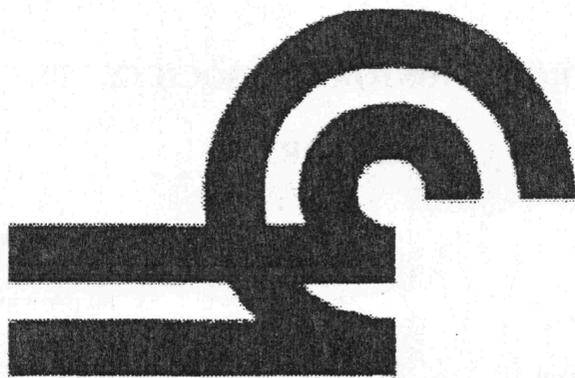
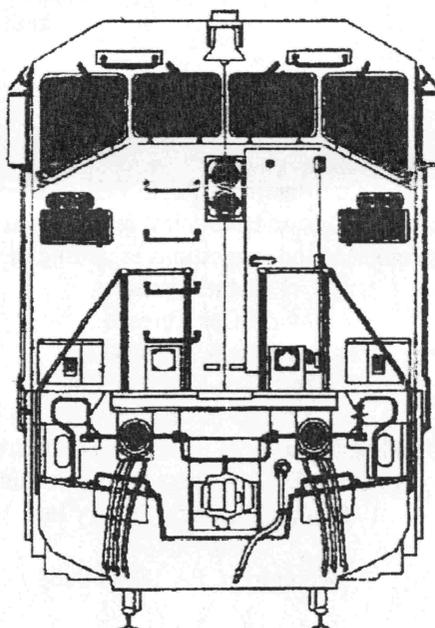


# CONRAIL



## Historical Society, Inc.



### “The Form D”

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# CONRAIL HISTORICAL SOCIETY INC.

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### From the Chief Dispatchers Desk

I wish to thank all the people that I saw up at the Syracuse Train show. It was a very worth while experience. We are getting ready for the Amherst Railway Train show that will be the weekend of January 31-February 1. This show is one of the largest on the East Coast. I hope to see as many of the members as possible at that show. The second item of business if that of a change at the top. Kermit Geary Jr. has stepped down as president but still will be on the board of directors. Allan Bubb has been voted in as the new president of the organization and this coming year promises to have some very exciting things happening for the organization. Last but certainly not least: **It is renewal time!!!** Enclosed you will find your form for renewal. We hope we have proven to you that we are well worth the investment. Please not that you now have the ability to pay by credit card. Please renew early enough your dues monies are the life blood of our organization Please renew as soon as possible. Once again as the holidays are upon us all of us have so many things to do. Have a safe and prosperous holiday season!!

John Cerreta

# DERAIL CONRAIL'S DISMEMBERMENT

by  
Dan Pickett

## Editor's note: (These views are the author's not of the society)

Trickle down, railroad style. The proposed carve-up of Conrail to CSX and NS is the industry's version of Reaganomics. Like the failed trickle-down theory, the merger is supposed to benefit all shippers, employees and communities by rewarding a few at the top. This old refrain must be exposed as a money grab bad for everyone but corporate executives and their financiers. The proof is seen in headlines detailing last year's difficult Union Pacific marriage with Southern Pacific. The nation should be leery of another deal resulting in unsafe operations, job losses and reduced service. The proposed Conrail carve-up involves over 44,000 miles of rail lines covering 24 eastern states and the District of Columbia. If the deal goes through, CSX and NS claim they would maintain competition and even expand it where Conrail is the only major carrier. In reality, four railroads would control 90% of U.S. rail freight, each enjoying a regional monopoly. CSX and NS, after buying Conrail for nearly three times annual revenue, will effectively consolidate their market power, reducing competition or creating outright monopolies in many areas. Corporations do not pay this kind of premium to buy their competitors with the aim of competing fiercely with each other. Reducing service will lead to job cuts. NS and CSX say they will eliminate "only" 2,650 jobs. But when UP took over C&NW, it predicted almost no job losses. Yet over 1,000 received pink slips. CSX-NS's "optimistic" prediction of 2,650 fewer jobs is cold comfort. Thousands of workers at various carriers would face uncertain futures. The railroads also claim they will steal business from other railroads and motor carriers. If realized, this would hurt other transportation workers.

Another fact has gone unnoticed. As in other major railroad mergers, NS and CSX plan to modify or break contracts voluntarily entered into regarding employees wages, job protection, work rules and other issues of importance to workers. Their reason? The contracts impede the merger. It's that simple—and our government sanctions it. The same railroads that exploit regulatory and legal loopholes to break private contracts are permitted to evade federal environmental and antitrust laws applied to every other corporate sector of the economy.

CSX and NS likely will experience growing pains if the dismemberment of Conrail is approved. Service disruptions will be a minor inconvenience compared to the increased risk of accidents. Recently, after 12 deaths in eight months, the Federal Railroad Administration identified an operations breakdown at the UP/SP merger after discovering "widespread safety deficiencies in the areas of training, dispatching, and employee fatigue." The recent UP tragedies provide a grim picture of what to expect when CSX and NS take-over operations in Conrail.

Finally, both CSX and NS will be carrying enormous debt. This newspaper reported recently that the \$5 billion of new debt financing by NS for its part of Conrail is the largest of its kind. The \$10.3 billion Conrail price is nearly three times its \$3.7 billion annual revenue. The large debt puts upward pressure on shipping rates and forces CSX and NS to repay and service shareholders ahead of safety, maintenance, capital improvements, worker training and technology enhancements.

Rail workers are not fools. In cities throughout the East, workers and their communities are fighting the Conrail dismemberment and rallying shipper and communities to pressure local, state and federal policy-makers to recognize the adverse consequences. As we move toward a June 1998 decision on the carve-up of Conrail (which now has been stayed another 45 days past the June start-up date due to safety constraints Ed. note), workers will send a clear message to the Surface Transportation Board and Congress: protect jobs, prevent railroad monopolies and safeguard public and worker safety. Reaganomics is not the only history this merger would repeat. The Conrail deal is about monopoly power, abandoned communities, and disregard for labor rights and public safety—the 19th century robber barons would be proud of. (The Washington Post)

## CONRAIL'S DEAL BULL'S -EYED

As expected, a bloc of congressmen from New York, Connecticut and Rhode Island are demanding some serious changes to the deal to break up Conrail. In a petition filed the week of October 14 at the Surface Transportation Board, the 24-member delegation asked that the regional area served jointly by CSX and NS be expanded beyond three major Conrail intermodal terminals in northern New Jersey. Included in the joint operating area should be a car-float service across New York Harbor between Jersey City, NJ and Brooklyn, NY as well as core rail lines and intermodal terminals east of the Hudson River. This type of rate structure is similar to those used by terminal carriers in other metropolitan areas. In addition, the joint area must include trackage rights for another operator on Conrail's River Line which is slated to be given to CSX. These changes would finally undo mistakes made back in 1976 when Conrail was created from the wreckage of six bankrupt northeast railroads and became a monopoly overnight because of lack of competition. Because Conrail held 98% of the rail market in the Northeast, it dictated not only rates, but service terms for connecting carriers and shippers. Those east of the Hudson River, in New York City and on Long Island, always felt they got the short end of the stick from Conrail. Over 41% of intercity freight goes by rail everywhere else in the United States and this figure continues to rise. But for New York City and Long Island, Connecticut and Rhode Island, the figure is only 2.8%.

Instead of serving New York City, Conrail demanded shippers and receivers truck their goods across bridges or through tunnels to and from its intermodal terminals in New Jersey, increasing freight costs for hundreds of manufacturers. In addition to the rail lines in New York City, the joint area would also include the 65th Street Yard, an intermodal facility built by New York City, but unused for more than a decade and a half. It would also include the portion of the Harlem River Yard under construction in the Bronx, NY, that would be used for rail freight. This designation sidesteps a continuing thorny fight over using part of this facility for functions other than rail freight, like recycling or manufacturing. During the debate of Conrail's breakup, New York shippers and receivers have loudly clamored to have what other sections of the Northeast will have after NS and CSX finish divvying up Conrail: Two railroads instead of one. While outwardly positive for shippers, the plan appears to deal a blow of sorts to the New York Cross Harbor Railroad, which carries 40,000 railcars across the harbor a year. Conrail, despite its significant market power,

believes the petition will act as a funding vehicle to help the railroad expand its capacity. The proposed plan certainly includes a plus for the New York & Atlantic railway, which took over the freight operations of the Long Island Rail Road because it would give it links to both CSX and NS. (Journal of Commerce)

### KEY SHIPPERS CHALLENGE CONRAIL PLAN

Two key business groups representing rail chemical and plastics customers have come out against the CSX-Norfolk Southern plan to split up Conrail. The filing by the Chemical Manufacturers Association and the Society for the Plastics Industry is a potential sign of trouble for Conrail's buyers. The comments from the industry groups surfaced as the deadline passed for those seeking changes in the plan to file comments at the Surface Transportation Board. If past practice holds, the comments submitted will provide a counterbalance to the CSX-NS side of the story, which was contained in nearly 15,000 pages of testimony and more than 2,000 letters of support.

The views of the chemicals and plastics groups are important because the two industries accounted for approximately 15% of the \$12.7 billion in rail revenue earned by CSX, NS and Conrail last year. The shippers said they should not bear the "very substantial risks" created by the bidding war between NS and CSX that ultimately led to a compromise plan to break up Conrail. The groups maintained that the companies can only pay for Conrail "if they faultlessly execute their strategy. It is doubtful this can be done." The shippers' statement based its opposition on three other concerns: 1) increased likelihood of "massive confusion, disruption and delay" from the breakup process; 2) a too rapid timetable for implementation; and 3) the absence of detailed plans for operations in so-called shared asset areas, where many members have facilities. Shared asset areas are major markets, including New York and Philadelphia, where both railroads will operate. The associations said that if the deal was approved, they must have assurances of a smooth takeover and commitments that competition would be fostered in the shared assets areas. The applicants say their proposal, filed four months ago, will boost competition as it restructures the Eastern rail system into two roughly equal carriers that reach every major market in the region. (Journal of Commerce)

### SAFETY BOARD BLAMES UNION PACIFIC FOR TRAIN WRECK

Union Pacific Railroad's management's stubborn seven-year failure to relocate one small switch in locomotive cabs led directly to the wreck of a runaway train in California that caused \$4.4 million in damage. The board absolved the locomotive engineer of any blame, and several board members express consternation that the railroad had fired the engineer and conductor. The January 12 runaway on the steep Cima Hill at Kelso, CA, near Barstow, is one of the more bizarre of 52 train wrecks that the board has investigated in the last 12 months—12 of them on the Union Pacific Railroad. The board used the wreck to raise several unresolved issues such as concerns about the railroad's safety culture and why the Federal Railroad Administration is still struggling with a new rule on train brakes. Investigator-in-charge David Watson said Union Pacific had known for seven years that a fuel cutoff switch located at about knee level, to the left of where the engineer sits, was subject to inadvertent nudges. Rather than relocate the switch, as all other railroads have done, he said Union Pacific kept experimenting with small guards and covers that did not work. Watson said the railroad did not consider the switch a safety hazard, but an inconvenience. A Union Pacific spokesman said the railroad has relocated the switches in all affected locomotives, but declined further comment. The wreck, in which thousands of tons on grain were spread across the desert but no one was killed, occurred as a train headed by three locomotives was going down a steep. The engineer accidentally kicked the fuel cutoff valve, which shut down all three locomotives immediately. It also knocked out one of two braking systems, the "dynamic brake," the locomotive equivalent of downgearing a truck or a car. The train, moving at a safe speed of 20 mph, was left with only air brakes. Moving down the grade, it rapidly accelerated beyond its point-of-no-return "runaway speed" of 25 mph to reach 72 mph before the coupler behind the locomotives broke and 68 grain cars piled off the track. The crew survived without injury because the locomotives remained on the rail and skidded to a stop three miles later. The engineer could have stopped the train if he had applied the air brakes immediately, but board investigator Russell Quimby said the engineer had no idea that he had lost all his dynamic brakes and there is no warning system to let him know. Given the circumstances, he said the engineer reacted properly. When told that both the engineer and the conductor had been fired, Chairman Robert Francis said, "That's enlightening, its like putting a pilot in a plane with no instruments, he runs into a mountain and we say had, pilot error. I think it is a comment on the attitude of the company toward enlightened approaches to safety." Board Chairman Jim Hall expressed frustration that the Federal Railroad Administration and the railroads have been discussing new brake rules for years with no resolution. Although there are numerous federal rules regarding air brakes, there are none for dynamic brakes. The railroads argue that the dynamic brakes need not be regulated as a safety system. (The Washington Post)

### SHIPPERS BYPASSING SOUTHERN CALIFORNIA

Some of the nation's largest retailers have started diverting shipments away from Los Angeles-Long Beach because of severe congestion at the nation's busiest port complex. "About three weeks ago, we started shipping some of our cargo all-water to the East Coast that normally would have gone through Los Angeles," said Tom Eye, international distribution manager at J.C. Penny Co. The diverted shipments represent about 10% of the company's Southern California cargo. The move by importers has terminal operators and union members taking notice. Waterfront employers and the International Longshore and Warehouse Union are hurrying to find more dockworkers and to modify work rules to improve productivity. Los Angeles-long Beach, the largest gateway for imports from Asia, has been cripple by a severe shortage of intermodal railcars and locomotives on the Union Pacific system, The UP took over the Southern Pacific Transportation Co. last year, and intermodal service through its West Coast gateways has steadily deteriorated. The situation has been compounded by a critical shortage of dockworkers. The Pacific Maritime Association, which represents waterfront employers, and the ILWU hired 1,000 longshoremen during the summer. The new hires have been put through intensive training, and just last week they began entering the work force at the rate of about 30 a day. (Journal of Commerce, CNW 4400)

November 5. In a strongly worded opinion, U.S. District Judge Charles R. Weiner accused Conrail and Amtrak of purposely allowing the bridge to deteriorate in the hope that the city would shoulder the repair costs to keep 41st Street open. The bridge has been closed to vehicular traffic since 1994. "Had Amtrak and Conrail not deferred their maintenance responsibilities, the load-bearing capacity of the bridge would not have been compromised," Weiner wrote. "In short, it would be too dangerous a precedent to permit an intentional policy of deferred maintenance, to the point where safety is compromised, to shift the financial responsibility for correcting the unsafe condition. "Rather, equity demands that the duty should remain with Amtrak and Conrail." Weiner ruled that the unspecified cost of renovating and reopening the bridge, which spans two tracks used by Conrail and four used by Amtrak passenger trains, should be shared by the two railroads in proportion to the number of tracks each owns. Amtrak officials would not comment until they have reviewed the opinion, Conrail officials were not available for comment. The dispute erupted in 1993 when the city notified the Pennsylvania Public Utility Commission that deterioration of the 41st Street bridge had forced the commission to reduce allowable vehicle weight-load from 20 to three tons. The following year, the city closed the bridge altogether. According to Weiner's opinion, both Conrail and Amtrak maintained that they purchased only the tracks when they bought the remnants of the Penn. Central Railroad in bankruptcy court. The railroads contended that the bridge was part of 41st Street, a public highway, and thus owned by—and the financial responsibility of—the City of Philadelphia. But Weiner went back to the 1927 agreement by which the Pennsylvania Railroad (later Penn Central) purchase from the city the right to build a bridge in the line of 41st Street over the tracks of its "Main Line." Weiner noted that the railroad wanted the bridge for its own convenience, to maintain the grade of its tracks and avoid the delays caused by a railroad grade crossing at 41st Street. (The Philadelphia Inquirer, CNW 4400)

### **14 STATES BACK MERGER PLAN**

Chairman and Chief Executive Officer John Snow hailed the support of 14 states for the company's proposed joint acquisition of Conrail with Norfolk Southern. That states' show of support, said Snow, "indicates the positive reaction and growing support we're seeing as public officials have an opportunity to assess our plan, and see how much it means for their state's economic growth." The states formally endorsing the acquisition are: Alabama, Florida, Georgia, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi,

Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. Snow hailed the endorsements as proof of the success of ongoing community outreach efforts by CSX. The states support of the Conrail acquisition was conveyed to the federal Surface Transportation Board, the agency responsible for reviewing and approving railroad acquisitions and mergers. One of the more recent supporters, Michigan Gov. John Engler, expressed sentiment that was typical of the filings. In a recent letter to the STB, he wrote: "I am pleased to endorse the proposed acquisition. The restructuring of the railroad system in the eastern United States will result in a more efficient transportation system with balanced competition between two strong carriers." In its filing with the STB, Massachusetts similarly noted, "The Commonwealth recognizes that the proposed control of Conrail by CSX and NS will enhance certain railroad service opportunities throughout the eastern United States. These enhancements will benefit shippers, industries and businesses, and communities through the delivery of cost-effective freight services." (CSX News Wire, Randy Kotuby)

### **STARK DEVELOPMENT BOARD FIGHTS CONRAIL MERGER**

The acquisition of Conrail will eliminate competitive access to rail service to Northeast Ohio industries and affect fifteen to twenty thousand jobs in Stark County over the next ten years by virtually "squeezing out" Stark County's state-of-the-art intermodal terminal and its servicing carrier, Wheeling and Lake Erie Railway Company (W&LE). This is the contention of a response opposing the Conrail divestiture filed by the Stark Development Board. The Stark Development Board is the owner of "Neomodal", a highly-praised intermodal facility built in 1995 with federal funds aimed at supporting new transportation projects that would reduce air pollution and congestion on U.S. highways. At issue under the proposed Conrail agreement is the realignment of Class 1 rail service. This realignment would leave a single carrier to service Neomodal and Northeast Ohio industries, down from three which existed prior to the Conrail takeover. Neomodal was built in its current location on the regional W&LE because it provided access to all three Class 1 carriers. Under the proposed agreement, Norfolk Southern would buy up all of Conrail's lines in Northeast Ohio and Southwest Pennsylvania and would become a chief competitor of the regional Wheeling and Lake Erie Railway. According to W&LE officials, this would leave Neomodal's customers with no competitive rail access to Class 1 rail service. The intermodal facility was credited as a key factor in the U.S. Department of Commerce's recent decision to expand Akron-Canton Foreign Trade Zone #181 to include 843 acres of

industrial land adjacent to Neomodal. The Neomodal Terminal and the expansion of the Foreign Trade Zone are significant incentives that projected into the creation of fifteen to twenty thousand new jobs in Stark County over the next ten year. (Randy Kotuby, Bernard Ente)

### **DELIBERATE AND METHODICAL APPROACH WILL BE EMPLOYED FOR CONRAIL MERGER**

America's transportation system will significantly benefit by the safe and well-planned integration" of Conrail in the CSX system. That was the key message J. Randall Evans of CSX delivered to a group of public and private officials on November 19. Evans, the railroad's vice-president of acquisition development, described CSX's approach towards the integration of Conrail during a national freight summit or rail consolidations sponsored by the U.S. department of Transportation and the Delaware Valley regional Planning commission. "We are approaching the integration of Conrail in a very deliberate and methodical manner," Evans said. "A tremendous amount of planning has already been done to ensure that the integration of Conrail into CSX is accomplished safely and with no service disruptions. Above all, safety will not be compromised. We will execute this integration in phases, all in a very deliberate and prudent manner." Evans said the integration of Conrail will be "seamless" to customers and communities, and will lead to enhanced customer service. When completed, the new system will offer direct, single-line service throughout the eastern United States, from New Orleans to new England, and Miami to Montreal. In addition, the company has been carefully reviewing past rail mergers in a "lessons learned" approach. Some of those "lessons learned," as outlined by Evans, include minimizing change; phasing in implementation of the new operating plan and field transportation systems; over-resourcing during the transition, retaining Conrail expertise; allowing sufficient time for training; and over-communicating to all parties, including employees, customers and public officials. (Randy Kotuby)

## CONRAIL DEAL DELAYED FOR SAFETY STUDIES

(Editor's Note: As we go to press this article hit the wire services)

The Surface Transportation Board on November 3 ordered a 45-day delay in its consideration of the acquisition of Conrail by Norfolk Southern and CSX to determine how the \$10.2 billion deal will effect railroad safety. The board, endorsing a proposal by the Transportation Department, gave Norfolk Southern, CSX and Conrail 30 days to file detailed "safety integration plans" that will be included in a draft environmental impact statement. The resulting delay, including time for comment and board consideration, will push a final decision on the merger to June 8, with the formal written decision on July 23. Only after the written decision could CSX and Norfolk Southern proceed to split Conrail between them, forming two giant railroad systems in the East. CSX Chairman John Snow said his company is already working with the Federal Railroad Administration and rail labor on safety, and "we anticipate no problem submitting a safety implementation plan." Norfolk Southern Vice President Robert Fort said his rail carrier has already been planning for a safe transition, and "this will only hasten the process along." The board, which rules on rail merger matters, said the impact assessments should be along the lines of the Transportation Department's request, "a formal, written document that systematically describes how each element of an acquired railroad will be integrated safely into the operations of the acquiring railroad in compliance with the federal railroad safety laws." Safety has become a major issue in the past few months. The Federal Railroad Administration which enforces federal safety laws and rules, has issued two reports highly critical of safety on CSX and on the Union Pacific, which merged last year with the Southern Pacific. Union Pacific has experienced an unusually high incidence of collisions and also suffered severe service problems with clogged yards and rail lines. The FRA found numerous problems with CSX's dispatching center and the railroads physical conditions. (The Washington Post, CNW 4400)

### SMALL RAILROADS WORRY ABOUT CONRAIL BREAK-UP

The key coming attraction involving small railroads affected by the break-up of Conrail will be the case of Wheeling & Lake Erie Railway, an Ohio-based carrier that claims its future is jeopardized by the sale to Norfolk Southern and CSX. Because W&LE was created by a 1990 spin-off of some NS tracks and the smaller carrier exchanges 25% of its business with the larger railroad, much of the attention will be on whether W&LE and NS can strike a deal. The Wheeling & Lake Erie case will be watched closely because it is the only small railroad with substantial revenue loss that has continued to be a high-profile case, including outspoken political support from state and federal officials. In contrast, NS and CSX have reached accommodations with other small railroads affected by the sale, including a publicly announced agreement with Delaware Otsego Corp., an upstate New York rail operator. In its filing with the STB, W&LE said the applicants understated revenue loss by a factor of six. While CSX and NS claimed the small carrier would lose less than \$2 million in revenue, W&LE itself pegs the revenue loss at nearly \$13 million, or approximately 30% of its revenue. The company seeks multiple conditions, including direct access to Chicago, Toledo and Erie, PA and the power to operate two northern Ohio branch lines now owned by other railroads and additional trackage rights in Ohio and West Virginia. W&LE also is proposing increased operations over its route south of Cleveland to reduce operations through communities where residents are protesting the sale. Altogether, Conrail and its buyers have 270 short-line railroad connections, though some of those connecting carriers link up with more than one of the major railroads. Among the small railroad supporters of the Conrail break-up application is Genesee & Wyoming Industries of Greenwich, CT, owner of three smaller railroads affected by the sale. Providence & Worcester Railroad, another regional carrier, also supports the plan, as do more than 60 other small railroads that connect with NS or CSX. Five other railroad owners have active requests for additional conditions. New England Central Railroad of St. Albans, VT, a subsidiary of San Antonio-based short-line holding company RailTex Inc., sought rights to connect to NS at Albany, NY through trackage rights over CSX from Palmer, MA. RailTex also sought expanded rights in Ohio for its Indiana & Ohio Railroad and the rights to connect with all railroads in Indianapolis for RailTex's Indiana Southern Railroad property. Nearby in New England, the Housatonic Railroad argued that the small carrier should be considered a customer of Conrail that cannot benefit from lower rates expected to result from competition elsewhere. Housatonic, which operates in Connecticut and Massachusetts, sought new connections to NS because the small railroad's only connection would be CSX if the sale goes through. Housatonic argued for rights over CSX to haul cargo to and from Albany, as well as rate protection for a limestone customer in Ohio. Further south, the Reading, Blue Mountain and Northern Railroad asked the STB to enforce an agreement to sell a portion of Conrail track to the short-line carrier. That sale, which began during the early days of the Conrail merger case, has not been completed. In addition, the small railroad asked for a direct connection with Delaware & Hudson Railway at Reading to have a second routing choice for customers. A few dozen miles away, the Philadelphia Belt Line Railroad protested that the carve-up would effectively cut off the switching railroad based in that city from 10 of its shippers on the north side of the city. To back up its claims, the carrier cited a rail shipping agreement dating to 1889 that is called the "Belt Line Principle." The switching carrier claimed that principle requires equal switching services for all railroads serving the city. To the west, the Elk River Railroad in West Virginia did not oppose the transaction itself, but asked for conditions that would allow NS to buy a Conrail line radiating at Charleston, WV that would allow additional interchange for Elk River's customers. With members taking diverse positions on the Conrail breakup, the American Short Line Railroad Association focused its comments on conditions that would assure a "status quo" outcome for members that would preserve existing rate, interchange and other agreements between large and small carriers. The trade group asked the STB to clarify the question of interchange with multiple roads at places where new competition or routes would be created. (CNW 4400. Journal of Commerce)

**ACQUISITION OF CONRAIL MAY AFFECT COMMUTER RAIL OPERATIONS**

The American Public Transit Association (APTA) filed comments with the Surface Transportation Board regarding the impact on commuter rail service of the pending acquisition of Conrail. All three of the freight railroads involved in this action—Conrail, CSX and Norfolk Southern—have existing operating agreements with commuter railroads. APTA president William W. Millar said, "We are concerned about the potential limitations that the acquisition could place on the ability of commuter railroads to provide passenger service at current levels, as well as to grow in the future, and these issues should be addressed by the Board." "In fact, we urge the STB to put into place, as a stipulation to this acquisition, a process that will provide a means to resolve future disputes between CSX, NS and commuter railroads, and to safeguard the public's interest in and investment in passenger rail service," Miller noted. "Our nation needs to sustain the public's use of mass transportation systems to enhance mobility and improve the environment. The establishment of cooperative and mutually beneficial relationships between freight and commuter railroads is essential to the success of efficiency of the industry. The STB's review of the acquisition of Conrail's assets and rights by CSX and NS will play a role in how those relationships are defined in the future." (U.S. NewsWire, CNW 4400)

**CONRAIL CUSTOMERS SEEK MORE COMPETITIVE ACCESS**

From New England to Indiana and Ohio to New York, some frustrated shippers and government officials have a blunt message for CSX Corp. and Norfolk Southern Corp.: Give us the same new competitive choices your carve-up of Conrail is supposed to create elsewhere. Requests for "me-too" competition should create a lively debate as the Surface Transportation Board weighs whether to approve the plan to award 58% of Conrail to NS and the rest to CSX. Those bids to widen the introduction of new competition were prominent in the hundreds of responses seeking changes to the CSX and NS plan to create new rail service options in New Jersey, Detroit and Philadelphia. The protests address two broad areas; 1) Fears of economic harm because broad geographic areas such as New England won't get the new competition that nearby regions do; and 2) Complaints from metropolitan areas such as Buffalo, Toledo and Indi-

anapolis that the Conrail breakup puts undue burdens on them. However, by saying this there are also other problems that are created by some people receiving benefits and others not. For example, New York state's Department of Transportation said "a division of Conrail solely on the terms proposed by CSX and NS would be contrary to the public interest and should not be approved." New York requested conditions to create competition with CSX on two routes it would acquire between Albany and New York City and within the city itself. The Council of Northeast Governors, whose members stretch from Maine to Pennsylvania, went further, saying "They (NS and CSX) should not...be the sole or final arbiter of the public interest. Without conditions, there will be adverse effects in all parts of New England in which effective rail-to-rail competition by CSX and NS is not provide." Under the sale plan, CSX will acquire all Conrail property east of the Hudson River. NS would need connections to reach New England. The governors council wants competition from Albany to New York City and Worcester, MA. However, some states in the council, such as Pennsylvania, separately supported the CSX-NS plan. Individual New England interests also weighed in. "Approval of an unconditioned application will put Connecticut and New England at a competitive disadvantage," Connecticut officials said. Unconditional approval could make the situation worse because CSX would have to compensate for competitive rate pressure elsewhere." New England wants what New York gets says Sen. Jack Reed, D-RI. "My preference is for New England to have the same form of competition...as the New York/New Jersey area. I am hard pressed to explain to my constituents why certain areas of the East will benefit...but Rhode Island and New England may not." Maine's DOT fears that the "transaction cannot ultimately proven beneficial unless competitive access for two Class 1's carriers is provided" in their state. That theme was repeated by individual cities. With state DOT support, the Erie-Niagara Steering Committee, representing the Buffalo area, sought the same status as Detroit, where all shippers in the metropolitan area are supposed to gain new competition. Buffalo officials say their market is larger than Detroit, which Buffalo views as a rival for new economic development. Instead of focusing on gaining new services, Indianapolis and Toledo interests say Conrail's purchase reduces competition from two carriers to one. In Indianapolis, Conrail's buyers response to replace the carve-up railroad's service with NS trackage rights, but shipper and government groups say that plan falls short of real competition. "the number of customers NS will be allowed to serve will be

severely limited (and its) ability to develop a volume of traffic sufficient to maintain adequate rail service will be impaired," Indianapolis city officials said. Some local interests want contracts that CSX would inherit to be open for competitive bids to assure that NS has enough traffic to maintain its interest in serving local customers. Indianapolis Power & Light made a separate filing, saying the \$3.8 billion premium paid by CSX and NS for Conrail stock can be passed on to shippers in the form of higher rates unless the STB excludes that acquisition premium from formulas the agency uses to calculate maximum allowable rates. "CSX maintains that the Indiana Rail Road (owned 75% by CSX) is an independent competitor," the utility charged. "Common sense dictates that CSX will not meaningfully compete with a company it controls." Toledo's concern is limited to port facilities that local forces say would be solely served by CSX. The Toledo Lucas County Port Authority, which handles 9 million tons of coal and ore annually, was concerned that CSX would take full control of rail facilities at the ore dock is now being served by a switching railroad with ownership split 50-50 between CSX and Conrail. (Journal of Commerce, CNW4400)

**NS SHOWS COMMITMENT TO PHILADELPHIA AREA**

Building a strong public-private partnership with Philadelphia and the Commonwealth of Pennsylvania, NS announced on November 3 that it will create a new economic development program to attract rail-served business to Philadelphia and across Pennsylvania. the announcement came a day after the City and commonwealth endorsed the acquisition of Conrail. Norfolk Southern said it will make a substantial investment over five years to help bring the Norwegian shipbuilder Kvaerner ASA to the former Philadelphia Naval Shipyard. As part of the economic development program, Norfolk Southern said it will buy land and construct industrial and rail facilities to encourage rail-served businesses to locate in Pennsylvania. Investments will be made over a five-year period following the STB's approval of the Conrail acquisition. under an agreement to be signed with the Delaware River Port Authority, Norfolk southern will operate a new intermodal facility. The Authority will build at the AmeriPort Intermodal Terminal at the shipyard, now called the Philadelphia Naval Business Center. In addition, Norfolk Southern and the Philadelphia Industrial Development Corporation will sign a development and marketing agreement under which the railroad will build an automobile unloading facility on 100

acres owned by the City at the shipyard. NS also announced that 75 employees will fill positions at its Mid-Atlantic Regional headquarters in Philadelphia and said an estimated 150 new rail-related jobs will be created in the Philadelphia area within three years after STB approval. Philadelphia will remain as headquarters for Conrail Inc., which will operate the "Shared Assets Areas" that Norfolk southern and CSX will jointly own. The operation will have 350 positions. Besides the intermodal terminal and the auto facility, the Philadelphia projects include a new \$4 million Triple Crown RoadRailer (facility and a \$1.4 million track connection near the Philadelphia Zoo. (NS News Wire, CNW 4400)

### PROJECTED CSX TRAFFIC DENSITIES ON SELECTED RAIL SEGMENTS

Here are some projected CSX Traffic Densities on Selected Conrail lines in the Northeast. These determinations are projected in Millions of Gross Tons. They are;

—**Trenton Line: Port Reading Junction, NJ to Trenton, NJ (24.7 miles);** Current Base Tons: 17MGT; Post Acquisition: 16 MGT; Change: -8%.

—**River Line: Ridgefield Heights, NJ to Newburg, NY (44.9 miles);** Current Base Tons: 41 MGT; Post Acquisition: 39 MGT; Change: +19%.

—**Boston Line: Selkirk, NY to Westfield, MA (85 miles);** Current Base Tons: 36 MGT; Post Acquisition: 39 MGT; Change: +7%.

—**Chicago Line: Solvay, NY to Lyons, NY (42.3 miles);** Current Base Tons: 80 MGT; Post Acquisition: 91 MGT; Change: +14%

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CSX also has determined and wants to implement the following improvements to the River Line. CSX anticipates extending three sidings on the single track River Line in New York after the Conrail acquisition is completed. The Nyack, NY siding between CP-22 and CP-24 will be extended northward and the new connection will be designated as CP-26. The Milton, NY siding between CP-66 and CP-69 will be extended northward and the new connection will be designated as CP-70. The Alsen, NY siding between CP-104 and CP-106 will be extended southward and the new connection will be designated as CP-103. Another related project is already under construction. This is a new connection that is currently being built to connect the Conrail River Line to the NYS&W to facilitate movement into the Little Ferry

Intermodal Facility. (Trains "R" Us)

### EXCESSIVE SPEED EYED IN CONRAIL TRAIN WRECK

As was mentioned in last month's issue there have been some corrections to the story. The NTSB, FRA, and BoLE Safety Task Force members are leaning towards the probability of a phantom signal indication at the signal previous (Editor's boldtype) to the crash. When viewed from the cab of a locomotive about 24 hours after the crash, different investigators at different locations within the cab saw differing aspects. This was because of the combination of some water built up **INSIDE** (Editor's boldtype) the signal light housing and the angle of the sun in relation to this newly placed signal. It appears that the engineer would have observed a (albeit, false) indication of approach which would have allowed him 30 mph. The NTSB has publicly stated that the speed recordings showed 28 mph, however, Conrail is claiming the speed was 32 mph. What Conrail does not realize is that if the signal had given a false approach indication, the engineer was allowed a speed of 30 mph. In addition, even the FRA regulations pertaining to speed and speedometers allows a 4 mph variance for a defective speedometer. The train had not passed a "measured mile" an exact 5280' mile marker to mile marker. Conrail is denying any problem with their signal, claiming engineer/conductor error. (CNW 4400, "Earl")

### NEW GONDOLAS FOR CONRAIL

Conrail has ordered 600 BethGon kits from Johnstown America to be assembled in the Hollydaysburg shops. These cars have been showing up loaded on trains UDP and UCP. They are in the 507xx and 5075xx number series and are classed as G52X. The big difference in these cars is that all components that come in contact with coal are made of a stainless steel alloy that is expected to increase car body life by 300%. The new cars are nearly 4.5 tons lighter than comparable cars using carbon-steel panels. The new cars are recognized by the "3CR12 Cromweld Unity S.S." in the top center of the cars. The cars have a 4100 cu. ft. capacity (237,000 lb.). (The Colebrookdale Local)

### JUSTICE DEPARTMENT AND UTILITIES RAISE OBJECTIONS

The proposed break-up of Conrail by two other railroads poses "significant competitive problems" for some electric utilities," the Justice Department said in newly filed documents. The acquisition of Conrail by CSX and NS would reduce competition in at least three markets for

shipping more than \$100 million worth of coal used in generation of electricity. But rather than calling for the Surface Transportation Board to block the proposed \$10.2 billion transaction, a department economist suggested the railroads be required to guarantee additional track access to competitors. The department's position was spelled out in papers filed with the board on Oct 21, the deadline for objecting to the Conrail merger plan, which would give the railroads control over virtually all rail shipments east of Kansas City, MO. The Justice Department's concerns surfaced as others praised the merger in filings before the transportation board and the railroads agreed to increase access to freight shipper in the Philadelphia area. CSX said that the company was committed to resolving concerns over reduced competition, but could not comment of specifics because they had not seen the filing. NS also had no comment on the filing. A formal response is due by the board in mid December. Although some shippers can shift their products to trucks, railroads are cheaper for moving bulk goods such as coal over long distances. Thus, the Justice Department's analysis separated markets by both commodity and geography. The proposed merger introduces competition in many areas in which Conrail is the dominant carrier, but some communities that now have rail competition would be left with a single carrier. While CSX and NS had proposed giving each other some access to tracks to preserve competition, the companies have not gone far enough for this would leave either CSX or Norfolk Southern in sole control of a number of critical rail links. Two utilities have been identified that will probably pay higher costs for hauling coal—Indianapolis Power & Light Co. in Indianapolis and Potomac Electric Power Co., which serves the Washington area. A third utility was not identified because of confidentiality provisions. (Anick Jesdanun, Associated Press, Bernard Ente, CNW 4400, Carl Perelman)

### BUFFALO & PITTSBURGH BUYS CONRAIL UNITS

Conrail has sold the following SW1500's to the Buffalo & Pittsburgh Railroad: 9534, 9538, 9587, 9562 and 9614. They moved from Altoona, PA to Driftwood, PA for interchange. These units were retired from the Conrail roster in February and set aside in July pending sale. (Kodi Marlin, CNW 4400)

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November 5. In a strongly worded opinion, U.S. District Judge Charles R. Weiner accused Conrail and Amtrak of purposely allowing the bridge to deteriorate in the hope that the city would shoulder the repair costs to keep 41st Street open. The bridge has been closed to vehicular traffic since 1994. "Had Amtrak and Conrail not deferred their maintenance responsibilities, the load-bearing capacity of the bridge would not have been compromised," Weiner wrote. "In short, it would be too dangerous a precedent to permit an intentional policy of deferred maintenance, to the point where safety is compromised, to shift the financial responsibility for correcting the unsafe condition. "Rather, equity demands that the duty should remain with Amtrak and Conrail." Weiner ruled that the unspecified cost of renovating and reopening the bridge, which spans two tracks used by Conrail and four used by Amtrak passenger trains, should be shared by the two railroads in proportion to the number of tracks each owns. Amtrak officials would not comment until they have reviewed the opinion, Conrail officials were not available for comment. The dispute erupted in 1993 when the city notified the Pennsylvania Public Utility Commission that deterioration of the 41st Street bridge had forced the commission to reduce allowable vehicle weight-load from 20 to three tons. The following year, the city closed the bridge altogether. According to Weiner's opinion, both Conrail and Amtrak maintained that they purchased only the tracks when they bought the remnants of the Penn. Central Railroad in bankruptcy court. The railroads contended that the bridge was part of 41st Street, a public highway, and thus owned by—and the financial responsibility of—the City of Philadelphia. But Weiner went back to the 1927 agreement by which the Pennsylvania Railroad (later Penn Central) purchase from the city the right to build a bridge in the line of 41st Street over the tracks of its "Main Line." Weiner noted that the railroad wanted the bridge for its own convenience, to maintain the grade of its tracks and avoid the delays caused by a railroad grade crossing at 41st Street. (The Philadelphia Inquirer, CNW 4400)

#### 14 STATES BACK MERGER PLAN

Chairman and Chief Executive Officer John Snow hailed the support of 14 states for the company's proposed joint acquisition of Conrail with Norfolk Southern. That states' show of support, said Snow, "indicates the positive reaction and growing support we're seeing as public officials have an opportunity to assess our plan, and see how much it means for their state's economic growth." The states formally endorsing the acquisition are: Alabama, Florida, Georgia, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi,

Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. Snow hailed the endorsements as proof of the success of ongoing community outreach efforts by CSX. The states support of the Conrail acquisition was conveyed to the federal Surface Transportation Board, the agency responsible for reviewing and approving railroad acquisitions and mergers. One of the more recent supporters, Michigan Gov. John Engler, expressed sentiment that was typical of the filings. In a recent letter to the STB, he wrote: "I am pleased to endorse the proposed acquisition. The restructuring of the railroad system in the eastern United States will result in a more efficient transportation system with balanced competition between two strong carriers." In its filing with the STB, Massachusetts similarly noted, "The Commonwealth recognizes that the proposed control of Conrail by CSX and NS will enhance certain railroad service opportunities throughout the eastern United States. These enhancements will benefit shippers, industries and businesses, and communities through the delivery of cost-effective freight services." (CSX News Wire, Randy Kotuby)

#### STARK DEVELOPMENT BOARD FIGHTS CONRAIL MERGER

The acquisition of Conrail will eliminate competitive access to rail service to Northeast Ohio industries and affect fifteen to twenty thousand jobs in Stark County over the next ten years by virtually "squeezing out" Stark County's state-of-the-art intermodal terminal and its servicing carrier, Wheeling and Lake Erie Railway Company (W&LE). This is the contention of a response opposing the Conrail divestiture filed by the Stark Development Board. The Stark Development Board is the owner of "Neomodal", a highly-praised intermodal facility built in 1995 with federal funds aimed at supporting new transportation projects that would reduce air pollution and congestion on U.S. highways. At issue under the proposed Conrail agreement is the realignment of Class 1 rail service. This realignment would leave a single carrier to service Neomodal and Northeast Ohio industries, down from three which existed prior to the Conrail takeover. Neomodal was built in its current location on the regional W&LE because it provided access to all three Class 1 carriers. Under the proposed agreement, Norfolk Southern would buy up all of Conrail's lines in Northeast Ohio and Southwest Pennsylvania and would become a chief competitor of the regional Wheeling and Lake Erie Railway. According to W&LE officials, this would leave Neomodal's customers with no competitive rail access to Class 1 rail service. The intermodal facility was credited as a key factor in the U.S. Department of Commerce's recent decision to expand Akron-Canton Foreign Trade Zone #181 to include 843 acres of

industrial land adjacent to Neomodal. The Neomodal Terminal and the expansion of the Foreign Trade Zone are significant incentives that projected into the creation of fifteen to twenty thousand new jobs in Stark County over the next ten year. (Randy Kotuby, Bernard Ente)

#### DELIBERATE AND METHODICAL APPROACH WILL BE EMPLOYED FOR CONRAIL MERGER

America's transportation system will significantly benefit by the safe and well-planned integration" of Conrail in the CSX system. That was the key message J. Randall Evans of CSX delivered to a group of public and private officials on November 19. Evans, the railroad's vice-president of acquisition development, described CSX's approach towards the integration of Conrail during a national freight summit or rail consolidations sponsored by the U.S. Department of Transportation and the Delaware Valley regional Planning commission. "We are approaching the integration of Conrail in a very deliberate and methodical manner," Evans said. "A tremendous amount of planning has already been done to ensure that the integration of Conrail into CSXT is accomplished safely and with no service disruptions. Above all, safety will not be compromised. We will execute this integration in phases, all in a very deliberate and prudent manner." Evans said the integration of Conrail will be "seamless" to customers and communities, and will lead to enhanced customer service. When completed, the new system will offer direct, single-line service throughout the eastern United States, from New Orleans to new England, and Miami to Montreal. In addition, the company has been carefully reviewing past rail mergers in a "lessons learned" approach. Some of those "lessons learned," as outlined by Evans, include minimizing change; phasing in implementation of the new operating plan and field transportation systems; over-resourcing during the transition, retaining Conrail expertise; allowing sufficient time for training; and over-communicating to all parties, including employees, customers and public officials. (Randy Kotuby)



**APPLICATION FOR MEMBERSHIP**

**NAME:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**CITY:** \_\_\_\_\_ **STATE:** \_\_\_\_\_ **ZIP:** \_\_\_\_\_

RICHARD D HUGHES  
PO BOX 961  
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**P.O. BOX 38**  
**WALNUTPORT, PA 18088**  
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