORK HAVEN LINE	TR TO DH
1325	DAY	BANKS	85.8	90.4	YORK HAVEN LINE	TR TO DH
1326	ENOLA	MARYSVILLE	88.8	90.4	ENOLA BR (IN YD)	TR TO DH

TRANSFEROR: NORTHERN CENTRAL RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1314	DAUPHIN	SUNBURY	93.4	138.7	MAIN LINE	TR TO DH

* FINAL DEFINITION OF PROJECT DEPENDS ON CONRAIL ROUTING BETWEEN PHILADELPHIA AND WASHINGTON.

INTERESTS DESIGNATED THE DELAWARE AND HUDSON

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1302	ROCKVILLE	BANKS DIV PST	109.9	113.3	MAIN LINE	TR TO DH
1314	ROCKVILLE	DAUPHIN	90.6	93.4	MAIN LINE	TR TO DH
1314	KASE	SUNBURY	286.4	287.5	MAIN LINE	TR TO DH
1329	SUNBURY KASE	SUNBURY BANKS	0.0	1.0	DAN SEC TK	TR TO DH
1329	SUNBURY BANKS	SOUTH DANVILLE	1.0	10.2	DAN SEC TK	TR TO DH
1329	SOUTH DANVILLE	NESCOPECK	10.2	35.7	DAN SEC TK	TR TO DH
1329	NESCOPECK	BUTTONWOOD	35.7	60.5	BUTTON SEC	TR TO DH

PROJECT: USR 6 OFFERING PRICE $253,012

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1314	NORTHUMBERLAND	KASE	286.1	286.4	MAIN LINE	TR TO DH
1330	SUNBURY KASE	SUNBURY BANKS	0.1	1.9	W/BARRE FRT CONN	LINE TO DH
2331	BERWICK, PA	BERWICK, PA	38.1	38.5	WATSONTOWN SEC	LINE TO DH

SYSTEM: READING COMPANY

TRANSFEROR: READING COMPANY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3305	NORCA	RUPERT	146.5	147.1	CATAWISSA BR	LINE TO DH

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6241	BERWICK	NORTHUMBERLAND	177.0	213.5	BLOOMSBURG BRANCH	LINE TO DH

PROJECT: USR 8

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6301	BINGHAMTON DH	WAVERLY	214.1	255.2	MAIN LINE	TR TO DH
6301	WAVERLY	SOUTHPORT "TF"	255.2	271.9	MAIN LINE	TR TO DH
6301	SOUTHPORT "TF"	ELMIRA FS	271.9	273.0	MAIN LINE	TR TO DH
6301	ELMIRA FS	HORSEHEADS "HO"	273.0	276.8	MAIN LINE	TR TO DH
6301	HORSEHEADS "HO"	HORNELL	276.8	331.1	MAIN LINE	TR TO DH
6401	HORNELL	PORTAGE	331.8	361.5	BUFFALO DIV	TR TO DH
6401	PORTAGE	EAST LINDEN	361.5	382.9	BUFFALO DIV	TR TO DH
6401	EAST LINDEN	ATTICA AT	382.9	392.5	BUFFALO DIV	TR TO DH
6401	ATTICA AT	BUFFALO UNION	392.5	418.0	BUFFALO DIV	TR TO DH
6401	BUFFALO UNION	BUFFALO IC	418.0	420.8	BUFFALO DIV	TR TO DH
6401	BUFFALO IC	NEW CONNECTION	420.8	421.6	BUFFALO DIV	TR TO DH
6401	NEW CONNECTION	BUFFALO FW	421.6	422.4	BUFFALO DIV	TR TO DH

PROJECT: DH 666A OFFERING PRICE $25,326

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4736	CRESCENT	GREEN ISLAND	15.4	20.5	CRESCENT BR	LINE TO DH

INTERESTS DESIGNATED TO CONRAIL IF THEY ARE NOT ACCEPTED BY PROFITABLES

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2428*	NEWCOMERSTOWN	DOVER	84.8	103.0	DOVER SEC	LINE TO CRC
2428*	DOVER	DOVER	103.0	103.3	DOVER SEC	LINE TO CRC
2428*	DOVER	DOVER	103.3	103.9	DOVER SEC	LINE TO CRC
2428*	DOVER	DOVER "DJ"	103.9	104.2	TUSCARAWAS SEC	LINE TO CRC

TRANSFEROR: CLEVELAND & PITTSBURGH R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
2427	DOVER	NEW PHILADELPHIA	28.8	31.8	TUSCARAWAS SEC	LINE TO CRC

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8131	CLYDE	CLYDE	16.1	16.9	SANDUSKY SEC	LINE TO CRC
8131	CLYDE	CLYDE	16.9	17.3	SANDUSKY SEC	LINE TO CRC
8312	SHEFF	IN/IL ST LINE	211.3	216.3	MAIN LINE	LINE TO CRC
8312	IN/IL ST LINE	SHELDON	216.3	218.5	MAIN LINE	LINE TO CRC
8312	SHELDON	SHELDON	218.5	219.4	MAIN LINE	LINE TO CRC

TRANSFEROR: CLEVELAND, CINCINNATI, CHICAGO & ST. LOUIS RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
8345	CONNERSVILLE COHEN	CONNERSVILLE PHILCO	68.0	72.0	WHITEWATER RNG TK	LINE TO CRC
8345	CONNERSVILLE PHILCO	BEESON NEW	72.0	74.1	WHITEWATER RNG TK	LINE TO CRC
8405	PANA	JOAN	167.2	205.7	MAIN LINE	LINE TO CRC
8405	JOAN	LENOX	205.7	237.7	MAIN LINE	LINE TO CRC
8405	LENOX	GRANITE CITY WR	237.7	243.3	MAIN LINE	LINE TO CRC
8405	GRANITE CITY WR	BRIDGE JCT	243.3	248.1	MAIN LINE	LINE TO CRC
8432	WYTON	LYONS	0.8	5.3	CAIRO BR	LINE TO CRC
8432	LYONS	WESTVILLE	5.3	7.2	CAIRO BR	LINE TO CRC
8440	EAST ALTON	LENOX	241.3	249.9	OLD LINE	LINE TO CRC

TRANSFEROR: DELAWARE R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
122A	PORTER	SEAFORD	14.4	84.1	DELMARVA BR	LINE TO CRC
1228	SEAFORD	DELMAR	84.1	97.3	SEAFORD SEC	LINE TO CRC
1228	WEST YARD	BANK	0.0	0.8	WEST WILM TK	LINE TO CRC
1228	BRIDGE	PORTER	0.0	14.4	NEW CASTLE SEC	LINE TO CRC
1229	FARNHURST	N CASTLE	4.1	6.2	NEW CASTLE IND	LINE TO CRC
1229	N CASTLE	N CASTLE TASKER	6.2	6.6	NEW CASTLE IND	LINE TO CRC
1240	SEAFORD	SOU STATES COOP	0.0	1.2	CAMBRIDGE SEC	LINE TO CRC
1240	SOU STATES COOP	GEN MILLS	1.2	2.3	CAMBRIDGE SEC	LINE TO CRC

TRANSFEROR: ERIE & KALAMAZOO R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
3635	RIGA	PALMYRA	315.5	322.4	VULCAN OLD ROAD	LINE TO CRC

TRANSFEROR: MICHIGAN CENTRAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
5234	DENMARK JCT	SAGINAW "MX"	4.9	20.2	MACKINAW BR	LINE TO CRC
5234	SAGINAW "MX"	SAGINAW	20.2	20.7	MACKINAW BR	LINE TO CRC
5235	SAGINAW	MERSHON	101.5	102.2	MACKINAW BR	LINE TO CRC
5235	MERSHON	BAY CITY	102.2	113.3	MACKINAW BR	LINE TO CRC
5235	BAY CITY	BAY CITY	113.3	114.6	MACKINAW BR	LINE TO CRC
5236	BAYCITY ES	BAY CITY WS	0.0	0.7	MACKINAW BR	LINE TO CRC
5236	BAY CITY WS	WENONA	0.7	2.7	MACKINAW BR	LINE TO CRC
5236	WENONA	KAWKAWLIN	2.7	5.0	MACKINAW BR	LINE TO CRC
5237	FORD DIVPOST	SAGINAW	98.1	101.5	SAGINAW BR	LINE TO CRC
5240	BC & BC JN	AUBURN	0.0	9.3	MIDLAND BR	LINE TO CRC
5240	AUBURN	MIDLAND	9.3	18.2	MIDLAND BR	LINE TO CRC
5241	WATER ST JCT	BAY CITY	106.1	109.6	BAY CITY E.S. BR	LINE TO CRC
5242	JCT/MIDLAND BR	END	0.0	2.8	BAY CITY W.S. BR	LINE TO CRC
5243	WATER ST JCT	BAY CITY	0.0	3.1	BAY CITY BELT BR	LINE TO CRC
5244	BAY CITY ES	ESSEXVILLE	0.0	2.5	NC WATER ST TK	LINE TO CRC
5256	BAY CITY	BAY CITY	1.1	2.7	SC WATER-PC/C&O	LINE TO CRC
5337**	OWOSSO	OWOSSO	61.1	65.8	SAGINAW BR	LINE TO CRC
5337**	OWOSSO	SWAN CREEK	65.8	91.8	SAGINAW BR	LINE TO CRC
5337	SWAN CREEK	PAINES	91.8	95.5	SAGINAW BR	LINE TO CRC
5337	PAINES	FORDNEY DIVPOST	95.5	98.1	SAGINAW BR	LINE TO CRC

TRANSFEROR: NORWICH & WORCESTER R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4227	AUBURN, MASS	HOPE AVENUE	66.0	68.5	NORWICH BR	LINE TO CRC
4227	HOPE AVENUE	WORCESTER	68.5	70.8	NORWICH BR	LINE TO CRC

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1235	HARRINGTON	GEORGETOWN	0.0	23.5	DEMV SEC TK	LINE TO CRC
1236	GEORGETOWN	INDIAN RIVER	0.0	12.8	SNOW HILL SEC	LINE TO CRC
1236	INDIAN RIVER	DL/MD ST LINE	12.8	19.2	SNOW HILL SEC	LINE TO CRC
1236	DL/MD ST LINE	SNOW HILL	19.2	42.0	SNOW HILL SEC	LINE TO CRC
1238	ELLENDALE	MILTON	0.0	6.8	MILTON TK	LINE TO CRC

* SEE DESCRIPTION OF COORDINATION PROJECT 80-373 AND ANALYSIS OF LIGHT DENSITY LINE #373.

** SEE DESCRIPTION OF COORDINATION PROJECT GTW-6, GTW-7 AND ANALYSIS OF LIGHT DENSITY LINES #1300, #1301, AND #455A.

INTERESTS DESIGNATED TO CONRAIL IF THEY ARE NOT ACCEPTED BY PROFITABLES

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

1221	BELL	BRIDGE	0.0	3.6	SHELLPOT BRANCH	LINE TO CRC
1221	BRIDGE	PAGAN	3.6	7.0	SHELLPOT SEC	LINE TO CRC
1223	DAVIS	PORTER	0.0	6.6	DELMARVA (ND&C) BR	LINE TO CRC
1230	PORTER	REYBOLD	6.6	10.6	N&DC RNG TK	LINE TO CRC

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

2234	EAST WEIRTON	CHESTER "HS"	3.0	22.0	NEW CUMBERLAND BR	LINE TO CRC
8222	MILL	HAMILTON	16.4	30.7	RICHMOND BR	LINE TO CRC
8222	HAMILTON	OLD RIVER JCT	30.7	31.5	RICHMOND BR	LINE TO CRC
8222	EATON	OH/IN ST LINE	57.4	68.5	RICHMOND BR	LINE TO CRC
8222	OH/IN ST LINE	GLEN	68.5	72.1	RICHMOND BR	LINE TO CRC
8222	GLEN	GLEN	72.1	72.4	RICHMOND BR	LINE TO CRC
8222	NEW CASTLE	NEW CASTLE	100.5	104.1	RICHMOND BR	LINE TO CRC

TRANSFEROR: PGH., YOUNGSTOWN & ASHTABULA RY. CO.

2436	WALFORD	WALFORD	3.4	4.3	WALFORD SEC	LINE TO CRC
2436	WALFORD	WALFORD	4.3	4.7	WALFORD SEC	LINE TO CRC

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

1330	SUNBURY KASE	SUNBURY BANKS	0.1	1.9	W/BARRE FRT CONN	LINE TO CRC
1331	HAGERSTOWN	POTOMAC R.	74.8	82.1	WINCHESTER SEC	LINE TO CRC
2252	SOUTH DUQUESNE	MCKEESPORT	0.0	1.0	MCKEESPORT BR	LINE TO CRC
2331	BERWICK, PA	BERWICK, PA	38.1	38.5	WATSONTOWN SEC	LINE TO CRC
3633*	CLYDE	CLYDE	256.7	257.7	NORWALK BR	LINE TO CRC
3633*	CLYDE	CLYDE	257.7	258.5	NORWALK BR	LINE TO CRC
3633*	CLYDE	FREMONT	258.5	265.5	NORWALK BR	LINE TO CRC
3633*	FREMON.	FREMONT	265.5	268.0	NORWALK BR	LINE TO CRC
3633*	FREMONT	FREMONT	268.0	269.0	NORWALK BR	LINE TO CRC
3635	PALMYRA	LENAWEE JCT	322.4	324.5	VULCAN OLD ROAD	LINE TO CRC
3640	LENAWEE JCT	CLINTON	0.0	13.6	CLINTON BR	LINE TO CRC
4733	ROTTERDAM JCT	S AMSTERDAM	159.5	165.0	WEST SHORE	LINE TO CRC
8123	POINT PLEASANT	POINT PLEASANT	69.0	69.6	KANAWHA SEC	LINE TO CRC
8123	POINT PLEASANT	RED HOUSE	69.6	98.8	KANAWHA SEC	LINE TO CRC
8123	RED HOUSE	NITRO	98.8	108.5	KANAWHA SEC	LINE TO CRC
8123	NITRO	GAULEY BRIDGE	108.5	162.9	KANAWHA SEC	LINE TO CRC
8123	GAULEY BRIDGE	SWISS	162.9	173.1	SWISS RNG TK.	LINE TO CRC
8138	CHARLESTON	CHARLESTON B&O	0.0	0.5	HITOP SEC	LINE TO CRC
8138	BLUE CREEK	BLUE CREEK	12.6	13.4	VIA B&O	LINE TO CRC
8138	BLUE CREEK	ACUP	13.4	26.5	HITOP SEC	LINE TO CRC
8141	PETERS JCT	CORNELIA MINE	0.0	13.9	PETERS CREEK BR	LINE TO CRC

TRANSFEROR: PENNDEL CO.

1220	DELMAR	FRUITLAND	0.0	5.7	POCOMOKE SEC	LINE TO CRC
1220	FRUITLAND	POCOMOKE	9.7	31.5	POCOMOKE SEC	LINE TO CRC
1242	KINGS CREEK	KINGS CREEK	0.0	1.2	CRISFIELD SEC	LINE TO CRC

TRANSFEROR: PENNDEL CO.

1331	POTOMAC R.	MD/WV STATE LINE	82.1	82.3	WINCHESTER SEC	LINE TO CRC
1331	MD/WV LINE	MARTINSBURG	82.3	92.5	WINCHESTER SEC	LINE TO CRC
1331	MARTINSBURG	WV/VA LINE	92.5	106.6	WINCHESTER SEC	LINE TO CRC
1331	WV/VA ST LINE	WINCHESTER	106.6	115.9	WINCHESTER SEC	LINE TO CRC

TRANSFEROR: BALTIMORE & EASTERN RAILROAD

1239	SALISBURY	SALISBURY	40.8	42.1	MARDELLA TK	LINE TO CRC
1239	SALISBURY	SALISBURY	42.1	42.7	MARDELLA TK	LINE TO CRC
1239	SALISBURY	PERDUE SIDING	42.7	45.7	MARDELLA TK	LINE TO CRC
1239	BERLIN	BERLIN	64.0	65.2	OCEAN CITY TK	LINE TO CRC
1267	SALISBURY	MILL STREET	0.0	0.6	MILL STREET TK	LINE TO CRC

SYSTEM: READING COMPANY

TRANSFEROR: DELAWARE & BOUND BROOK RAILROAD

0348	W TRENTON	W TRENTON	32.6	32.8	TRENTON BRANCH	LINE TO CRC
0348	W TRENTON	TRENTON	32.8	36.2	TRENTON BRANCH	LINE TO CRC
0348	TRENTON	TRENTON	36.2	36.4	TRENTON BRANCH	LINE TO CRC

TRANSFEROR: EAST PENNSYLVANIA RAILROAD

0312	READING PIKE	ALLENTOWN BURN	1.1	35.4	EAST PENNA BR	LINE TO CRC

TRANSFEROR: NORTH PENNSYLVANIA RAILROAD

0301	WILLOW STREET	TABOR JCT	0.0	5.9	BETHLEHEM BR	LINE TO CRC
0323	FAIRLESS JCT	MORRISVILLE	0.0	6.6	MORRISVILLE BR	LINE TO CRC

* SEE DESCRIPTION OF COORDINATION PROJECT NW-643A AND ANALYSIS OF LIGHT DENSITY LINES #643 AND #643A.

INTERESTS DESIGNATED TO CONRAIL IF THEY ARE NOT ACCEPTED BY PROFITABLES

TRANSFEROR: PLYMOUTH RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0335	PLYMOUTH JCT	ORELAND	0.0	5.1	PLYMOUTH BR	LINE TO CRC

TRANSFEROR: PORT READING R. R.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0336	WESTON	PORT READING	0.0	19.4	PORT READING BR	LINE TO CRC

TRANSFEROR: WILMINGTON & NORTHERN RAILROAD

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0340	BIRDSBORO "BE"	W&N JCT	63.4	64.7	WILM & NORTHERN	LINE TO CRC
0352	WILMINGTON	WILMINGTON	0.0	2.2	WILM & NORTHERN	LINE TO CRC
0352	WILMINGTON	ELSMERE JCT RD	2.2	2.9	WILM & NORTHERN	LINE TO CRC
0352	COATESVILLE	ELVERSON	30.2	51.7	WILM & NORTHERN	LINE TO CRC
0352	ELVERSON	BIRDSBORO "BE"	51.7	63.4	WILM & NORTHERN	LINE TO CRC
0391	WILMINGTON	MARYLAND AVE	0.0	0.8	MARYLAND AVE BR	LINE TO CRC
0393	DEL RIV EXT	CHRISTIANA AVE	0.0	1.8	CHRISTIANA AVE BR	LINE TO CRC
0395	DEL RIV EXT	S WALNUT ST	0.0	1.3	SO WALNUT ST BR	LINE TO CRC
0396A	MILL CREEK JCT	WARD	0.0	0.8	DEL RIVER EXT	LINE TO CRC
0396B	WARD	PIGEON POINT	0.0	3.1	DEL RIVER EXT	LINE TO CRC

TRANSFEROR: TRENTON-PRINCETON TRACTION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0348	TRENTON	EAST TRENTON	35.6	38.7	E TRENTON IND TK	LINE TO CRC
0399	JCT/E TRENTON	LAWRENCEVILLE	1.1	3.4	TRENTON/PRINCETON TRAC	LINE TO CRC

TRANSFEROR: READING COMPANY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
0303	NICE	WAYNE	0.0	0.7	BLUE LINE CONN	LINE TO CRC
0304	CATASAUQUA	ALBURTIS	0.0	14.1	C&F BRANCH	LINE TO CRC
0306	EASTWICK	MARCUS HOOK	0.0	14.2	CHESTER BR	LINE TO CRC
0306	MARCUS HOOK	PENN CENTRAL	14.2	14.5	VIA PC	LINE TO CRC
0306	PENN CENTRAL	END OF TRACK	14.5	15.3	CHESTER BR	LINE TO CRC
0307A	CEDAR HOLLOW	END OF TRACK	0.0	2.5	CEDAR HOLLOW BR	LINE TO CRC
0307B	BRIDGEPORT	DOWNINGTOWN	0.0	21.3	CHESTER VALLEY BR	LINE TO CRC
0309	CALLOWHILL JCT	PARK	0.4	2.4	CITY BRANCH	LINE TO CRC
0309	PARK	FALLS	2.4	5.4	CITY BRANCH	LINE TO CRC
0310	LEBANON "WALL"	REX	0.0	6.5	CORNWALL BR	LINE TO CRC
0314	FRANKFORD JCT	SUMMERDALE	8.1	9.5	FRANKFORD BR	LINE TO CRC
0314	SUMMERDALE	FRANKFORD	9.5	10.7	FRANKFORD BR	LINE TO CRC
0315	CARLISLE JCT	MT. HOLLY SPRINGS	6.3	7.8	GETTYSBURG & HSBG	LINE TO CRC
0318A	READING	OLEY	0.0	0.2	LEBANON VALLEY BR	LINE TO CRC
0318B	READING	HARRISBURG	0.0	53.6	LEBANON VALLEY BR	LINE TO CRC
0320	NICE	NEWTOWN BRANCH	0.0	1.8	LOW GRADE BRANCH	LINE TO CRC
0322B	FALLS	NORRIS	5.4	18.0	MAIN LINE RDG	LINE TO CRC
0322C	ABRAMS MP 20.7	FIRST AVENUE	0.0	1.3	NORTH ADAMS IND TK	LINE TO CRC
0324	WARMINSTER	IVYLAND	7.3	9.4	NEW HOPE BRANCH	LINE TO CRC
0331	ERIE	OLNEY	0.0	1.9	OLNEY BR	LINE TO CRC
0332	PERKIOMEN	OAKS	0.0	1.5	PERKIOMEN BR	LINE TO CRC
0333	HARRIS	LURGAN	0.0	42.4	PHL HSB & PTSBG	LINE TO CRC
0334	SHIP	PENN ROAD	40.1	41.3	PHL HAB & PTSBG	LINE TO CRC
0337	SINKING SPRING	MONTELLO	0.0	0.9	READING&COLUMBIA	LINE TO CRC
0337	MONTELLO	AKRON	0.9	15.0	READING&COLUMBIA	LINE TO CRC
0339	BLANDON	LAUREL	0.0	3.4	READING BELT LINE	LINE TO CRC
0339	LAUREL	BELT	3.4	5.6	READING BELT LINE	LINE TO CRC
0339	BELT	KLAPPERTHAL JCT	5.6	13.0	READING BELT LINE	LINE TO CRC
0340	CUMRU JCT	BIRDSBORO "BE"	11.7	18.8	READING BELT LINE	LINE TO CRC
0341	FALLS	NICE	5.4	7.1	RICHMOND BRANCH	LINE TO CRC
0341	NICE	PORT RICHMOND	7.1	11.8	RICHMOND BRANCH	LINE TO CRC
0342	LAUREL	EVANSVILLE	8.4	14.0	SCHUYLKILL&LEHIGH	LINE TO CRC
0345	LANSDALE DALE	KNEEDLER	0.0	1.5	STONY CREEK BR	LINE TO CRC
0345	NORRISTOWN	NORRISTOWN ELM	9.0	9.9	STONY CREEK BR	LINE TO CRC
0389	HUMMELSTOWN	HUMMELSTOWN	0.0	0.8	MIDDLETOWN&HUMMELSTN	LINE TO CRC

SYSTEM: ERIE-LACKAWANNA RAILWAY

TRANSFEROR: ERIE-LACKAWANNA RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6101	PORT MORRIS	NJ/PA ST LINE	45.7	73.2	MAIN LINE (FORMER DL&W)	LINE TO CRC
6101	NJ/PA ST LINE	SLATEFORD JCT	73.2	74.3	MAIN LINE (FORMER DL&W)	LINE TO CRC
6102	PORT JERVIS	NY/PA LINE	86.7	90.8	MAIN LINE (FORMER ERIE)	LINE TO CRC
6102	NY/PA LINE	MILL RIFT	90.8	91.2	MAIN LINE (FORMER ERIE)	LINE TO CRC
6103	NEWBURGH JCT	EAST M O	45.0	63.3	GRAHAM LINE	LINE TO CRC
6103	EAST M O	M O	63.3	65.5	GRAHAM LINE	LINE TO CRC
6103	M O	HOWELLS JCT	65.5	76.5	GRAHAM LINE	LINE TO CRC
6160	JERSEY CITY	BERGEN JCT (HL)	0.0	3.3	MAIN LINE (FORMER ERIE) NOTE 5	LINE TO CRC
6160	CROXTON	WEEHAWKEN	0.0	5.2	WEEHAWKEN BRANCH	LINE TO CRC
6161	CROXTON	SPARKILL	2.2	23.9	NORTHERN BRANCH	LINE TO CRC
6162	SPARKILL	PIERMONT DOCK	0.5	1.9	PIERMONT BRANCH	LINE TO CRC
6163	SPARKILL	ORANGEBURG	1.9	4.4	PIERMONT BRANCH	LINE TO CRC
6165	SPRING VALLEY	TALLMANS	11.5	16.5	PIERMONT BRANCH	LINE TO CRC
6165	TALLMANS	SUFFERN	16.5	18.0	PIERMONT BRANCH	LINE TO CRC
6166	OR JCT	PATERSON JCT	4.5	17.3	NEWARK BRANCH	LINE TO CRC
6167	RUTHERFORD JCT	CARLTON HILL	8.7	10.2	CARLTON HILL	LINE TO CRC
6168	PASSAIC	XW	11.5	14.9	PASSAIC BRANCH	LINE TO CRC
6169	KINGSLAND JCT	HARRISON	0.0	5.5	HARRISON BRANCH	LINE TO CRC
6170	FOREST HILL	BLOOMFIELD	8.4	10.0	ORANGE BRANCH	LINE TO CRC
6172	MOUNTAIN VIEW	POMPTON JCT	21.4	28.1	GREENWOOD LAKE SPUR	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL IF THEY ARE NOT ACCEPTED BY PROFITABLES

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6172	POMPTON JCT	POMPTON JCT	28.1	28.3	GREENWOOD LAKE SPUR	LINE TO CRC
6173	LITTLE FALLS	MOUNTAIN VIEW	18.3	21.0	TOTOWA SPUR	LINE TO CRC
6181	VAILS GATE	NEWBURGH	13.0	19.1	NEWBURGH BRANCH	LINE TO CRC
6183	MQ TOWER	CAMPBELL HALL J	5.0	5.8	MONTGOMERY BRANCH	LINE TO CRC
6183	CAMPBELL HALL J	MONTGOMERY	5.8	10.5	MONTGOMERY BRANCH	LINE TO CRC
6184	MIDDLETOWN	CRAWFORD JCT	0.0	3.5	FORMER NYO&W	LINE TO CRC
6184	CRAWFORD JCT	FAIROAKS	3.5	4.9	FORMER NYO&W	LINE TO CRC
6192	SUSSEX BN JCT	WASHINGTON	47.4	67.5	WASHINGTON LINE	LINE TO CRC
6192	PHILLIPSBURG	PHILLIPSBURG	78.0	80.3	PHILLIPSBURG BR	LINE TO CRC
6193	CHESTER JCT	SUCCASUNNA	41.3	45.0	CHESTER BRANCH	LINE TO CRC
6194	WASHINGTON	WASHINGTON	66.5	67.6	OLD ROAD	LINE TO CRC
6201	SLATEFORD JCT.	BELLS BRIDGE	74.3	78.8	MAIN LINE (FORMER DL&W)	LINE TO CRC
6201	BELLS BRIDGE	SCRANTON	78.8	133.2	MAIN LINE (FORMER DL&W)	LINE TO CRC
6201	SCRANTON	PA/NY LINE	133.2	180.2	MAIN LINE (FORMER DL&W)	LINE TO CRC
6201	PA/NY LINE	BINGHAMTON BD	180.2	192.9	MAIN LINE (FORMER DL&W)	LINE TO CRC
6241	SCRANTON	WEST PITTSON	133.8	144.0	BLOOMSBURG BRANCH	LINE TO CRC
6241	WEST PITTSTON	PLYMOUTH	144.0	153.9	BLOOMSBURG BRANCH	LINE TO CRC
6241	BERWICK	NORTHUMBERLAND	177.0	213.5	BLOOMSBURG BRANCH	LINE TO CRC
6242	DELAWARE	SLATEFORD JCT	79.3	84.8	OLD ROAD	LINE TO CRC
6243	PORTLAND	BATH JCT	82.0	109.0	BANGOR&PORTLAND	LINE TO CRC
6244	PITTS TCM ST	AVOCA	1.8	6.3	WYOMING BRANCH	LINE TO CRC
6244	AVOCA	HILLSIDE JCT	6.3	8.4	WYOMING BRANCH	LINE TO CRC
6244	HILLSIDE JCT	LITTLE VIRGINIA	8.4	10.7	WYOMING BRANCH	LINE TO CRC
6244	LITTLE VIRGINIA	HAINES JCT	10.7	16.2	WYOMING BRANCH	LINE TO CRC
6244	HAINES JCT	ROCK JCT	16.2	17.0	WYOMING BRANCH	LINE TO CRC
6245	ROCK JN	DUNMORE IND PARK	0.0	2.7	JESSUP BRANCH	LINE TO CRC
6246	TAYLOR	CAYUGA	135.9	140.7	KEYSER VALLEY BR	LINE TO CRC
6247	HILLSIDE	SUSCON	154.4	157.0	SUSQ CONN BR	LINE TO CRC
6251	BINGHAMTON BD	CHENANGO FORKS	190.7	202.8	SYRACUSE BRANCH	LINE TO CRC
6251	CHENANGO FORKS	SYRACUSE	202.8	271.2	SYRACUSE BRANCH	LINE TO CRC
6251	SYRACUSE	FULTON	271.2	295.0	SYRACUSE BRANCH	LINE TO CRC
6251	FULTON	FULTON	295.0	295.8	SYRACUSE BRANCH	LINE TO CRC
6252	CHENANGO FORKS	E NEW YORK MILLS	202.8	283.6	UTICA BRANCH	LINE TO CRC
6252	E NEW YORK MILLS	UTICA	283.6	286.9	UTICA BRANCH	LINE TO CRC
6255	MARTINS CRK JCT	MARTINS CREEK	92.4	97.0	MARTINS CK (B&P)	LINE TO CRC
6256	HAINES JCT	SCRANTON	0.0	3.7	SCRANTON BR	LINE TO CRC
6257	SUSCON	WESTMINSTER JCT	154.4	156.6	WB&NE BRANCH	LINE TO CRC
6301	BINGHAMTON BD	BINGHAMTON DH	213.2	214.1	MAIN LINE	LINE TO CRC
6301	BINGHAMTON DH	WAVERLY	214.1	255.2	MAIN LINE	LINE TO CRC
6301	WAVERLY	SOUTHPORT "TF"	255.2	271.9	MAIN LINE	LINE TO CRC
6301	SOUTHPORT "TF"	ELMIRA ES	271.9	273.0	MAIN LINE	LINE TO CRC
6301	ELMIRA ES	HORSEHEADS "HO"	273.0	276.8	MAIN LINE	LINE TO CRC
6301	HORSEHEADS "HO"	HORNELL	276.8	331.1	MAIN LINE	LINE TO CRC
6302	MILL RIFT	EAST SHOHOLA	91.2	105.5	MAIN LINE (FORMER ERIE)	LINE TO CRC
6302	EAST SHOHOLA	WEST SHOHOLA	105.5	106.4	MAIN LINE (FORMER ERIE)	LINE TO CRC
6302	WEST SHOHOLA	NARROWSBURG NO	106.4	124.9	MAIN LINE (FORMER ERIE)	LINE TO CRC
6302	NARROWSBURG NO	DEPOSIT MX	124.9	174.5	MAIN LINE (FORMER ERIE)	LINE TO CRC
6302	DEPOSIT MX	LANESBORO	174.5	189.8	MAIN LINE (FORMER ERIE)	LINE TO CRC
6303	LANESBORO	SR SUSQUEHANNA	189.8	194.0	MAIN LINE (FORMER ERIE)	LINE TO CRC
6303	SR SUSQUEHANNA	DH BINGHAMTON	194.0	210.9	MAIN LINE (FORMER ERIE)	LINE TO CRC
6303	DH BINGHAMTON	BINGHAMTON BD	210.9	213.2	MAIN LINE	LINE TO CRC
6351	BINGHAMTON W BD	VESTAL	192.3	200.0	VESTAL SPUR	LINE TO CRC
6352	ERWINS	KANONA	269.0	289.6	WAYLAND BRANCH	LINE TO CRC
6355	PAINTED POST	ERWINS	[illegible]	293.3	ROCH DIV (FORMER ERIE)	LINE TO CRC
6355	COOPERS	COOPERS	294.8	295.3	ROCH DIV (FORMER ERIE)	LINE TO CRC
6355	CAMPBELL	CAMPBELL	299.5	299.8	ROCH DIV (FORMER ERIE)	LINE TO CRC
6355	BATH	BATH	309.6	310.9	ROCH DIV (FORMER ERIE)	LINE TO CRC
6401	HORNELL	PORTAGE	331.8	361.5	BUFFALO DIV	LINE TO CRC
6401	PORTAGE	EAST LINDEN	361.5	382.9	BUFFALO DIV	LINE TO CRC
6401	EAST LINDEN	ATTICA AT	382.9	392.5	BUFFALO DIV	LINE TO CRC
6401	ATTICA AT	BUFFALO UNION	392.5	418.0	BUFFALO DIV	LINE TO CRC
6401	BUFFALO UNION	BUFFALO IC	418.0	420.8	BUFFALO DIV	LINE TO CRC
6401	BUFFALO IC	NEW CONNECTION	420.8	421.6	BUFFALO DIV	LINE TO CRC
6401	NEW CONNECTION	BUFFALO FW	421.6	422.4	BUFFALO DIV	LINE TO CRC
6401	BUFFALO FW	WARWICK AVE	422.4	423.9	BUFFALO DIV	LINE TO CRC
6441	GROVELAND	NO ALEXANDER	325.8	360.2	GROVELAND BRANCH	LINE TO CRC
6443	N ALEXANDER	ATTICA	395.9	401.0	ATTICA BRANCH	LINE TO CRC
6451	S DAYTON	WATERBORO	43.0	58.5	B&SW BRANCH	LINE TO CRC
6461	MAIN STREET	SUSPENSION BRD	7.3	27.2	NIAGARA FALLS BR	LINE TO CRC
6462	EAST BUFFALO	BLACK ROCK	389.7	399.5	BLACK ROCK BR	LINE TO CRC
6463	NO. TONAWANDA	LOCKPORT	13.7	27.1	LOCKPORT BRANCH	LINE TO CRC
6464	EAST BUFFALO	NYC&STL JCT.	389.7	393.4	CITY BRANCH	LINE TO CRC
6464	NYC&STL JCT.	BUFFALO	393.4	395.2	CITY BRANCH	LINE TO CRC
6465	DEPEW JCT	EAST BUFFALO	385.5	389.7	LANCASTER SPUR	LINE TO CRC
6466	BUFFALO IQ	E FERRY ST	2.8	6.0	ERIE BR	LINE TO CRC
6468	L & O JCT	LOWERTOWN	25.3	29.1	GULF BR	LINE TO CRC
6469	ELMWOOD AVE	BLACK ROCK	2.6	3.8	INTERNATIONAL BR	LINE TO CRC
6501	SALAMANCA WC	RH STEAMBURG	1.2	14.0	MAIN LINE	LINE TO CRC
6501	RH	WATERBORO	14.0	23.2	MAIN LINE	LINE TO CRC
6501	WATERBORO	NIOBE JCT.	23.2	47.0	MAIN LINE	LINE TO CRC
6501	CM JUNCTION	CORRY	56.3	60.9	MAIN LINE	LINE TO CRC
6501	CORRY	MEADVILLE	60.9	102.5	MAIN LINE	LINE TO CRC
6501	MEADVILLE	BUCHANAN	102.5	105.4	MAIN LINE	LINE TO CRC
6501	BUCHANAN	SHENANGO	105.4	130.8	MAIN LINE	LINE TO CRC
6501	SHENANGO	PYMATUNING	130.8	136.3	MAIN LINE	LINE TO CRC
6501	PYMATUNING	SN JUNCTION	136.3	164.9	MAIN LINE	LINE TO CRC
6501	SN JUNCTION	BRADY LAKE	164.9	188.4	MAIN LINE	LINE TO CRC
6501	HORNELL	CUBA JCT	331.8	383.9	MAIN LINE	LINE TO CRC
6501	CUBA JCT	SALAMANCA WC	383.9	413.8	MAIN LINE	LINE TO CRC
6502	CLE RIVER BED	DK	0.0	1.2	MAHONING DIV	LINE TO CRC
6502	DK	WEST END	1.2	3.3	MAHONING DIV	LINE TO CRC
6502	WEST END	XP SOLON	3.3	14.9	MAHONING DIV	LINE TO CRC
6502	"XP" SOLON	SOLON NW	14.9	16.5	MAHONING DIV	LINE TO CRC
6502	SOLON NW	SOLON	16.5	17.5	MAHONING DIV	LINE TO CRC
6502	SOLON	KS JEDDOE	17.5	32.7	MAHONING DIV	LINE TO CRC
6502	KS JEDDOE	HM JEDDOE	32.7	34.2	MAHONING DIV	LINE TO CRC
6502	HM JEDDOE	MAHONING	34.2	40.5	MAHONING DIV	LINE TO CRC
6502	MAHONING	RB PHALANX	40.5	48.3	MAHONING DIV	LINE TO CRC
6502	RB PHALANX	SN JUNCTION	48.3	49.6	MAHONING DIV	LINE TO CRC
6502	SN JUNCTION	YOUNGSTOWN	49.6	67.1	MAHONING DIV	LINE TO CRC
6502	YOUNGSTOWN	HUBBARD	67.1	74.7	MAHONING DIV	LINE TO CRC
6502	HUBBARD	SHARON	74.7	80.9	MAHONING DIV	LINE TO CRC
6502	SHARON	SHARPSVILLE	80.9	84.1	MAHONING DIV	LINE TO CRC
6502	SHARPSVILLE	PYMATUNING	84.1	87.9	MAHONING DIV	LINE TO CRC
6503	BROADWAY	WEST END	2.2	3.3	C.U.T. CONNECTION	LINE TO CRC
6542	NIOBE JCT.	CM JUNCTION	0.0	13.2	C&P BRANCH	LINE TO CRC
6552	CARROLLTON	LIMESTONE	0.0	6.2	BRADFORD BRANCH	LINE TO CRC

INTERESTS DESIGNATED TO CONRAIL IF THEY ARE NOT ACCEPTED BY PROFITABLES

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6552	BRADFORD	LEWIS RUN	9.5	17.6	BRADFORD BRANCH	LINE TO CRC
6555	CRAB CREEK	HAZELTON	67.5	69.1	HAZELTON BR	LINE TO CRC
6556	YOUNGSTOWN	MERIDIAN RD	0.0	4.8	Y&A BRANCH	LINE TO CRC
6557	OHIO WORKS JCT	GIRARD	5.1	6.0	CANAL BR WEST	LINE TO CRC
6558	CRAB CREEK	WEST AVE	0.0	1.6	CANAL BR EAST	LINE TO CRC
6561	BUCHANAN	FRANKLIN	0.0	27.4	FRANKLIN BRANCH	LINE TO CRC
6561	FRANKLIN	RENO	27.4	28.5	FRANKLIN BRANCH	LINE TO CRC
6561	RENO	OIL CITY	28.5	33.8	FRANKLIN BRANCH	LINE TO CRC
6562	FERRONA	FARRELL	0.0	3.6	NEW CASTLE BRANCH	LINE TO CRC
6562	FARRELL	WHEATLAND	3.6	4.4	NEW CASTLE BRANCH	LINE TO CRC
6562	NEW CASTLE	GARDNER AV	19.3	23.3	NEW CASTLE BRANCH	LINE TO CRC
6563	NILES	MINERAL RIDGE	0.0	3.0	LISBON BRANCH	LINE TO CRC
6563	MINERAL RIDGE	MARQUIS	3.0	14.5	LISBON BRANCH	LINE TO CRC
6601A	BRADY LAKE	STERLING	188.4	223.6	MAIN LINE	LINE TO CRC
6601B*	MARION W END	KENTON	2.5	21.3	MAIN LINE	LINE TO CRC
6601B*	KENTON	LIMA	25.2	54.3	MAIN LINE	LINE TO CRC

TRANSFEROR: LACKAWANNA & WYOMING VALLEY RAILWAY

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6253	SCRANTON	LITTLE VIRGINIA	0.0	3.6	LACK&WYOMG VLY	LINE TO CRC
6254	PITTSTON	WILKES BARRE	12.4	18.4	LACK&WYOMG VLY	LINE TO CRC

SYSTEM: ANN ARBOR

TRANSFEROR: ANN ARBOR

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
6901**	ANN ARBOR	WHITMORE LAKE	47.5	57.0	ANN ARBOR RR	LINE TO CRC
6902**	OWOSSO	OWOSSO	96.0	106.0	ANN ARBOR RR	LINE TO CRC
6902**	OWOSSO	OWOSSO JCT.	106.0	108.0	ANN ARBOR RR	LINE TO CRC
6905**	WHITMORE LAKE	DURAND	57.0	95.8	ANN ARBOR RR	LINE TO CRC
6905**	DURAND	DURAND	95.8	96.0	ANN ARBOR RR	LINE TO CRC

* SEE DESCRIPTION OF COORDINATION PROJECT NW-1260 AND ANALYSIS OF LIGHT DENSITY LINE #1260.

** SEE DESCRIPTION OF COORDINATION PROJECT GTW-6, GTW-7 AND ANALYSIS OF LIGHT DENSITY LINES #1300, #1301, AND #455A.

Notes to Rail Lines Tables

Notes for Erie Lackawanna Branch Names

1. Formerly designated as Greenwood Lake Branch of former Erie RR; still carried by this name in EL track charts and valuation records.
2. Bergen Junction to Rutherford Junction was formerly the Erie Railroad Main Line and still carries this name in EL track charts and valuation records.
3. Formerly designated as Boonton Line of former DL&W; still carried by this name in EL track charts and valuation records.
4. Formerly designated as Newark Branch of former Erie RR; still carried by this name in EL track charts and valuation records.
5. West End to Bergen Junction designated in operating timetable as Bergen County Line.
6. Avon to Rochester carried in EL track charts and valuation records as the Rochester and Genesee Valley Railroad.
7. Hoboken to West End was originally a portion of what historically was designated as the former DL&W Boonton Line; track charts and valuation records still carry this designation.

SECTION C

Designations Under Section 206(c)(1)(A) and (C) to ConRail for Acquisition by Amtrak

The following rail properties of the below-named railroads in reorganization or of railroads leased, operated or controlled by railroads in reorganization, which properties are located in the Northeast Corridor are designated for transfer to ConRail, and are designated to be purchased, leased or otherwise acquired by Amtrak pursuant to section 206(c) (1) (C).

TRANSFEROR

PCTC SYSTEM:

Penn Central Transportation Co.
Connecting Railway Co.
New York Connecting Railroad Co.
Northern Central Railway Co.
Pennsylvania Tunnel & Terminal Railroad Co.
Philadelphia, Baltimore & Washington Railroad Co.
Phila. & Trenton Railroad Co.
Union Railroad Co. of Baltimore
United N.J. Railroad & Canal Co.

DESCRIPTION

ROAD PROPERTIES

Rail lines—

- Transferors' interests in the rail lines designated to ConRail for Amtrak in the Rail Lines Table except for lines which have been purchased or leased by public authorities, subject to such trackage rights as are designated to transportation authorities and appropriate trackage rights which ConRail will retain.
- Such trackage rights of transferors which are necessary to operate Amtrak services on rail lines which have been purchased or leased by public authorities.

Stations and other structures—

- Such use, leasehold, occupancy and access rights under Penn Central Transportation Company's interest in the Providence Union Station and the terminal agreement relating thereto, as are necessary to the operation of present passenger services, and an option (described in Chapter 8) to purchase, lease or otherwise acquire all or less of transferors' remaining interest except commuter service user rights designated to transportation authorities and subject to the rights designated to Rhode Island DOT.
- All or less of transferors' interests in structures designated to ConRail and associated with rail lines in the Northeast Corridor which are used in common with freight operations subject to appropriate user and access rights which ConRail will retain.
- Such use, leasehold, occupancy and access rights in transferors' interests in passenger stations and other structures associated with rail lines in the Northeast Corridor which are necessary to the operation of present passenger services and an option (described in Chapter 8) to purchase, lease, or otherwise acquire the remainder or less of transferors' interests subject to any rights designated to transportation authorities.

Facilities (including yards, shops and other service and maintenance facilities)—

- Penn Central Transportation Company's and Philadelphia, Baltimore and Washington Railroad Company's interests in Ivy City Yard, also known as the Joint Coach Yard.

- All or less of transferors' interests in facilities associated with rail lines in the Northeast Corridor, used in intercity passenger service and in common with freight operations, Rail will retain under terms that accord with the principles set forth in Chapter 2, "Passenger Service."
- Such leasehold, occupancy and access rights in transferors' interests in all other such facilities associated with rail lines in the Northeast Corridor as are necessary to the operation of present Amtrak service and an option (described in Chapter 8) to purchase, lease or otherwise acquire the remainder or less of transferors' interests in such facilities.

EQUIPMENT

Passenger cars and passenger service locomotives—

- As noted in Section A of this Appendix, an option is transferred to ConRail to acquire interests in passenger cars and passenger locomotives; Amtrak has the right to acquire that option to the extent specified in Chapter 8.

MATERIALS AND SUPPLIES AND ADMINISTRATIVE ASSETS

- Transferors' interest in materials and supplies and administrative assets, including offices, warehouses, supplies, records, contract rights and other intangibles and fiscal assets are designated in the manner set forth in Chapter 8, with a division of such assets under which there will be transferred to Amtrak those assets which are required peculiarily by Amtrak and not required by ConRail.

OTHER

Stock—

- An option (described in Chapter 8) to purchase the Philadelphia, Baltimore & Washington Railroad company's interest in the stock of Washington Terminal Company.

Section C Rail Line Tables

INTERESTS DESIGNATED TO CONRAIL FOR AMTRAK

SYSTEM: PENN CENTRAL TRANSPORTATION CO.

TRANSFEROR: CONNECTING RAILWAY CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1101	FRANKFORD JCT	ZOO	81.3	87.6	MAIN LINE	LINE TO AMTRAK

TRANSFEROR: NEW YORK CONNECTING R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
4207	DIVPOST	E 140TH ST	4.5	9.0	HELL GATE LINE	LINE TO AMTRAK

TRANSFEROR: NORTHERN CENTRAL RY. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1201	UNION JCT	B&P JCT	95.6	96.0	MAIN LINE	LINE TO AMTRAK

TRANSFEROR: PENNA. TUNNEL & TERMINAL R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1401	PENN STATION	NY/NJ ST LINE	0.0	1.6	MAIN LINE	LINE TO AMTRAK
1401	NY/NJ ST LINE	HUDSON	1.6	8.6	MAIN LINE	LINE TO AMTRAK
1401	HUDSON	DOCK	7.1	8.0	MAIN LINE	LINE TO AMTRAK
1411	PENN STATION	HAROLD	0.0	3.7	HELL GATE LINE	LINE TO AMTRAK
1411	HAROLD	DIVPOST	3.7	4.5	HELL GATE LINE	LINE TO AMTRAK

TRANSFEROR: PHILA., BALTO. & WASH. R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1101	ARSENAL	DARBY	2.1	6.3	MAIN LINE	LINE TO AMTRAK
1201	DARBY	HOOK	6.3	16.8	MAIN LINE	LINE TO AMTRAK
1201	HOOK	PA/DL ST LINE	16.8	18.2	MAIN LINE	LINE TO AMTRAK
1201	PA/DL ST LINE	WILM WEST YD	18.2	28.2	MAIN LINE	LINE TO AMTRAK
1201	WILM WEST YD	NEWARK, DL	28.2	38.9	MAIN LINE	LINE TO AMTRAK
1201	NEWARK, DL	DL/MD ST LINE	38.9	41.4	MAIN LINE	LINE TO AMTRAK
1201	DL/MD ST LINE	BAY	41.4	92.0	MAIN LINE	LINE TO AMTRAK
1201	B&P JCT	MD/DC LINE	96.0	131.4	MAIN LINE	LINE TO AMTRAK
1201	MD/DC ST LINE	WASHINGTON	131.4	135.1	MAIN LINE	LINE TO AMTRAK

TRANSFEROR: PHILA. & TRENTON R. R. CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1101	HOLMESBURG JCT	FRANKFORD JCT	76.0	81.3	MAIN LINE	LINE TO AMTRAK
1401	MORRISVILLE	MORRIS	58.0	58.6	MAIN LINE	LINE TO AMTRAK
1401	MORRIS	HOLMESBURG JCT	58.6	76.0	MAIN LINE	LINE TO AMTRAK

TRANSFEROR: UNION R. R. CO. OF BALTIMORE

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1201	BAY	UNION JCT	92.0	95.6	MAIN LINE	LINE TO AMTRAK

TRANSFEROR: UNITED N. J. R. R. & CANAL CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1401	DOCK	NEWARK	8.0	9.0	MAIN LINE	LINE TO AMTRAK
1401	NEWARK	COUNTY	9.0	32.9	MAIN LINE	LINE TO AMTRAK
1401	COUNTY	TRENTON "FAIR"	32.9	56.8	MAIN LINE	LINE TO AMTRAK
1401	TRENTON "FAIR"	TRENTON	56.8	57.0	MAIN LINE	LINE TO AMTRAK
1401	TRENTON	NJ/PA STATE LINE	57.0	57.7	MAIN LINE	LINE TO AMTRAK
1401	NJ/PA STATE LINE	MORRISVILLE	57.7	58.0	MAIN LINE	LINE TO AMTRAK

INTERESTS DESIGNATED TO CONRAIL FOR AMTRAK

TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
1101	ZOO	ARSENAL	87.6	90.3	MAIN LINE	LINE TO AMTRAK
1134	34TH ST	RIVER LINE	2.1	2.8	NEW YORK CONN	LINE TO AMTRAK
4115	CRANSTON	PROVIDENCE	180.7	185.1	SHORE LINE-4116	LINE TO AMTRAK
4116	PROVIDENCE	RI/MA ST LINE	185.1	190.8	SHORE LINE	LINE TO AMTRAK
4207	E 140TH ST	MARKET	9.0	10.0	HELL GATE LINE	LINE TO AMTRAK
4207	MARKET	SHELL	10.0	19.0	HELL GATE LINE	LINE TO AMTRAK
4209	MILL RIVER(DIV)	NEW LONDON	73.0	122.8	SHORE LINE	LINE TO AMTRAK
4215	NEW LONDON	MIDWAY	122.8	126.7	SHORE LINE	LINE TO AMTRAK
4215	MIDWAY	CT/RI ST LINE	126.7	141.1	SHORE LINE	LINE TO AMTRAK
4215	CT/RI ST LINE	WESTERLY	141.1	141.3	SHORE LINE	LINE TO AMTRAK
4215	WESTERLY	HILLS GROVE	141.3	175.8	SHORE LINE	LINE TO AMTRAK
4215	HILLS GROVE	CRANSTON	175.8	179.0	SHORE LINE	LINE TO AMTRAK
4215	CRANSTON	CRANSTON	179.0	180.7	SHORE LINE	LINE TO AMTRAK

SECTION D

Designations to ConRail for Acquisition by Transportation Authorities

The following rail properties of the below-named railroads in reorganization and railroads leased, operated or controlled by railroads in reorganization, which properties are used or useful in passenger service and previously designated to be transferred to ConRail in Section A of this Appendix may be purchased or leased from ConRail by a State or a local or a regional transportation authority pursuant to Section 206(c)(1)(D).

TO: All States and Local or Regional Transportation Authorities in the Region

Transferors: All Transferors whose rail lines are designated for transfer to ConRail:

- *Road Properties*

  Rail lines—
  - Appropriate trackage rights for the operation of commuter services on all rail lines used by Amtrak or designated in the Rail Lines Table for transfer to ConRail for Amtrak on which there are present operations of commuter trains by a transportation authority, or which are useful for operation of trains by a transportation authority.
  - Transferors' interests or trackage rights in all rail lines except main freight lines, on which there are present operations of trains by a transportation authority and trackage rights on all rail lines, except main freight lines, which are useful for operations of trains by a transportation authority, which lines are not used or designated to Amtrak and are designated for transfer to ConRail except for appropriate trackage rights for freight operations which ConRail will retain.
  - An option (described in Chapter 8) to purchase or lease all or less of transferors' interests in those rail lines designated to ConRail for transportation authorities in the Rail Lines Table.

  Stations, Structures and Facilities (Including yards, shops, passenger storage tracks and other service and maintenance facilities)—
  - To the extent indicated in Chapter 8, lease or use and occupancy interests in such properties designated to Amtrak and associated with rail lines in which the transportation authority has or is designated an interest.
  - An option (described in Chapter 8) to purchase or lease all or less of ConRail's interest in such properties used jointly for freight and passenger operations and not used by or designated to Amtrak, except for appropriate use and occupancy rights which ConRail will retain.
  - An option (described in Chapter 8) to purchase or lease all or less of the transferors' interests in such properties not designated to Amtrak which are associated with rail lines in which a transportation authority has or is designated an interest.

  Passenger service locomotives and passenger cars

  As noted in Section A of this Appendix, an option is transferred to ConRail to acquire interests in passenger cars and passenger service locomotives; the transportation authorities have the right to acquire that option, subject to the option designated to Amtrak, to the extent specified in Chapter 8.

An option to the extent specified in the following rail lines, not otherwise needed by ConRail for freight operations, is designated for transfer to ConRail under section 206(c)(1)(A) and such interests are offered for purchase or lease by the identified authorities under section 206(c)(1)(D) in accordance with the terms indicated below.

TO: State of Rhode Island

Transferor: Penn Central Transportation Co. System; Penn Central Transportation Co.

- *Road Properties*

  Rail lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines:

Line code	*From*	*To*	*M.P. from*	*M.P. to*	*Branch*
4165	East Providence	Warren	1.9	11.8	Bristol Sec.
4165	Warren	Bristol	11.8	15.7	Bristol Sec.

TO: State of Rhode Island and Rhode Island Department of Transportation

Transferor: Penn Central Transportation Co. System; Penn Central Transportation Co.

Station and Structures

An option (described in Chapter 8) to purchase all or less of Penn Central Transportation Co.'s interest in the Providence Union Station or the terminal agreement relating thereto subject to appropriate leasehold, occupancy and access rights designated to Amtrak.

TO: Commonwealth of Massachusetts

Transferor: Penn Central Transportation Co. System; Penn Central Transportation Co.

- *Road Properties*

Rail lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines:

Line code	From	To	M.P. from	M.P. to	Branch
4186	Buzzards Bay	Falmouth	0.0	13.8	Falmouth Sec.
4174	Sandwich	Hyannis	7.5	24.3	Hyannis Sec.
4180	Yarmouth	South Dennis	0.0	5.6	So. Dennis Sec.

TO: State of New York

Transferor: Penn Central Transportation Co. System; Penn Central Transportation Co.

- *Road Properties*

Rail lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines:

Line code	From	To	M.P. from	M.P. to	Branch
4700	Sand Bank	Hoffman's (CP-11)	160.9	169.9	Main Line.
9131	Wassaic	Millerton	81.6	93.0	Harlem Line.

TO: State of New Jersey; New Jersey Department of Transportation

Transferor: Penn Central Transportation Co. System; United New Jersey Railroad & Canal Co.; New York and Long Branch Railroad; Pennsylvania Reading Seashore Lines; West Jersey & Seashore Railroad; Penndel Co.;

- *Road Properties*

Rail Lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail line:

Line code	From	To	M.P. from	M.P. to	Branch
1427	Farmingdale	Howell	8.3	13.5	Freehold Br.

Transferor: Central Railroad Co. of New Jersey System; Central Railroad Co. of New Jersey

- *Road Properties*

Rail Lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interest in the following rail lines:

Line code	From	To	M.P. from	M.P. to	Branch
0216	Matawan	Morganville	10.9	14.1	Freehold Br.
0216	Morganville	Freehold	14.1	23.0	Freehold Br.

TO: Southeast Pennsylvania Transportation Authority

Transferor: Penn Central Transportation Co. System; Connecting Railway Co.; Penn Central Transportation Co.; Phila., Baltimore & Washington Railroad Co.

- *Road Properties*

Rail Lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines;

Line code	From	To	M.P. from	M.P. to	Branch
1253	Wawa	State Line	18.0	54.2	Octorano Sec.
1245	Upland	Wawa	0.5	6.1	Chester Creek Sec.
1152	De Vault	De Vault	6.0	6.3	Phoenixville Sec.
1152	De Vault	M.P. 9.2	6.3	9.2	Phoenixville Sec.
1150	West Chester	West Chester	29.5	30.7	Frazer Tk.
1150	Frazer	West Chester	24.4	29.5	Former Frazer Br.
1186	Grassland	Former End of Line.	10.5		Former Newtown. Square Branch

Transferor: Reading Company System; North Pennsylvania Railroad; Philadelphia Germantown & Norristown Railroad; Reading Company

- *Road Properties*

Rail Lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines:

Line code	From	To	M.P. from	M.P. to	Branch
0345	Kneedler	Norristown	1.5	9.0	Stony Creek Br.

TO: Commonwealth of Pennsylvania; Pennsylvania Department of Transportation

Transferor: Penn Central Transportation Co. System; Northern Central Railway Co.; Penn Central Transportation Co.; Erie Pittsburgh Railroad Co.

- *Road Properties*

Rail Lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines:

Line code	From	To	M.P. from	M.P. to	Branch
1324	Freeman	Hyde	35.6	54.6	Northern Central Br.
2315	Warren	Kane	66.5	92.5	Emporium Sec.
1302	Conewago	Royalton	90.5	94.5	Main Line.
2229	Arnold	Kiskiminetas Jct.	19.5	28.7	Allegheny Br.
2434	Jamestown	Linesville	90.5	103.6	Jamestown Sec.
2434	Linesville	CP 103	103.6	129.3	Jamestown Sec.

Transferor: Reading Company System; Reading Company

- *Road Properties*

Rail Lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail line:

Line code	From	To	M.P. from	M.P. to	Branch
0332	Oaks	Eumaus Jct.	1.5	38.6	Perkiomen Branch.

Transferor: Lehigh Valley Railroad Co. System; Lehigh & Susquehanna Railroad

- *Road Properties*

Rail Lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail line:

Line code	From	To	M.P. from	M.P. to	Branch
0521	West Easton	Freemansburg	74.4	81.3	Lehigh & Susquehanna.

TO: State of Indiana

Transferor: Penn Central Transportation Co. System; Michigan Central Railroad Co.

- *Road Properties*

Rail lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines:

Line code	From	To	M.P. from	M.P. to	Branch
5304	State Line	Michigan City	222.7	226.5	Main Line.

TO: State of Michigan

Transferor: Penn Central Transportation Co. System; Penndel Co.; Michigan Central R.R. Co.

- *Road Properties*

Rail lines.—An option to purchase or lease (described in Chapter 8) all or less of transferor's interests in the followingrail lines:

Line code	From	To	M.P. from	M.P. to	Branch
5338	Comstock Park	Petosky	239.4	425.8	GR&I Br.
5357	Walton Jct	Traverse City	0.0	25.7	Traverse City Sec.
5304	Asylum Switch	Dowagiac	145.0	178.6	Main Line.
5304	Niles	Stateline	191.7	222.7	Main Line.

Transferor: Ann Arbor Railroad System; Ann Arbor Railroad

- *Road Properties*

Rail lines.—An option to purchase or lease (described in Chapter 8) all or less of transferors' interests in the following rail lines:

Line code	From	To	M.P. from	M.P. to	Branch
6905	Durand	Durand	95.8	96.0	Ann Arbor R.R.
9606	Owosso Jct	Cadillac	108.0	227.0	Ann Arbor R.R.

Section D Rail Line Tables

INTERESTS DESIGNATED TO CONRAIL FOR NEW JERSEY DEPARTMENT OF TRANSPORTATION

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
SYSTEM: PENN CENTRAL TRANSPORTATION CO.						
TRANSFEROR: UNITED N. J. R. R. & CANAL CO.						
1424	NASSAU	PRINCETON	0.0	2.9	PRINCETON BRANCH	LINE TO NEW JERSEY D.O.T.
TRANSFEROR: NEW YORK & LONG BRANCH R. R.						
0222	ASBURY PARK	BRADLEY BEACH	28.1	29.0	NY&LONGBRANCH	LINE TO NEW JERSEY D.O.T.
0222	BRADLEY BEACH	BAY HEAD JCT	29.0	38.0	NY&LONGBRANCH	LINE TO NEW JERSEY D.O.T.
TRANSFEROR: PENNSYLVANIA READING SEASHORE LINES						
9906	PALERMO	OCEAN C. 10THST	59.6	66.4	OCEAN CITY BRANCH	LINE TO NEW JERSEY D.O.T.
TRANSFEROR: WEST JERSEY & SEASHORE RAILROAD						
9901	LINDENWOLD	LINDENWOLD	11.1	11.8	LINDENWOLD STA TK	LINE TO NEW JERSEY D.O.T.
9901	LINDENWOLD	LUCASTON	11.8	13.6	MAIN LINE	LINE TO NEW JERSEY D.O.T.
SYSTEM: LEHIGH VALLEY R. R.						
TRANSFEROR: LEHIGH VALLEY R. R.						
0508	HUNTER	NEWARK INT	0.0	0.6	NEWARK BRANCH	LINE TO NEW JERSEY D.O.T.
SYSTEM: CENTRAL R. R. CO. OF NEW JERSEY						
TRANSFEROR: CENTRAL R. R. CO. OF NEW JERSEY						
0201	BAYONNE "BV"	ELIZABETHPT FH	7.0	8.9	NEWARK BAY BDG	LINE TO NEW JERSEY D.O.T.
SYSTEM: ERIE-LACKAWANNA RAILWAY						
TRANSFEROR: ERIE-LACKAWANNA RAILWAY						
6801	HOBOKEN	WEST END	0.0	1.9	BOONTON LINE (NOTE 7)	LINE TO NEW JERSEY D.O.T.
6801	ORANGE	MILLBURN	11.0	16.8	MORRISTOWN LINE	LINE TO NEW JERSEY D.O.T.
6801	MILLBURN	SUMMIT	16.8	20.0	MORRISTOWN LINE	LINE TO NEW JERSEY D.O.T.
6841	MILLINGTON	GLADSTONE	30.0	42.3	GLADSTONE BRANCH	LINE TO NEW JERSEY D.O.T.

INTERESTS DESIGNATED TO CONRAIL FOR SEPTA

LINE CODE	FROM STATION	TO STATION	MP1	MP2	BRANCH NAME	INTEREST
SYSTEM: PENN CENTRAL TRANSPORTATION CO.						
TRANSFEROR: CONNECTING RAILWAY CO.						
1128	QUEEN LANE	CHESTNUT HILL	2.2	6.6	CHESTNUT HILL BR	LINE TO SEPTA
TRANSFEROR: PENN CENTRAL TRANSPORTATION CO.						
1102	SUBURBAN STA	ZOO	0.0	2.0	SUBURBAN LINE	LINE TO SEPTA
1132	30TH ST STA	ARSENAL	0.7	1.2	SUB LINE SOUTH	LINE TO SEPTA
1133	PENN-RIVER LINE	ZOO 38TH ST	1.5	2.5	36TH ST. CONN.	LINE TO SEPTA
1142	ZOO 34TH ST	ARSENAL	0.0	2.4	GRAYS FERRY BR	LINE TO SEPTA
SYSTEM: READING COMPANY						
TRANSFEROR: NORTH PENNSYLVANIA RAILROAD						
0311	FORTUNA	DOYLESTOWN	1.5	10.0	DOYLESTOWN BR	LINE TO SEPTA
TRANSFEROR: PHILADELPHIA, GERMANTOWN & NORRISTOWN RAILROAD						
0308	WAYNE JCT	GERMANTOWN	5.1	7.0	CHESTNUT HILL BR	LINE TO SEPTA
TRANSFEROR: READING COMPANY						
0308	GERMANTOWN	CHESTNUT HILL	7.0	10.8	CHESTNUT HILL BR	LINE TO SEPTA
0325	CHELTENHAM JCT	NEWTOWN	9.6	26.4	NEWTOWN BR	LINE TO SEPTA
328	READING TERM	SPRING GARDEN	0.0	1.0	NINTH STREET BR	LINE TO SEPTA

SECTION E

Designations from Profitable Railroads to ConRail or Other Profitable Railroads

The following rail properties or profitable railroads operating in the Region may be offered for sale to ConRail or to other profitable railroads pursuant to section 206(c)(2):

Transferor and interest	*From—*	*To—*	*Milepost from—*	*Milepost to—*
TO CONRAIL:				
Chicago & Eastern Illinois: (a) Road properties:				
Rail lines—Transferor's interest in the following rail line:				
Trackage rights	Woodland Junction, IL.	Dolton Junction, IL.	82.6	16.5.
Chessie System: (a) Road properties:				
Rail lines—Transferor's interest in the following rail lines:				
All interest except yard tracks, side tracks and Fort Meade Branch, and subject to reservation of trackage rights by Chessie	Anacostia Junction, MD.	Halethorpe, MD	Baltimore 39.4	Baltimore 8.0.
All interest except eastbound yard and side tracks including Market Street Branch at Wilsmere, DE, subject to reservation of trackage rights by Chessie.	Bayview, MD	Eastwick Junction., PA.	Baltimore 8.0	(Valuation Station 203+55.7) at about Baltimore 93.5.
Trackage rights	Eastwick, PA	Park Junction	Baltimore 93.5	Baltimore 97.5.
Trackage rights	Halethorpe, MD.	Bayview, MD	Baltimore 8.0 (west).	Baltimore 8.0 (east).
Trackage rights	Lawrenceville, IL.	Washington, IN.	198. 4	169. 6.
Facilities—Joint use and rights in transferor's interest in Presque Isle Dock at Toledo, OH.				

Transferor and interest	From—	To—	Milepost from—	Milepost to—
TO CONRAIL—Continued				
Delaware & Hudson: (a) Road properties:				
Rail lines—Trackage rights in transferor's interest in rail line from Wilkes-Barre, PA to Voorheesville, NY. From the present connection between Wilkes-Barre Connecting Railroad and the PC and the present Penn Central line between Selkirk and Syracuse.				
Chicago & Western Indiana: (a) Road properties:				
Rail lines—Transferor's interest in the following rail line:				
Trackage rights	Dolton Junction, IL.	80th St. Yard (Chicago, IL).	16. 5	8. 7.
Elgin, Joliet & Eastern: (a) Road properties:				
Rail lines—Transferor's interest in the following rail line:				
Trackage rights	Hartsdale, IN (Joliet Branch).	Chicago Heights, IL.	12.2	27.2.
Grand Trunk Western: (a) Road properties:				
Rail lines—Transferor's interest in the following rail lines:				
Trackage rights	Munster, IN	Thornton Junction, IN.	31.5	25.2.
Trackage rights: At Battle Creek, MI			175.5	176.9.
Trackage rights if offers to GTW under coordination projects GTW-6 and GTW-7 are not accepted.	Durand, MI	Saginaw, MI	0.00	39.1.
Facilities—Transferor's interest in Detroit Terminal RR.				
Illinois Central Gulf: (a) Road properties:				
Rail lines—Transferor's interest in approximately 504 ft. of track from street crossing at Broadway, Pekin, IL., to switch connecting interchange track with Riverview Hatchery siding, and use of ICG Main Track.				
Louisville & Nashville: (a) Road properties:				
Rail lines—Transferor's interest in the following rail lines:				
Trackage rights	Carmi, IL	Vincennes, IN (via Howell).	360.3	234.6.
Trackage rights	Vincennes, IN	Woodland Junction, IL.	234.6	82.6.
Trackage rights	LaFayette, IN	State Line Tower, IN.	207.4	305.5.
Facilities—Access to and joint use and rights in transferor's interest in Strawberry Yard at Louisville, KY, at L&N Milepost 9.0.				
Milwaukee: (a) Road properties:				
Rail lines—Transferor's interest in the following rail lines:				
Trackage rights	Danville, IL	Chicago, IL	121.2	31.8.
Trackage rights	Terre Haute, IN	Beehunter, IN	175.1	218.4.
Trackage rights	Beehunter, IN	Elnora, IN	218.4	224.0.
Trackage rights	Danville, IL	Terre Haute, IN	121.2	175.1.
Norfolk & Western: (a) Road properties:				
Rail lines—Transferor's interest in the rail line at Indianapolis from Milepost N&W 0.79 to Milepost N&W 1.87.				
Yards—Transferor's interest in Bison Yard, at Buffalo, NY with trackage rights reserved to N&W.				

Transferor and interest	From—	To—	Milepost from—	Milepost to—
TO BALTIMORE & OHIO:				
Chesapeake & Ohio: (a) Road properties:				
Facilities—Joint use of C&O facility at Presque Isle Dock at Toledo, OH, subject to ICC approval of proposed B&O abandonment of operations at Lakefront Dock, Toledo, OH.				
Norfolk & Western: (a) Road properties:				
Rail lines—Transferor's interest in the following rail lines:				
Trackage rights subject to ICC approval of proposed B&O abandonment, Warren, OH to Chardon, OH.	Cleveland, OH	Painesville, OH.	184.1	155.
Trackage rights, subject to ICC approval of proposed B&O abandonment of line between Willard and Sandusky, OH.	Attica Junction OH.	Sandusky, OH	744.5	772.4.
Pittsburgh & Lake Erie: (a) Road properties:				
Rail lines—Transferor's interest in the following rail lines:				
Trackage rights	New Castle, PA	Youngstown, OH.	14.6	0.0.
TO BURLINGTON NORTHERN:				
Baltimore & Ohio:				
Rail Lines—Transferor's interest in the rail line at or near Beardstown, IL, from a point 2,300 feet west of Valuation Station No. 12007 + 30 to a point 300 feet east of Valuation Station No. 11961 + 56.5, a distance of 5,174 feet, subject to ICC approval of proposed B&O abandonment of line between Springfield and Beardstown, IL.				
TO GRAND TRUNK				
Maine Central: (a) Road properties:				
Rail lines—Transferor's interest in the following rail line:				
Trackage rights subject to ICC approval of proposed GTW abandonment between Danville Junction and Portland, ME.	Danville Junction, ME.	Portland, ME	30.0	0.0.
TO GRAND TRUNK WESTERN:				
Chesapeake & Ohio: (a) Road properties:				
Rail lines—Transferor's interest in rail line at Ionia, MI 0.2 mile from GTW/C&O interchange to a point opposite GTW Milepost 124.89 subject to ICC approval of proposed C&O abandonment between Portland, MI and Ionia, MI.				
CHESAPEAKE & OHIO:				
BALTIMORE & OHIO: (a) Road properties:				
Rail lines—Transferor's interest in the following rail line:				
Trackage rights subject to ICC approval of B&O abandonment H Y Tower to LaCrosse, IN.	Wellsboro, IN	Pine Junction, IN.	213.6	249.
Grand Trunk Western: (a) Road properties:				
Rail lines—Transferor's interest in the following rail line:				
3,249 ft. of track, 1 swing bridge, and 1 trestle crossing the Grand River and approximately 7.0 acres of land subject to ICC approval of proposed GTW abandonment from Marne, MI to Grand Haven, MI.	Ferrysburg, MI	Grand Haven, MI.	187.7	187.1.

SECTION F

Recommendations for Joint Use or Operation of Rail Properties Under Section 206(g) of the Act

The following arrangements for joint use of operation of rail properties by the railroads identified with each property are recommended pursuant to section 206(g). Implementation of these arrangements will require ICC approval. In particular, ICC approval of any abandonment under these projects will be required.

SECTION F.—*Projects recommended under the provisions of section 206(g) of the Act and requiring ICC approval*

ALL PROJECTS UNDER WHICH PROFITABLE RAILROADS MAY ABANDON LINES OF RAILROAD WILL REQUIRE ICC APPROVAL OF ANY ABANDONMENTS

Project	Location	Description of project	Conditions and comments
IL-1-g	Bement, Sullivan, IL	Norfolk & Western to abandon its line from Bement to Sullivan, with intersecting railroads to acquire the N&W track and traffic at or near the points shown under "Comments".	*Service continued:* Hammond, IL (B&O); Sullivan, IL (C&EI), (ICG).
IL-2-g	Elvaston, Versailles, IL	Norfolk & Western to abandon its line from Versailles to Elvaston, its trackage rights over Toledo, Peoria & Western from Elvaston to Keokuk, IA, and its trackage rights over Burlington Northern from Quincy to Golden, IL and turn its Keokuk traffic over to TP&W at either Peoria or Forrest for handling into Keokuk for a per-car charge. Intersecting railroads would acquire the N&W track and traffic at or near the points shown under "Comments."	*Service continued:* Elvaston, IL (TP&W); Golden, IL (BN).
IL-12-g	Boody, Taylorville, Springfield, IL.	B&O to abandon its line from Boody to Springfield, IL, and acquire trackage rights over N&W from Decatur to Springfield, IL.	No service required on abandoned segment.
IL-15-g	Waynesville, Atlanta, IL	ITRR to obtain title to that portion of the PC Peoria Secondary Track identified as USRA Line No. 611a between Waynesville (Milepost 127.0) and Atlanta, IL (Milepost 132.7).	
IL-16-g	Eola, Brisbane, Steele, IL; Hartsdale, Griffith, IN.	Burlington Northern to obtain a Chicago bypass route via: (1) Trackage rights over EJ&E between Eola and Brisbane. (2) New connection from EJ&E to PC Joliet Branch at Steele, IL. (3) Ownership of Eastern portion of USRA Line No. 415a from a point approximately 2 miles east of Steele to Frankfort (Milepost 33.2). (4) Ownership of USRA Line No. 415 between Frankfort and Matteson. (5) Trackage rights with right of interchange but not local service over portion of PC between limits of USRA Line No. 414 at Hartsdale, (Milepost 12.8) and limits of USRA Line No. 415 at Matteson (Milepost 24.8). (6) Ownership of portion of USRA Line No. 414 between Hartsdale (Milepost 12.8) and a point 0.6 mile west of E. Gary.	*Note*: Recommendation under section 206(g) that BN acquire USRA Line No. 415 and the stated portion of USRA Line No. 414 will be excluded if USRA does not receive a letter of intent from BN within 60 days of designation.
IL-17-g	Ladd, Seatonville Junction, IL.	Milwaukee Road to acquire trackage rights over C&NW between Ladd and Seatonville Junction and abandon its own line.	
IL-18-g	Carmi, Stonefort, IL	L&N (Family Lines) to acquire trackage rights on ConRail between Carmi (Milepost 156.0) and Stonefort, IL (Milepost 203.9). L&N will also be allowed joint use of Harrisburg Yard, and will have trackage rights on ConRail spurs and branch lines serving this area.	All points on ConRail will be served by ConRail. L&N will be permitted to serve points generating coal traffic for southbound non-ConRail competitive points. L&N will also be allowed to interchange with L&N at Carmi and at Eldorado.

SECTION F.—*Projects recommended under the provisions of section 206(g) of the Act and requiring ICC approval*—Con.

ALL PROJECTS UNDER WHICH PROFITABLE RAILROADS MAY ABANDON LINES OF RAILROAD WILL REQUIRE ICC APPROVAL OF ANY ABANDONMENTS

Project	Location	Description of project	Conditions and comments
IL–19–g	Chicago, IL, Louisville, KY.	L&N and ConRail and other interested lines serving this market to study the coordination of routes between Chicago and Louisville into one high standard joint route.	Traffic service to be agreed upon by carriers subject to ICC approval. Intermediate traffic to be protected where possible by transfer of markets to crossing carriers.
IL–21–g	Carmi, IL, Vincennes, IN	L&N to obtain trackage rights over ConRail between Carmi, IL (Milepost 156.0) and Lawrenceville, IN (Milepost 102.0).	All points on ConRail to be served by ConRail only. All points on B&O to be served by B&O only. L&N will move through service (noncompetitive to ConRail) traffic from McLeanesboro, IL to Chicago area. This project contingent upon negotiations between L&N and B&O for L&N trackage rights on B&O between Lawrenceville, IL (Milepost 198.4) and Vincennes, IN (Milepost 188.5).
IL–22–g	Paris, Chrisman, IL	B&O to obtain overhead trackage rights on ConRail between Paris and Chrisman, IL, in order to connect at Chrisman with the B&O line to Decatur, IL. This is a proposed addition to the routing explained in Table D–1, Project No. IL–11.	All points on ConRail to be served by ConRail only. Long term possibility that B&O may acquire ConRail line between Paris, IL and Chrisman, IL.
IL–29–g	Decatur, Maroa, IL	ITRR to obtain overhead trackage rights over ICG between Decatur (Milepost 95.5) and Maroa, IL (Milepost 107.5).	Local service to be provided by ICG.
IL–30–g	Maroa, Waynesville, IL	ITRR to obtain title to all of that portion of the PC Peoria Secondary Track between Maroa (Milepost 107.5) and Waynesville, IL (Milepost 127.0).	All points to be served by IT.
IL–32–g	Cairo, IL	C&EI (MP) and/or ICG to obtain title to that portion of the PC Cairo Branch at Cairo, IL (USRA Line No. 607d) to be transferred to ConRail between Milepost 255.0 and Milepost 260.0.	Line in question is isolated from any other PC line to be transferred to ConRail and is used only to switch cars between local industries and C&EI(MP) and ICG. Traffic could be served more efficiently by one or both of these carriers. Implementation dependent upon future negotiations between ConRail and C&EI(MP) and/or ICG.
IN–4–g	Dillion, Gary, IN	Norfolk & Western to abandon its line from Dillon to Gary (Tolleston), IN with intersecting railroads to acquire the N&W track and traffic at or near the points shown under "Comments."	*Service continued:* Westville, Ind. (L&N).
IN–6–g	Fort Wayne, Muncie, IN	Norfolk & Western to abandon its lines from Fort Wayne (Waynedale) to Kingsland to Bluffton to Muncie. Intersecting railroads would acquire the N&W track and traffic at or near the points shown under "Comments."	*Service continued:* Hartford City, IN (CRC).

SECTION F.—*Projects recommended under the provisions of section 206(g) of the Act and requiring ICC approval*—Con.

ALL PROJECTS UNDER WHICH PROFITABLE RAILROADS MAY ABANDON LINES OF RAILROAD WILL REQUIRE ICC APPROVAL OF ANY ABANDONMENTS

Project	Location	Description of project	Conditions and comments
IN-7-g	Montpelier, OH, Wakarusa, IN.	Norfolk & Western to abandon its lines from Montpelier (Pergo), OH, to Topeka, IN, and from Millersburg, IN, to Wakarusa, IN, with the remaining segment between Topeka and Millersburg to be acquired by ConRail or also abandoned. Intersecting railroads would acquire the N&W track and traffic at or near the points shown under "Comments."	*Service continued:* Millersburg, New Paris, Topeka, Walcottville, IN (CRC).
IN-8-g	Chicago, IL, Fort Wayne, IN.	Norfolk & Western and ConRail to obtain overhead trackage rights on each others line between Fort Wayne and Chicago (Hobart, IN) and operate on a paired track basis.	
IN-17-g	Gosport, Indianapolis, IN	L&N (Family Lines) to obtain overhead trackage rights on PC line to be transferred to ConRail between Gosport (Milepost 44.1) and the IU Belt Ry. at Indianapolis, IN (Milepost 1.6) via Martinsville, IN.	The project, when approved by the ICC, will replace trackage rights between Greencastle, IN and Indianapolis, IN as described in Table D-1, Project No. IN-11. All points on ConRail to be served by ConRail only. L&N to acquire access to ConRail's Avon Yard.
IN-18-g	Buckskin, Lynnville, IN	L&N (Family Lines) to obtain trackage rights on PC line to be transferred to ConRail between Buckskin (Milepost 0.0) and Lynnville, IN (Milepost 7.8).	All points to be served jointly by ConRail and L&N. L&N traffic to be limited to southbound noncompetitive ConRail movements.
IN-26-g	Anderson, New Castle, IN	N&W to obtain title for overhead use only of PC line to be transferred to ConRail between Anderson (Milepost 121.5) and New Castle, IN (Milepost 104.1).	No change in local service. N&W also to be offered title to or trackage rights over portions of PC lines to Elwood, IN and Clare, OH under other projects.
MA-9-g	White River Junction, VT, Springfield, Palmer, MA.	B&M and CV to operate on a pooling basis between White River Junction and interchange with ConRail at Springfield or Palmer, MA.	Constitutes means of extending existing trackage rights and pooling arrangements.
ME-2-g	Danville, Portland, ME	Maine Central to abandon its line between Danville and Portland and acquire trackage rights over Grand Trunk.	
MI-13-g	Detroit, MI	Grand Trunk Western to acquire trackage rights over PC Toledo Branch to be transferred to ConRail between West Detroit (Milepost 2.9) and Ecorse (Mill Street–Milepost 9.3), a distance of 6.7 miles, only for the purpose of interchange with DT&I.	No change in local service.
MI-15-g	Saginaw, Midland, MI	GTW to obtain trackage rights over C&O between Saginaw and Midland, MI with GTW and C&O rationalizing their facilities in Midland, MI.	No change in local service. USRA and Dow Chemical Co. to assist GTW and C&O in the rationalization of facilities in Midland, MI.
MI-17-g	Bay City, MI	GTW and D&M to rationalize their facilities at or near Bay City, MI, including joint operation of Winona Yard.	No change in local service.

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ALL PROJECTS UNDER WHICH PROFITABLE RAILROADS MAY ABANDON LINES OF RAILROAD WILL REQUIRE ICC APPROVAL OF ANY ABANDONMENTS

Project	Location	Description of project	Conditions and comments
NJ-2-g	Lake Jct, Mt. Hope, Picatinny, Rockaway, NJ.	Chessie System to obtain trackage rights for local freight service over the following properties to be transferred to ConRail: Mt. Hope Mineral RR between Lake Jct. and Mt. Hope, NJ; Wharton & Northern RR between Lake Jct and Picatinny, NJ; and CNJ High Bridge Br. between Lake Jct. and Rockaway, NJ.	Lines are isolated from remainder of ConRail system and can more easily be served by Chessie from EL lines to be acquired.
NY-4-g	Cohoes, NY	ConRail to construct new connection to Crescent Industrial Track (USRA Line No. 666a) at Cohoes, NY in order to improve service.	No change in local service.
NY-5-g	Schenectady, NY	ConRail to change Schenectady interchange with Delaware & Hudson from Sand Bank to State Street in order to permit operating efficiencies.	No change in local service.
NY-8-g	Lowertown, NY	Chessie System to obtain trackage rights for local freight service over 2 miles of PC line to be transfered to ConRail that will be served off Chessie (EL) at Lowertown, NY, or ConRail to obtain title to 3 miles of EL line to be transferred to Chessie that will be used to perform ConRail service at Lowertown, NY.	Conditioned on Chessie obtaining title to the 3 miles of EL line at Lowertown, NY under project No. USRA-1 (Table D-3).
NY-9-g	East New York Mills, New York Mills, NY.	Chessie System to obtain trackage rights for local freight service over that portion of the PC West Shore Secondary Track (USRA Line No. 83a) to be transferred to ConRail between Milepost 232.7 and Milepost 233.6 near New York Mills, NY.	PC presently serves this line via trackage rights over an EL line to be offered to Chessie System.
NY-10-g	Southport, Elmira, NY	Chessie System to obtain trackage rights for local freight service over that portion of the PC Elmira Secondary Track (USRA Line No. 230a) to be transferred to ConRail between Southport (Milepost 74.0) and Elmira (Milepost 75.5), NY.	PC presently serves this line via trackage rights over an EL line to be transferred to Chessie System.
NY-11-g	Elmira Hts., Horseheads, NY.	Chessie System to obtain trackage rights for local freight service over the portions of the PC Elmira-Horseheads Line (USRA Line No. 231a) to be transferred to ConRail between Elmira and Horseheads.	
NY-12-g	Leroy, NY	Chessie System to obtain trackage rights for local freight service over that portion of the PC Caledonia Secondary Track (USRA Line No. 112) to be transferred to ConRail Between Caledonia (Milepost 32.7) and Leroy (Milepost 35.0), NY.	Traffic can be served more efficiently from existing B&O line which crosses at Leroy.
NY-13-g	Owego, NY	Chessie System to obtain trackage rights for local freight service over that portion of the LV Auburn Branch (USRA Line No. 1015) necessary to serve traffic at Owego, NY.	
OH-1-g	Washington Court House, Chillicothe, Waverly, OH.	DT&I to obtain overhead trackage rights over B&O between Washington Court House (Milepost 47.6—Wellston Subdivision) and Renick (Chillicothe), OH(Milepost 13.1—Renick Subdivision), and over N&W between Chillicothe (Milepost 52.2) and Waverly (Glen Jean), OH (Milepost 71.0).	Would permit improvements in safety, operating efficiency and fuel economy.

SECTION F.—*Projects recommended under the provisions of section 206(g) of the Act and requiring ICC approval*—Con

ALL PROJECTS UNDER WHICH PROFITABLE RAILROADS MAY ABANDON LINES OF RAILROAD WILL REQUIRE ICC APPROVAL OF ANY ABANDONMENTS

Project	Location	Description of project	Conditions and comments
OH-16-g	Cleveland, OH	N&W to obtain title to portion of PC line at Cleveland [between junction with Cleveland Short Line (Milepost 5.9) and Orange Avenue Terminal Freight House] between N&W 55th Street Yard and Hoffman Electric Co. Remainder to be abandoned.	*Service continued:* Cleveland, OH (N&W).
OH-17-g	Cincinnati, OH	ConRail, L&N (Family Lines) and Southern to study feasibility of joint piggyback terminal development at Cincinnati Union Terminal.	
OH-19-g	Wheeling, WV, Uhrichsville, OH	ConRail to obtain overhead trackage rights on B&O between Wheeling, WV (Milepost 0.0) and Uhrichsville, OH ("UHRICH" Interlocking—Milepost 23.1 as measured from Holloway, OH).	
OH-20-g	Uhrichsville, Massillon, OH.	ConRail to obtain overhead trackage rights over B&O between Uhrichsville ("UHRICH" Interlocking—Milepost 23.1 as measured from Holloway OH) and Massillon, OH ("MACE" Interlocking—Milepost 58.2).	
OH-22-g	Newark, Mount Vernon, OH.	ConRail to obtain overhead trackage rights on B&O between Newark (Milepost 0.0) and Mount Vernon, OH (Milepost 24.3).	
OH-26-g	Youngstown, OH	Chessie System and ConRail to establish joint yards in the Youngstown area.	Improve operating efficiency by reducing duplication and terminal congestion.
ON-2-g	Leamington, ON	C&O to obtain title to that portion of the PC Leamington Branch (USRA Line No. 715) to be transferred to ConRail which is necessary to serve PC traffic at Leamington, ON.	Leamington Branch connects with the C&O Buffalo-Windsor line at Leamington.
PA-6-g	Kane, Shippenville, PA	ConRail to obtain title to B&O track at Kane, PA and at Shippenville, PA.	Conditioned on ICC approval of B&O application for abandonment of its line between Mount Jewett, and Parker's Landing, PA submitted to ICC on Mar. 18, 1975.
PA-14-g	Penn Haven Junction, Hazleton, Tamaqua, PA.	Delaware & Hudson to acquire tracks of or trackage rights over Lehigh Valley (ConRail) between Penn Haven Junction and Hazleton to a new connection with Reading lines between McAdoo and Tamaqua.	*Service continued:* Penn Haven Junction, Hazleton, Tamaqua PA (CRC and/or D&H).
PA-17-g	Clairton, South Duquesne, PA.	Union RR. to obtain overhead trackage rights on PC lines to be transferred to ConRail between Clairton (Milepost 20.2) and South Duquesne (Milepost 12.3). Union also to retain present line.	No change in local service. Permits more efficient operation for Union.
PA-18-g	Shenango, Sharon-Farrell, PA.	B&LE to obtain overhead trackage rights on ConRail route between Shenango and Sharon-Farrell, PA for the purpose of handling iron ore destined only for Sharon Steel Corp. at Sharon-Farrell, PA.	

SECTION F.—*Projects recommended under the provisions of section 206(g) of the Act and requiring ICC approval*—Con.

ALL PROJECTS UNDER WHICH PROFITABLE RAILROADS MAY ABANDON LINES OF RAILROAD WILL REQUIRE ICC APPROVAL OF ANY ABANDONMENTS

Project	Location	Description of project	Conditions and comments
PA-19-g	York, PA, Spring Grove, North of Frederick, MD.	Maryland & Pennsylvania RR. to obtain title to PC line between Spring Grove, PA (Milepost 23.9) and North of Frederick, MD (Milepost 65.2).	Ma. & Pa. to obtain overhead trackage rights on PC lines to be transferred to ConRail between York and Spring Grove, PA.
PA-20-g	Dupont, Avoca, PA	Chessie System to obtain trackage rights over D&H between Dupont and Avoca, PA.	
PA-21-g	Philadelphia, Marcus Hook, PA.	Chessie (former Reading) and ConRail (former PC) to rationalize operations between Philadelphia and Marcus Hook, PA, either by withdrawal of one carrier and assumption of all services by the other over a single line or by abandonment of the line of one carrier and continuation of services over the remaining line by both carriers.	No change in local service. Conditioned on Chessie obtaining title to the Reading line between Philadelphia and Marcus Hook, Pa. under project No. CS-5 (Table D-3).
PA-22-g	Shenango, PA, Niles, OH	ConRail to obtain trackage rights over EL line to be offered to Chessie System under project No. USRA-1 (Table D-3) between Shenango, PA and Niles, OH.	No change in local service. Conditioned on Chessie obtaining title to EL line between Shenango, PA and Niles, OH under project No. USRA-1 (Table D-3).
PA-23-g	Lebanon, PA	Chessie System to obtain trackage rights for local freight service over portion of the PC Lebanon Running Track (USRA Line No. 180) to be transferred to ConRail at Lebanon between Milepost 20.2 and Milepost 20.7; and the portion of the East Lebanon Branch (USRA Line No. 181) to be transferred to ConRail at Lebanon between Milepost 0.0 and Milepost 0.2.	PC traffic at Lebanon presently being served by RDG from line to be transferred to Chessie system.
PA-24-g	Reading, PA	Chessie System to obtain trackage rights for local freight service over the portion of the PC Court Street Secondary Track (USRA Line No. 194) to be transferred to ConRail at Reading, PA between Milepost 0.7 and Milepost 1.0.	Portion of PC Schuylkill Secondary Track needed to reach this line not recommended for inclusion in ConRail.
PA-25-g	Franklin, Reno, PA	Chessie System to obtain trackage rights for local freight service over portion of the PC Reno Industrial Track (USRA Line No. 256) to be transferred to ConRail between Milepost 9.6 and Milepost 14.3.	Remaining portion of Reno Industrial Track needed to reach this segment is not recommended for inclusion in ConRail. Trackage rights over an EL Line to be offered to Chessie are presently used to serve the line.
PA-26-g	Emlenton, Oil City, PA	Chessie System to obtain trackage rights for local freight service over the portion of the PC Oil City Secondary Track (USRA Line No. 647a) to be transferred to ConRail between Emlenton (Milepost 88.9) and Oil City (Milepost 132.3).	A portion of the remainder of the Oil City Secondary Track (USRA Line No. 647) between Milepost 64.6 and Milepost 88.9 which is needed to reach this segment is not recommended for inclusion in ConRail. EL lines to be offered to Chessie connect at Franklin.

SECTION F.—*Projects recommended under the provisions of section 206(g) of the Act and requiring ICC approval*—Con.

ALL PROJECTS UNDER WHICH PROFITABLE RAILROADS MAY ABANDON LINES OF RAILROAD WILL REQUIRE ICC APPROVAL OF ANY ABANDONMENTS

Project	Location	Description of project	Conditions and comments
PA-27-g	Titusville, Oil City, PA	Chessie System to obtain trackage rights for local freight service over all of that portion of the Titus Secondary Track (USRA Line No. 649) to be transferred to ConRail between Titusville (Milepost 119.9) and Oil City (Milepost 137.0).	USRA Line No. 250 (Corry to Titusville) and a portion of USRA Line No. 647 (Milepost 64.6 to Milepost 88.9) needed to reach this segment are not recommended for inclusion in ConRail. EL lines to be offered to Chessie connect at Franklin.
PA-28-g	Mount Pleasant, Hammondsville, PA.	B&O to obtain title to those portions of the PC Scottdale Industrial Track identified as USRA Line No. 355 [Scottdale (Milepost 0.0) to Mount Pleasant (Milepost 5.5) PA] at Mount Pleasant, 830 feet of track extending southward from State Route 31 and 250 feet of team track connecting to that segment; at Cook Lumber Co., 150 feet of industrial siding and 100 feet of track extending southward from point of switch 1,598 feet south of State Route 31; and at Hammondsville, PA 400 feet of track extending northward from point of switch located 11,364 feet south of State Route 31 and industrial trackage served by that switch.	
PA-29-g	Allentown, PA.; Newark, NJ.	D&H to obtain overhead trackage rights over LV lines to be transferred to ConRail between Allentown, PA and Newark (Oak Island Yard), NJ.	
WV-2-g	Weirton, Weirton Junction, Follansbee, WV.	P&LE to negotiate with National Steel Corp. and ConRail for trackage rights over the portion of the Wheeling Secondary Track between Weirton (Milepost 3.0) and Weirton Junction (Milepost 0.0), WV, and with ConRail for overhead trackage rights over the portion of the PC Wheeling Secondary Track between Weirton Junction (Milepost 0.0) and Follansbee (Milepost 4.1), WV.	
USRA-9-g	Groton, CT to Putnam, MA.	P&W to provide service over ConRail line between Groton, Conn. and Putnam, Mass., if Norwich to Worcester does not serve as discussed in Chapter 18.	Provides more efficient local service Groton to Putnam, MA.
USRA-10-g	Chicago, IL	Chessie to obtain trackage rights over C&WI to reach present EL yard at 51st, ConRail to grant joint use of the intermodal facility at that location.	Consolidation and more efficient use of TOFC facilities in Chicago.
Various	Various	PC (ConRail) to acquire track and traffic at various locations which it deems acceptable and from which solvent carriers abandon service.	Protects CRC right to acquire traffic at points abandoned by solvent carriers.

SECTION G

Coordination Projects

This section presents, for information purposes, the Association's decisions on coordination projects listed in Appendix D of the Preliminary System Plan. Approved projects will be implemented under the transfer and conveyance provisions of the Regional Rail Reorganization Act on the basis of the designations in Chapter 8. These projects were selected for inclusion after further discussions with affected railroads and after review of submissions to the ICC or RSPO and comments forwarded directly to USRA. The projects are listed with the same identification symbols as used in the PSP and are grouped on the same basis. The following table indicates the correlation:

PSP Appendix D	*FSP Appendix to Part II, Section G*
Appendix D–1	Table D–1.
Appendix D–2	Table D–2.
Appendix D–3, Part II	Table D–3.
Appendix D–4	Table D–4.

Section F lists those projects recommended pursuant to section 206(g) of the Act. No such recommendations were listed in the PSP.

TABLE D-1.—*Coordinations and minor market extensions, listed in Appendix D-1 of the PSP*

Poject	Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
IL-4	BN	B&O	To obtain title to Baltimore & Ohio (Chessie System) trackage at or near Beardstown, IL from a point 300 feet west of Valuation Station No. 12007+30 to a point 300 feet east of Valuation Station No. 11961+56.5, a distance of 5,174 feet.	Illinois Central Gulf will not acquire Baltimore & Ohio (Chessie System) trackage at or near Ashland, IL, but major shipper plans to construct a siding to reach present ICG line. Conditioned by the ICC on its approval of Baltimore & Ohio (Chessie System) abandonment of its line between Springfield and Beardstown, IL.	
IL-6	C&EI (MP)	PC	To obtain title to PC line between Westville, IL (Milepost 7.2) and connection with Peoria & Eastern at Wyton, IL (Milepost 0.8)	Conditioned on the implementation of Projects No. IL-26, IL-27 and IN-20 under Table D-4. Trackage rights to be transferred to ConRail between Westville and Wyton, IL.	CRC.
IL-8	C&EI (MP)/BN	PC	C&EI (MP) to obtain title to PC line between Pana, IL (Milepost 167.2) and Joan, IL (Milepost 205.7). BN and C&EI (MP) to jointly obtain title to, or C&EI (MP) to obtain title to and BN obtain unrestricted trackage rights over the PC line between Joan (Milepost 205.7) and Mitchell (Lenox), IL (Milepost 237.7). Unrestricted trackage rights between Pana and Mitchell to be transferred to ConRail.	C&EI to allow implementation of Project No. IL-10.	CRC.
IL-10	ICG	PC	To obtain title to PC line between Bridge Junction (Milepost 248.1) and Lenox, IL (Milepost 237.7) and Old Line Main Track between Lenox (Milepost 249.9) and East Alton, IL (Milepost 241.3). Unrestricted trackage rights to be transferred to ConRail over entire segment, and BN, C&EI (MP) and ITRR to retain present trackage rights over entire segment.	----------	CRC.
IL-11	B&O	PC	To obtain overhead trackage rights over the PC line to be transferred to ConRail between Indianapolis, IN (Milepost 0.0) and Paris (Midland), IL (Milepost 91.2 Davis-Lenox Main Line).	Overhead trackage rights over ConRail to be recommended for B&O between Paris and Chrisman, IL under Project No. IL-22-g (Table D-5).	

IL-14	BN	PC	To obtain title to PC line between America (Milepost 248.0) and Karnak, IL (Milepost 235.2) and obtain overhead trackage rights over the PC line to be transferred to ConRail between Karnak (Milepost 235.2) and Forman, IL (Milepost 229.8).	Mines at Karnak, IL, to be served by ConRail only.	Portion of line between Karnak and Olmsted, IL will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act. Portion of line between Olmsted and America, IL is out of service.
IN-3	B&O	PC	To obtain overhead trackage rights over the PC line to be transferred to ConRail between Cincinnati (Storrs Junction), OH (Milepost 2.5) and Indianapolis, IN (Mile-109.3).	Conditioned by the ICC on its approval of B&O abandonment of its line between Cottage Grove and Indianapolis, IN.	
IN-9	C&O	B&O	To obtain overhead trackage rights over B&O between Wellsboro (Milepost 213.6) and Pine Junction, IN (Milepost 249.0).	Conditioned by the ICC on its approval of Chesapeake & Ohio abandonment of its line between HY Tower and La Crosse, IN.	
IN-11	L&N	PC	To obtain overhead trackage rights over the PC line to be transferred to ConRail from Greencastle, IN (Milepost 39.0-Indianapolis-St. Louis Main Line) or from Greencastle (Limedale), IN (Milepost 40.3-Davis-Lenox Main Line) to connection of the PC (ConRail) line and Indianapolis Union Belt Railway at Indianapolis, IN (Milepost 1.6).	Will give L&N more direct route between Indianapolis and the South and prevent the necessity of backhauling traffic via Monon, IN.	
IN-12	L&N	PC	To obtain overhead trackage rights over PC line to be transferred to ConRail between Straight Line Junction (Milepost 130.9) and Oakland City, IN (Milepost 106.2).	L&N service to be restricted to movements of coal noncompetitive with ConRail, and coal traffic originating on the Algers, Winslow and Western Ry. which are noncompetitive with ConRail.	
IN-13	L&N	PC	To obtain title to PC line between Milepost 12.4 (south of Riley, IN) and Clay City, IN (Milepost 26.5), and ConRail to honor L&N lease of PC line to be transferred to ConRail between Spring Hill, IN (Milepost 5.0) and Milepost 12.4 (south of Riley, IN) only for movement of coal to Breed Power Plant.		Milepost 12.4 (South of Riley) to Clay City (Milepost 26.5).[1]

TABLE D–1.—*Coordinations and minor market extensions, listed in Appendix D–1 of the PSP*—Continued

Project	Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
IN–14	SOU	PC	To obtain overhead trackage rights over portion of PC Cairo Branch to be transferred to ConRail between Mount Carmel, IL (Milepost 126.3) and connection with PC Evansville Secondary Track (Milepost 127.4), and over portion of PC Evansville Secondary Track to be transferred to ConRail between connection with PC Cairo Branch (Milepost 127.4) and Skelton (Carol), IN (Milepost 132.0), except Southern will be allowed to serve the Public Service of Indiana powerplant at Skelton (Carol), IN; and obtain title to portion of PC Evansville Secondary Track between Skelton (Carol), IN (Milepost 132.0) and Milepost 154.1 (5.9 miles north of Evansville, IN).	Trackage rights for handling northbound coal only to be transferred to ConRail over portion of Evansville Secondary Track between Skelton (Carol), IN (Milepost 132.0) and Milepost 154.1. Lease/Purchase Agreement in effect between L&N and PC covering portion of Evansville Secondary Track between Milepost 154.1 and Evansville, IN (Milepost 160.0).	Skelton (Milepost 132.0) to Milepost 154.1.[1]
ME–1	GT	MEC	To obtain overhead trackage rights over Maine Central between Danville Junction, ME, (Milepost 30.0) and Portland, ME (Milepost 0.0).	Conditioned by the ICC on its approval of Grand Trunk abandonment of its line between Danville Junction and Portland, ME.	
MI–3	C&O	GTW	To obtain title to 3,249 feet of track, one swing bridge, and one trestle crossing the Grand River, and approximately 7.0 acres of land from Grand Trunk Western at Ferrysburg and Grand Haven, MI between GTW Milepost 187.7 and Milepost 187.1.	Conditioned by the ICC on its approval of Grand Trunk Western abandonment of its line from Marne to Grand Haven, MI.	
MI–5	GTW	PC	To obtain overhead trackage rights over the PC line to be transferred to ConRail between Saginaw (Milepost 101.5) and Bay City, MI (Milepost 113.3).	An alternative designation premised on the Grand Trunk Western *not* acquiring PC properties in and intermediate to Saginaw and Bay City, MI under Project No. GTW–6. Conditioned by the ICC on its approval of the Grand Trunk Western abandonment of its line between Saginaw and Bay City, MI.	

MI-6	GTW	C&O	To obtain title to 1.29 miles of C&O track at Ionia, MI extending from a point 0.2 mile from the GTW–C&O interchange point to a point parallel to GTW Milepost 124.89.	Conditioned by the ICC on its approval of Chesapeake & Ohio abandonment of its line from Portland, MI to Ionia, MI.
NY-1	B&O	PC	To obtain overhead trackage rights over the PC line to be transferred to ConRail between Rochester (Milepost 369.7) and Buffalo, NY (Milepost 435.7).	B&O (Chessie System) filed application with ICC on Mar. 18, 1975 for abandonment of its line between Ashford and LeRoy, NY. B&O would continue to serve LeRoy to Rochester, NY segment from the Rochester end of the line.
NY-2	N&W	PC	To obtain overhead trackage rights over the PC line to be transferred to ConRail at Blasdell, NY from point of connection between PC and N&W to point of connection between PC and Lehigh Valley (0.9676 mile).	To provide a better connection between N&W and the present Lehigh Valley.
OH-3	B&O	C&O	To obtain the right of joint use of Presque Isle Dock at Toledo, OH now used by C&O and C&O to acquire certain yard and classification tracks of the Toledo Lake Front Dock and Railroad company in connection with the coordination of the Presque Isle Dock and Toledo Lake Front Dock Railroad Co.	For handling of coal and ore to and from lake boats. Conditioned by the ICC on its granting of all approval necessary for abandonment of the Lakefront Dock at Toledo, OH.
OH-5	B&O	N&W or CRC	To obtain overhead trackage rights over N&W between Cleveland (Milepost 184.1) and Painesville, OH (Milepost 155.0), or over PC line to be transferred to ConRail between Cleveland (Milepost 182.5) and Painesville, OH (Milepost 154.0).	B&O (Chessie System) filed application with ICC on Mar. 18, 1975, for abandonment of its line between Warren (Copperweld), OH and Chardon, OH. Conditioned by the ICC on its approval of B&O abandonment of its line between Warren (Copperweld) and Chardon, OH.
OH-10	B&O	N&W	To obtain overhead trackage rights over N&W between Attica Junction (Milepost 744.5) and Sandusky, OH (Milepost 772.4).	B&O filed application with ICC on Mar. 18, 1975 for abandonment of its line from Willard, OH to Sandusky (Wilmer), OH. Conditioned by the ICC on its approval of B&O abandonment of its line between Willard and Sandusky (Wilmer), OH.
OH-11	N&W	PC	To obtain title to segment of PC line at Manhattan Junction, OH to include 0.184 mile beginning at a point 300 feet northeasterly from center of Troy Street crossing to connection between PC and Detroit & Toledo Shore Line.	To provide connection between N&W and CRC. D&TSL.

TABLE D-1.—*Coordinations and minor market extensions, listed in Appendix D-1 of the PSP*—Continued

Project	Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
OH-12	N&W	PC	To obtain overhead trackage rights over PC lines to be transferred to ConRail between Cincinnati (Clare), OH (Milepost 111.0 C&X Br.) and clearance point of switch to connection to former CCC&StLRR at Mill (Milepost 16.4—Richmond Br.) including Wye connection between Valley and Rendcomb Junction; obtain title for overhead use only to line between clearance point of switch to connection at Mill (Milepost 16.4) and Old River Junction, OH (Milepost 31.5); assume present PC trackage rights over B&O between Old River Junction (Milepost 31.5) and New River Junction, OH (Milepost 33.1); obtain title to line between New River Junction (Milepost 33.1) and Eaton, OH (Milepost 57.4); obtain title for overhead use only of line between Eaton, OH (Milepost 57.4) and Glen, IN (Milepost 72.4), obtain overhead trackage rights over line between Glen (Milepost 72.4) and Richmond, IN (Milepost 76.6); obtain title to line between Richmond (Milepost 76.6) and New Castle, IN (Milepost 100.5) and obtain title for overhead use only over line at New Castle between Milepost 100.5 and Milepost 104.1. Trackage rights for local service to be transferred to ConRail over lines between Mill (Milepost 16.4) and Old River Junction, OH (Milepost 31.5) and between Eaton, OH (Milepost 57.4) and Glen, IN (Milepost 72.4), and at New Castle, IN between Milepost 100.5 and Milepost 104.1.		Mill to Old River Junction—CRC; Glen to Eaton—CRC; Richmond to New Castle.[1] New River Junction to Eaton.[1] New Castle Milepost 100.5 to Milepost 104.1—CRC.
OH-13	N&W	PC	To obtain overhead trackage rights over the PC line to be transferred to ConRail from Clare, OH (Milepost 111.0) westward to connection with L&N at Oasis (Milepost 119.7) and to point of connection with Southern Railway at Front and Smith Streets (Milepost 121.5).	Would improve N&W connection with L&N and Southern Railway at Cincinnati, OH.	

N&W has trackage rights over this segment. (1)

OH-14	N&W	PC	To obtain title to that portion of the Norwalk Branch identified as USRA Line No. 387/388 [Elyria, OH (Milepost 209.4) to Bellevue, OH (Milepost 250.8)] at Bellevue, OH between Milepost 248.3 and Milepost 249.8.	N&W has trackage rights over this segment and has also expressed interest in acquiring the portion between Milepost 249.8 and Milepost 250.8 under Project No. N&W 387/388 (Table D-2).	(1).
PA-3	B&LE	PC	To obtain title to PC line from Lexington (Milepost 123.47) to Girard Junction, PA (Milepost 129.3).	Improves interchange between B&LE and ConRail by allowing interchange at Girard Junction instead of Erie, PA and would eliminate back hauling all west bound moves.	
PA-4	B&O	P&LE	To obtain overhead trackage rights over P&LE between New Castle, PA (Milepost 14.6) and Youngstown, OH (Milepost 0.0).		
PA-8	N&W	PC	To obtain right to construct a track on right of way to be transferred to ConRail at Erie, PA from a point 0.2 mile west of Pittsburgh Avenue eastward along the south side of PC tracks to a point 0.1 mile east of Downing Avenue.	To be used as a bypass track around Erie, PA. Conditioned by the ICC on its approval of construction of track by N&W pursuant to Section 1(18) of the Interstate Commerce Act, and on its approval of the N&W abandonment of its parallel line.	
PA-9	WM	PC	To obtain overhead trackage rights over PC line to be transferred to ConRail between Shippensburg, PA (Milepost 41.6) and Hagerstown, MD (Milepost 74.8).	WM would route through traffic over the more favorable PC line to be transferred to ConRail.	
PA-10	P&LE	PC	To obtain title to PC trackage at Walford, PA between Mileposts 3.4 and 4.7.		CRC.
PA-13	UR	PC	To obtain title to the McKeesport (Riverton) Bridge and trackage approaching each side of bridge located on the McKeesport Branch between Milepost 0.0 and Milepost 1.0. Unrestricted trackage rights to be transferred to ConRail.	ConRail and UR to negotiate any usage of PC trackage to be transferred to ConRail in South Duquesne and in Riverton Yard. Conditioned by the ICC that traffic which Union Railroad may carry over this bridge be restricted to that traffic which it may presently carry over the bridge pursuant to its existing trackage rights agreement. ICC is presently reviewing petitions to reconsider whether this condition should be removed.	CRC.
WV-1	B&O	PC	To obtain title to PC line between Hagerstown, MD (Milepost 74.8) and Winchester, VA (Milepost 115.9).	B&O filed application with ICC on Mar. 18, 1975 for abandonment of its line between Millville, WV and Stephenson, WV.	CRC.

1 If offer not accepted, line will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act.

TABLE D-2.—*Light density lines of railroads in reorganization offered for sale to connecting profitable railroads under section 206(d)(3) listed in Appendix D-2 of the PSP*

Project	Transferee/Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
B&M-13	B&M	PC	To obtain title to that portion of the Lowell Secondary Track, identified as USRA Line No. 13 [South Sudbury (Milepost 4.0) to Lowell (Milepost 26.5), MA] from the B&M connection at Milepost 26.5 (Lowell) to the Route 3 overpass, a distance of 2.07 miles.	(1) This acquisition is in lieu of larger acquisitions proposed in PSP under Project No. MA-2. (2)	(3).
B&M-81	B&M	PC	To obtain title to all of that portion of the West Shore Secondary Track identified as USRA Line No. 81 between Rotterdam Junction (Milepost 159..) and South Fort Plain, NY (Milepost 194.5).	(2)	Segment of line between Rotterdam Junction (Milepost 159.5) and Milepost 165.0 will be transferred to ConRail, and remainder of line will be available for subsidy under the provisions of section 304 and Title IV of the Regional Rail Reorganization Act.
BN-434	BN	PC	To obtain title to that portion of the Kankakee Branch identified as USRA Line No. 434 [Moronts (Milepost 185.5) to Ladd Junction IL (Milepost 194.2)], between Howe (Milepost 188.3) and Seatonville Junction, IL (Milepost 192.2) and the portion of USRA Line No. 435 between LX Tower (Milepost 193.8) and PC Junction, IL (Milepost 194.3), and assume the present PC trackage rights over C&NW between LX Tower (Milepost 193.8) and Seatonville Junction, IL (Milepost 192.2).	(2) Conditioned on BN selling 50 percent interest in the segment between Howe and Seatonville Junction, IL to the MILW, and conditioned also on trackage rights being offered to C&NW over segment between Howe and Seatonville Junction, IL. ConRail to acquire an option to purchase the portion of USRA Line No. 434 between Howe (Milepost 188.3) and Moronts (Milepost 185.4) which will be exercised if railroads desiring to interchange traffic at Howe agree to pay a pro rata surcharge based upon annual operating expenses of the Illinois River Bridge and to continue existing Zearing and Ladd, IL divisions at Howe.	(3).

B&O-326	B&O	PC	To obtain title to that portion of the Indiana Secondary Track, identified as USRA Line No. 326 [Black Lick Junction (Milepost 7.3) to Indiana, PA (Milepost 18.0)], from Milepost 16.5 to 17.3 at Indiana, PA, a distance of 0.8 mile.	[1] [2] The Blairsville & Indiana RR has applied to the ICC under FD-27666 to acquire this line.	[3].
B&O-335	B&O	PC	To obtain title to Portion of Coal Lick Run, identified as USRA Line No. 335 [Milepost 0.0 to Milepost 1.6 at Uniontown, PA], from Milepost 0.0 to Milepost 1.1 at Uniontown, PA, a distance of 5,610 feet.	B&O would connect to this line from USRA Line No. 663, of which it would also acquire portions. See Project No. B&O-663 (Table D-2) for details. [2]	[3].
B&O-372a	B&O	PC	To obtain title to all of the Tuscarawas Secondary Track identified as USRA Line No. 372a between Dover (Milepost 28.8) and New Philadelphia (Milepost 31.8), OH.	B&O would connect with this line from USRA Line No. 373, of which it would also acquire portions. See Project No. B&O-373 (Table D-2).	CRC.
B&O-373	B&O	PC	To obtain title to that portion of the Dover Secondary track identified as USRA Line No. 373 [Newcomerstown (Milepost 84.8) to Dover (Milepost 104.2), OH], B&O to obtain title to that segment from Milepost 103.0 to Milepost 104.2, including the yard area lying in the wye formed by that segment and USRA Line No. 372a. Additionally, B&O to obtain title to furthest west PC industry lead track at Dover, OH starting at a point 0.7 mile south of State Road No. 39 and extending northward for a distance of 300 feet, and 3,232 feet of PC industry lead track at Dover, OH extending northward from a point located 2.0 miles north of State Road No. 39.	[1] [2] Also conditioned on implementation of Project No. B&O 372a under Table D-2.	Entire line between Newcomerstown and Dover, OH will be transferred to ConRail if B&O does not obtain title to Line No. 372a.
B&O-374	B&O	PC	To obtain title to that portion of the Marietta Branch/Dover Secondary Track, identified as USRA Line No. 374 [Cambridge (Milepost 58.8) to Newcomerstown (Milepost 83.3), OH], at Cambridge, OH from Milepost 58.8 to 59.8, including 1,515 feet of main and industry tracks.	[1] [2]	[3].

See footnote at end of table.

TABLE D-2.—*Light density lines of railroads in reorganization offered for sale to connecting profitable railraods under section 206(d)(3) listed in Appendix D-2 of the PSP*—Continued

Project	Transferee/Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
B&O-497/498/498a	B&O	PC	To obtain title to that portion of the Morrow Secondary track identified as USRA Line No. 497/498/498a [Circleville (Milepost 81.1) to Morrow (Milepost 148.9), OH], between end of B&O ownership at Wilmington (Milepost 128.3) and Milepost 139.1 at Clarksville and the following segments at Washington Court House: Segment beginning at Oakland Avenue (2,200 feet west of B&O crossing) and extending westward for a distance of 1,504 feet; PC industry lead track located at a point 844 feet west of Oakland Avenue; and PC connection to B&O located at a point 1,204 feet west of Oakland Avenue. Segment beginning at a point 650 feet west of Sycamore Street and extending eastward for a distance of 850 feet including industry lead track east of Sycamore Street. Segment beginning at the B&O connection with the nearest south PC industry lead track (west of Sycamore Street) and extending westward for a distance of 110 feet.	N&W to obtain title to segment of the aforesaid line at Circleville, OH under Project No. N&W 497/498/498a. [1] [2]	[3].
B&O-549	B&O	PC	To obtain title to that portion of the Springfield Branch identified as USRA Line No. 549 [Cold Springs (Milepost 5.9) to Troy (Milepost 26.1), OH], at Troy, OH forming the B&O-PC connection in the northeast quadrant of the B&O-PC crossing and line beginning at point of switch 562 feet east of B&O-PC crossing and extending eastward for 0.75 mile, and at Troy between Milepost 25.1 and Milepost 26.1.	[1] [2]	[3].
B&O-551	B&O	PC	To obtain title to that portion of the Springfield Branch identified as USRA Line No. 551 [Troy (Milepost 26.1) to Arcanum (Milepost 49.6), OH], at Arcanum beginning 3.25 miles west of the B&O-PC crossing and extending to a point 0.47 mile east of that crossing, and at Troy, between Milepost 26.1 and Milepost 26.9.	[1] [2]	[3].

B&O–663	B&O	PC	To obtain title to those portions of the Southwest Secondary Track identified as USRA Line No. 663 [Connellsville (Milepost 27.5) to Fairchance (Milepost 44.2), PA] at Uniontown from Milepost 36.0 to Milepost 37.4, and at Fairchance 3,420 feet of the industrial lead to Laughead Ovens, and build new connection at Fairchance Lumber Co.	[1] B&O would build connections from its parallel line to serve the acquired segments at Uniontown and Fairchance, and would also acquire USRA Line No. 335 which branches off an acquired portion of Line No. 663 at Uniontown. [2]	[3].
C&O–444a	C&O	PC	To obtain title to that portion of the Mackinaw Branch identified as USRA Line No. 444a [Vassar (Milepost 86.2) to Denmark Junction, MI (Milepost 91.1)] at Vassar between Milepost 86.2 (C&O Crossing) and Milepost 86.7 including 0.4 mile of branchline and 0.8 mile of side track.	[1] [2]	[3].
C&O–481/482	C&O	PC	To obtain title to that portion of the Eastern Branch identified as USRA Line No. 481/482 [Luckey (Milepost 15.8) to Berwick (Milepost 46.2), OH] at Fostoria including 3,791 feet of side track extending northward from point of switch just north of Jackson Street, 1,063 feet of main track southward from that point of switch to point of switch 1,120 feet north of N&W crossing, 150 feet of side track extending southwestward from that point, and the 644 feet of the C&O—PC connection currently owned by PC.	[1] [2]	[3].
C&O–496/496a	C&O	PC	To obtain title to that portion of the Morrow Secondary Track, identified as USRA Line No. 496/496a [Bremen, (Milepost 49.9) to Circleville (Milepost 81.1) OH] at Lancaster extending from Milepost 58.3 to Milepost 59.9.	[2]	[3].
C&O–514a	C&O	PC	To obtain title to that portion of the Kanawha Secondary Track identified as USRA Line No. 514a [Hobson, OH (Milepost 56.4) to Nitro, WV (Milepost 108.5)], between Point Pleasant, WV (Milepost 69.0—*not* to include the Ohio River Bridge) and Nitro, WV (Milepost 108.5).	[1] [2] Also conditioned on implementation of Project No. CS–12 under Table D–3. Also to provide connection with B&O at Point Pleasant.	CRC.

See footnote at end of table.

TABLE D-2.—*Light density lines of railroads in reorganization offered for sale to connecting profitable railroads under section 206(d)(3) listed in Appendix D-2 of the PSP*—Continued

Project	Transferee/Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
C&NW-434	C&NW	PC	To obtain title to that portion of the PC Kankakee Br. identified as USRA Line No. 434 [Moronts (Milepost 185.5) to Ladd Junction, IL (Milepost 194.2)], between LX Tower (Milepost 193.8) and Ladd Junction, IL (Milepost 194.2).	MILW plans to obtain trackage rights from C&NW over aforesaid segment between LX Tower and Ladd Junction, IL and over present C&NW line between LX Tower and Seatonville Junction, IL after C&NW line is rehabilitated, and abandon MILW line between Ladd Junction and Seatonville Junction, IL after ICC approval. ConRail to acquire an option to purchase the portion of USRA Line No. 434 between Howe (Milepost 188.3) and Moronts (Milepost 185.5), which will be exercised if railroads desiring to interchange traffic at Howe agree to pay a pro rata surcharge based upon annual operating expenses of the Illinois River Bridge and to continue existing Zearing and Ladd, IL divisions at Howe. (2)	(3).
C&NW-434a	C&NW	PC	To obtain title to all of that portion of the Churchill Secondary Track identified as USRA Line No. 434a between Ladd Junction (Milepost 194.2) and Churchill, IL (Milepost 196.9).	(2) Trackage rights to be obtained by MILW over segment at Ladd Junction connecting its line at Ladd Junction to its line to Mendota, IL.	(3).
CV-674	CV	PC	To obtain title to that portion of the Plainfield Secondary Track, identified as USRA Line No. 674 [Plainfield (Milepost 0.0) to Willimantic, CT (Milepost 23.3)], at Willimantic from Milepost 23.1 eastward for a distance of approximately 800 feet over which it now has trackage rights.	(1) (2)	(3).
D&H-666a	D&H	PC	To obtain title to all of the Crescent Industrial Track identified as USRA Line No. 666a extending from Crescent (Milepost 15.4) to Green Island, NY (Milepost 20.5).	(2)	(3).
D&M-440A	D&M	PC	To obtain title to that portion of the PC Mackinaw Br. identified as USRA Line No. 440 [Bay City (Milepost 5.0) to Gaylord, MI (Milepost 120.4)], between Bay City (Kawkawlin), (Milepost 5.0) and Standidsh, MI (Milepost 28.0)	D&M will also be offered remainder of line under Projects No. D&M-440B and D&M-440C. (2)	(3).

D&M–440B	D&M	PC	To obtain title to that portion of the PC Mackinaw Br. identified as USRA Line No. 440 [Bay City (Milepost 5.0) to Gaylord, MI (Milepost 120.4)] between Standish, MI (Milepost 28.0) and Milepost 116.5 (near Gaylord).	D&M will also be offered remainder of line under Projects No. D&M 440A and D&M–440C. [2]	[3].
D&M–440C	D&M	PC	To obtain title to that portion of the PC Mackinaw Br. identified as USRA Line No. 440 [Bay City (Milepost 5.0) to Gaylord, MI (Milepost 120.4)], at Gaylord between Milepost 116.5 and Milepost 120.4.	D&M will also be offered remainder of line under Projects No. D&M–440A and D&M–440B. [2]	[3].
D&M–441	D&M	PC	To obtain title to all of that portion of the PC Mackinaw Br., identified as USRA Line No. 441, between Gaylord (Milepost 120.4) and Mackinaw City, MI (Milepost 182.7).	[2]	[3].
DT&I–392a	DT&I	PC	To obtain title to all of that portion of PC Vulcan-Old Road Br. identified as USRA Line No. 392a between N&W crossing east of Adrian (Milepost 328.3) and Adrian, MI (Milepost 333.6), a distance of 5.3 miles.	[2]	[3].
DT&I–393	DT&I	PC	To obtain title to that portion of the PC Vulcan-Old Road Br., identified as USRA Line No. 393 [Vulcan, OH (Milepost 300.2) to N&W crossing east of Adrian, MI (Milepost 328.3)], between N&W crossing east of Adrian (Milepost 328.3) and Riga, MI (Milepost 315.5).	Portion of line between Vulcan, OH and Ottawa Lake, MI to be transferred to ConRail and portion between Ottawa Lake and Riga will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act unless required by ConRail to serve the portion of the line north of Riga. DT&I plans to construct a turnout connection at Riga, MI. [2]	Portion of line between Riga and Lenawee Junction, MI will be transferred to ConRail, and portion between Lenawee Junction and N&W Crossing east of Adrian will be available for subsidy under provisions of Section 304 and Title IV of the Regional Rail Reorganization Act.
DT&I–395/ 395a	DT&I	PC	To obtain title to all of the Clinton Branch identified as USRA Line No. 395/395a between Lenawee Junction (Milepost 0.0) and Clinton, MI (Milepost 13.6).	[2]	CRC.
GTW–445a	GTW	PC	To obtain title to that portion of the Mackinaw Br. identified as USRA Line No. 445a [Lapeer Junction (Milepost 59.8) to Millington, MI (Milepost 79.6)] at Lapeer Junction, MI between Milepost 59.8 and Milepost 60.3.	[1] [2]	[3].

See footnotes at end of table.

TABLE D-2.—*Light density lines of railroads in reorganization offered for sale to connecting profitable railroads under section 206(d)(3) listed in Appendix D-2 of the PSP*—Continued

Project	Transferee/Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
GTW-445b	GTW	PC	To obtain title to that portion of the Mackinaw Br. identified as USRA Line No. 445b [Oxford, (Milepost 43.6) to Lapeer Junction, MI (Milepost 59.8)], at Lapeer Junction, MI between Milepost 59.5 and Milepost 59.8, and at Oxford, MI between Milepost 43.6 and Milepost 45.0.	(1) (2)	(3).
GTW-451/452/453.	GTW	PC	To obtain title to that portion of the Grand Rapids Br., identified as USRA Line No. 451/452/453 [Rives Junction, (Milepost 10.6) to Grand Rapids, MI (Milepost 88.1)], at Charlotte, MI between Milepost 34.5 and Milepost 35.2, a distance of 0.7 mile.	Segment of line between Rives Junction, MI and Eaton Rapids, MI to be transferred to ConRail. Remainder of line will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act. (2)	(3).
GTW-455a	GTW	PC	To obtain title to that portion of the PC Saginaw Br., identified as USRA Line No. 455a [Lansing (Milepost 40.0) to Saginaw, MI (Milepost 91.8)], at Owosso, MI between Milepost 61.1 and Milepost 65.8, a distance of 4.7 miles.	(2) Conditioned upon implementation of Projects GTW-6 and GTW-7, or MI-16.	Portion from Milepost 61.1 to Milepost 91.8–CRC.
GTW-472	GTW	PC	To obtain title to that portion of the PC Muskegon Secondary Track identified as USRA Line No. 472 [Fuller (Milepost 2.8) to Muskegon, MI (Milepost 39.6)], between Walker (Milepost 10.0) and Muskegon, MI (Milepost 39.6).	(1) GTW also to be offered title to Muskegon Heights Siding, Muskegon to Muskegon Heights (USRA Line No. 472a). (2)	(3).
GTW-472a	GTW	PC	To obtain title to all of the PC Muskegon Heights Siding identified as USRA Line No. 472a between Muskegon (Milepost 0.0) and end of line at Muskegon Heights, MI (Milepost 1.3.)	GTW also to be offered title to Muskegon Secondary Track between Walker and Muskegon Heights (USRA Line No. 472).	(3).
GTW-688	GTW	PC	To obtain title to that portion of the Mackinaw Br., identified as USRA Line No. 688 [Utica (Milepost 27.8) to Oxford, MI (Milepost 43.6)], at Oxford, MI between Milepost 42.2 and Milepost 43.6, a distance of 1.4 miles.	(1) (2)	(3).

GTW–1300	GTW----------	AA	To obtain title to that portion of the Toledo-to-Frankfort Line, identified as USRA Line No. 1300 [Dundee (Milepost 24.8) to Owosso, MI (Milepost 106.0)], between Durand (Milepost 95.8) and Owosso, MI (Milepost 106.0), a distance of 10.2 miles.	Segment of line between Dundee and Ann Arbor, MI to be transferred to ConRail. Remainder of line will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act, unless needed by ConRail to reach the portion of Line No. 455a between Owosso and Saginaw. Conditioned upon implementation of Projects No. GTW–6 and GTW–7, or MI–16.	Note (3), unless needed by ConRail to reach USRA Line No. 455a.
GTW–1301	GTW----------	AA	To obtain title to that portion of the Toledo-to-Frankfort Line identified as USRA Line No. 1301 [Owosso (Milepost 106.0) to Thompsonville, MI (Milepost 270.3)] between Owosso, (Milepost 106.0) and Ashley, MI (Milepost 128.3), a distance of 22.3 miles.	(1)-------------------------------------- (2)-------------------------------------- Conditioned upon implementation of GTW–6, and GTW–7, or MI–16. If these projects are not implemented, GTW would retain its present trackage rights at Owosso (Milepost 106.0 to Milepost 110.0) and obtain title Milepost 110.0 to Ashley.	(3).
ICG–605b	ICG-----------	PC	ICG to obtain title to all of that portion of the Cairo Br. identified as USRA Line No. 605b between Hutsonville, (Milepost 71.0) and Robinson, IL (Milepost 82.0) a distance of 11.0 miles.	(2)--------------------------------------	(3).
ITRR–611b	IT-------------	PC	To obtain title to that portion of the Peoria Secondary Track and Allentown Secondary Track identified as USRA Line No. 611b [Atlanta (Milepost 132.7) to East Peoria IL (Milepost 172.1)] between Atlanta (Milepost 132.7) and Allentown, IL (Milepost 158.3).	ITRR to be offered remainder of line between East Peoria and Decatur under other coordination projects. ITRR operates on trackage rights over N&W between Farmdale Junction and Peoria. PC operates on trackage rights over ITRR between Allentown and South Morton. (1)--------------------------------------	
MILW–422	MILW---------	PC	To obtain title to all of the Depue Secondary Track identified as USRA Line No. 422 from Depue Junction (Milepost 0.0) to Depue, IL (Milepost 1.2), a distance of 1.2 miles.	(2)--------------------------------------	(3).
N&W–387/388	N&W----------	PC	To obtain title to that portion of the Norwalk Br., identified as USRA Line No. 387/388 [Elyria, (Milepost 209.4) to Bellevue, OH (Milepost 250.8)], at Bellevue from Milepost 249.8 to Milepost 250.8.	N&W also to be offered the portion between Milepost 248.3 and Milepost 249.8 under project No. OH–14 (Table D–1). (1)-------------------------------------- (2)--------------------------------------	(3).

See footnotes at end of table.

TABLE D-2.—*Light density lines of railroads in reorganization offered for sale to connecting profitable railroads under section 206(d)(3) listed in Appendix D-2 of the PSP*—Continued

Project	Transferee/Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
N&W-429	N&W	PC	To obtain title to that portion of the Ridgeville Secondary Track, identified as USRA Line No. 429 [Ridgeville, (Milepost 33.0) to Decatur, IN (Milepost 70.4)], at Portland from Milepost 42.9 to Milepost 44.6, a distance of 1.7 miles.	[1] [2]	[3].
N&W-496/496a	N&W	PC	To obtain title to that portion of the Morrow Secondary Track, identified as USRA Line No. 496/496a [Bremen (Milepost 49.9) to Circleville, OH (Milepost 81.1)], at Circleville from Milepost 80.1 to Milepost 81.1, a distance of 1.0 mile.	C&O to be offered a portion of this line at Lancaster and the remainder will be available for subsidy under the provisions of Section 304 and Title IV of the Act. [2]	[3].
N&W-497/498/498a	N&W	PC	To obtain title to that portion of the Morrow Secondary Track, identified as USRA Line No. 497/498/498a [Circleville, OH (Milepost 81.1) to Morrow, OH (Milepost 148.9)], at Circleville from Milepost 81.1 to Milepost 81.4 a distance of 0.3 mile.	B&O to be offered segments from Wilmington to Clarksville and at Washington Court House with remainder of line available for subsidy under the provisions of Section 304 and Title IV of the Act. [2]	[3].
N&W-523	N&W	PC	To obtain title to all of that portion of the Richmond Br., identified as USRA Line No. 523, between Anderson, (Milepost 127.0) and Elwood, IN (Milepost 139.0), or as an alternative N&W to obtain title to that segment of line at Elwood, IN between Milepost 137.3 and Milepost 138.4.	N&W obtaining title to entire line conditioned on implementation of Project No. OH-12 (Table D-1) and Project No. IN-26-g (Table D-5). If N&W only obtains title to portion of Elwood, IN. [1] [2]	[3].
N&W-531/531a/532	N&W	PC	To obtain title to that portion of the Northern Br., identified as USRA Line No. 531/531a/532 [Bryan (Milepost 60.0) to Van Wert, OH (Milepost 102.0)] from Cecil (Milepost 78.8) to North Paulding (Milepost 81.5), a distance of 2.7 miles.	[1] [2]	[3].
N&W-533/534/534a/535	N&W	PC	To obtain title to those portions of the Northern Br., identified as USRA Line No. 533/534/534a/535 [Van Wert (Milepost 104.2) to Ansonia, OH (Milepost 151.3)] at Celina from the N&W connection (Milepost	[1] [2]	[3].

			127.3) northward to Milepost 125.8, a distance of 1.5 miles; and at Coldwater from the point of parallel N&W connection near Walnut Street (Milepost 132.4) to Milepost 132.7, a distance of 0.3 mile.	
N&W–573	N&W----------	PC	To obtain title to all of that portion of the PC Whitewater Running Track identified as USRA Line No. 573 between Beeson (Milepost 74.1) and Connersville, IN (Milepost 68.0).	(1)-- CRC. (2)--
N&W–643a	N&W----------	PC	To obtain title to that portion of the Norwalk Br. identified as USRA Line No. 643a [Clyde (Milepost 257.7) to Fremont, OH (Milepost 269.0)], at Clyde, OH between Milepost 257.7 and Milepost 258.5 and between Milepost 16.1 and Milepost 17.3 (Sandusky Secondary Track); and at Fremont, OH between Milepost 265.5 and Milepost 268.0.	(1)-- CRC. (2)--
N&W–1260	N&W----------	EL	To obtain title to that portion of the EL Jersey City-Chicago Line identified as USRA Line No. 1260 [Marion (Milepost 2.5) to Lima, OH (Milepost 54.3)] at Lima, OH between Milepost 51.0 and Milepost 54.3.	(1)-- (2)-- CRC.
N&W–1262	N&W----------	EL	To obtain title to that portion of the Jersey City-Chicago Line identified as USRA Line No. 1262 [Huntington (Milepost 125.2) to Hammond, IN (Milepost 249.6)], at Huntington, IN between Milepost 125.8 and 127.4 and at Rochester, IN between Milepost 167.6 and Milepost 170.6.	(1)-- (3). (2)--
P&W–36/36a	P&W----------	PC	To obtain title to all of that portion of the PC Bristol Secondary Track identified as USRA Line No. 36/36a between East Providence (Milepost 1.9) and end of track near Warren, RI (Milepost 11.8).	(2)-- (3). State of Rhode Island has also expressed interested in obtaining title to this line.
P&W–38/38a	P&W----------	PC	P&W to obtain title to all of the Pontiac Secondary Track, identified as USRA Line No. 38/38a between Cranston, RI (Milepost 0.0) and Howard, RI (Milepost 3.2), a distance of 3.2 miles.	(2)-- (3). State of Rhode Island has also expressed interest in obtaining title to this line.

See footnotes at end of table.

TABLE D-2.—*Light density lines of railroads in reorganization offered for sale to connecting profitable railroads under section 206(d)(3) listed in Appendix D-2 of the PSP*—Continued

Project	Transferee/Offeree	RR presently providing rail service	Description of interest	Conditions and comments	Disposition if offer not accepted
P&W-40	P&W	PC	To obtain title to all of that portion of the Southbridge Secondary Track identified as USRA Line No. 40 extending from Webster MA (Milepost 0.5) to Southbridge MA (Milepost 11.1) a distance of 10.6 miles.	(2) Conditioned upon P&W acquiring the portion of the Norwich Secondary Track between Auburn, MA and Putnam, CT as described in Coordination Project P&W-678a. (4)	
P&W-678a	P&W	PC	To obtain title to all of that portion of the Norwich Secondary Track, identified as USRA Line No. 678a extending from Putnam, CT (Milepost 45.8) to Auburn MA (Milepost 66.0), a distance of 20.2 miles.	(2) Conditional upon P&W acquiring that portion of the Norwich Secondary Track between Worchester and Auburn MA as described in Coordination Project P&W-2. (4)	(3).
TP&W-577a	TP&W	PC	To obtain title to that portion of the Cincinnati-to-Kankakee Line identified as USRA Line No. 577a [Sheff, IN (Milepost 211.3) to Kankakee, IL (Milepost 246.3)], between Sheff (Milepost 211.3) and Sheldon, IN (Milepost 219.4).	(1) (2)	Segment of line between Sheff, IN (Milepost 211.3) and Sheldon, IN (Milepost 219.4) will be transferred to ConRail and remainder of line will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act.
TP&W-630	TP&W	PC	To obtain title to all of that portion of the Effner Secondary Track identified as USRA Line No. 630 between Kenneth (Milepost 5.7) and Effner, IN (Milepost 61.3).	(2)	(3).

1 The remainder of this line will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act.

2 Conditioned by the ICC that the aforesaid line not be used as a device to create additional competitive main line routes.

3 If offer is not accepted, lines offered will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act.

4 The Norwich & Worcester RR will operate this line instead of P&W if the Norwich & Worcester can demonstrate to USRA its ability to do so.

TABLE D-3.—*Major market extensions proposed in PSP Appendix D-3, part II*

Project	Offeree	RR presently providing service	Description of interest	Conditions and comments	Disposition if offer not accepted
CS-2	Chessie System	PC	The 50-percent interest in the Nicholas Fayette & Greenbrier RR. now held by PC.		
CS-5	Chessie System	RDG	Chessie System to acquire all viable lines of the Reading east of Lurgan, PA, and south of Reading (Belt Line Junction), PA, except those viable lines over which passenger services are operated. These latter lines will be acquired by ConRail, with Chessie acquiring rights to perform all freight services over them. Chessie will also acquire trackage rights over ConRail (former Lehigh Valley and CNJ) from Allentown/Bethlehem to Elizabethport, NJ, via Bound Brook, NJ. Finally, Chessie will acquire the following nonviable lines of the Reading that will be required for through freight service as part of the Chessie System: Gettysburg Branch; Stony Creek Branch; Wilmington & Northern Branch. ConRail will operate through freight services only on the following Reading lines, with Chessie providing both local and through freight services on them as well: Harrisburg-Reading; Reading-Allentown; Reading-Philadelphia; Philadelphia-Bound Brook; Manville-Port Reading.	For complete details, as well as terms and conditions, see Chapters 1 and 8.	CRC except for nonviable light density lines.
CS-12	Chessie System	PC	To obtain title to that portion of the Kanawha Secondary Track identified as USRA Line Nos. 514b, 514d, 514e, and 514f between Nitro (Milepost 108.5) and Gauley Bridge, WV (Milepost 162.9), a distance of 54.4 miles; and all of the Swiss Running Track identified as USRA Line No. 514g between Gauley Bridge (Milepost 162.9) and Swiss (Milepost 173.1) WV, a distance of 10.2 miles; and between Charleston (Milepost 0.0) and the B&O connection at Charleston (Milepost 0.5).		CRC.
CS-18	Chessie System	BCRR	To obtain trackage rights over the entire Buffalo Creek RR.		

See footnotes at end of table.

TABLE D-3.—*Major market extensions proposed in PSP Appendix D-3, part II* Continued

Project	Offeree	RR presently providing service	Description of interest	Conditions and comments	Disposition if offer not accepted
CS-19	Chessie System	PC	To obtain title to that portion of the Hitop Secondary Track identified as USRA Line No. 512/512a [Blue Creek (Milepost 13.4) to Hitop (Milepost 34.4) WV], from Blue Creek (Milepost 13.4) to Acup (Milepost 26.5), and connection at Blue Creek between former NYC (Milepost 12.6) and B&O (Milepost 13.4), a distance of 13.1 miles and present PC trackage rights over B&O between Charleston and Blue Creek, WV to be transferred to C&O.		CRC.
			All of the Peters Creek Branch identified as USRA Line No. 514c from Peters Junction (Milepost 0.0) to Cornelia (Milepost 13.9) WV, a distance of 13.9 miles.		CRC.
D&H-1	D&H	LV/L&S	To obtain overhead trackage rights over the present LV line to be transferred to ConRail between DuPont (Milepost 175.3) and Laurel Run (Milepost 164.1), PA between Frasers (Milepost 147.1) and Lehighton (Milepost 119.1), PA, between Allentown (Milepost 93.3) and Bethlehem (Milepost 88.6) PA, a distance of 43.9 miles; and over Lehigh & Susquehanna (L&S) Line to be transferred to ConRail between Laurel Run (Milepost 161.2) and Frasers (Milepost 143.8) PA; between Lehighton (Milepost 114.7) and Bethlehem Junction (Milepost 84.6) PA, a distance of 47.5 miles, and trackage rights from Allentown (Milepost 35.4—Burn) via Reading to Philadelphia, PA (Milepost 2.4—Park) over ConRail (former Reading RR.), thence on to Alexandria, VA (Potomac Yard) via either the present B&O route from Park (Milepost P0.0 to Anacostia Junction Milepost B39.4) and over PC from Anacostia Junction (Milepost 134.2) to Long Bridge (Milepost 138.7) or via the present PC route via the Belmont Connection to Zoo (Milepost 0.0), thence the West Philadelphia Elevated from Zoo to Brill (Milepost 4.2), and then Brill to Long Bridge (Milepost 138.7), depending on im-	Offering of trackage rights between Allentown and Alexandria will be made to D&H only if Chessie declines the offering made to Chessie under Coordination Project CS-5, and subject to D&H agreement to utilize whatever route ConRail utilizes between Philadelphia and Potomac Yard.	

plementation of the Northeast Corridor

			plementation of the Northeast Corridor Project and the resultant ConRail freight route.		
DT&I–1	DT&I	PC	To obtain overhead trackage rights over PC lines to be transferred to ConRail between South Charleston, OH (Milepost 36.3—Columbus to Indianapolis Main Line) and Miami City Junction, OH (Milepost 208.6—Dayton to Cincinnati Main Line) via Xenia and Dayton Union Terminal; thence to Mill (Evendale-Milepost 248.7); between Mill and Rendcombe Junction (Milepost 113.1—Richmond Branch); thence to Oasis (L&N Connection and Riverfront Running Track Connection; Milepost 119.7—Undercliff Secondary Track) and from Oasis (L&N Connection) 2.1 miles to Front and Smith Streets (Southern Connection Milepost 121.5), and as an alternative route, overhead trackage rights over portion of EL Dayton Branch to be transferred to ConRail between DT&I's main line at Maitland (Springfield, OH; Milepost 366.2) and Cold Springs (Milepost 369.6); and over PC Bellefontaine Branch line to be transferred to ConRail between Cold Springs and Dayton (Dayton Union Terminal; Milepost 207.1) and thence to Cincinnati as above. Includes right of DT&I to construct turnout connection at Maitland, OH.		
GTW–6	GTW	PC	To obtain title to all rail properties of PC in an area bounded on the southwest by Swan Creek, MI (Milepost 91.8 as measured from Jackson, MI); on the Southeast by Denmark Junction (Milepost 4.9 as measured from Vassar, MI) and on the North by Kawkawlin, MI (Milepost 5.0 as measured from Bay City E.S.). This encompasses all of the Bay City and Saginaw terminal areas, but excludes the Denmark Junction Branch (from Denmark Junction at Milepost 91.1 to Munger at Milepost 100.9).	Trackage rights to be obtained by Detroit & Mackinac between Milepost 5.0 (Kawkawlin, MI) to the Detroit & Mackinac yard at Bay City, MI, *provided*, Detroit & Mackinac obtains title to portion of PC Mackinaw Branch between Milepost 5.0 (Kawkawlin, MI) and Standish, MI (Milepost 28.0) under project No. D&M–440A (Table D–2). Conditioned upon the implementation of project GTW–7.	CRC.
GTW–7	GTW	PC	To obtain title to the PC Midland Branch between BC & BC Junction at Milepost 0.0 and end of track near Midland at Milepost 18.2, MI.	Conditioned upon the implementation of project GTW–6.	CRC.

See footnotes at end of table.

TABLE D-3.—*Major market extensions proposed in PSP Appendix D-3, part II*—Continued

Project	Offeree	RR presently providing service	Description of interest	Conditions and comments	Disposition if offer not accepted
ITRR-1	ITRR	PC	To obtain Title to the PC line between Farmdale Junction (Milepost 167.8) and South Morton (Milepost 162.7), IL.	ITRR now has trackage rights over this line.	([2]).
N&W-2	N&W/D&H	PC	D&H to obtain trackage rights over or title to the existing lines of PC between connection with Wilkes Barre Connecting Railroad at Carey (Milepost 60.5) and Kase, PA (Milepost 0.0); and overhead trackage rights between Sunbury (Kase-Milepost 0.1) and Sunbury (Banks Milepost 1.0); over Harrisburg-Buffalo Main Line between Sunbury (Kase Milepost 138.7) and Rockville, PA (Milepost 90.6); over Philadelphia-Pittsburgh Main Line between Rockville (Milepost 109.9) and Banks (Div. Post-Milepost 113.3); over Enola Branch between Marysville (Milepost 90.4) and Enola, PA (Milepost 88.8) and over the York Haven Line between Banks (Milepost 90.4) and Lemoyne (Milepost 83.2). N&W to obtain overhead trackage rights over existing PC lines to be transferred to ConRail between Enola (Milepost 88.8) and Marysville (Milepost 90.4); between Marysville (Milepost 90.4) and Lemoyne, PA (Milepost 83.2—York Haven Line); and between Lemoyne, PA (Milepost 1.5) and Hagerstown, MD (Milepost 74.8).	Interchange to be established at Harrisburg at a point to be agreed upon by D&H and N&W with the reasonable consent of ConRail. N&W to interchange at Harrisburg only with D&H and ConRail.	CRC.
N&W-11	N&W	PC	N&W to acquire PC's entire interest in site of an automobile loading facility at Melvindale, MI including a parcel of 28.62 acres, more or less; extending south and west from N&W's underpass crossing of the Schaffer Highway at the Melvindale–Detroit, MI boundary, being the same parcel originally leased by Wabash from Pennsylvania RR effective Aug. 1, 1960; together with an access parcel comprised of railroad right of way, tracks and improvements, presently used exclusively by N&W for access to the facility site extending about 895 feet from the northeastern corner of the 28.62 acre parcel to the clearance point of switch to the	Subject to the condition that ConRail obtain rights to use the 28.62 acre facility equivalent to the rights enjoyed by PC under a joint use agreement originally entered into between Pennsylvania RR. and Wabash RR. dated June 27, 1962 (as supplemented Dec. 15, 1965, and Oct. 3, 1967), in exchange for payments to N&W to be negotiated by N&W and CRC.	CRC.

			PC Lincoln Branch; and overhead trackage rights over about 350 feet of the PC Lincoln Branch to be transferred to ConRail presently used by N&W for access to the automobile loading facility.		
P&LE–4	P&LE	PC	P&LE to obtain overhead trackage rights only for the handling of traffic destined to or originated at Ashtabula Harbor, OH over Penn Central line to be transferred to ConRail between Youngstown (Milepost 58.3—Youngstown Branch) and Ashtabula, OH (Milepost 0.0), and between Ashtabula (Milepost 0.0) and Ashtabula Harbor, OH (Milepost 2.3) and obtain joint use of Penn Central Ashtabula Dock facilities to be transferred to ConRail.		
P&LE–10	P&LE	PC	To obtain title to the portion of the New Cumberland Secondary Track between Kobuta, PA (Milepost 34.8) and Weirton (Milepost 3.0), WV.	P&LE to negotiate with National Steel Corp. and CRC for operating rights over the portion of the New Cumberland Secondary Track between Milepost 3.0 and Milepost 0.0. Conditioned by the ICC that P&LE obtain separate approval from the Commission under Section 1 (18) to replace the track between Shippingport, PA and Chester, WV.	Weirton (Milepost 3.0) to Chester (Milepost 22.0)—CRC. Remainder. (3)
P&W–1	P&W	PC	To obtain overhead trackage rights over Penn Central line to be transferred to ConRail between Providence, RI (Milepost 185.1) and southerly limit of Cranston Yard, RI (Milepost 179.0).	Conditioned on P&W obtaining title to PC line between Cranston and Pontiac, RI under project No. P&W–38/38a (Table D–2).	
P&W–2	P&W	PC	To obtain title to line between Worcester (Milepost 70.8) and Auburn, MA (Milepost 66.0).	Conditioned on P&W obtaining title to PC line between Auburn and Putnam, MA under Project No. 678a (Table D–2).	CRC.
SOU–4	Southern	Reading	Southern to obtain trackage rights over Reading lines to be obtained by Chessie System under Project No. CS–5 (Table D–3) from a point 3,000 feet north of the most westerly switch in Reading's Wilmington Yard (part way between the Reading Co. Yard and Elsmere Junction) to the float bridge on the Delaware River at Pigeon Point, and obtain title to the Reading float bridge on the Delaware River at Pigeon Point and operating rights to serve Carney Point and Thompsons Point, NJ.		

See footnotes at end of table.

TABLE D-3.—*Major market extensions proposed in PSP Appendix D-3, part II* Continued

Project	Offeree	RR presently providing service	Description of interest	Conditions and comments	Disposition if offer not accepted
SOU-4	Southern	PC (Del. RR. Co.)	To obtain title to Newark and Delaware City Branch, from the Corridor clear point at Davis to and through Porter to Reybold (Milepost 0.0 to Milepost 10.6). Davis interlocking is *excluded.*		CRC.
SOU-4	Southern	PC (Del. RR. Co.)	To obtain title to all PC rail properties between Porter and the Delaware/Maryland state line at Delmar excluding nonviable branches not specifically included below (Milepost 14.4–Milepost 97.3).		CRC.
SOU-4	Southern	PC (Penndel Co.)	To obtain title to all rail properties between the Maryland/Delaware state line at Delmar and the end of track at Norfolk excluding all nonviable branches not specifically included below. Includes all marine equipment necessary to operate the Cape Charles float Milepost 0.0 to Milepost 95.0—Delmar to Cape Charles (Milepost 0.0 to Milepost 1.0, Norfolk to North Junction and Milepost 4.2 to Milepost 6.7 Camden Heights to Little Creek.	Industries located on the aforesaid lines to be open to reciprocal switching for ConRail and Chessie.	Portion of line between the Maryland/Delaware state line at Delmar and Pocomoke, MD to be transferred to ConRail. See note 3 regarding remainder of line.
SOU-4	Southern	PC	Shellpot Secondary Track, Shellpot Branch, Edgemoor Yard and Edgemoor Branch from the Corridor clear point at Ragan to the corridor clear point at Bell. (Milepost 0.0—Bell to Milepost 7.0—Ragan).	Bell and Ragan Interlockings are excluded. The shops and engine terminal near Edgemoor are *excluded,* beginning at the point where the engine terminal connection clears Shellpot Branch. All electric traction appliances over these lines are *excluded.* Southern is willing to grant ConRail an easement over the above tracks for continued use of electric traction appliances but wishes to acquire all air rights other than those necessary for electric traction.	CRC.
SOU-4	Southern	PC	The New Castle Secondary Track from the connection with Shellpot Branch at Bridge to and through Porter Bridge (Milepost 0.0 to Milepost 14.4).	Industries located on the aforesaid lines to be open to reciprocal switching for ConRail and Chessie.	CRC.

SOU–4	Southern -------	PC	Former passenger line and continuing right of way with tracks removed from the switch at Tasker to a former connection with Shellpot Secondary Track over Ragan, including a spur about ½-mile long that is out of service near the Delaware State Hospital.	Industries located on the aforesaid lines to be open to receiprocal switching for ConRail and Chessie.	CRC.
SOU–4	Southern -------	PC	West Yard, beginning at the B&O and Reading connection at the east end of the Yard, continuing west on the connecting track which runs (1) across the throat of the MU Yard, (2) between the MU Yard and the Corridor, and (3) beyond the west end of the MU Yard to a connection with the Shellpot Secondary Track near Ragan. The MU Yard itself is excluded, with the exception of the connecting track specified above.	Industries located on the aforesaid lines to be open to reciprocal switching for ConRail and Chessie.	CRC.
SOU–4	Southern -------	PC (Penndel Co.).	Crisfield Secondary Track between King's Creek (Milepost 0.0) and Chesapeake Foods (Milepost 1.2) near King's Creek.	---	CRC.
SOU–4	Southern -------	PC (Penndel Co.).	Willards Track from Salisbury (Milepost 42.1) to a point east of Salisbury (Milepost 46.0).	---	CRC.
SOU–4	Southern -------	PC (Penndel Co.).	All rail properties, Salisbury (Milepost 40.8) to Hebron (Milepost 35.2).	---	[1].
SOU–4	Southern -------	PC	Cambridge Secondary Track from Seaford, DE (Milepost 1.2) to Cambridge, MD (Milepost 32.9).	---	CRC for segment beween Milepost 1.2 and Milepost 2.3. See Footnote 1 for segment between Milepost 2.3 and Milepost 32.9.
SOU–4	Southern -------	PC	Portion of Preston Industrial Track from Preston (Milepost 10.0) to a point south of Hurlock, MD (Milepost 17.0).	---	[1].
SOU–4	Southern -------	PC	DMV Secondary Track, Harrington (Milepost 0.0) to Georgetown (Milepost 23.9).	---	CRC.
SOU–4	Southern -------	PC	Snow Hill Secondary Track Georgetown (Milepost 0.0) to Snow Hill (Milepost 42.0).	---	CRC.
SOU–4	Southern -------	PC	Rehoboth Track, Georgetown (Milepost 23.9) to Lewes (Milepost 38.0).	---	[1].

See footnotes at end of table.

TABLE D–3.—*Major market extensions proposed in PSP Appendix D–3, part II*—Continued

Project	Offeree	RR presently providing service	Description of interest	Conditions and comments	Disposition if offer not accepted
SOU–4	Southern	PC	Ellendale (Milepost 0.0) to Milton (Milepost 6.8).		CRC.
SOU–4	Southern	PC	Oxford Secondary Track, Clayton (Milepost 0.0) to Easton (Milepost 44.0).		[1].
SOU–4	Southern	PC	Clayton (Milepost 0.0) to Smyrna (Milepost 1.3).		[1].
SOU–4	Southern	PC	All of the PC Centreville Secondary Track between Townsend, DE (Milepost 0.0) and end of track at Centreville, MD (Milepost 35.1).	Southern acceptance of separate USRA offer conditioned upon continuation of arrangements with shippers for subsidization of service.	[1].
SOU–4	Southern	PC	Portion of the Chestertown Secondary Track identified as USRA Line No. 149 [Massey (Milepost 0.0) to Chestertown, MD (Milepost 20.2)], at Massey between Milepost 0.0 and Milepost 0.5.	Southern acceptance of separate USRA offer conditioned upon continuation of arrangements with shippers for subsidization of service.	[1].
TP&W–1	TP&W	PC	To obtain overhead trackage rights over PC line to be transferred to ConRail between Kenneth (Milepost 5.7) and Van, IN (Milepost 1.2—Effner Secondary Track), and between Van (Milepost 198.3—Columbus-Chicago Main Line) and Logansport (Race), IN (Milepost 196.0).		
USRA–1	Chessie System	EL	All viable lines of Erie Lackawanna east of Sterling, OH, except those viable lines in New York, New Jersey and Pennsylvania over which passenger services are operated. These latter lines will be acquired by ConRail, with Chessie acquiring rights to perform all freight services over them. ConRail will acquire trackage rights over lines	For complete details, as well as terms and conditions, see Chapters 1 and 8 and the Appendix to Chapter 8.	

			acquired by Chessie between Waverly and Buffalo, NY. In addition, Chessie will acquire the following nonviable lines of Erie Lackawanna that will become viable under Chessie ownership or will be needed for through freight service as part of Chessie: portions of the Cleveland-Youngstown Line; Bradford Branch (all); Toby Branch (all); Montgomery Branch (all); Phillipsburg Branch (Washington-Phillipsburg); Bangor & Portland Branch (at Bath); Wyoming Branch (Pittston-Avoca); Attica Branch (North Alexander-Avon).		
USRA-6	D&H----------	EL	D&H to obtain title to or exclusive operating rights over the portion of the Bloomsburg Branch between Berwick (Milepost 177.0) and Northumberland, PA (Milepost 213.52) and obtain access from PC Button & Dan Secondary Tracks either via trackage rights over PC between Sunbury (Banks-Milepost 1.9) and Sunbury (Kase-Milepost 0.1) and Sunbury (Milepost 286.4) and Northumberland (Milepost 286.1) or by acquisition of the Reading Co. line between Norca (Milepost 146.5), and Rupert, PA (Milepost 147.1).	It is anticipated that the carrier serving EL traffic at Berwick will also serve traffic located on PC lines at Berwick.	CRC.
USRA-7	Chessie System--	LV	B&O (Chessie System) to obtain trackage rights over LV and L&S lines to be transferred to ConRail from Scranton (Coxton Interlocking-Milepost 179.9) to Allentown, PA (Milepost 77.0-Easton Interlocking).	Conditioned on the implementation of Project No. USRA-1 (Table D-3) and Project No. CS-5 (Table D-3).	
USRA-8	D&H----------	EL	D&H to obtain trackage rights over that portion of EL Hoboken-Chicago mainline between Binghamton, NY (Milepost 214.1) and Buffalo, NY (Milepost 422.4), if transferred to ConRail.	Acquisition by D&H conditioned on Chessie System not obtaining title to the aforesaid line under Project No. USRA-1.	

[1] If lines offered are not accepted, they will be available for subsidy under the provisions of Section 304 and Title IV of the Regional Rail Reorganization Act.

TABLE D-4.—*Coordinations and Market Extensions involving the acquisition by ConRail of rail properties of profitable railroads*

Project	Location	Description of project	Conditions and comments
IL–23	Pekin, IL	ConRail to acquire ICG (former GM&O) trackage at Pekin as follows: 1) Approximately 504 feet of former interchange track from street crossing at Broadway to switch connecting interchange track with Riverview Hatchery siding. 2) Use of ICG Main Track for purpose of backing into siding. 3) Reinstate approximately 130 feet of interchange track in street at Broadway.	Permits ConRail to serve Riverview Hatchery.
IL–24	Carmi, IL, Vincennes, IN.	ConRail to obtain overhead trackage rights on Louisville & Nashville (Family Lines) from Carmi, IL (Milepost 360.3) to Evansville (Howell), IN (Milepost 323.0) to Vincennes, IN (Milepost 234.6).	Will allow ConRail to move into and out of southern Illinois markets. All points on L&N will continue to be served by L&N only.
IL–25	Lawrenceville, Washington, IN.	ConRail to obtain overhead trackage rights on Baltimore & Ohio between Lawrenceville (Milepost 198.4) and Washington, IN (Milepost 169.6).	Will allow ConRail to acquire access to the L&N at Vincennes, IN from both the Petersburg Secondary and the Harrisburg Line. All points on B&O will continue to be served by B&O. ConRail will interchange witb ConRail only at Lawrenceville, Vincennes, and Washington, IN.
IL–26	Woodland Junction, Dolton Junction, IL.	ConRail to obtain overhead trackage rights on jointly owned track of Chicago & Eastern Illinois and L&N (Family Lines) between Woodland Junction (Milepost 82.6) and Dolton Junction, IL (Milepost 16.5).	All points on C&EI/L&N will continue to be served by C&EI/L&N only.
IL–27	Dolton Junction, 80th Street, Chicago, IL.	ConRail to obtain overhead trackage rights on Chicago & Western Indiana between Dolton Junction (Milepost 16.5) and 80th Street Yard IL (Milepost 8.7).	Will allow ConRail to interchange with Belt Railway of Chicago and with the Indiana Harbor Belt.
IL–28	Danville, Chicago, IL	ConRail to obtain overhead trackage rights over Milwaukee Road between Danville (Milepost 121.2) and Chicago, IL (Milepost 31.8).	All points on MILW will continue to be served by MILW only.
IN–5	Hartsdale, IN, Chicago Heights, IL.	ConRail to obtain overhead trackage rights on Elgin, Joliet & Eastern between Hartsdale, IN (Milepost 12.2-Joliet Branch) and Chicago Heights, IL (Milepost 27.2).	Will permit CRC to abandon its own line and continue service to Chicago Heights.
IN–16	Indianapolis, IN	ConRail to obtain title to portion of PC Columbus-Indianapolis Main Line owned by N&W between N&W Milepost 0.79 and N&W Milepost 1.87.	Track now used only by PC.

TABLE D-4.—*Coordinations and Market Extensions involving the acquisition by ConRail of rail properties of profitable railroads*—Continued

Project	Location	Description of project	Conditions and comments
IN-20	Vincennes, IN, Woodland Junction, IL.	ConRail to obtain overhead trackage rights on L&N between Vincennes, IN (Milepost 234.6) and Woodland Junction, IL (Milepost 82.6).	All points on L&N will continue to be served by L&N only. ConRail will have the right to interchange traffic with intersecting ConRail lines and will also have the right to interchange coal traffic bound for Hutsonville, IL with the ICG at Sullivan, IN.
IN-21	LaFayette, State Line Tower, IN.	ConRail to obtain overhead trackage rights on L&N's former Monon route between LaFayette (Milepost 207.4), Monon (236.9), and State Line Tower, IN (Milepost 305.5).	All points on L&N will continue to be served by L&N only. ConRail will be allowed to interchange traffic with ConRail lines at such points as Shelby.
IN-22	Munster, IN, Thornton Junction, IL.	ConRail to obtain overhead trackage rights on Grand Trunk Western between Munster, IN (Milepost 31.5) and Thornton Junction, IL (Milepost 25.2).	Will allow for through movement of Chicago-Indianapolis traffic via LaFayette, IN. All points on GTW will continue to be served by GTW only.
IN-23	Elnora, Beehunter, IN	ConRail to obtain overhead trackage rights on the Milwaukee Road between Elnora (Milepost 224.0) and Beehunter, IN (Milepost 218.4).	All points on Milwaukee Road will continue to be served by Milwaukee Road only.
IN-24	Beehunter, Terre Haute, IN.	ConRail to obtain overhead trackage rights on Milwaukee Road between Beehunter (Milepost 218.4) and Terre Haute, IN (Milepost 175.1).	All points on Milwaukee Road will continue to be served by Milwaukee Road only.
IN-25	Louisville, KY, Jeffersonville, IN.	ConRail to acquire access to and use of L&N (Family Lines) new Strawberry Yard at Louisville, KY (Milepost 9.0).	L&N will classify a limited number of blocks for ConRail at Strawberry Yard. ConRail will continue to use Jeffersonville Yard for certain local traffic. All points on L&N will continue to be served by L&N only.
IN-26	Terre Haute, IN, Danville, IL.	ConRail to obtain overhead trackage rights on Milwaukee Road between Terre Haute, IN (Milepost 175.1) and Danville, IL (Milepost 121.2).	All points on MILW will continue to be served by MILW only.

TABLE D-4.—*Coordinations and Market Extensions involving the acquisition by ConRail of rail properties of profitable railroads*—Continued

Project	Location	Description of project	Conditions and comments
MD-2	Washington, DC, Baltimore, MD, Wilmington, DE, Philadelphia, PA.	ConRail to obtain title to all B&O operating property between Anacostia Junction (Milepost Baltimore 39.4) and (Milepost Baltimore 8.0) located west of Halethorpe, MD, excepting all yard and side tracks and the Fort Meade Branch. B&O shall retain exclusive right to provide local service in addition to retaining overhead freight trackage rights. ConRail to also obtain title to all B&O operating property between Bayview, MD (Milepost Baltimore–8.0) and Eastwick, PA (Valuation Station 203+55.7), located at about Milepost Baltimore–93.5, with the exception of the eastbound yard and sidetracks including the Market Street Branch located south of the main line at Wilsmere, DE. B&O shall retain exclusive local switching rights between Bayview and White Marsh, MD as well as overhead freight trackage rights between Bayview, MD and Eastwick, PA. B&O to grant ConRail overhead freight trackage rights between Eastwick, PA (Milepost Baltimore–93.5) and Park Junction, PA (Milepost Baltimore–97.5). B&O, after route and signal improvements as determined jointly by B&O and ConRail are completed with that portion of the cost attributable to ConRail's operations to be borne by ConRail, shall grant to ConRail overhead freight trackage rights through the B&O Baltimore Terminal between Milepost Baltimore–8.0 located west of Halethorpe, MD and Bayview, MD (Milepost Baltimore–8.0), a distance of 16.0 miles.	Permits diversion of ConRail freight trains from Northeast Passenger Corridor.
MI-4	Battle Creek, MI	ConRail to obtain overhead trackage rights over GTW through downtown Battle Creek, MI from GTW Milepost 175.5 to GTW Milepost 176.9.	To create a single line in cooperation with city redevelopment plan.
MI-14	Detroit, MI	ConRail to acquire PC and GTW interest in Detroit Terminal RR.	
MI-16	Durand, Saginaw, MI	ConRail to acquire trackage rights over GTW from Durand (Milepost 0.0) to Saginaw, MI (Milepost 39.1), both locations on GTW Saginaw subdivision.	To be acquired by ConRail only if GTW does not accept the offers made to it under D-3 projects GTW-6 and GTW-7.
NY-6	Buffalo, NY	ConRail to acquire N&W 50 percent interest in Bison Yard	Conditioned upon N&W retaining trackage rights. Remaining 50 percent now owned by EL to be transferred to Chessie.
NY-7	Wilkes Barre, PA, Voorheesville, NY.	ConRail to obtain overhead trackage rights on Delaware & Hudson from the present connection between the Wilkes Barre Connecting Railroad and the D&H at Wilkes Barre, PA to an interchange point between the D&H and the present Penn Central line between Selkirk and Syracuse in the vicinity of Voorheesville, NY.	All points on D&H will continue to be served by D&H only.
OH-23	Toledo, OH	ConRail to obtain joint use of Presque Isle Dock facilities presently used by C&O.	

Exhibits to the Appendix to Part II

Exhibit 1.—Finance Agreement Code Key

Penn Central Transportation Co. Finance Agreements

Agreement number and description	*Name*
666—Lease	Merchants Despatch Transp.
668—Lease	Merchants Despatch Transp.
669—Lease	Merchants Despatch Transp.
670—Lease	Merchants Despatch Transp.
671—Lease	Merchants Despatch Transp.
672—Lease	Merchants Despatch Transp.
673—Lease	Merchants Despatch Transp.
738—Lease	New England Merch. Fin.

Reading Company Finance Agreements

1—Conditional sale agreement	Philadelphia National Bank
2—Conditional sale agreement	Fidelity Bank
3—Conditional sale agreement	John Hancock
4—Conditional sale agreement	Girard Trust Bank
24—Lease	U.S. Leasing Co.
25—Lease	Philadelphia National Bank
26—Lease	Provident National Bank
27—Lease	Equitable Life
28—Lease	Western Maryland Ry. Equipment Trust
29—Lease	WJC Leasing Corp.
30—Lease	CIT Credit Corp.
31—Lease	ACF Industries
32—Lease	Merchantile Safe Deposit
33—Lease	Fidelity Bank
34—Lease	Fidelity Bank
35—Lease	Segar Four Leasing Corp.
36—Lease	Arleigh Leasing Corp.
37—Lease	SSR Leasing Corp.
38—Lease	Unilease
39—Lease	Industrial Valley Bank
46—Lease	Clark Equipment
47—Lease	Freuhauf Corp.

Erie Lackawanna Railway Finance Agreements

Agreement number and description	*Name*
1—Lease	Xtra
18—Lease	N&W Railroad
21—Conditional sale agreement	Central National Bank of Cleveland
24—Conditional sale agreement	First National City Bank
26—Conditional sale agreement	Cleveland Trust
27—Conditional sale agreement	Marine Midland Trust
29—Conditional sale agreement	Mellon National Bank & Trust
30—Conditional sale agreement	Chemical Bank & Trust
31—Conditional sale agreement	Marine Midland Trust of S. NY
32—Conditional sale agreement	National Newark & Essex
33—Conditional sale agreement	Union Commerce Bank
34—Conditional sale agreement	National City Bank of Cleveland
35—Conditional sale agreement	Society National Bank of Cleveland
37—Conditional sale agreement	Continental Ill. National Bank & Trust
38—Conditional sale agreement	Morgan Guaranty
47—Lease	Freuhauf Corp.
60—Lease	Rentar Leasing System
61—Lease	Trailmobile Leasing
62—Lease	EMP Co.
63—Lease	Realco
65—Lease	Girard Bank
66—Lease	Delaware & Hudson Railway
69—Lease	Intermodal
70—Lease	United Transportation

Agreement number and description	Name
71—Lease	Navajo
72—Lease	Delaware Leasing
73—Lease	Copey
77—Lease	Eastern States Equip.
79—Lease	Marine Midland Trust
80—Lease	Shippers Carline-ACF
81—Lease	Buffalo Creek RR
82—Lease	Green Lease
83—Lease	International Milling
84—Lease	Chicago Freight Car Leasing
N/A—Lease	North American Car

Exhibit 2.—Terms and Conditions Which Apply to Operating Rights Transferred or Offered by the FSP

A. For Use Where Rights Are Granted in Non-Commuter Territory

1. *Term.*—The rights granted shall be for a term of 30 years beginning on the date of transfer or conveyance.

2. *Rights Granted.*—The entity to which the rights are transferred under the FSP ("grantee") shall have the right to operate its freight trains over the specified rail line and to use all facilities of that line associated with railroad freight movements, and the right to establish communications lines on, with and in structures associated with that line, to the extent that space is available; and where space is not available, the right, at grantee's own expense, to provide such facilities itself within the rail line, on a noninterfering basis.

3. *Management and Control.*—The railroad having the primary interest in the rail line ("owner") shall have exclusive control, including the right to grant, on a noninterfering basis, similar rights to others. The grantee shall operate its trains with its own qualified employees, subject to the owner's reasonable and nondiscriminatory rules and orders. Trains of all users shall be dispatched without discrimination or preference, except that priorities may be based on the nature of the service or operation, particularly in the case of passenger operations. The grantee or the owner may request the removal for cause of any employee of the other from service on the line; the party requested to do so shall determine the facts under appropriate proceedings and decide the action to be taken.

4. *Maintenance.*—The owner shall maintain, repair, and renew the facilities to an extent appropriate to meet the combined reasonable and relevant requirements (as to operational limitations and capacity) for the service envisaged by the FSP, of those having rights to the facilities. The owner shall pick up, or rerail, all wrecked or derailed equipment; the cost shall be apportioned as provided in Section "5. Liability", below. Bad order cars of the grantee shall be set out on any available track, repaired by the rail line owner at the grantee's expense and promptly picked up by the grantee.

5. *Liability.*—The defense and payment of all claims for property damage, personal injury or death shall be the exclusive responsibility of the party involved, and that party shall hold harmless the others with rights to the facilities, and indemnify them for any liability and expense in the premises. Where the incident involves two or more parties with rights, the responsibility, costs and expense shall be equally apportioned.

6. *Fees.*—The grantee, if it is the only railroad holding such rights from the owner, shall pay the owner, in equal monthly installments, an *annual fee* of one-half of the costs attributable to the capital investment in the facility. The costs attributable to capital investment shall be computed by applying an imputed interest rate to the acquisition cost of the facilities and the land associated with them. The imputed interest rate shall be determined by calculating the average yield to maturity of 5-year Treasury Notes for the 12 months preceding the determination date plus one-quarter of 1 percent. Periodically, as changes are made to the facilities, there shall be added to the valuation of the facilities the value of any additions and/or betterments; and there shall be deducted from said valuation the value of any retirements, disposals or eliminations relating to the facilities from the owner, the annual fee shall be equally apportioned among such railroads.

In addition, the *non-capital expenses* attributable to the facilities from the owner, the annual fee shall be equitably apportioned between or among the parties having such rights (including the owner) in proportion to the car mileage of each over the facilities during the relevant period.

Payments of non-capital expenses shall be made in equal monthly installments based on a reasonable annual estimate of use, and shall be adjusted to reflect actual use within 30 days after the end of each year of operation. An earlier computation shall be made where the estimate is grossly erroneous.

There shall be included in non-capital expenses:

(a) all direct costs incurred for labor, materials, and supplies and services furnished or used in connection with any particular work project or service; the cost of used materials and new materials out of inventory shall be the actual cost or current market value, whichever is higher;

(b) sales taxes or use taxes on material costs;

(c) appropriate surcharges on direct labor costs to represent vacation allowances, holidays paid for and not worked, health and welfare benefits, payroll taxes, and any other similar allowances, benefits or taxes in effect from time to time;

(d) an appropriate surcharge on the purchase price of new materials passing through, or to the storehouse area to represent purchasing and stores expense; and an appropriate surcharge on the purchase price of new materials and supplies which do not pass through, or to the storehouse area, to represent purchasing expense;

(e) reasonable charges computed per net ton-mile, but not exceeding published tariff rates, to cover transportation over the owner's lines of materials and supplies used in the operation and maintenance of, and in making additions and betterments to the facilities, where such materials and supplies are transported in other than work trains;

(f) reasonable charges for use of roadway machines, special tools and appliances, and for use of locomotives, work and rolling stock equipment engaged in work service upon or in respect to the operation and maintenance of or the making of additions and betterments to the facilities.

(g) wages of crews and reasonable charges for fuel, water, lubricants, other supplies, enginehouse expenses; together with surcharges and additives properly assessable under this section and all other expenses of operating locomotives and work equipment while performing work service in respect to the operation and maintenance of or the making of additions and betterments to the facilities;

(h) reasonable trackage charges for movement of work trains, and of work equipment in transportation service trains, over the owner's trackage other than the facilities, necessary for the performance of work upon the facilities;

(i) other expenses of the same type and class, other than those chargeable to ICC property accounts;

(j) reasonable allowances for the costs of supervision, by persons below the rank of division superintendent or equivalent and their office staffs, and for the cost of facilities and equipment located off the facilities, but necessary for their operation.

7. *Arbitration*—

(a) *Selection of Arbitrators.*—If at any time a question shall arise, touching the construction of any part of this Agreement, or as to any practical business question growing out of the same, or concerning the observance or performance of any of the covenants or conditions herein contained, the parties hereto agree to submit such difference or dispute to competent and disinterested arbitrators, one of whom shall be appointed by grantee and the other by the owner; and if the two arbitrators so chosen cannot agree, they shall select a third arbitrator, and their decision, or that of a majority of them, shall be final and conclusive between the parties hereto. In case either of the said parties shall fail or refuse to appoint an arbitrator as aforesaid for the period of 20 days after written notice given by the other party to make such appointment, then and in that event the arbitrator appointed by the party not in default shall appoint a like competent and disinterested arbitrator for the defaulting party, and the said two arbitrators, so appointed, shall select a third arbitrator, and the three so chosen shall hear and decide such difference or dispute, and their decision, or that of a majority of them, shall be final and conclusive upon the parties hereto. In the event that the said arbitrators shall be unable to agree upon a third arbitrator within 30 days after the appointment of the second arbitrator, such third arbitrator shall be appointed, upon the application of either party hereto, upon reasonable notice to the other party, by a Judge of the United States Court for an appropriate District. Any application to such Judge as aforesaid shall be made and heard in the manner provided by law for the making and hearing of motions in said Court. If any arbitrator shall decline or fail to act, the party or Judge by whom he was chosen or appointed, as the case may be, shall appoint another to act in his place.

(b) *Resolution.*—Until the arbitrators shall make their award upon questions submitted to them, the business, settlements and payments to be transacted and made under this Agreement shall continue to be transacted and made in the manner and form existing prior to the arising of such questions.

8. *Option to Renew; Renegotiation.*—The owner shall have the right to renew its rights for an additional 30-year term by giving written notice thereof to the owner at least 6 months before expiration of the initial term; upon the exercise of that option, the parties shall, in good faith, renegotiate the terms and conditions under which the rights are exercised, and shall adjust them as may be reasonable and equitable in the light of any changed circumstance arising during the initial term. Any failure to agree on such reasonable and equitable terms and conditions shall be a matter for arbitration under Section 7 of those terms and conditions.

9. *Default and Termination.*—In the event of any substantial failure on the part of the grantee to perform its obligations under this Agreement, and its continuance in such default for a period of 60 days, the owner shall have the right, at its option, after first giving 30 days written notice thereof by certified mail, and notwithstanding any waiver by the owner of any prior breach thereof, to terminate the use of the facilities by the grantees, and in the exercise of such right, the owner shall not impair their right under this Agreement or any rights of action against the grantee for the recovery of damages; provided, however, that the default of the grantee with respect to matters which it shall, in good faith, have sought arbitration hereunder, shall not, until

30 days further default after the final decision of the arbitrators, be cause for forfeiture as aforesaid.

10. *Assignment.*—The grantee shall not assign or transfer its rights under these terms and conditions without the consent in writing of the owner, but the rights given to the grantee herein shall inure to the benefit of any other corporation succeeding to the ownership of substantially all the assets and business of the grantee and, except as above stated, all of the obligations and covenants herein imposed, as well as all of the benefits herein conferred, shall be binding upon and inure to the benefits of the successors of the grantee and owner.

11. *Agreements of the Parties.*—Any or all of these terms and conditions may be changed, and other terms and conditions may be added at any time by agreement of the owner and the grantee.

B. For Use Where Rights Are Granted in Commuter Territory

These terms and conditions shall be identical to those applying in noncommuter territory except for Section 6, which shall be, for rights in commuter territory:

Fees.—The grantee, if it is the only railroad holding such rights from the owner, shall pay the owner, in equal monthly installments, an *annual fee* equal to the costs attributable to the capital investment in that part of the facilities required for freight operations. The costs attributable to capital investment in the part of the facilities required for freight operations shall be computed by applying an imputed interest rate to the acquisition cost of all facilities needed for freight operations, but not required at all for passenger operations, and the land associated with them. For trackage, only the value of a single track shall be considered required for freight operations. The imputed interest rate shall be determined by calculating the average yield to maturity of 5-year Treasury Notes for the 12 months preceding the determination date plus one-quarter of 1 percent. Periodically, as changes are made to the facilities, there shall be added to the valuation of the facilities the value of any additions and/or betterments; and there shall be deducted from said valuation the value of any retirements, disposals, or eliminations relating to the facilities. If more than one railroad has freight-service rights to the facilities from the owner, the annual fee shall be equally apportioned among such railroads.

In addition, the *non-capital expenses* attributable to the part of the facilities required for freight operations, as to which rights are granted, shall be equitably apportioned between or among the parties having freight service rights (including, where applicable, the owner) in proportion to the car mileage of each over the freight facilities during the relevant period.

Payments of non-capital expenses shall be made in equal monthly installments based on a reasonable annual estimate of use, and shall be adjusted to reflect actual use within 30 days after the end of each year of operation. An earlier computation shall be made where the estimate is grossly erroneous.

There shall be included in non-capital expenses:

(a) all direct costs incurred for labor, materials, and supplies and services furnished or used in connection with any particular work project or service; the cost of used materials and new materials out of inventory shall be the actual cost or current market value, whichever is higher;

(b) sales taxes or use taxes on material costs;

(c) appropriate surcharges on direct labor costs to represent vacation allowances, holidays paid for and not worked, health and welfare benefits, payroll taxes, and any other similar allowances, benefits or taxes in effect from time to time;

(d) an appropriate surcharge on the purchase price of new materials passing through, or to the storehouse area to represent purchasing and stores expense; and an appropriate surcharge on the purchase price of new materials and supplies which do not pass through, or to the storehouse area, to represent purchasing expense;

(e) reasonable charges computed per net ton-mile, but not exceeding published tariff rates, to cover transportation over the owner's lines of materials and supplies used in the operation and maintenance of, and in making additions and betterments to the facilities where such materials and supplies are transported in other than work trains;

(f) reasonable charges for use of roadway machines, special tools and appliances, and for use of locomotives, work and rolling stock equipment engaged in work service upon or in respect to the operation and maintenance of or the making of additions and betterments to the facilities;

(g) wages of crews and reasonable charges for fuel, water, lubricants, other supplies, enginehouse expenses; together with surcharges and additives properly assessable under this section, and all other expenses of operating locomotives and work equipment while performing work service in respect to the operation and maintenance of or the making of additions and betterments to the facilities;

(h) reasonable trackage charges for movement of work trains, and of work equipment in transportation service trains, over the owner's trackage other than the facilities, necessary for the performance of work upon the facilities;

(i) other expenses of the same type and class, other than those chargeable to ICC property accounts; and

(j) reasonable allowances for the costs of supervision, by persons below the rank of division superintendant or equivalent and their office staffs, and for the cost of facilities and equipment located off the facilities, but necessary for their operation.

Exhibit 3.—Yards Designated for Use for Other Public Purposes Under Section 206(c)(1)(E)

Location	Property description	Use	Recommended by—
INDIANA			
Union City, Ind	Former rail passenger station of Penn Central in Union City.	Museum	Union City, Ind., mayor.
NEW JERSEY			
Bound Brook, N.J	CNJ freight station property on East Main St., Bound Brook.	Mini park and off street parking	Bound Brook, N.J., mayor.
Hoboken, N.J	Excess E.L. yard property if not needed for commuter/passenger service.	Urban redevelopment	Hoboken, N.J., mayor.
OHIO			
Bradford, Ohio	1. Y-yard—O.L. 18 and O.L. 21 (Plot No. 20) in center of Bradford.	1. Further development of park on back of parcel and fire station in front (now based for park).	Bradford, Ohio, mayor.
	2. O.L. 1, Bradford, Ohio, Plot No. 26.	2. Recreation—Ball park (current use).	
	3. O.L. 20, Plot No. 34	3. Recreation (now a garden)	
Sylvania, Ohio	Penn Central reference—NYC V-209/1 north of Convent Boulevard and immediately west of Penn Central main track (4.7 acres).	Park—Land now leased for park	Sylvania, Ohio, city manager.
PENNSYLVANIA			
Oil City, Pa	Several parcels of Penn Central property leased by Oil City.	Off street public parking	Oil City, Pa., director of public service.