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C. Employees who would have been covered under the UPED special allowance provisions had they been hired originally on the UP Eastern District shall be entitled to a special allowance under those provisions except as stated in (D) below.

D. Those employees who sold their special allowances/productivity funds previously are not entitled to those payments under this agreement (award).

~~E. While the UPED crew consist agreement will govern this Hub the Carrier is not required to place yardmen/brakemen on any local, road-switcher, yard or other assignment anywhere in the Hub that is was not required to use under the least restrictive crew consist agreement that previously existed.~~

IX. FAMILIARIZATION.

A. Employees will not be required to lose time or "ride the road" on their own time in order to qualify for the new operations. Employees will be provided with a sufficient number of familiarization trips in order to become familiar with the new territory. Issues concerning individual qualifications shall be handled with local operating officers. The parties recognize that different terrain and train tonnage impact the number of trips necessary and the operating officer assigned to the merger will work with the local Managers of Operating Practices and local chairmen in implementing this section.

X. FIREMEN

A. This agreement also covers firemen. Pre-October 31, 1985 firemen will only have seniority in the Salt Lake Hub and if unable to work an engineer's assignment or a mandatory firemen's/hostler psotion they shall be permitted to hold a fireman's postion first in their prior rights area and second, using their dovetail seniority.

B. Post October 31, 1985 firemen shall continue to be restricted to mandatory assignments and if unable to hold an engine service postion will be required to exercise their train service seniority in the Hub.

XI. HEALTH AND WELFARE

Employees not previously covered by the UPED agreement shall have 60 days to join the Union Pacific Hospital Association in accordance with that agreement.

QUESTIONS AND ANSWERS -UTU SALT LAKE HUB

Article I - SALT LAKE HUB

- Q1. Does the new seniority district change switching limits at the mile posts indicated?
- A1. No. It is the intent of this agreement to identify the new seniority territory and not to change the existing switching limits except as specifically provided elsewhere in this agreement.
- Q2. Which Hub is Grand Junction in?
- A2. For seniority purposes trainmen are in the Denver Hub, however due to the unique nature of Grand Junction being a home terminal for one Hub and away from home for another Hub, the extra board may perform service on both sides of Grand Junction.
- Q3. What Hub are the Valmy coal assignments in?
- A3. Because they are on duty at Elko and work to or short of Winnemucca, but not including Winnemucca, they are part of the Salt Lake Hub. This is also true of assignments that work out of Carlin but short of Winnemucca.

Article II - SENIORITY AND WORK CONSOLIDATION

- Q4. How long will prior rights rosters be in effect?
- A4. They will lose effect through attrition.
- Q5. Do the OUR&D rosters and agreements survive this merger?
- A.5. No.
- Q.6 It is the intent of Article II B note 4 to operate SLC-Elko and SLC-Grand Junction as one pool?
- A.6 No, each of these pool are now double headed and it is the intent of that note to run each pool as a single headed pool and not combine them with each other.
- Q7. In Article II(G), what does it mean when it refers to protecting all trainmen vacancies within the Hub?
- A7. If a vacancy exists in the Salt Lake Hub, it must be filled by a prior rights employee prior to placing employees on reserve boards. If a non prior rights employee is working in the Salt Lake Hub then a prior rights employee must displace that person prior to prior right trainmen going to a reserve board. If a vacancy exists in a pool and a trainman is on a reserve board that

person will be recalled prior to the carrier using trainmen who do not hold reserve board rights or hiring new trainmen..

- Q8. Will existing pool freight terms and conditions apply on all pool freight runs?
A8. No. The terms and conditions set forth in the controlling collective bargaining agreements and this document will govern.
- Q9. What is the status of an employee who placed in the Hub after November 1, 1996 but prior to the implementation of this Award?
Q9. They shall be placed on the roster using their dovetail date but they shall not have any prior rights.
- Q10. Will an employee gain or lose vacation benefits as a result of the merger?
A10. No.
- Q11. When the agreement is implemented, which vacation agreement will apply?
A11. The vacation agreements used to schedule vacations for 1997 will be used for the remainder of 1997. Thereafter the Eastern District Agreement will govern.
- Q12. If a local operated by a UP Idaho trainman previously went on duty at the UP North Yard now goes on duty at the Roper Yard, does it now operate over more than one seniority district or is it continuing current operations?
A12. Changes in on duty points within a terminal or the travel over other trackage in a terminal does not alone alter the "continue current operations" intent of the Agreement.
- Q13. What is the status of firemen's seniority?
A13. Firemen seniority will be dovetailed in a similar manner as trainmen.

ARTICLE III - TERMINAL CONSOLIDATIONS

- Q14. Are the national road/yard zones covering yard crews measured by the metro complex limits or from the switching limits where the yard assignment goes on duty?
A14. The switching limits where the yard crew goes on duty.
- Q15. If crews go on duty in the Complex short of Ogden, is Ogden part of the initial terminal?
A15. No, it is an intermediate point.

ARTICLE IV - POOL OPERATIONS

- Q16. If the on duty point for the Salt Lake - Green River pool is moved from North Yard to Roper Yard, will the mileage paid be increased?

A16. Yes. The mileage will be from the center of Roper Yard to Green River.

Q17. Can you give some examples of work currently permitted by prevailing agreements as referenced in Article IV B??

A17. Yes, yard crews are currently permitted to perform hours of service relief in the road/yard zone established in the National Agreement, ID crews may perform combination deadhead service and road switchers may handle trains that are laid down in their zone.

Q18. Because of the elimination of Elko as a home terminal for pool service what type of job assignment will the trainmen who remain at Elko protect?

A18. The Carrier anticipates that for those trainmen who remain in this area, that based on manpower needs, the guaranteed extra board will protect extra locals, branch line work (Valmy coal), yard vacancies, short turnaround service, HOSA relief work and so forth.

Q19. Will the Carrier change the Las Vegas-Milford pool to a single-headed pool?

A19. No, not as a result of this merger notice. Article IX of the 1986 National Award would govern any future action.

Q20. If a crew in the 25 mile zone is delayed in bringing the train into the original terminal so that it does not have time to go on to the far terminal, what will happen to the crew?

A20. Except in cases of emergency, the crew will be deadheaded on to the far terminal.

Q21. Is it the intent of this agreement to use crews beyond the 25 mile zone?

A21. No.

Q22. In Article IV(B), is the 1/2 basic day for operating in the 25 mile zone frozen and/or is it a duplicate payment/ special allowance?

A22. No, it is subject to future wage adjustments and it is not duplicate pay/special allowance.

Q23. How is a crew paid if they operate in the 25 mile zone?

A23. If a pre-October 31, 1985 trainman is transported to his train 10 miles south of Milford and he takes the train to Salt Lake and the time spent is one hour south of Milford and 9 hours 17 minutes between Milford and Salt Lake with no initial or final delay earned, the employee shall be paid as follows:

A. One-half basic day for the service South of Milford because it is less than four hours spent in that service.

B. The road miles between Salt Lake and Milford (207).

C. One hour overtime because the agreement provides for overtime after 8 hours 17 minutes on the road trip between Salt Lake and Milford. (207 miles divided by 25 = 8'17")

- ~~Q24. Would a post October 31, 1985 trainman be paid the same?~~
- ~~A24. No. The National Disputes Committee has determined that post October 31, 1985 trainmen come under the overtime rules established under the National Agreements/Awards/Implementing Agreements that were effective after that date for both pre-existing runs and subsequently established runs. As such, the post October 31, 1985 trainman would not receive the one hour overtime in C above but receive the payments in A & B.~~
- Q25. How will initial terminal delay be determined when performing service as outlined above?
- A25. Initial terminal delay for crews entitled to such payments will be governed by the applicable collective bargaining agreement and will not commence when the crew operates back through the on duty point. Operator back through the on duty point shall be considered as operating through an intermediate point.
- Q26. What does "at the location" mean in Article IV D 2?
- A26. This is a geographical term that forces junior employees in the general location to a vacancy rather than someone much farther away.
- Q27. Is the identification of the UP Eastern District collective bargaining agreement in Article IV(C) a result of collective bargaining or selection by the Carrier?
- A27. Since UP purchased the SP system the Carrier selected the collective bargaining agreement to cover this Hub.
- Q28. When the UP Eastern District agreement becomes effective what happens to existing claims filed under the other collective bargaining agreements that formerly existed in the Salt Lake Hub?
- A28. The existing claims shall continue to be handled in accordance with those agreements and the Railway Labor Act. No new claims shall be filed under those agreements once the time limit for filing claims has expired for events that took place prior to the implementation date.
- Q29. In Article IV(D), if no applications are received for a vacancy on a prior rights assignment, does the prior right trainman called to fill the vacancy have the right to displace a junior prior right trainman from another assignment?
- A29. Yes. That trainman has the option of exercising his/her seniority to another position held by a junior prior right employee, within the time frame specified in the controlling collective bargaining agreement, or accepting the force to the vacancy.

ARTICLE V - EXTRA BOARDS

Q30. How many extra boards will be combined at implementation?

A30. It is unknown at this time. The Carrier will give written notice of any consolidations whether at implementation or thereafter.

Q31. Are these guaranteed extra boards?

A31. Yes. The pay provisions and guarantee offsets and reductions will be in accordance with the existing UPED guaranteed extra board agreement.

ARTICLE VI - PROTECTION

Q32. What is loss on sale of home for less than fair value?

A32. This refers to the loss on the value of the home that results from the Carrier implementing this merger transaction. In many locations the impact of the merger may not affect the value of a home and in some locations the merger may affect the value of a home.

Q33. If the parties cannot agree on the loss of fair value what happens?

A33. New York Dock Article I, Section 12(d) provides for a panel of real estate appraisers to determine the value before the merger announcement and the value after the merger transaction.

Q34. What happens if an employee sells a \$50,000 home for \$20,000 to a family member?

A34. That is not a bona fide sale and the employee would not be entitled to a New York Dock payment for the difference below the fair value.

Q35. What is the most difficult part of New York Dock in the sale transaction?

A35. Determine the value of the home before the merger transaction. While this can be done through the use of professional appraisers, many people think their home is valued at a different amount.

Q36. Who is required to relocate and thus eligible for the allowance?

A36. An employee who can no longer hold a position at his/her location and must relocate to hold a position as a result of the merger. This excludes employees who are borrow out or forced to a location and released.

Q37. Are there mileage components that govern the eligibility for an allowance?

A37. Yes, the employee must have a reporting point farther than his/her old reporting point and at least 30 miles between the current home and the new reporting point and at least 30 miles between reporting points.

Q38 Can you give some examples?

A38 The following examples would be applicable.

Example 1: Employee A lives 80 miles north of Salt Lake and works a yard assignment at Salt Lake. As a result of the merger he/she is assigned to a road switcher with an on duty point 20 miles north of Salt Lake. Because his new reporting point is closer to his place of residence no relocation benefits are allowable.

Example 2: Employee B lives 35 miles north of Salt Lake and goes on duty at the UP yard office in Salt Lake. As a result of the merger he/she goes on duty at the SP yard office which is six miles away. No relocation benefits are allowable.

Example 3: Employee C lives in Elko and is unable to hold an assignment at that location and places on an assignment at Salt Lake. The employee meets the requirement for relocation benefits.

Example 4: Employee D lives in Salt Lake and can hold an assignment in Salt Lake but elects to place on a Road Switcher 45 miles north of Salt Lake. Because the employee can hold in Salt Lake no relocation benefits are allowable.

Q39 Are there any restrictions on routing of traffic or combining assignments after implementation?

A39 There are no restrictions on the routing of traffic in the Salt Lake Hub once the 30 day notice of implementation has lapsed. There will be a single collective bargaining agreement and limitations that currently exist in that agreement will govern (e.g. radius provisions for road switchers, road/yard moves etc.). However, none of these restrictions cover through freight routing. The combining of assignments are covered in this agreement.

Article VIII - IMPLEMENTATION

Q40 On implementation will all trainmen be contacted concerning job placement?

A40 No, the implementation process will be phased in and employees will remain on their assignments unless abolished or combined and then they may place on another assignment or on a reserve board depending on their seniority rights. The new seniority rosters will be available for use by employees who have a displacement.

Q41 How will the new extra boards be created?

A41 When the Carrier gives notice that the current extra boards are being abolished and new ones created in accordance with the merger agreement, the Carrier will advise the number of assignments for each extra board and the effective date for the new extra board. The trainmen will have at least ten days to make application to the new extra board and the dovetail roster

will be used for assignment to the Board. It is anticipated that the extra boards will have additional trainmen added at first to help with the familiarization process.

Q42. Will the Carrier transfer all surplus employees out of the Hub?

A42. No. The Carrier will retain some surplus to meet anticipated attrition and growth, however, the number will be determined by the Carrier.

Q43. When will reserve boards be established and under what conditions will they be governed?

A43. When reserve boards are established they will be governed by the current reserve board agreement covering the UP Eastern District.

GENERAL

Q44. Do the listing of mileposts in Article I mean that those are the limits that employees may work?

A44. No, the mile posts reflect a seniority district and in some cases assignments that go on duty in the new seniority district will have away from home terminals outside the seniority district which is common in many interdivisional runs.

Q45. If the milepost is on the east end of Yermo can the crew perform any work in the station of Yermo west of the mile post?

A45. Yes, Yermo is the away from home terminal and the crew may perform any work that is permissible under the Eastern District collective bargaining agreement as the crew does now under its current agreement. If a yard assignment is established it will not be filled by employees from the Salt Lake Hub

Q46. Will all pool freight be governed by the same rules?

A46. Yes, all pool freight will be governed by the UPED interdivisional rules, such as but not limited to, initial terminal delay, overtime, \$1.50 in lieu of eating en route.

Q47. Will all employees be paid the same?

A47. No, the current rules differ between pre and post October 31, 1985 employees with regards to such items as entry rates, duplicate payments and overtime. Since those are part of the National Agreements that supersede local rules they will continue to apply as they have applied on the UPED prior to the merger.

Q48. What will the miles paid be for the runs?

A48. Actual miles between terminals with a minimum of a basic day as determined by the National Agreement.

**MERGER IMPLEMENTING AGREEMENT
(Denver Hub)**

between the

**UNION PACIFIC/MISSOURI PACIFIC RAILROAD COMPANY
SOUTHERN PACIFIC TRANSPORTATION COMPANY**

and the

UNITED TRANSPORTATION UNION

In Finance Docket No. 32760, the U.S. Department of Transportation, Surface Transportation Board ("STB") approved the merger of the Union Pacific Corporation ("UPC"), Union Pacific Railroad Company/Missouri Pacific Railroad Company (collectively referred to as "UP") and Southern Pacific Rail Corporation, Southern Pacific Transportation Company ("SP"), St. Louis Southwestern Railway Company ("SSW"), SPCSL Corp., and The Denver & Rio Grande Western Railroad Company ("DRGW") (collectively referred to as "SP"). In approving this transaction, the STB imposed New York Dock labor protective conditions.

In order to achieve the benefits of operational changes made possible by the transaction, to consolidate the seniority of all employees working in the territory covered by this Agreement into one common seniority district covered under a single, common collective bargaining agreement,

IT IS AGREED:

I. Denver Hub

A new seniority district shall be created that encompasses the following area. UP milepost 429.7 at Sharon Springs, Kansas; UP milepost 511.0 at Cheyenne, Wyoming; DRGW milepost 451.7 at Grand Junction, Colorado and milepost 251.7 at Alamosa, Colorado; SSW milepost 545.4 at Dalhart, Texas and UP milepost 732.1 at Horace, Kansas and all stations, branch lines, industrial leads and main line between the points identified.

II. Seniority and Work Consolidation.

The following seniority consolidations will be made:

A. A new seniority district will be formed and master Seniority Rosters, UP/UTU Denver Hub, will be created for the employees working as Conductors, Brakemen, yardmen (the term yardman shall, in this agreement, refer to all yard positions including foreman, helper, utility man, herder and switch tender) and Firemen in the Denver Hub on November

1, 1996. (The term "trainmen" is used hereafter as a generic term to include all UTU-C, T&Y represented employees and where applicable all UTU-E represented employees). The four new rosters will be created as follows:

1. Switchmen/brakemen placed on these rosters will be dovetailed based upon the employee's current seniority date. If this process results in employees having identical seniority dates, seniority will be determined by the employee's current hire date with the Carrier.
2. Conductors placed on these rosters will be dovetailed based upon the employee's actual promotion date into the craft. If this process results in employees having identical seniority dates, seniority will be determined by the employee's current hire date with the Carrier.

Prior Rights to Zones, Example (assumes only has 5 people on roster):

Name	Roster Ranking	Zone 1 (Denver Terminal, Denver-Axial/Bond/ to Sharon Springs/Cheyenne excluding Sharon Springs & Cheyenne yard/local/road switchers, Pueblo-Horace) [UPED, MPUL Pueblo roster, DRGW]	Zone 2 (Grand Junction/Denver/Bond/Montrose/Oliver/Minturn) [DRGW]	Zone 3 (Pueblo-Denver/S. Fork/Minturn/ to Delhart, excluding Delhart) [DRGW]
JONES, A.	#1	X		
SMITH, B.	#2	X		
ADAMS, C.	#3			X
BAILEY, D.	#4		X	
GREEN, E.	#5			X

3. All employees placed on the roster may work all assignments protected by the roster in accordance with their seniority and the provisions set forth in this Agreement.

4. New employees hired and placed on the new rosters on or after November 1, 1996, will have no prior rights but will have roster seniority rights in accordance with the zone and extra board provisions set forth in this Agreement.

B. The new UP/UTU seniority districts will be divided into the following three (3) Zones:

1. **Zone 1** will include Denver east to but not including Sharon Springs and the Oakley extra board, Denver north to but not including Cheyenne, Denver west to and including Bond and Axial, Pueblo east to Horace, and all road and yard

operations within the Denver Terminal including any road switchers at Colorado Springs.

Note: The Oakley extra board is part of the Denver Hub and assignments at Oakley will be filled by the Denver Hub. The reference to Sharon Springs is for pool freight service and the work normally protected by the oakley extra board shall continue as part of the Denver Hub.

2. **Zone 2** will include Grand Junction to Denver (long pool only), Grand Junction to Montrose, Oliver, Minturn (not including Minturn helper service) and Bond and yard assignments.
3. **Zone 3** will include Pueblo to Denver, South Fork, Minturn and to Dalhart not including Dalhart, but including Minturn helper service and yard assignments.
4. Road, road/yard or yard extra boards will not be part of any zone if they cover assignments in more than one zone. Extra boards that cover assignments in only one zone will be governed by zone rules and the current rules of the collective bargaining agreement for this Hub.

C. Trainmen initially assigned to the new rosters will be accorded prior rights to one of the three zones based on the following:

1. **Zone 1** -Trainmen assigned to rosters on the former Union Pacific Eastern District 12th District, MPUL Pueblo trainmen and DRGW employees working positions within the points specified for this Zone on November 1, 1996.
2. **Zone 2** -Trainmen assigned to rosters on the former DRGW, working positions within the points specified for this Zone on November 1, 1996.
3. **Zone 3** -Trainmen assigned to rosters on the former DRGW, working positions within the points specified for this Zone on November 1, 1996.

D. Trainmen hired and assigned to the merged roster after implementation shall be assigned to a zone, but without prior rights, based on the Carrier's determination of the demands of service at that time in the Denver Hub.

E. The purpose of creating zones is twofold: First it is to provide seniority in an area that an employee had some seniority prior to the merger, or contributed some work after the merger, unless that trackage is abandoned, and thus preference to some of their prior work over employees in other zones; Second to provide a defined area of trackage and train operations that an employee can become familiar so as not to be daily covering a multitude of different sections of track. As such the following will govern:

1. Trainmen will be allowed to make application for an assignment in a different zone as vacancies arise. If reduced from the working list in their zone, trainmen may exercise their common seniority in the remaining two zones.

2. Trainmen may not hold a reserve board outside their zone. The current collective bargaining agreement is amended to provide for a reserve board for each zone.

3. Trainmen with a seniority date prior to February 1, 1992 shall be permitted to hold a reserve board in their zone. Trainmen holding a seniority date subsequent to February 1, 1992 must be displaced prior to employees being permitted to hold a reserve board position.

F. It is understood that certain runs home terminated in the Denver Hub will have away from home terminals outside the Hub and that certain runs home terminated outside the Hub will have away from home terminals inside the Hub. Examples are Denver to Cheyenne and Pueblo to Dalhart. It is not the intent of this agreement to create seniority rights that interfere with these operations or to create double headed pools. For example, Denver will continue to be the home terminal for Denver-Cheyenne runs and Cheyenne will not have equity in these runs. The Denver-Rawlins run currently has no employees assigned to it. If this operation is reestablished at a later date the current Denver-Rawlins pool agreement will continue to apply with Denver as the home terminal.

G. All vacancies within the zones must be filled prior to any trainmen being reduced from the working list or prior to trainmen being permitted to exercise to any reserve board.

H. With the creation of the new seniority district all previous seniority outside the Denver Hub held by trainmen on the new rosters shall be eliminated and all seniority inside the Hub held by trainmen outside the Hub shall be eliminated.

I. Trainmen will be treated for vacation and payment of arbitrables as though all their service on their original railroad had been performed on the merged railroad.

J. Trainmen who have been promoted to Engine service and hold engine service seniority inside the Denver Hub and working therein on November 1, 1996, shall be placed on the appropriate roster(s) using their various trainmen seniority dates. Those Engine service employees, if any, who do not have a train service date in the Denver Hub shall be given one in accordance with the October 31, 1985 UTU National Agreement.

III. Terminal Consolidations

The following terminal consolidations will be implemented in accordance with the following provisions:

A. Denver Terminal

1. The existing switching limits at Denver will now include Denver Union Terminal north to and including M.P. 6.24 and M.P. 6.43 on the Dent Branch, south to and including M.P. 5.5, east to and including M.P. 635.10, and west to and including M.P. 7.5. Yard crews currently perform service on the Boulder Branch and they may continue to do so after implementation of this agreement in accordance with existing agreements.

Note: The intent of this section is to combine the two Carrier's facilities into a common terminal and not to extend the switching limits beyond the current established points.

2. All UP and SF operations within the greater Denver area shall be consolidated into a unified terminal operation.

3. All road crews may receive/leave their trains at any location within the boundaries of the new Denver terminal and may perform work anywhere within those boundaries pursuant to the applicable collective bargaining agreements. The Carrier will designate the on/off duty points for road crews with the on/off duty points having appropriate facilities for inclement weather and other facilities as currently required in the collective bargaining agreement.

4. All rail lines, yards, and/or sidings within the new Denver terminal will be considered as common to all crews working in, into and out of Denver. All crews will be permitted to perform all permissible road/yard moves pursuant to the applicable collective bargaining agreements. Interchange rules are not applicable for intra-carrier moves.

B. General Conditions for Terminal Operations

1. Initial delay and final delay will be governed by the controlling collective bargaining agreement, including the Duplicate Pay and Final Terminal Delay provisions of the 1985 and 1991 National Awards and implementing agreements.

2. Employees will be transported to/from their trains to/from their designated on/off duty point in accordance with Article VIII, Section 1 of the October 31, 1996 National Agreement.

3. The current application of National Agreement provisions regarding road work and Hours of Service relief under the combined road/yard service zone, shall continue to apply. Yard crews at Denver, Grand Junction and Pueblo may perform such service in all directions out of the terminal.

Note: Items 1 through 3 are not intended to expand or restrict existing rules

IV. Pool Operations.

A. The following pool consolidations may be implemented to achieve efficient operations in the Denver Hub:

1. All Grand Junction-Denver/Bond and Grand Junction-Minturn pool operations shall be combined into one pool with Grand Junction as the home terminal. Denver may have one, two or three pools, Denver-Phippsburg/Bond, Denver-Cheyenne, and Denver-Sharon Springs with the Carrier determining whether to combine the pools. Short pool operations when run shall be between Grand Junction-Bond and Denver-Bond.

2. All Pueblo-Denver and Pueblo-Dalhart pool operations shall be combined into one pool with Pueblo as the home terminal. The Pueblo-Alamosa local shall remain separate but Pueblo-Alamosa traffic may be combined with the Pueblo-Dalhart and Pueblo-Denver pool if future traffic increases result in pool operations. The Pueblo-Minturn pool shall remain separate until the number of pool turns drops below ten (10) due to the cessation of service on portions of that line, at that time, the Carrier may combine it with the remaining Pueblo pool. The Pueblo-Horace pool shall remain separate until terminated with the abandonment of portions of that line. The tri-weekly local provisions shall apply until abandonment of any portion of the line east of Pueblo where Pueblo crews now operate.

3. Pool, local, road switcher and yard operations not covered in the above originating at Grand Junction shall continue as traffic volumes warrant.

4. Helper service at Minturn shall remain separate until terminated with the cessation of service on portions of the line where the helpers operate.

5. Any pool freight, local, work train or road switcher service may be established to operate from any point to any other point within the new Seniority District with the on duty point within one of the zones.

6. The operations listed in A 1-4 above, may be implemented separately, in groups or collectively upon ten (10) days written notice from the Carrier to the General Chairman. Implementation notices covering item (5) above, shall be governed by applicable collective bargaining agreements.

7. Power plants between Denver and Pueblo may be serviced by either Pueblo-Denver pool or the Denver Extra board or a combination thereof. The Denver extra board shall be used first and if exhausted, the pool crew will be used and deadheaded home after completion of service.

B. The terms and conditions of the pool operations set forth in Section A shall be the same for all pool freight runs whether run as combined pools or separate pools. The terms and conditions are those of the designated collective bargaining agreement as modified by subsequent national agreements, awards and implementing documents and those set forth below. The basic Interdivisional Service conditions shall apply to all pool freight service. Each pool shall be paid the actual miles run for service and combination service/deadhead with a minimum of a basic day.

~~1. **Twenty-Five mile Zone** - At Grand Junction, Pueblo, Sharon Springs, Denver, Cheyenne and Dalhart, pool crews may receive their train up to twenty-five miles on the far side of the terminal and run on through to the scheduled terminal. Crews shall be paid an additional one-half (1/2) basic day for this service in addition to the miles run between the two terminals. If the time spent in this zone is greater than four (4) hours then they shall be paid on a minute basis.~~

~~**Example:** A Pueblo-Denver crew receives their north bound train ten miles south of the Pueblo terminal but within the 25 mile terminal zone limits and runs to Denver. They shall be paid the actual miles established for the Pueblo-Denver run and an additional one-half basic day for handling the train from the point ten (10) miles south of the Pueblo terminal.~~

2. **Turnaround Service/Hours of Service Relief** - Except as provided in (1) above, turnaround service and Hours of Service Relief at both home and away from home terminals shall be handled by extra boards, if available, prior to setting up other employees. Trainmen used for this service may be used for multiple trips in one tour of duty in accordance with the designated collective bargaining agreement rules. Extra boards may perform this service in all directions out of their home terminal within the Hub.

Note: Due to qualification issues at Minturn the pool crews will continue to perform Hours of Service relief at this location.

3. Nothing in this Section B (1) and (2) prevents the use of other trainmen to perform work currently permitted by prevailing agreements.

C. Agreement Coverage - Employees working in the Denver Hub shall be governed, in addition to the provisions of this Agreement, by the Agreement between the Union Pacific Railroad Company and the UTU Union Pacific Eastern District, both road and yard, including all addenda and side letter agreements pertaining to that agreement, the 1996 National Agreement applicable to Union Pacific and previous National Agreement/Award/Implementing Document provisions still applicable. Except as specifically provided herein, the system and national collective bargaining agreements, awards and interpretations shall prevail. None of the provisions of these agreements are retroactive. Since most of the employees have not worked under a daily preference system in the yard the employees shall be governed by the regular application system for yard assignments and the daily preference system shall not apply in the Denver Hub.

D. After implementation, the application process will be used to fill all vacancies in the Hub as follows:

1. Prior right vacancies must first be filled by an employee with prior rights to the vacancy who is on a reserve board prior to considering applications from employees who do not have prior rights to the assignment including those in other zones within the Denver Hub. A reserve board employee will be recalled prior to considering applications from employees who do not have prior rights to the assignment.

2. If there are no prior right employees on the reserve board covering the vacant prior right assignment then the senior applicant without prior rights to the vacancy will be assigned. If no applications are received then the most junior employee on any of the other reserve boards will be recalled and will take the assignment or displace a junior employee. If there are no trainmen on any reserve board, then the senior furloughed trainman in the Denver Hub shall be recalled to the vacancy. When forcing or recalling, prior rights trainmen shall be forced or recalled to prior right assignments prior to trainmen who do not have prior rights.

3. Non prior right vacancies will be filled by the senior applicant from the dovetail roster. If no applicant then the junior employee on any reserve board in the Hub shall be recalled to the vacancy in accordance with the provisions of the UPED reserve board agreement.

V. **EXTRA BOARDS**

A. The following road/yard extra boards may be established to protect trainmen assignments as follows:

1. **Denver** - One conductor and one brakeman/switchman (total of 2) extra boards to protect the Denver-Cheyenne, Denver-Sharon Springs and Denver-Phippsburg and Denver-Bond pools, the Denver yard assignments and all road switchers, locals and work trains originating within these territories and extra service to any power plant and other extra board work.
2. **Pueblo** - One conductor and one brakeman/switchman (total of 2) extra boards to protect the Pueblo-Denver, Pueblo- Alamosa, Pueblo-Mintum and Pueblo-Dalhart pool operations, Pueblo Yard assignments and all road switchers, locals and work trains and other extra board work originating within the these territories. The MPUL extra board shall remain separate and shall be phased out with the Pueblo-Horace pool operations.
3. **Grand Junction** - One conductor and one brakeman/switchman (total of 2) extra boards to protect Grand Junction-Denver, Grand Junction-Bond and Grand Junction-Mintum pool(s), Grand Junction yard, road switcher, local and work train assignments and other extra board work originating within these territories. Since the extra board at Grand Junction is at a point joining two hubs, it may protect work up to but not including Helper, Utah.

Note: At each of the above locations the Carrier may operate more than these extra boards. When more than these extra board is operated the Carrier shall notify the General Chairman what area each extra board shall cover. When combining extra boards the Carrier shall give ten (10) days written notice.

B. The Carrier may establish extra boards at outside points to meet the needs of service pursuant to the designated collective bargaining agreement provisions. Extra boards at outside points such as Phippsburg may continue.

C. At any location where both UP and DRGW extra boards exist the Carrier may combine these boards into one board. If at any location there are less than three yard assignments then the extra boards referred to in A, B or C above shall be combined into a single Conductor/brakemen/switchmen extra board.

VI. PROTECTION

The Surface Transportation Board has stated that adversely affected employees shall be covered by New York Dock protection.

VII. HEALTH AND WELFARE

Employees not previously covered by the UPED agreement shall have 60 days to join the Union Pacific Hospital Association in accordance with that agreement.

VIII. IMPLEMENTATION

A. The Parties have entered into this agreement to implement the merger of the Union Pacific Railroad and Southern Pacific Railroad operations in the area covered by Notice 18W and any amended notices thereto.

In addition, the Parties understand that the overall operational implementation is being phased in to accommodate the cut over of computer operations, dispatching, track improvements and clerical support.

B. The Carrier shall give thirty (30) days written notice for implementation of this agreement and the number of initial positions that will be changed in the Hub. Employees whose assignments are changed shall be permitted to exercise their new seniority. After the initial implementation the 10 day provisions of Article IV(A)(6) and Article V(A) (note) shall govern.

C. Prior to movement to reserve boards or transfers outside the Hub, it will be necessary to fill all positions in the Denver Hub.

D. In an effort to provide for employees to follow their work to areas outside the Denver Hub, the Carrier shall advertise vacancies at locations outside the Hub for a period of one year from the implementation date, as long as a surplus of trainmen exist in the Hub, for employees to make application. The dovetail roster shall be used for determining the senior applicant. Should an insufficient number of applications be received then the junior surplus employee shall be forced to the vacancy. Employees who move by application or force shall establish new seniority and relinquish seniority in the Hub.

IX. CREW CONSIST.

A. Upon implementation of this agreement (award) all crew consist productivity funds that cover employees in the Hub shall be frozen pending payment of the shares to the employees both inside the Hub and outside the Hub. A new productivity fund shall be created on implementation day that will cover those employees in the Denver Hub and the funds that cover employees outside the Hub shall continue for the employees who remain outside the Hub. The Denver Hub employees shall have no interest or share in payments made to those funds after implementation date.

B. Payments into the new productivity fund shall be made in compliance with the UPED crew consist agreement. Those employees who would have participated in the shares of the productivity funds had they originally been hired on the UP Eastern District shall be eligible to participate in the distribution of the new fund except as stated in (D) below.

C. Employees who would have been covered under the UPED special allowance provisions had they been hired originally on the UP Eastern District shall be entitled to a special allowance under those provisions except as stated in (D) below.

D. Those employees who sold their special allowances/productivity funds previously are not entitled to those payments under this agreement (award).

E. While the UPED crew consist agreement will govern this Hub ~~the Camer is not required to place yardmen/brakemen on any local, road switcher, yard or other assignment anywhere in the Hub that is was not required to use under the least restrictive crew consist agreement that previously existed in either the Salt Lake or Denver Hub.~~

X. Familiarization

A. Employees will not be required to lose time or "ride the road" on their own time in order to qualify for the new operations. Employees will be provided with a sufficient number of familiarization trips in order to become familiar with the new territory. Issues concerning individual qualifications shall be handled with local operating officers. The parties recognize that different terrain and train tonnage impact the number of trips necessary and the operating officer assigned to the merger will work with the local Managers of operating practices and local chairmen in implementing this section.

XI. Firemen.

A. This agreement also covers firemen. Pre-October 31, 1985 firemen will only have seniority in the Denver Hub and if unable to work an engineer's assignment or a mandatory firemen's/hostler position they shall be permitted to hold a fireman's position first in their prior rights zone and second, using their dovetail seniority.

B. Post October 31, 1985 firemen shall continue to be restricted to mandatory assignments and if unable to hold an engine service position will be required to exercise their train service seniority in the Hub.

QUESTIONS & ANSWERS -UTU DENVER HUB

Article I - DENVER HUB

- Q1. Does the new seniority district change terminal limits at the mile posts indicated?
- A1. No. It is the intent of this agreement to identify the new seniority territory and not to change the existing terminal limits except as specifically provided elsewhere in this agreement.
- Q2. Which Hub is Grand Junction in?
- A2. For seniority purposes trainmen are in the Denver Hub, however due to the unique nature of Grand Junction being a home terminal for one Hub and away from home for another Hub, the extra board may perform service on both sides of Grand Junction.

Article II - SENIORITY AND WORK CONSOLIDATION

- Q3. What is the status of an employee who placed in the Hub after November 1, 1996 but prior to the implementation of this Award?
- A3. They shall be placed on the roster using their dovetail date but they shall not have any prior rights.
- Q4. What happens if employees still have the same seniority date based on the current hire date?
- A4. The UPED agreement has a provision for determining the seniority date under these conditions and that agreement will govern.
- Q5. Why do the zones appear to overlap?
- A5. Zones indicate a given area depending on the on duty point of an assignment. For example, for long pool service, Grand Junction is the proper zone for Grand Junction- Denver service. For short pool service Grand Junction is the zone for going to Bond and Denver is the proper zone for going Denver-Bond.
- Q6. In Article II(G), what does it mean when it refers to protecting all vacancies within a zone?
- A6. If a vacancy exists in a zone, it must be filled by a prior rights employee prior to placing employees on reserve boards. If a non prior rights employee is working in a zone then a prior rights employee must displace that person prior to going to a reserve board. If a vacancy exists in one zone and an employee in another zone is on a reserve board that person will be recalled prior to the Carrier hiring additional trainmen.

Q7. Will existing pool freight terms and conditions apply on all pool freight runs?
A7. No. The terms and conditions set forth in the controlling collective bargaining agreement and this document will govern.

Q8. Will an employee gain or lose vacation benefits as a result of the merger?
A8. No.

Q9. When the agreement is implemented, which vacation agreement will apply?
A9. The vacation agreements used to schedule vacations for 1997 will be used for the remainder of 1997. Thereafter the UPED agreement will govern.

Q10. What is the status of firemen's seniority?
A10. Firemen seniority will be dovetailed in a similar manner as trainmen.

Article III - TERMINAL CONSOLIDATIONS

Q11. If a yard job goes on duty in the previous UP yard what are the switching limits for performing work in the road/yard zone west of Denver?
A11. DRGW M.P. 7.5 will be used for all yard crews on duty in Denver.

Article IV - POOL OPERATIONS

Q12. If the on duty point for the Denver-Cheyenne pool is moved from Denver Union Terminal to the DRGW Yard, will the mileage paid be increased?
A12. Yes. The mileage will be from the center of DRGW Yard to Cheyenne.

Q13. In Article IV A 6 how would other operations be established?
A13. The controlling collective bargaining agreements would govern. For example ID service would be covered under Article IX of the 1985 National Agreement, road switchers can be established at any location under the local road switcher agreement.

Q14. In Article IV(B) Section 3 provides that the Carrier has the right to perform work currently permitted by other agreements, can you give some examples?
A14. Yes, yard crews are currently permitted to perform hours of service relief in the road/yard zone established in the National Agreement, ID crews may perform combination deadhead/service and road switchers may handle trains that are laid down in their zone.

Q15. If a crew in the 25 mile zone is delayed in bringing the train into the original terminal so that it does not have time to go on to the far terminal, what will happen to the crew?
A15. Except in cases of emergency, the crew will be deadheaded on to the far terminal.

- Q16. Is it the intent of this agreement to use crews beyond the 25 mile zone?
A16. No.
- Q17. In Article IV(B), is the ½ basic day for operating in the 25 mile zone frozen and/or is it a duplicate payment/special allowance?
A17. No, it is subject to future wage adjustments and it is not duplicate pay/special allowance.
- Q18. How is a crew paid if they operate in the 25 mile zone?
A18. If a pre-October 31, 1985 trainman is transported to its train 10 miles east of Sharon Springs and he takes the train to Denver and the time spent is one hour east of Sharon Springs and 9 hours 24 minutes between Sharon Springs and Denver with no initial or final delay earned, the employee shall be paid as follows:
- A. One-half basic day for the service east of Sharon Springs because it is less than four hours spent in that service.
 - B. The road miles between Sharon Springs and Denver.
 - C. One hour overtime because the agreement provides for overtime after 8 hours 24 minutes on the road trip between Sharon Springs and Denver. (210 miles divided by 25 = 8'24")
- Q19. Would a post October 31, 1985 trainman be paid the same?
A19. No. The National Disputes Committee has determined that post October 31, 1985 trainmen come under the overtime rules established under the National Agreements/Awards/Implementing Agreements that were effective after that date for both pre-existing runs and subsequently established runs. As such, the post October 31, 1985 trainman would not receive the one hour overtime in C above but receive the payments in A & B.
- Q20. How will initial terminal delay be determined when operating in the Zone?
A20. Initial terminal delay for crews entitled to such payments will be governed by the applicable collective bargaining agreement and will not commence when the crew operates back through the on duty point. Operation back through the on duty point shall be considered as operating through an intermediate point.
- Q21. When the UPED agreement becomes effective what happens to existing DRGW/MPUL claims?
A21. The existing claims shall continue to be handled in accordance with the DRGW/MPUL Agreements and the Railway Labor Act. No new claims shall be filed under that agreement once the time limit for filing claims has expired.
- Q22. Is the identification of the UPED collective bargaining agreement in Article IV© a result of collective bargaining or selection by the Carrier?
A22. Since UP purchased the SP system the Carrier selected the collective bargaining agreement to cover this Hub.

- Q23. In Article IV (D), if no applications are received for a vacancy on a prior rights assignment, does the prior right trainman called to fill the vacancy have the right to displace a junior trainman from another assignment?
- A23. Yes. That trainman has the option of exercising his/her seniority to another position held by a junior employee, within the time frame specified in the controlling collective bargaining agreement, or accepting the force to the vacancy.

Article V - EXTRA BOARDS

- Q24. How many extra boards will be combined at implementation?
- A24. It is unknown at this time. The Carrier will give written notice of any consolidations whether at implementation or thereafter.
- Q25. Are these guaranteed extra boards?
- A25. Yes. The pay provisions and guarantee offsets and reductions will be in accordance with the existing UPED guaranteed extra board agreement.

ARTICLE VI - PROTECTION

- Q26. What is loss on sale of home for less than fair value?
- A26. This refers to the loss on the value of the home that results from the carrier implementing this merger transaction. In many locations the impact of the merger may not affect the value of a home and in some locations the merger may affect the value of a home.
- Q27. If the parties cannot agree on the loss of fair value what happens?
- A27. New York Dock Article I Section 12 (d) provides for a panel of real estate appraisers to determine the value before the merger announcement and the value after the merger transaction.
- Q28. What happens if an employee sells a \$50,000 home for \$20,000 to a family member?
- A28. That is not a bona fide sale and the employee would not be entitled to a New York Dock payment for the difference below the fair value.
- Q29. What is the most difficult part of New York Dock in the sale transaction?
- A29. Determine the value of the home before the merger transaction. While this can be done through the use of professional appraisers, many people think their home is valued at a different amount.
- Q30. Who is required to relocate and is thus eligible for the New York Dock benefit?
- A30. An employee who can no longer hold a position at his/her location and must relocate to hold a position as a result of the merger. This excludes employees who are borrow outs or forced to a location and released.

- Q31. Are there mileage components that govern the eligibility for an allowance?
A31. Yes, the employee must have a reporting point farther than his/her old reporting point and at least 30 miles between the current home and the new reporting point and at least 30 miles between reporting points.

- Q32. Can you give some examples?
A32. The following examples would be applicable.

Example 1: Employee A lives 80 miles north of Denver and works a yard assignment at Denver. As a result of the merger he/she is assigned to a road switcher with an on duty point 20 miles north of Denver. Because his new reporting point is closer to his place of residence no relocation benefits are allowable.

Example 2: Employee B lives 35 miles north of Denver and goes on duty at the UP yard office in Denver. As a result of the merger he/she goes on duty at the DRGW yard office which is four miles away. No relocation benefits are allowable.

Example 3: Employee C lives in Pueblo and is unable to hold an assignment at that location and is placed in Zone 1, where a shortage exists, and places on an assignment at Denver. The employee meets the requirement for relocations benefits.

Example 4: Employee D lives in Denver and can hold an assignment in Denver but elects to place on a Road Switcher 45 miles north of Denver. Because the employee can hold in Denver, no relocation benefits are allowable.

Article VII-HEALTH AND WELFARE

- Q33. Must employees not covered under the UP Hospital Association join after the merger?
A33. Yes because it is part of the UPED UTU collective bargaining agreement.

Article VIII - IMPLEMENTATION

- Q34. Are there any restrictions on routing of traffic or combining assignments after implementation?
A34. There are no restrictions on the routing of traffic in the Denver Hub once the 30 day notice of implementation has lapsed. There will be a single collective bargaining agreement and limitations that currently exist in that agreement will govern, e.g., radius provisions for road switchers, road/yard moves etc. However, none of these restrictions cover through freight routing. The combining of assignments is covered in this agreement.

- Q35. On implementation will all trainmen be contacted concerning job placement?
A35. No, the implementation process will be phased in and employees will remain on their assignments unless abolished or combined and then they may place on another assignment or on the protection board depending on surplus. see Article VIII(B). The new seniority rosters will be available for use by employees who have a displacement.
- Q36. How will the new extra boards be created?
A36. When the Carrier gives notice that the current extra boards are being abolished and new ones created in accordance with the merger agreement, the Carrier will advise the number of assignments for each extra board and the effective date for the new extra board. The employees will have at least ten days to make application to the new extra board and the dovetail roster will be used for assignment to the Board. It is anticipated that the extra boards will have additional engineers added at first to help with the familiarization process.
- Q37. Will the Carrier transfer all surplus employees out of the Hub?
A37. No. The Carrier will retain some surplus to meet anticipated attrition and growth, however, the number will be determined by the Carrier.
- Q38. When will reserve boards be established and under what conditions will they be governed?
A38. They will be established in each zone at implementation. When reserve boards are established, they will be governed by the current agreement covering the UPED trainman at Denver.

Article IX - CREW CONSIST

- Q39. When this award is implemented will the productivity funds be paid out at that time?
A39. No, the number of credits that each employee, who will be in the Hub, has earned will be determined and frozen for the pre-existing fund. They will then start earning credits in the new fund. Those employees not in the Hub will continue to earn credits in their old fund.

GENERAL

- Q40. Do the listing of mileposts in Article I mean that those are the limits that employees may work?
A40. No, the mile posts reflect a seniority district and in some cases assignments that go on duty in the new seniority district will have away from home terminals outside the seniority district which is common in many interdivisional runs.

- Q41. If the milepost is on the west end of Sharon Springs can the crew perform any work in the station of Sharon Springs east of the mile post?
- A41. Yes, Sharon Springs is the away from home terminal and the crew may perform any work that is permissible under the Eastern District collective bargaining agreement. If a yard assignment is established it will not be filled by employees from the Denver Hub
- Q42. Will all pool freight be governed by the same rules?
- A42. Yes, all pool freight will be governed by the UPED interdivisional rules, such as but not limited to, initial terminal delay, overtime, \$1.50 in lieu of eating en route.
- Q43. Will all employees be paid the same?
- A43. No, the current rules differ between pre and post October 31, 1985 employees with regards to such items as duplicate payments and overtime. Since those are part of the National Agreements that supersede local rules they will continue to apply as they have applied on the UPED prior to the merger.
- Q44. What will the miles paid be for the runs?
- A44. Actual miles between terminals with a minimum of a basic day as determined by the National Agreement.

TRANNEWS - 11/11/94 NYT-ABS 1
11/11/94 N.Y. Times Abstracts 1
1994 WL 2755811
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Friday, November 11, 1994

Section B

Page 2

Restoring the rails on Staten Island
MCKINLEY, JAMES C JR

New York City has purchased the defunct Staten Island Railway, believing it is essential to revitalizing the area's stagnant economy and that it could provide an alternative freight route that would reduce pollution from trucks.

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Thursday, June 26, 1997

UNION

Freeholders turn attention to transportation Decision pending on road-rail plan
Robert E. Misseck
Star-Ledger Staff

"If we are going to be successful in the 21st century, investment in our transportation infrastructure is critical." LINDA STENDER, freeholder

The freeholders will vote tonight on a plan to upgrade Union County's road and rail systems, including reactivating 12 miles of freight line running from Elizabeth to Cranford and Union Township.

County officials also are planning a Transportation Development District (TDD) for the Routes 1&9 corridor from Elizabeth's port section through Linden and Rahway.

"If we are going to be successful in the 21st century, investment in our transportation infrastructure is critical," said Freeholder Chairwoman Linda Stender.

Some \$380,000 in state and county funds would be spent for an engineering firm that would identify boundaries for the district, she said.

Cited among the benefits of the district was the county's ability to assess builders' fees based on the impact of development on the traffic flow. The fees would be earmarked for infrastructure improvements, Stender said.

The freeholders plan to establish a department of economic development and name a deputy county manager to oversee the agency.

The freeholders also are to hire a firm to oversee the rehabilitation of the old Rahway Valley and **Staten Island Railroad** line in Union County.

The rail line also would provide direct passenger service from Plainfield to Elizabethport, with eventual access to the monorail system at Newark International Airport, officials said.

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Ronald Weening of the Bureau of Transportation Planning said construction could begin within a month, with the freight line back in service as early as November.

Plans also call for development of a marketing strategy for the corridor served by the rail line.

Officials said preliminary studies showed that approximately 50 firms have expressed an interest in using the line.

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CN, Mark Hallman, System Director, Media Relations, (514) 399-3108/5710, (After Aug. 22, (416) 217-2390)

CN, CSX REACH JOINT-MARKETING, OPERATING AGREEMENT

MONTREAL, Que., and RICHMOND, Va., Aug. 22, 1997 – Canadian National Railway Company (CN) and CSX Corporation (CSX) today announced an agreement that will improve their ability to recoup market share from trucks and maintain market-competitive alternatives for rail shipments between Canada and the U.S. Northeast.

"The agreement addresses CN's key objectives in response to the proposed division of Conrail by CSX and Norfolk Southern Corporation," said Paul M. Tellier, president and chief executive of CN. "We sought agreements that will maintain the competitiveness of CN traffic and preserve our ability to participate in the continued expansion of Canada-U.S. trade. CN also sought improved rail competition at Buffalo, N.Y. This agreement achieves these goals."

John W. Snow, CSX chairman, president and chief executive, said: "The joint-marketing feature of this agreement expands business opportunities for CSX and for our customers. Operationally, it more closely aligns CSX and CN in Chicago, allowing CSX to use CN's network to reach key CSX yards. This will speed our service and improve our productivity throughout this important gateway city."

The agreement has three key elements:

- A mechanism allowing CN and CSX to quote through rates for new business moving between certain points on each carrier's network. This will provide customers with more responsive pricing.
- New arrangements in Buffalo, N.Y., to enable CN and CSX to compete better for new business.
- Operating arrangements in Chicago, cutting transit times for CSX intermodal trains by allowing them to operate over segments of CN track.

"This package will open new markets for CN customers by making rail freight more competitive with the trucking industry," said Tellier. "The bulk of continental freight growth under the North American Free Trade Agreement has gone to truckers, and we aim to bolster our share with this pact with CSX."

"As a result of this agreement with CSX, CN will now support the Conrail acquisition by CSX," Tellier said.

Snow said the agreement with CN will build on the plan by CSX and Norfolk Southern to restore Class 1 rail competition in the U.S. Northeast and encourage greater north-south freight moves by rail.

"For the first time ever, we will have two balanced Class 1 railroads competing throughout the entire eastern United States," Snow said. "This new era of competition will be between two vigorous companies that have a proud record of

TRANNEWS - 1/15/97 NYT-ABS 1
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Wednesday, January 15, 1997

Section A

Page 1

Giuliani Proposes Rail Tunnel To Carry Freight Past Hudson
REVKIN, ANDREW C

Mayor Rudolph W. Giuliani on Jan 14, 1997 proposed building a tunnel beneath New York Harbor to carry rail freight efficiently between the city and the rest of the country, and said the city would study transforming the weed-strewn waterfronts of Brooklyn and Staten Island into a port for a new generation of deep-hulled ships.

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Friday, July 26, 1996

Union hears benefits from N.Y. rail line
MARYANN SPOTO

The Port Authority of New York and New Jersey is ready to find an operator for the soon-to-be revived **Staten Island rail** line that will play a vital role in Union County's redevelopment.

Lillian Borrone, director of the port department for the Port Authority, said yesterday that the agency is ready to issue a request for a proposal to find an operator for the line, which could be running by next summer.

The guest speaker of the annual waterfront tour held by the Union County Economic Development Corp., in Elizabeth, Borrone said work is expected to begin on the New York portion of the 7-mile line in the fall and construction on New Jersey's side should begin in February or March.

The work involves rehabilitating the tracks, ensuring that the trestles are operational and repairing the bridge. The project on the New York side should cost about \$7 million and work on this side is expected to cost \$5 million, she said.

Borrone spoke to about 250 business, government and education officials who boarded the Amberjack V at the Elizabeth Marina to view firsthand the commercial activity in Port Newark-New York that has been threatened because of the inability to dredge deeper berths for ships.

Unlike the three previous waterfront tours, this year there were ships across the Arthur Kill from the Elizabeth Marina at the Howland Hook Marine Terminal in Staten Island. That facility reopened last year after standing empty for about 10 years when its operator went bankrupt.

Borrone noted that while some people may feel the terminal, which is "coming back to life under a new terminal operator, represents competition to New Jersey's shipping industry, it actually is a lure for other business.

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7/26/96 STLGRN 030

"We believe that Howland Hook will help make the entire port more competitive by offering port customers even more options and greater flexibility when routing cargo through this harbor, she said. "The capacity that Howland Hook adds to the port only enhances our ability to pursue a hub port strategy.

Howland Hook plays a major part in the revitalization of the **Staten Island rail** line, which is located just south of the marine terminal and north of the Goethals Bridge spanning the Arthur Kill.

The line, which has been out of operation for about four years, connects to Conrail's Rahway Valley line in Cranford.

"This would open a new rail freight corridor through the county and provide direct rail access to and from Howland Hook, Borrone noted.

Freight cars arriving in Cranford would be connected with other trains or locomotives to other destination sites, eventually to be offloaded to trucks that would travel on major roads running through the county,--such as the New Jersey Turnpike.

County officials have plans to make a connector from the Rahway Valley line to the Raritan Valley line which runs out to Plainfield, allowing residents from the western section of the county to travel to the eastern portion to jobs being created in retail centers in Elizabethport.

Borrone said she was pleased to report that the Port Authority's on-dock terminal, ExpressRail, has nearly quadrupled the volume of containers it moves through the port since it started in 1991. When ExpressRail began at the Elizabeth-Port Authority Marine Terminal, it moved 18,000 containers. By the end of last year, that number was up to 90,000. The terminal has a capacity of up to 150,000 containers annually.

But with the opportunities come challenges, Borrone said, specifically referring to dredging of the port, which gained some renewed hope on Wednesday.

A package outlined at the White House allows for short-term disposal of dredged material with category two contaminants, which requires special disposal, to continue to be discarded at the Mud Dump off the coast of Sandy Hook for another year. While environmental activists, whose legal challenges have stalled dredging for nearly four years, have pushed for the end of ocean dumping as soon as possible, the Sept. 1, 1997, deadline at least represents a real date that government officials agreed to recognize.

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The federal government agreed to implement an expedited permitting process to help the Port Authority and commercial shipping businesses in the port get their dredging projects under way as soon as possible.

Additionally, the Army Corps of Engineers has agreed to undertake studies to identify locations for 50-foot-deep channels in the harbor to accommodate the larger ships. That could take about three years, Borrone said.

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Friday, February 7, 1997

A tale of two ports

New York Mayor Rudolph Giuliani wants to restore his city's harbor to make it again the pre-eminent port on the East Coast, capable of handling deep-draught freighters - huge, and hugely efficient, containerized-cargo vessels requiring extra-deepchannels and docks. It's an ambitious plan, and includes a rail-freight tunnel transiting the harbor from Brooklyn to **Staten Island** or Bayonne, N.J. - at a construction cost of \$800 million to \$900 million. To make the two-mile trip now, trains have to travel 100 miles up the Hudson and back.

Since the Brooklyn Navy Yard was shut, in 1966, New York's importance as a port has been eclipsed, first by New Jersey on the other side of the harbor, and then by Philadelphia and Baltimore (now the East Coast leader). Updating Gotham's port would bring, besides jobs and revenue, many other benefits, mainly by reducing truck traffic.

The success of any East Coast deep-water port in developing tighter links with Rotterdam, the European Union's major port, as well as with the Far East, which is increasing shipping to the East Coast via the Suez Canal, will hang chiefly on such economic factors as costs and marketability that have little to do with local politics.

The New York plan should spur Rhode Island to push its own ambitious plan for a deep-water container and car port at Quonset. Indeed, with reports that there are potential investors, and even potential buyers, for the entire complex, this issue seems to be quickly coming to ahead.

We should look at how many containers can be shipped through Quonset, as well as which industries can add value to whatever goes through the port - in other words, at how many and what kind of jobs. (Just moving containers and cars around doesn't produce many jobs.) This may include an expanded free-trade zone comprising industrial facilities as well as the container terminal itself. Last fall, Rhode Island voters authorized spending \$72 million to raise the clearance along the existing rail line to Quonset to allow double-stacking of cargo containers on trains, as well as other

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improvements in the QP/D infrastructure.

A major deep-water port can be developed at Quonset for much less than what it would cost New York. Mayor Giuliani promotes his point because studies show that the benefits would outweigh costs by two to one. If that's the case there, it should be more so here, where the project would be more straightforward and cheaper.

Still, the costs would be heavy. Dredging is by far the largest part, estimated at \$250 million, with a plan to raise the funds privately. A more detailed survey of the channel, with help from federal and state regulatory agencies, is needed to firm up this figure. What does seem clear, however, is that if the dredge spoils can be pumped in to fill the several hundred acres of the Bay between Quonset Point and the shipping channel, then costs might be less, and more land made available for development.

Quonset's main marketing feature for transatlantic freight is that it is a day closer to Europe than are New York and Baltimore. That is a big consideration for shippers. Boston may be a little closer, but it has many drawbacks, including the recently completed Ted Williams Tunnel under the harbor, which limits any deeper dredging in its port.

The other question, of course, is land. Quonset Point/Davisville is huge, some 3,000 acres. A flexible easements and utilities plan that won't preclude further redevelopment is needed.

One feature that the plan gives short shrift to (literally) is the site's magnificent runway, capable of handling all but the largest cargo planes, and which could be lengthened if necessary. But inexplicably, the proposal calls for the runway to be shortened - to allow rail access to be looped around the site - and closed to air-cargo traffic! This is completely counter to any notion of developing the port in a way that substantially increases jobs.

If the plan is presented this way only to mollify neighbors in North Kingstown and Warwick worried about the noise, then state officials should be honest about why they are undermining a project that could bring such benefits to the entire region.

Governor Almond calls QP/D a diamond in the rough, and that it certainly is. State officials estimate that full development there could create 15,000 jobs and many millions in additional tax revenues. The international container port business is intensely competitive, and the other players, while not numerous, are well entrenched. But they all, like New York, face significant challenges. We should be polishing that diamond right now.

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Electric Utility Week (formerly Electrical Week)

January 20, 1997

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HEADLINE: UTILITY CAPTIVE RAIL SHIPPERS TO ASK CONGRESS FOR HELP ON
'BOTTLENECKS'

BODY:

Outraged by a recent decision by the Surface Transportation Board denying three utilities competitive rates for shipping coal on bottleneck rail spurs, captive rail shippers from the utility and other industries have formed a coalition to ask congressional help to resolve their railroad problems.

According to an attorney familiar with the group's plans, a Dec. 31 decision by the Surface Transportation Board, formerly the Interstate Commerce Commission, was "the straw that broke the camel's back."

In the complex decision, the STB threw out requests by Central Power & Light and MidAmerican Energy that it order railroads to offer competitive rates for service on bottleneck spurs, and only in a partial way may have assuaged a different kind of bottleneck dilemma faced by Pennsylvania Power & Light.

In each of the cases, however, a utility unit is served by only one railroad line, but the coal mine supplying the unit is served by two or more competing railroads. In each case, the utility sought, and failed, to win competitive rates from the monopoly carrier serving the utility unit. Each case had dragged on for months (EUW, 4 Nov '96, 1).

"Shippers are appalled at the decision," the attorney said. "There is considerable concern about whether the rail regulatory system is broken and should Congress look at it."

The attorney said the group is not yet ready to go public, and has not yet decided exactly what it wants Congress to do. For utilities, the attorney said, the decision to seek help originated from competition concerns.

"Utilities were in a different situation under cost-plus regulation, but now they are seeing the world as others have seen it for a long time," the attorney said. "Utilities have a greater need for expedition [of such cases] than ever before, and a greater need for relief than ever before. This decision runs counter to those needs."

Adding to the industry's grievances over the bottleneck issue is the STB's decision last year to dramatically escalate the fees it requires claimants to pay when requesting a hearing before the board. These fees used to be capped at \$ 1,000 per complaint. But after the STB received significantly less money than it expected in the last Clinton administration budget request, the board proposed filing fees of \$ 233,000 for large shippers and \$ 23,000 for smaller

shippers.

These numbers were whittled down eventually for this year, but the originally proposed figures will be phased in over 10 years.

The board in deciding a fee schedule for shipments of commodities other than coal has had difficulty defining a "small shipper," and with the fee schedule set in place, this definition has become another important issue. While utilities generally use the rails for large movements of coal, on occasion they ship small test loads of coal, utility poles, oil or other commodities. If a utility complains about a rate, the complaint could cost a significant amount of money before the utility even gets before the board.

"All these things add to the feeling that collectively the board isn't looking out for the shippers," the attorney said. "The feeling is that the board is shutting the door on the shippers everywhere they go."

LANGUAGE: ENGLISH

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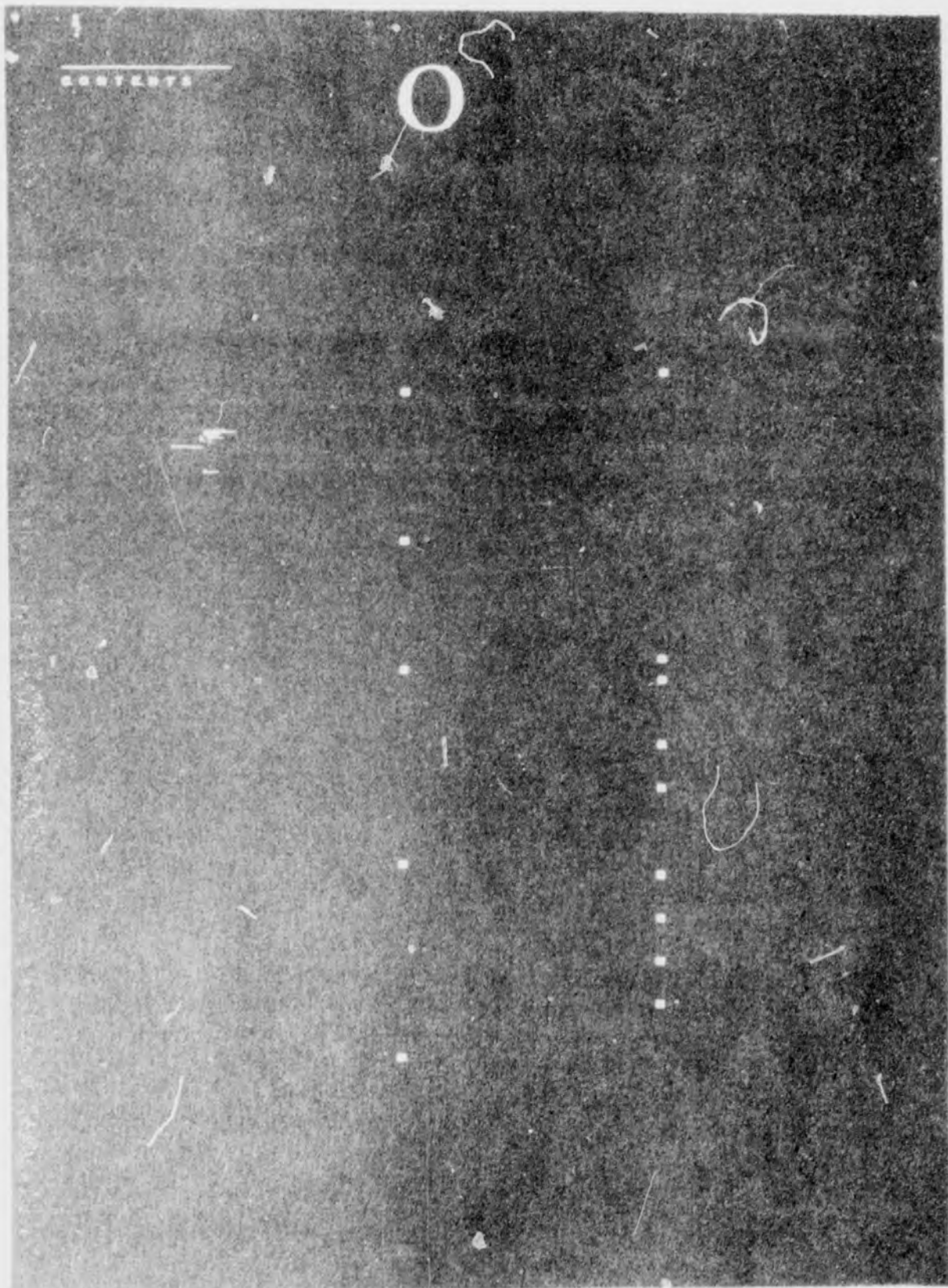
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e, the employees of Conrail, are dedicated to making our company the carrier of choice in every transportation market we serve. We promise safe, reliable and innovative services that meet or exceed customers' expectations. We are committed to continuous quality improvement as a means of providing superior service to our customers, developing and recognizing excellence in one another, enhancing value for our shareholders and being worthy of the public's trust.



2	Conrail Profile
3	Corporate Highlights
4	To Our Shareholders
8	Quest for Quality
10	Management's Discussion and Analysis
16	Report of Management
16	Report of Independent Accountants
17	Consolidated Financial Statements
27	Corporate Officers
28	Board of Directors

ur future depends on our ability to totally please our customers with service that meets their changing needs. To that end, in 1990, Conrail developed its Vision (on the cover), Guiding Principles and key corporate Goals. Together they represent the course that Conrail will follow to become "the carrier of choice in every transportation market we serve."

Guiding Principles

Safety First. The safety of employees, the public, the environment and customer shipments are in our trust. We will strive for accident free work and commit to continuous and measurable decreases in safety-related incidents.

Customer Focus. The customer is the key to our success. We are committed to understanding, anticipating and responding to every customer's requirements with service excellence.

Leadership By Example. Visible leadership will be practiced at all levels of the organization through open communication, integrity and respect for each employee. Management will ensure availability of cost-effective resources and promote empowerment of employees to achieve our vision.

Employee Involvement. We will create an environment which makes every employee a team member and encourages participation in achieving our goals. We will provide the needed training and opportunity for personal growth that develops each employee's full potential to contribute.

Partnerships. All key stakeholders in our business—customers, employees, suppliers, shareholders, communities, governments and business peers—will be treated as partners. We will build long-term relationships founded on mutual respect and trust.

Commitment to Quality. We will work together, combining our ideas and skills to continuously improve the quality of our work. We will strive for prevention, rather than correction, by using fact-based problem solving methods. Work processes will be benchmarked against leading companies and measurable goals will be set to become the best at everything we do.

Goals

To be the safest carrier.

To provide total customer satisfaction as measured by the customer.

To achieve seamless service through cooperation with others.

To create an environment that motivates and develops all employees to fully meet the needs of the customer.

To achieve best business practices.

To achieve growth in the markets we serve.

To achieve an operating ratio of 80%.

To achieve a return on assets exceeding the cost of capital.

**Eleven Year
Financial
Summary**
*Consolidated Rail
Corporation*

(\$ In Millions Except Per Share)	1990 ¹	1989	1988	1987 ²	1986	1985	1984	1983	1982	1981	1980
Revenues											
-Freight	\$3,372	\$3,411	\$3,490	\$3,247	\$3,144	\$3,208	\$3,379	\$3,076	\$2,999	\$3,557	\$3,368
-Passenger	-	-	-	-	-	-	-	-	618	644	614
Operating Income (Loss)	427	198	482	417	403	397	466	288	49	66	(187)
Net Income (Loss) Per Common Share	247	148	306	299	431	442	500	313	174	39	(244)
Primary	5.10	2.17	4.44	4.34	6.53	6.82	7.87	4.99	2.90	.62	(4.19)
Fully Diluted	4.78	2.17	4.44	4.34	6.53	6.82	7.87	4.99	2.81	.61	(4.19)
Dividends Per Common Share	1.50	1.30	1.10	.50	-	-	-	-	-	-	-
Capital Expenditures	\$ 381	\$ 678	\$ 577	\$ 472	\$ 578	\$ 574	\$ 555	\$ 455	\$ 367	\$ 380	\$ 463
Average Freight Employees	27,787	31,574	32,816	33,437	35,476	37,706	40,430	41,016	48,906	61,218	70,530

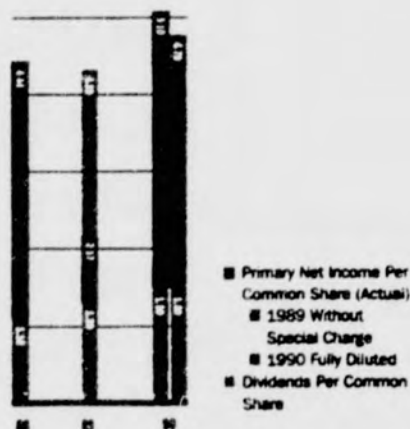
At December 31

Cash and Temporary Cash Investments	\$ 153	\$ 502	\$ 666	\$ 632	\$ 847	\$ 910	\$ 846	\$ 533	\$ 447	\$ 403	\$ 179
Working Capital (Deficit)	(216)	153	398	426	733	754	587	311	194	205	151
Total Assets	7,245	7,471	7,224	6,796	6,776	6,568	6,236	5,703	5,505	5,705	5,628
Long-Term Debt Redeemable	1,680	857	850	826	1,705	1,690	1,711	1,679	1,691	1,866	2,069
Preferred Stock	-	-	-	-	2,330	2,323	2,317	2,312	2,307	2,303	2,164
Stockholders' Equity	2,929	4,044	4,043	3,825	1,784	1,559	1,122	657	348	176	24

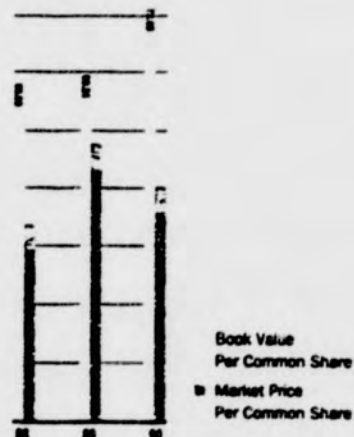
¹See Note 2 to the Consolidated Financial Statements concerning the 1990 financial restructuring.

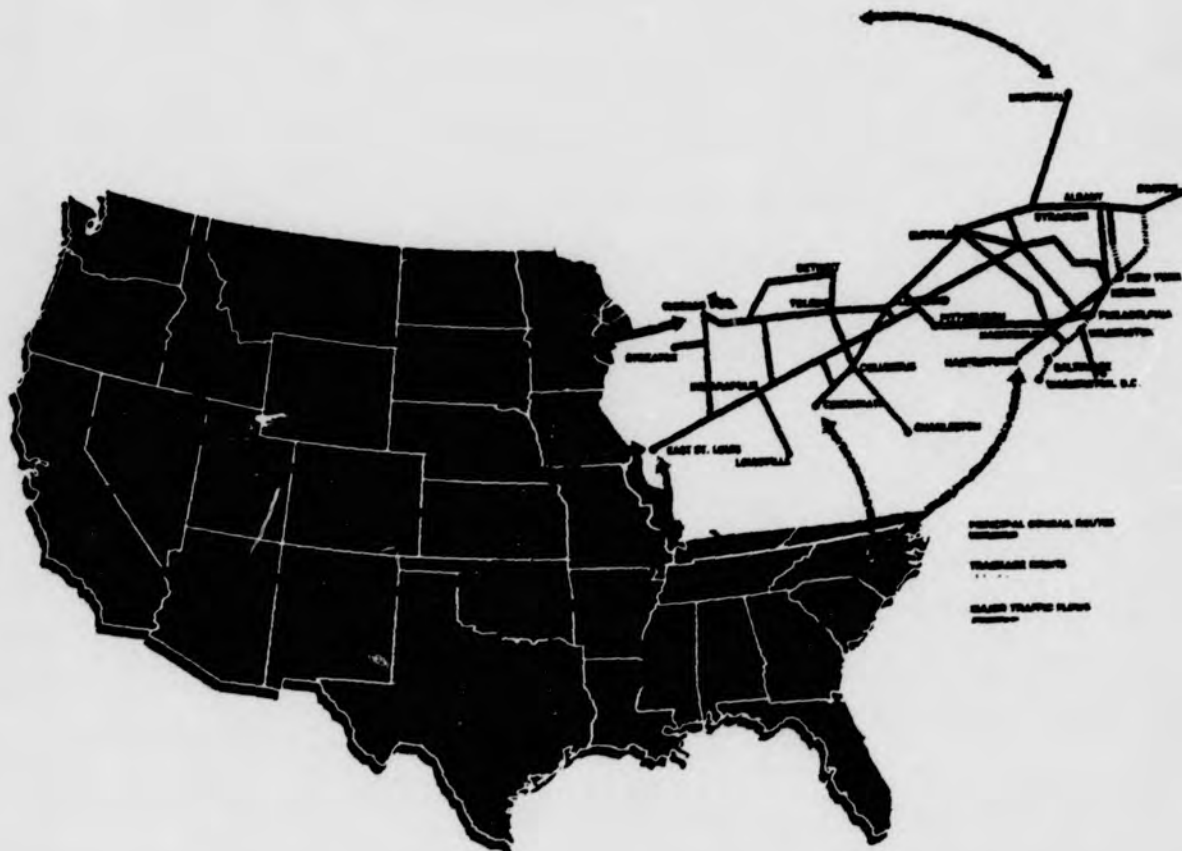
²The Company's financial position and results of operations after 1986 were affected significantly by changes resulting from the sale of the U.S. Government's 85% ownership of the Company's common stock.

**NET INCOME AND DIVIDENDS
PER COMMON SHARE**
\$ Per Share



**BOOK VALUE vs. COMMON STOCK
MARKET PRICE (YEAR END)**
\$ Per Share





Conrail: We've Made The Right Connections

Conrail operates over a railroad route network of approximately 13,000 miles, with a fleet of 2,400 locomotives and 69,000 freight cars. We are dedicated exclusively to freight transportation service, operating no passenger trains. Conrail's common stock is listed on the New York and Philadelphia Stock Exchanges, under the trading symbol CRR.

As the major freight railroad serving America's Northeast-Midwest region, Conrail serves a concentrated population and industrial base, and provides customers with access to a substantial market for consumer durable and non-durable goods and raw materials used in manufacturing and electrical power generation. Additionally, the region offers the United States' largest, most highly skilled labor force. Conrail had an average of 27,787 employees in 1990.

Conrail, headquartered in Philadelphia, maintains access to the major ports throughout our region, including Philadelphia, New York/New Jersey, Baltimore, Boston and Cleveland. Conrail's connections with other railroads, barge operators, steamship lines, and trucking companies create a vital link to markets throughout the United States, reaching far beyond our track network.

Since beginning operations in 1976, Conrail has invested nearly \$7.9 billion in capital programs, funding numerous improvements to equipment and operations technology, to assure that our freight car and locomotive fleets provide customers with peak performance. More than \$3.9 billion of that total has been invested in track rehabilitation programs, funding, among other improvements, the installation of more than 7,800 miles of continuous welded rail, designed to offer smoother, safer operations.

February 1990

Conrail undertakes a financial restructuring based on the results of its long-term strategic planning process by accepting for purchase 22.3 million shares, or 33 percent, of its outstanding common stock at \$49 per share for a total of \$1.1 billion, under a Dutch auction tender offer. The restructuring also includes establishment of a \$288 million Employee Stock Ownership Plan (ESOP) for non-union employees and related open market common stock purchases. As a result of the financial restructuring, common shares outstanding were reduced by 39 percent by the end of 1990.

March

Pennsylvania Truck Lines, Inc. (PTL), a wholly owned Conrail intermodal terminal operator and drayage subsidiary, is sold to a group of senior PTL managers.

The previously announced ESOP for non-union employees is established with the issue of approxi-

mately 5.0 million shares of Series A ESOP Convertible Junior Preferred Stock to the ESOP trustee, in exchange for a \$288 million promissory note; stock held by the ESOP represents 10 percent of Conrail's outstanding voting stock.

May

The Cockeysville Industrial Track, near Baltimore, is sold to the Maryland Mass Transit Administration for \$17.5 million.

June

As part of its financial restructuring, Conrail issues \$250 million in 10-year notes and \$550 million in 30-year debentures. After these issues, Conrail's debt to total capitalization equals approximately 38 percent.

July

Conrail announces a \$.40 per share cash dividend, payable in September, representing an increase of 14 percent over the previous quarterly dividend rate.

August

Conrail completes its open market common stock purchase program, which totaled 4.4 million shares at a cost of \$200 million. The program was conducted to offset dilution to shareholders resulting from issuance of ESOP stock.

October

The previously announced purchases of one-third interests in The Monongahela Railway Company from each of the Pittsburgh and Lake Erie Railroad and CSXT are completed, giving Conrail 100 percent ownership of the Monongahela, a railroad that serves mines containing mid-sulfur coal.

Plans are announced to sell Conrail's Shelbyville Line, between Shelbyville, Ind., and Cincinnati, Ohio.

November

Pittsburgh, Pa., is selected as the site for Conrail's new National Customer Service Center; the new center will consolidate 10 local customer service

centers and improve Conrail's responsiveness to customer inquiries.

December

Approximately 125 miles of rail lines serving anthracite coal mining regions north of Reading, Pa., are sold to the Reading, Blue Mountain and Northern Railroad.

Conrail and CP Rail announce an agreement to revise terms of the Delaware & Hudson Railway's (D&H) operating rights over Conrail tracks after a CP subsidiary acquires the D&H; CP Rail will also have an option to purchase the portion of Conrail's Southern Tier Line between Buffalo and Binghamton, N.Y.

The Year in Review: Corporate Highlights

To Our Shareholders

James A. Hagen
Chairman, President
and Chief Executive
Officer

It's not every year that a company confronts major challenges on every major front — financial, operational, and in the marketplace. Last year was one of those years for Conrail. We met the challenges and produced results that served the interests of both our shareholders and our customers.

Two factors were key to those results:

We were well prepared for the economic downturn. Timing was everything, especially as freight traffic declined severely midway through the fourth quarter. Throughout the year, we reacted promptly with cost reductions and efficiencies to compensate for softening traffic and revenues. Equally important, we made that adjustment without compromising the safe, consistent service our customers expect and require.

We undertook a major financial restructuring in the first quarter. Although resulting in higher interest costs, which reduced net income, the restructuring produced an increase in 1990 earnings per share. Earnings per share reached the highest level since Conrail's initial public offering in 1987.

Net income for 1990 was \$247 million (\$4.78 per share, fully diluted), a reduction of 16 percent from 1989's results of \$295 million (\$4.33 per share), excluding the effect of a special charge which reduced 1989 net income by \$147 million.

The restructuring included a \$1.1 billion Dutch auction tender offer, completed in February, followed by a \$200 million open market common stock purchase program, completed in the third quarter. As a result, the number of common shares outstanding at December 31, 1990, was 39 percent lower than at December 31, 1989.

In another step to improve value to our shareholders, in July your Board of Directors increased the quarterly dividend to \$.40 per share, 14 percent more than the previous level.

Freight Traffic and Revenue Remain Flat

Revenue declined 1.1 percent to \$3.37 billion for 1990, from \$3.41 billion in 1989. Freight volume was relatively flat compared with 1989, up 1.4 percent. Traffic increases occurred in coal, chemicals and related products, and metals and related products. Decreases occurred in automotive, forest products, food and grain products, and intermodal (trailers or containers on flatcars). The weaker traffic mix throughout the year, with increases in lower revenue commodities and decreases in higher revenue commodities, was primarily responsible for the revenue decline. The traffic and revenue results were in line with our expectations at the beginning of the year.

Despite lower revenue, the company's operating ratio (operating expense as a percent of revenue) remained the same as in 1989 — 87.3 percent (again, excluding the effects of the special charge in 1989). This reflects our cost reductions and efficiencies through the year.

Capital Investment is Focused on Clear Return

As I noted in my report to you last year, we planned a capital investment program for 1990 sharply focused on those segments of the railroad business where the return is clear. The program's size also reflects the overall excellent condition of our physical plant. Capital expenditures were \$381 million in 1990. This level was less than our plan of \$400 million, in part because of greater efficiency in executing our projects.

In 1990 we completed a three-year, \$33 million project to increase vertical clearances on our line between Chicago and the metropolitan New York area, so that double-stack trains with high cubic capacity containers, stacked one atop the other, can now operate over this route. International and domestic double-stack service are significant growth markets for us — having grown to more than 25 percent of our intermodal business since beginning in 1984 — offering clear efficiency advantages over long-haul trucking.

NET INCOME
\$ in Millions



Bringing Assets in Line with Revenues

One of the company's strategic goals has been to bring our assets more in line with our revenue. This involves both more productive use of necessary assets — for example, through improved freight car and locomotive utilization and emphasis on rebuilding programs instead of replacement — and disposing of those assets that do not contribute.

In 1990, we sold or announced plans to sell segments or clusters of lines in several areas to other operators. We favor sales over abandonment, enabling Conrail to continue to participate in the longer haul movement of traffic gathered from local operators. This approach also preserves local rail service for many communities.

We also completed the acquisition of an important rail asset, the Monongahela Railway, which operates in southwestern Pennsylvania and West Virginia. The Monongahela purchase gives Conrail 100 percent ownership of a railroad that serves mines containing mid-sulfur content coal, which is increasingly important to electric utilities seeking to meet ever more stringent environmental standards.

Outlook for 1991

Without a doubt, the economic outlook for 1991 is troublesome. We have forecast a decline in GNP of 1 percent and a decline in industrial production, a more significant indicator for railroad traffic, of 2.9 percent. These forecasts, somewhat more pessimistic than the consensus, led us to project a decline of 4 percent in our traffic volume for the year.

Early in the year, however, we have experienced even lower traffic levels than anticipated. Clearly, many businesses are struggling, especially the automotive companies which are important customers for Conrail. In short, we do not know how long or deep this recession might be. Continuing uncertainty in the Middle East makes it nearly impossible to predict the price of fuel. Short term, we are managing the situation day-by-day and month-by-month —

something which Conrail in the past has proven it can do well, but also something which may prove to be even more challenging than we had planned.

Based on the unknowns in the economy, our capital spending plans will be flexible. We plan a program in 1991 at a level similar to 1990's program; however, that may change depending on the strength of the economy. Naturally, less spending is required with less use of assets. Our spending will be focused on allocating resources to where they will create an advantage as we return to a growing economy.

Conrail and the railroad industry, and labor organizations representing employees, are continuing the collective bargaining process mandated by the Railway Labor Act, at both the national and local levels. Under the Act, both parties agreed to extend these negotiations several times in 1990, and again in early 1991, in hopes of achieving a negotiated settlement. We depend on our employees to provide competitive service for our customers, and we are hopeful that these negotiations can be concluded expeditiously.

This spring and summer, Congress will debate renewal of the Highway Trust Fund, the means by which the nation pays for the restoration and improvement of its crumbling highway system. This is an important public policy debate for the railroads because the truckers are likely to seek authority to operate longer and heavier vehicles, including double 48-foot and triple 28-foot trailers.

continued next page



"OUR
PHILOSOPHY IS
SIMPLE: IF WE
ARE THE BEST WE
CAN BE FOR OUR
CUSTOMERS...
SERVICE WILL
IMPROVE.
REVENUES WILL
GROW.
EFFICIENCY WILL
IMPROVE
BECAUSE WE ARE
FOCUSING ON
WHAT IS
IMPORTANT TO
THE CUSTOMER."

REVENUES
\$ in Millions



**TARIFF-BASED
TON MILES**
In Millions



Railroads already are competitively disadvantaged as a result of the substantial highway subsidy enjoyed by truckers. Most engineers agree that trucks pay for only a fraction of the highway damage they cause. At the same time, the railroads pay their own maintenance, construction and right-of-way costs, including taxes on the land they use. Allowing still larger trucks would only worsen the subsidy and divert large amounts of rail traffic to the highways.

Accordingly, the railroad industry and Conrail are devoting substantial efforts at both the federal and state levels to defeat legislation that would authorize increased truck subsidies in the form of longer and heavier vehicles.

Service Defined by the Customer

A key element of Conrail's vision is to become "the carrier of choice in every transportation market we serve." Some would say that is a lofty, if not unreachable, objective for a railroad whose competition is defined by the speedy, flexible, literally door-to-door service provided by the trucker.

In my view those attributes are not unattainable. The true measure of competition is the ability to deliver service as defined by the customer. That is why at Conrail we define quality as "consistent conformance to customers' expectations."

We've asked our customers what they expect from our transportation service. They've told us. They require fast response to inquiries and pricing; prompt pick-up; consistent delivery, door-to-door; timely communication en route; and accurate billing and handling of claims. These are all transportation requirements that we can fulfill competitively.

One key to becoming truly customer-driven is to improve the performance of the entire rail network, so that the connections between railroads become seamless, or invisible, to the eyes of the customer.

Interline service agreements that result in consistent, reliable exchange of traffic among

railroads enable us to provide effective, guaranteed service regardless of the number of railroads involved. In 1990, for example, Conrail, the Burlington Northern Railroad and the Terminal Railroad Association of St. Louis entered into such an agreement, a first in the industry, containing specific performance standards for each railroad.

Packaging of services, including rail-to-truck options, warehousing, inventory management, and break-bulk reloading, adds value to the basic rail product and extends seamless service well beyond the confines of our track. We don't have to own the resources to provide them. Conrail has coordinated such services for forest products, steel, auto parts, food products and a variety of bulk commodities.

Information resources that permit the customer to manage inventory regardless of where it is in the pipeline — on any railroad — make doing business with us as easy as with the trucker. In 1990, we made further progress in linking our computer systems with other carriers through standardized language. A pilot project between Conrail and Union Pacific eliminates the need for the customer to contact two or even three carriers to find out the location of a car — whatever railroad the customer calls can handle the request. We also introduced a car scheduling system which, as it is fully implemented, will provide schedule information, delivery estimates and performance information on every car moving on Conrail and between Conrail and other railroads.

Our customers' world is driven by global competition. They expect us to help them compete; they expect more from our service. We are taking bold steps to improve our service and to improve the resources that support it. We are beginning to "do the right things right," and over time I believe this will result in an increased role for Conrail in the markets we serve.

Moving Toward Our Vision

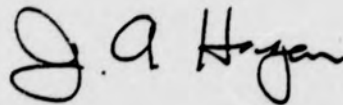
The key to our future success — fulfilling our vision — will depend on our ability in 1991 to manage the short term while keeping our long-term corporate goals in sight. Our goals are listed on the inside front cover of this report. Continued progress toward these goals is essential: Our successes along the way will yield measurable results for shareholders and customers, and job satisfaction and stability for employees.

Short term, our goals are kept in focus through a process of action planning, instituted in 1990, which assures that business plans and actions always support and never detract from these goals.

Long term, our goals are bound into a process of Continuous Quality Improvement, also launched in 1990, designed to instill a commitment to total customer satisfaction throughout our organization. Every employee will be trained in our quality improvement process, setting goals and measuring improvement against the expectations of their customers. Our philosophy is simple: If we are the best we can be for our customers, everything else follows. Service will improve. Revenues will grow. Efficiency will improve because we are focusing on what is important to the customer.

Our employees have proven already that their participation makes the critical difference in our success. Their active involvement in labor/management committees, through projects designed to improve quality of work life, has produced significant savings for Conrail. Employee safety committees have led us to dramatic improvements in our safety performance in just a few short years.

As I've told our employees, continuous quality improvement is a journey, a long-term commitment. Although we've just begun, we're heartened by the high marks some of our largest customers gave us in 1990 for quality, responsive transportation service. That recognition, highlighted on the pages that follow, speaks more loudly to our commitment than my words can. I have only the highest praise for our employees. They have earned it.



James A. Hagen
February 20, 1991

Quest for Quality

Success in the years to come will depend on Conrail's ability to meet or exceed its customers' expectations consistently. As a result, Conrail began in 1990 to implement a long-term process of Continuous Quality Improvement aimed at focusing every employee on the goal of total customer satisfaction.

Conrail's commitment to excellence in its transportation service has been recognized by a number of its largest customers, all of whom pursue high quality standards for their own manufacturing operations — benchmarks in the quality field.

Since the beginning of 1990, Conrail has won nine supplier quality awards from eight major customers — Air Products and Chemicals, Inc., Chrysler Corporation, Corning, Inc., Dow Chemical Co., Ford Motor Co., LTV Steel Co., Monsanto Co., and Olin Corporation. Conrail received awards from Corning in 1990 and again in 1991.

The awards recognize Conrail's achievement in providing quality transportation service to customers, often over a broad range of measurements including the consistency of its rail service, the responsiveness of its customer service, billing and other administrative operations, and its ability to innovate and create new services.

For example, LTV Steel's Outstanding Supplier Program cited Conrail as LTV's best rail transportation supplier in part because of its development of SteelTrain overnight steel transportation service from Chicago to Detroit, as well as the overall quality of Conrail's service.

Innovation and hard work also impressed Air Products and Chemicals, which gave Conrail its Vendor Challenge Award in 1990. The work went into producing dramatic improvements in transit time, in billing accuracy and in how Conrail's service is perceived by Air Products' customers. Flexibility was important, since Conrail had to tailor its service to meet Air Products' demanding standards which were used to monitor Conrail's performance.

Customers have also recognized Conrail's ability to operate safely and deliver their goods without damage. Damage-free delivery figured high on Ford Motor Co.'s list of quality attributes when it awarded Conrail its Rail Quality Carrier Award in 1990, the second consecutive year Conrail has won the award. Conrail has made preventing damage to finished vehicles it moves for Ford and other auto manufacturers a priority by stocking its car fleet with fully enclosed multi-level auto carriers and raising overhead clearances along key lines to accommodate them.

Transportation of parts is a key logistical concern for auto manufacturers, as well. Chrysler Corporation presented Conrail with its coveted Pentastar Award for the vital role Conrail plays in its parts distribution network, including movement of parts between manufacturing facilities, and also for movement of finished vehicles to dealers.

Safe transportation is a primary concern of many chemical manufacturers who have recognized Conrail's ability to move their products safely. Dow Chemical honored Conrail with its annual Rail Safety Achievement award for transportation service during 1990. The award is given to the rail carrier that moves Dow products, both hazardous and non-hazardous, without a single carrier-caused incident during the calendar year.

Another recognition based on safe operations is Olin Corporation's Rail Carrier Safety and Performance award. In naming Conrail its highest quality rail carrier, Olin noted that 99.9 percent of its shipments on Conrail moved without a carrier-caused incident. The award is also based on the cooperation between local Conrail operating people and plant management at locations where Conrail serves Olin, chiefly at Niagara Falls, N.Y., which Olin pointed out is one of the most cooperative carrier-customer relationships of any of its manufacturing facilities.



CONRAIL QUALITY

1990

- | | |
|---|---|
| ■ <i>Air Products and Chemicals</i>
<i>Vendor Challenge Award</i> | ■ <i>Ford Motor Company</i>
<i>Rail Quality Carrier Award</i> |
| ■ <i>Chrysler Corporation</i>
<i>Pentastar Award</i> | ■ <i>LTV Steel Company</i>
<i>Outstanding Supplier</i>
<i>(rail transportation)</i> |
| ■ <i>Corning, Inc.</i>
<i>Quality Transportation Award</i>
<i>(1990 and 1991)</i> | ■ <i>Monsanto</i>
<i>Total Partnership Award</i> |
| ■ <i>Dow Chemical</i>
<i>Rail Safety Achievement Award</i> | ■ <i>Olin Corporation</i>
<i>Rail Carrier Safety and</i>
<i>Performance Award</i> |

That 'human side of quality' is an indication of how important Conrail's employees are to its continuing improvement in providing quality rail service. It was evident at Corning, which gave its rail carrier Quality Transportation award to Conrail in 1990, and then again in 1991. In addition to its emphasis on the overall quality of Conrail's service — transit time, equipment quality, error-free billing, responsiveness and innovation — Corning based its award on a personal touch that Conrail employees brought to service for Corning. Conrail's Customer Service representatives visited Corning's operations in New York to familiarize themselves with its business and the Corning people they work with. In addition, Conrail de-

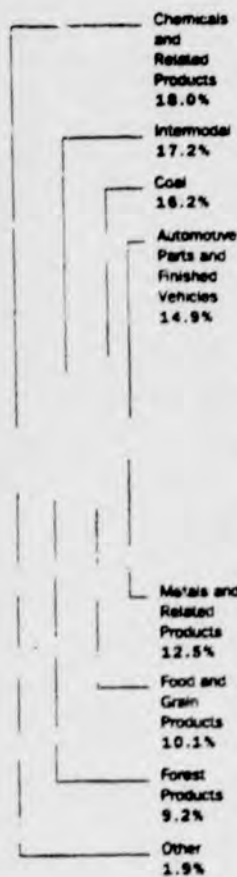
veloped a specific business plan tailored to Corning, and successfully put it into practice.

A similar approach earned Conrail recognition from Monsanto in 1990. The St. Louis-based chemical manufacturer gave Conrail its Total Quality — Total Partnership award as part of its 1990 Conference of Champions, a corporate seminar on the progress of quality at Monsanto. That honor was based on teamwork by Monsanto and Conrail that produced a unique agreement on services at one of Monsanto's production facilities in Ohio.

The high level of customer satisfaction signified by these awards is a goal that Conrail is seeking to expand throughout its customer base by dedicating itself to Continuous Quality Improvement.

**Management's
Discussion and
Analysis of
Financial Condition
and Results
of Operations**

**1990 REVENUE
DISTRIBUTION
by Commodity**



Overview

Conrail's net income for 1990 was \$247 million compared with \$148 million for 1989 and \$306 million for 1988. Results for 1990 were adversely affected by an unfavorable traffic mix and by costs associated with the 1990 financial restructuring (see Note 2 to the Consolidated Financial Statements and "Liquidity and Capital Resources"). The 1989 results were adversely affected by a special charge of \$234 million (pre-tax) related to non-union employee reductions, an increase in casualty reserves based on an actuarial valuation, and consolidation of certain operating and administrative functions. Net income for 1989 would have been \$295 million in the absence of the special charge.

Business Environment

Conrail expects the current recession to have an adverse impact on its financial results for 1991. While Conrail had previously anticipated a 4% decline in traffic volume in 1991, traffic levels early in the year have been substantially lower than anticipated, reflecting weaker economic conditions, particularly in the automotive industry. The length and severity of the recession and its effect on Conrail's shippers will determine the extent of the adverse impact, which could be material, on Conrail's 1991 financial results. Conrail will continue to pursue cost controls in its operations.

Events in the Middle East have led to wide fluctuations in the prices of oil and petroleum products, including diesel fuel used by railroads. Conrail is unable to predict with certainty whether the price of these products will substantially increase in 1991. The sharp price increases that occurred in the second half of 1990 contributed to the reduction in output of Conrail's shippers that continues to depress traffic volume. To the extent significant price increases do occur in 1991, Conrail's freight volume would decline further. In addition, Conrail is able only partially to recoup in-

creased diesel fuel costs, such as those experienced in the fourth quarter of 1990.

Results of Operations

1990 Compared with 1989

Net income for 1990 was \$247 million, an increase of \$99 million, or 66.9%, from \$148 million for 1989. The increase is primarily attributable to the 1989 special charge which reduced that year's net income by \$147 million. Net income for 1990 was adversely affected by interest costs associated with Conrail's financial restructuring, which costs will continue in the future. Net income per common share for 1990 (\$5.10, primary, \$4.78, fully-diluted) was favorably affected by a 31.1% decrease in the weighted average number of shares outstanding due to the financial restructuring. Net income per common share for 1989 was \$2.17 (primary and fully-diluted). In the absence of the special charge, net income per common share for 1989 would have been \$4.33.

Operating revenues (primarily freight line haul revenues, but also including switching, demurrage and incidental revenues) decreased \$39 million, or 1.1%, from \$3,411 million in 1989 to \$3,372 million in 1990. A 1.5% decrease in average revenue per tariff-based ton mile was attributable primarily to an unfavorable traffic mix (lower volumes of higher revenue traffic such as automotive and higher volumes of lower revenue traffic such as coal) and resulted in decreased revenues of \$49 million. This revenue decrease was partially offset by a \$44 million increase in revenues resulting from a 1.4% rise in traffic volume. Traffic volume increases occurred in the following: coal, 7.4%; chemicals and related products, 3.7%; and metals and related products, 3.2%. Decreases occurred in automotive, 11.4%; forest products, 3.6%; food and grain products, 1.7%; and intermodal, 0.3%. A decrease of \$34 million, or 17.8%, in switching, demurrage and incidental revenues is attributable primarily to the 1990 sale of Pennsylvania Truck Lines, Inc. ("PTL"), which had been a wholly-owned subsidiary.

Operating expenses decreased \$268 million, or 8.3%, from \$3,213 million in 1989, which includes a \$234 million special charge, to \$2,945 million in 1990. The following table sets forth the operating expenses for the two years:

(In Millions)	1990	1989	Increase (Decrease)
Labor (including payroll taxes and fringe benefits)	\$1,350	\$1,441	\$ (91)
Fuel	178	158	20
Material and supplies	210	239	(29)
Equipment rents	266	259	7
Depreciation and amortization	302	282	20
Casualties and insurance	117	144	(27)
Other	522	456	66
	2,945	2,979	(34)
Special charge		234	(234)
	\$2,945	\$3,213	\$(268)

The labor cost decrease of \$91 million, or 6.3%, was due primarily to savings from lower employment levels, including a \$55 million decrease relating to the disposition of PTL. These savings were partially offset by increased average wages, payroll taxes and fringe benefit costs. The labor ratio (labor cost as a percent of revenues) was 40.0% in 1990 compared with 42.2% in 1989.

Other operating expenses increased \$66 million, or 14.5%, principally as a result of including in this category \$76 million in intermodal terminal services purchased from the independent successor to PTL.

Fuel costs increased \$20 million, or 12.7%, primarily as a result of higher prices in the first and fourth quarters of 1990.

The decrease of \$29 million, or 12.1%, in material and supplies costs reflects a lower level of expenditures for repairs and maintenance of locomotives, freight cars and roadway property during the first six months of 1990, compared

to a higher level of such expenditures during the first six months of 1989.

Depreciation and amortization expense increased \$20 million, or 7.1%, due principally to an increase in depreciable assets in 1990 and to a full year's depreciation expense on 1989 asset additions.

The decrease of \$27 million, or 18.8%, in casualties and insurance costs was due primarily to reductions in amounts accrued for claim costs and, to a lesser extent, lower frequency of employee injuries. In the fourth quarter of 1989, as part of the special charge noted below, casualty reserves were increased by \$92 million based on an actuarial valuation of the total costs for injury claims. If the actuarial valuation methodology had been utilized at the beginning of 1989, casualties and insurance costs for 1989 would have been approximately the same as in 1990.

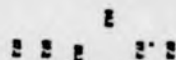
The special charge of \$234 million included in 1989 operating expenses is composed of the following: \$109 million for costs of Conrail's non-union employee reduction program; \$92 million increase in casualty reserves based on an actuarial valuation; and \$33 million for realignment and consolidation of certain administrative and operating functions.

Conrail's operating ratio (operating expenses as a percent of revenues) was 87.3% for 1990 compared with 94.2% for 1989. The 1989 operating ratio would have been 87.3% in the absence of the special charge.

The \$80 million increase in interest expense, from \$82 million in 1989 to \$162 million in 1990, is attributable primarily to the financing of Conrail's financial restructuring, including the establishment of an employee stock ownership plan for non-union employees ("Non-union ESOP").

Although there was only a \$4 million variance in other income, net (representing interest and rental income and other non-operating items, net), certain transactions deserve mention. A \$17 million decrease in interest income related primarily to the use of Conrail's cash in

LABOR AND OPERATING RATIOS (%)





■ Labor Ratio
■ Operating Ratio
*1989 Without Special Charge

**CASH AND
TEMPORARY CASH
INVESTMENTS**
\$ in Millions



the financial restructuring was offset by an \$8 million increase in net rental income and a \$9 million increase in gains from property sales.

1989 Compared with 1988

Net income for 1989 was \$148 million, a decrease of \$158 million, or 51.6%, from \$306 million for 1988. The decrease is primarily attributable to the special charge of \$234 million included in 1989 operating expenses, which reduced net income by \$147 million.

Operating revenues decreased \$79 million, or 2.3%, from \$3,490 million in 1988 to \$3,411 million in 1989. A 3.3% decrease in traffic volume, as measured by tariff-based ton miles, resulted in a \$110 million reduction in revenues, which was partially offset by an increase of \$31 million due to an improvement in traffic mix and increased switching and incidental operating revenues. Traffic volume increases occurred in the following freight commodity groups: intermodal, 3.1%; food and grain products, 1.7%; and coal, 0.1%. Traffic decreases occurred in: metals and related products, 12.4%; forest products, 9.5%; chemicals and related products, 4.3%; and automotive, 3.3%.

Operating expenses, including a \$234 million special charge, increased \$205 million, or 6.8%, from \$3,008 million in 1988 to \$3,213 million in 1989. The following table sets forth the operating expenses for the two years:

(In Millions)	1989	1988	Increase (Decrease)
Labor (including payroll taxes and fringe benefits)	\$1,441	\$1,467	\$(26)
Fuel	158	146	12
Material and supplies	239	232	7
Equipment rents	259	270	(11)
Depreciation and amortization	282	271	11
Casualties and insurance	144	165	(21)
Other	456	457	(1)
	2,979	3,008	(29)
Special charge	234		234
	\$3,213	\$3,008	\$205

The labor cost decrease of \$26 million, or 1.8%, was due primarily to savings from lower employment levels. These savings were partially offset by increased average wages, payroll taxes and fringe benefit costs. The labor ratio was 42.2% in 1989 and 42.0% in 1988.

Fuel costs increased \$12 million, or 8.2%, primarily as a result of price increases which were partially offset by declines in consumption due to lower traffic volume.

Equipment rents decreased \$11 million, or 4.1%, due principally to the decline in traffic volume and the improvement in equipment utilization, which were partially offset by recoveries in 1988 against private car owners for prior years' charges.

Depreciation and amortization expense increased \$11 million, or 4.1%, due principally to an increase in depreciable assets.

The decrease of \$21 million, or 12.7%, in casualties and insurance costs was due primarily to reductions in amounts accrued for settlement of pending claims, including occupational health claims, and lower frequency of employee injuries, partially offset by an increase in the number of occupational health claims. However, as noted previously, a portion of the 1989 special charge related to increased casualty reserves.

Conrail's operating ratio was 94.2% for 1989 compared with 86.2% for 1988. The 1989 operating ratio would have been 87.3% in the absence of the special charge.

Other income, net, for 1989 was \$117 million, compared with \$94 million for 1988. The increase of \$23 million is due principally to increases in gains from property sales and rental income, \$11 million, and equity income from Conrail's investment in Trailer Train Company, \$11 million.

Liquidity and Capital Resources

On January 17, 1990, the Board of Directors approved a financial restructuring plan which included a Dutch auction tender offer, the establishment of a Non-union ESOP and a re-

lated open market common stock purchase program. Conrail purchased 22.3 million shares of its outstanding common stock for approximately \$1.1 billion through the Dutch auction tender offer. The tender offer purchase was initially financed with approximately \$400 million of available Conrail funds and by the issuance of \$696 million in short-term notes (commercial paper), supported by revolving credit facilities under an uncollateralized bank credit agreement with a group of banks. In addition, Conrail issued approximately 5 million shares of its Series A ESOP Convertible Junior Preferred Stock to the Non-union ESOP in exchange for a promissory note of \$288 million (see Notes to the Consolidated Financial Statements).

In April 1990, Conrail commenced a program to purchase its common stock in the open market, and in August, Conrail completed the program having acquired approximately 4.4 million shares for \$200 million.

Also in April, Conrail filed a registration statement for the issuance over the next two years of up to \$1.25 billion of uncollateralized debt securities. In June, Conrail sold \$250 million principal amount of 9% Notes Due 2000 and \$550 million of 9% Debentures Due 2020 and used the proceeds to repay \$646 million in short-term notes and to fund a portion of the \$200 million open market common stock purchase program. In November, Conrail established a \$450 million Medium-Term Note Program under the registration statement. No notes have been issued as of December 31, 1990.

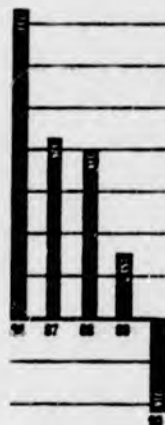
Conrail's cash and cash equivalents and temporary cash investments decreased \$349 million, from \$502 million at December 31, 1989 to \$153 million at December 31, 1990, principally as a result of the use of \$400 million of Conrail's cash in connection with the financial restructuring. Cash generated from operations and borrowings are Conrail's principal sources of liquidity and are used primarily for capital expenditures, debt service, and dividends. However, in 1990, the majority of the proceeds from Conrail's long-term borrowings were used in

connection with the financial restructuring. Operating activities provided cash of \$590 million in 1990, compared with \$657 million in 1989 and \$690 million in 1988. The major cause for the decrease in 1990 is the interest costs associated with the financial restructuring. Excluding the financial restructuring, the principal uses of cash in 1990 were for property and equipment acquisitions, \$309 million, payment of capital lease and equipment obligations, \$114 million, cash dividends on preferred and common stock, \$81 million, and the acquisition of the remaining two-thirds of The Monongahela Railway Company, \$39 million. Conrail's future cash from operating activities will be diminished due to the increased interest expense and reduced interest income as a result of the financial restructuring.

A working capital (current assets less current liabilities) deficiency of \$216 million existed at December 31, 1990, compared with positive working capital of \$153 million at December 31, 1989. Transactions related to the tender offer and open market purchase of common stock decreased working capital by \$459 million during 1990. Without these transactions, working capital would have increased \$90 million. The current recession and the conflict in the Middle East as discussed in "Business Environment" may adversely affect future working capital; however, management believes that Conrail's financial position allows it sufficient access to credit sources on investment grade terms.

In January 1991, Conrail's 50% owned joint venture acquired a company which operates a hazardous waste treatment facility in Canada. To finance this acquisition, Conrail loaned \$47 million to the joint venture pursuant to a \$100 million revolving credit and term loan facility which expires in 1994. The remainder of this facility is available for use by the joint venture to finance the acquisition of additional assets, which may occur in 1991. Conrail obtained this cash from borrowings under its existing bank credit facility (see Note 5 to the Consolidated Financial Statements). Conrail expects to refi-

WORKING CAPITAL
\$ in Millions



refinance such borrowings with additional commercial paper or medium-term notes.

Capital Expenditures

Capital expenditures totaled \$381 million, \$678 million and \$577 million in 1990, 1989 and 1988, respectively. Of these capital expenditures, Conrail directly financed \$64 million in 1990, \$46 million in 1989, and \$96 million in 1988 through private third-party financing. In addition, the proceeds of notes sold, \$17 million, \$83 million and \$80 million in 1990, 1989 and 1988, respectively, were available to fund capital expenditures.

In 1989, management announced that Conrail's future capital expenditures would be approximately 80% of income from operations over the course of an economic cycle. While 1990 expenditures were in excess of this target, they were below the original planned level of \$400 million. Capital expenditures for 1991 are expected to be similar to 1990 levels, but the amount spent will depend upon economic conditions and capital opportunities that arise during the course of the year.

As part of its strategic planning process, Conrail continuously evaluates the earning power of its assets. This evaluation can lead to the identification of assets that Conrail will seek to sell, and certain of those sold could result in the receipt of proceeds substantially less than the net book value of such assets (see Note 11 to the Consolidated Financial Statements). Management believes that any such sales would, in general, reduce capital expenditures and improve working capital in future periods.

Inflation

The adverse effect of inflation on Conrail's results of operations is due primarily to increases in labor expense, payroll taxes, fringe benefit costs, material costs and fuel prices. While the Interstate Commerce Commission ("ICC") may authorize increases in freight rates to reflect the effects of inflation, the extent to which railroads raise rates, including rate increases authorized by the ICC, is highly dependent

upon competitive conditions. In March 1989, the ICC decided to offset changes in the Rail Cost Adjustment Factor ("RCAF"), an ICC-issued index of rail costs according to which railroads are permitted to adjust regulated rates for inflation, with an average of railroad industry productivity gains.

As of January 1990, Conrail no longer participates in the RCAF process for most of its regulated rates and, as of July 1990, Conrail has published a series of independent rate increases approximating those authorized by the RCAF. Conrail believes this action will reduce, although not eliminate, the possibility that rates once tied to the RCAF will be ordered to be reduced by the ICC.

In order to reduce the effect of inflationary increases in costs, Conrail will continue its programs to reduce costs, improve productivity and implement independent pricing actions on interline shipments as encouraged by the Staggers Rail Act of 1980. However, pricing pressures, which are intensified during a recession, are expected to limit Conrail's ability to increase rates to recover increases in costs.

Generally accepted accounting principles require the use of historical costs in preparing financial statements. This approach does not consider the effects of inflation on the costs of replacing assets. The replacement cost of Conrail's property and equipment is substantially higher than its historical cost basis. Similarly, depreciation expense on a replacement cost basis would be substantially in excess of the amount recorded under generally accepted accounting principles.

Other Matters

On January 15, 1991, the Presidential Emergency Board, appointed pursuant to the Railway Labor Act to make recommendations with respect to health and welfare coverage and wage and work rules in certain collective bargaining agreements, issued its recommendations. Labor and management are negotiating with respect to the non-binding recommendations of the

CAPITAL EXPENDITURES
\$ In Millions



Board. Under the 30-day "cooling-off period" prescribed by the Railway Labor Act, the unions would have been free to strike after February 14. In the absence of an agreement, however labor and management have agreed to extend the "cooling-off period" through April 16, 1991. The parties have also agreed that neither will resort to self-help during any period that Congress is not in legislative session. Should Conrail be the subject of a strike, Conrail's operations could be severely curtailed or stopped. Traditionally, however, Congress has been reluctant to permit rail strikes, particularly national rail strikes, to continue for any significant period of time. Given the fact that Congress is likely to intercede, a material adverse effect on Conrail's results of operations or future liquidity as the result of a strike or shutdown is not likely.

Conrail is subject to various and increasingly stringent laws relating to the protection of the environment. On-going capital expenditures for environmental protection and control are not expected to have a material adverse effect upon Conrail's financial position or future liquidity. Like many companies, Conrail has been identified by various federal and state environmental agencies as a potentially responsible party in connection with waste disposal sites under the Comprehensive Environmental Response Compensation and Liability Act, as amended ("Superfund"). Due to the number of parties involved at many of these sites, the number of possible solutions, the number of years of remedial activity required and the evolutionary nature of the technology involved, reasonable estimates of Conrail's exposure often are not available. Where such estimates are available, accruals are made for liabilities that are considered to be probable. A small number of these Superfund cases could represent significant potential liability to Conrail under worst case scenarios.

Federal acid rain legislation was enacted in October 1990 requiring electric utilities to sig-

nificantly limit sulphur dioxide emissions from their generating plants by burning lower sulphur coal or installing emissions control devices. Coal from mines located in central Pennsylvania and served by Conrail is predominantly high sulphur and, accordingly, the legislation may result in reduced volumes of this traffic. However, the projected reduction may be offset, in whole or in part, by an increase in Conrail's handling of lower sulphur coal from off-line sources to utilities located on Conrail. Moreover, the use of emissions control technology by utilities located on Conrail could increase the use of high sulphur coal from mines on Conrail, and further offset any adverse impact on Conrail's revenues. In addition, Conrail's purchase of the remaining two-thirds of The Monongahela Railway Company (see "Liquidity and Capital Resources") provides Conrail with sole ownership of a railroad on which coal, that can be used by utilities to comply with the legislation's requirements, originates.

In 1991, Congress will consider legislation for the renewal of the Federal Highway Trust Fund. The debate surrounding that legislation is expected to include attempts by the trucking industry to gain authority, either at the federal or state level, to operate longer and heavier vehicles, including double and triple trailers. Any future legislation permitting increases in truck vehicle capacity could have a substantial adverse effect on the competitiveness of railroads.

The Financial Accounting Standards Board issued Statement No. 96, "Accounting for Income Taxes," which requires adoption in 1992, and Statement No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which requires adoption in 1993. Management believes that the changes in accounting required by these pronouncements will not have a material effect on Conrail's financial statements.

**Report of
Management**

*The Stockholders
Consolidated Rail
Corporation*

Management is responsible for the preparation, integrity and objectivity of the Company's financial statements. The financial statements are prepared in conformity with generally accepted accounting principles and include amounts based on management's best estimates and judgment. The financial information contained in other sections of this annual report is consistent with that contained in the financial statements.

The Company maintains a system of internal accounting controls and procedures which is continually reviewed and supported by written policies and guidelines and supplemented by a corporate staff of internal auditors. The system provides reasonable assurance that assets are safeguarded against loss from unauthorized use and that the books and records reflect the transactions of the Company and are reliable for the preparation of financial statements. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

The Company's financial statements are audited by its independent accountants, Coopers & Lybrand. Their audit is conducted in accordance with generally accepted auditing standards and includes a study and evaluation of the Company's system of internal accounting controls to determine the nature, timing and extent

of the auditing procedures required for expressing an opinion on the Company's financial statements.

The Board of Directors pursues its oversight responsibilities for the financial statements and corporate conduct through its Audit and Ethics Committees. Each Committee consists of Directors who are not employees of the Company. The Audit Committee recommends the appointment of the independent accountants, and meets several times a year with management, the internal auditors and the independent accountants. The independent accountants and internal auditors have unrestricted access to the Audit Committee to discuss audit scope, the results of their audits, the adequacy of internal accounting controls and financial reporting. The Ethics Committee meets several times a year with management to review matters of public interest, including safety, equal employment and compliance with environmental regulations.

James A. Hagen
Chairman, President and Chief Executive Officer

H. William Brown
Senior Vice President-Finance

January 21, 1991

**Report of
Independent
Accountants**

*The Stockholders and
Board of Directors
Consolidated Rail
Corporation*

We have audited the accompanying consolidated balance sheets of Consolidated Rail Corporation and subsidiaries as of December 31, 1990 and 1989, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1990. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant esti-

mates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Consolidated Rail Corporation and subsidiaries as of December 31, 1990 and 1989, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, in conformity with generally accepted accounting principles.

2400 Eleven Penn Center
Philadelphia, Pennsylvania
January 21, 1991

(\$ In Millions Except Per Share Data)	Years ended December 31,		
	1990	1989	1988
Revenues	\$3,372	\$3,411	\$3,490
Operating expenses			
Way and structures	538	528	543
Equipment	688	748	752
Transportation	1,382	1,341	1,338
General and administrative	337	362	375
Special charge (Note 9)		234	
Total operating expenses	2,945	3,213	3,008
Income from operations	427	198	482
Interest expense	(162)	(82)	(85)
Other income, net (Note 10)	121	117	94
Income before income taxes	386	233	491
Income taxes (Note 6)	139	85	185
Net income	\$ 247	\$ 148	\$ 306
Net income per common share			
Primary	\$5.10	\$2.17	\$4.44
Fully diluted	4.78	2.17	4.44
Ratio of earnings to fixed charges	3.12x	3.29x	5.95x

See accompanying notes.

**Consolidated
Statements of
Income**

*Consolidated Rail
Corporation*

(\$ In Millions Except Per Share Data)	Series A Preferred Stock	Unearned ESOP Compensation	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, January 1, 1988			\$ 69	\$ 3,188	\$ 574	\$ (6)
Net income					306	
Dividends, \$1.10 per share					(76)	
Common shares acquired						(12)
Balance, December 31, 1988			69	3,188	804	(18)
Net income					148	
Dividends, \$1.30 per share					(89)	
Common shares acquired						(60)
Other				2		
Balance, December 31, 1989			69	3,190	863	(78)
Issuance of Series A convertible junior preferred shares to ESOP (Note 7)	\$288					
Unearned ESOP compensation		\$(288)				
Amortization of unearned ESOP compensation		7				
Net income					247	
Common dividends, \$1.50 per share					(64)	
Preferred dividends, \$3.25 per share					(17)	
Common shares acquired						(1,294)
Common shares reclassified as unissued (Note 8)			(28)	(1,315)	(31)	1,374
Tax benefits on ESOP dividends and other				2	6	(2)
Balance, December 31, 1990	\$288	\$(281)	\$ 41	\$ 1,877	\$1,004	\$ —

See accompanying notes.

**Consolidated
Statements of
Stockholders'
Equity**

*Consolidated Rail
Corporation*

Consolidated
Balance Sheets

Consolidated Rail
Corporation

(\$ In Millions)	December 31,	
	1990	1989
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 143	\$ 229
Temporary cash investments	10	273
Accounts receivable	526	547
Material and supplies	133	137
Other current assets	26	44
Total current assets	838	1,230
Property and equipment, net (Note 3)	6,057	5,980
<i>Other assets</i>	350	261
Total assets	\$7,245	\$7,471
LIABILITIES AND STOCKHOLDERS' EQUITY		
<i>Current liabilities</i>		
Current maturities of long-term debt (Note 5)	105	111
Accounts payable	65	75
Wages and employee benefits	255	218
Casualty reserves	116	130
Accrued and other current liabilities (Note 4)	513	543
Total current liabilities	1,054	1,077
Long-term debt (Note 5)	1,680	857
Casualty reserves	171	187
Deferred income taxes (Note 6)	454	316
Special income tax obligation (Note 6)	796	844
Other liabilities	161	146
Total liabilities	4,316	3,427
<i>Commitments and contingencies (Note 11)</i>		
<i>Stockholders' equity (Notes 2 and 8)</i>		
Preferred stock (no par value; 17,500,000 shares authorized; no shares issued)		
Series A ESOP convertible junior preferred stock (no par value; 7,500,000 shares authorized; 4,989,781 shares issued; 4,989,412 shares outstanding)	288	
Unearned ESOP compensation	(281)	
Common stock (\$1 par value; 250,000,000 shares authorized; 40,638,220 and 69,117,636 shares issued, respectively; 40,638,220 and 67,135,734 shares outstanding, respectively)	41	69
Additional paid-in capital	1,877	3,190
Retained earnings	1,004	863
	2,929	4,122
Treasury stock at cost (1,981,902 shares)		(78)
Total stockholders' equity	2,529	4,044
Total liabilities and stockholders' equity	\$7,245	\$7,471

See accompanying notes.

(\$ In Millions)	Years ended December 31.		
	1990	1989	1988
Cash flows from operating activities			
Net income	\$ 247	\$ 148	\$ 306
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	302	282	271
Deferred income taxes	138	94	152
Special income tax obligation	(59)	(74)	(65)
Gains from sales of property	(28)	(18)	(14)
Pension credit	(43)	(38)	(35)
Special charge		234	
Changes in:			
Accounts receivable	21	29	(21)
Accounts and wages payable	27	42	22
Other	(15)	(42)	74
Net cash provided by operating activities	590	657	690
Cash flows from investing activities			
Property and equipment acquisitions	(309)	(625)	(498)
Purchase of Monongahela Railway Company stock	(39)	(1)	
Purchase of Trailer Train Company stock		(43)	
Proceeds from disposals of properties	61	37	35
Change in temporary cash investments	263	70	(65)
Advanced for Chase, MD accident claims, net of insurance advances received	(5)	2	(67)
Other	(9)	(10)	(2)
Net cash used in investing activities	(38)	(570)	(597)
Cash flows from financing activities			
Tender offer purchase of common stock	(1,094)		
Open market purchase of common stock	(200)	(60)	(12)
Proceeds from commercial paper	696		
Repayment of commercial paper	(646)		
Payment of capital lease and equipment obligations	(114)	(117)	(144)
Proceeds from long-term debt	817	85	108
Dividends on common stock	(64)	(89)	(76)
Dividends on Series A preferred stock	(17)		
Other	(16)		
Net cash used in financing activities	(638)	(181)	(124)
Decrease in cash and cash equivalents	(86)	(94)	(31)
Cash and cash equivalents			
Beginning of year	229	323	354
End of year	\$ 143	\$ 229	\$ 323

See accompanying notes.

Consolidated
Statements of
Cash Flows

Consolidated Rail
Corporation

Notes to
Consolidated
Financial
Statements

1. Summary of Significant Accounting Policies

Industry: Consolidated Rail Corporation operates a freight railroad system in the Northeast-Midwest quadrant of the United States.

Principles of Consolidation: The consolidated financial statements include the Company and majority-owned subsidiaries. Investments in 20% to 50% owned companies are recorded under the equity method; less than 20% owned companies are stated at cost.

In 1990, the Company purchased the remaining two-thirds of the capital stock of The Monongahela Railway Company for \$40 million and future adjustments to certain inter-railroad division agreements that will not exceed \$5 million.

In 1989, the Company purchased additional shares of Trailer Train Company common stock for \$43 million which increased the Company's ownership interest to 21.8%.

Cash Equivalents: Cash equivalents consist of commercial paper, certificates of deposit and other liquid securities purchased with a maturity of three months or less, and are stated at cost which approximates market value.

Temporary Cash Investments: Temporary cash investments consist of commercial paper, certificates of deposit and other liquid securities that mature more than three months after purchase, and are stated at cost which approximates market value.

Material and Supplies: Material and supplies consist mainly of fuel oil and items for maintenance of property and equipment, and are valued at the lower of cost, principally weighted average, or market.

Property and Equipment: Property and equipment are recorded at cost. Additions and renewals are capitalized and depreciated using the composite straight-line method. The cost (net of salvage) of depreciable property retired or replaced in the ordinary course of business is charged to accumulated depreciation and no gain or loss is recognized.

Revenue Recognition: Revenue is recognized proportionally as a shipment moves from origin to destination.

Earnings Per Share: Primary earnings per share are based on the weighted average number of shares outstanding (46,334,728 in 1990, 68,230,406 in 1989, and 68,832,260 in 1988) during the year and the dilutive effect of stock options. For purposes of calculating primary earnings per share, net income has been adjusted by preferred dividends, net of tax benefits.

Fully diluted earnings per share are based on shares used to compute primary earnings per share and the assumed conversion of 4,989,781 shares of Series A ESOP Convertible Junior Preferred Stock ("ESOP Stock") into Company common stock from their issuance on March 23, 1990. Net income applicable to fully diluted earnings per share has been adjusted by the increase, net of income tax benefits, in ESOP-related expenses assuming conversion of all ESOP Stock to common stock.

Ratio of Earnings to Fixed Charges: Earnings used in computing the ratio of earnings to fixed charges represent income before income taxes plus fixed charges, less equity in undistributed earnings of 20% to 50% owned companies. Fixed charges represent interest expense together with interest capitalized and a portion of rent under long-term operating leases representative of an interest factor.

2. 1990 Financial Restructuring

On January 17, 1990, the Company's Board of Directors approved a financial restructuring plan which included a Dutch auction tender offer, the establishment of an employee stock ownership plan for non-union employees ("Non-union ESOP") and a related open market common stock purchase program.

Through the Dutch auction tender offer, Conrail purchased 22.32 million shares of its outstanding common stock, or approximately 33% of its 67.14 million then outstanding common shares, at a price of \$49 per share, or an aggregate of \$1.094 billion. The \$1.094 billion purchase price was initially financed with approximately \$400 million of available Conrail funds, approximately \$400 million borrowed by Conrail pursuant to a \$700 million uncollateralized bank credit agreement established in February 1990 and the proceeds from the sales

of \$300 million in Conrail short-term notes (commercial paper) in February 1990. Conrail subsequently issued additional commercial paper and repaid the approximately \$400 million borrowed pursuant to the bank credit facility. The bank credit agreement provided for revolving credit facilities of \$300 million and \$400 million, and the latter facility was terminated by the Company in June 1990. During the second and third quarters of 1990, the Company repaid \$646 million of commercial paper with proceeds from the sale of \$250 million principal amount of 9 3/4% Notes due 2000 and \$550 million principal amount of 9 3/4% Debentures due 2020. On March 23, 1990, the Company issued 4,989,781 shares of its ESOP Stock to the Non-union ESOP in exchange for a promissory note of \$288 million.

In connection with its restructuring, Conrail acquired 4,357,951 shares of its common stock in the open market for \$200 million.

3. Property and Equipment

(In Millions)	December 31,	
	1990	1989
Roadway	\$ 5,894	\$ 5,705
Equipment	914	924
Accumulated depreciation	(1,291)	(1,216)
	5,517	5,413
Capital leases (primarily equipment)	1,209	1,179
Accumulated amortization	(669)	(612)
	540	567
	\$ 6,057	\$ 5,980

Conrail acquired equipment and incurred related long-term debt under various capital leases of \$64 million in 1990, \$43 million in 1989, and \$68 million in 1988.

4. Accrued and Other Current Liabilities

(In Millions)	December 31,	
	1990	1989
Freight settlements due others	\$ 54	\$ 78
Equipment rents (primarily car hire)	71	68
Unearned freight revenue	87	88
Special income tax obligation	56	67
Other	245	242
	\$513	\$543

5. Long-Term Debt

Long-term debt outstanding, including the weighted average interest rates at December 31, 1990, is composed of the following:

(In Millions)	December 31,	
	1990	1989
Capital leases	\$ 706	\$ 741
Medium-term notes payable, 9.0%, due 1991 to 1996	179	162
Notes payable, 9.75%, due 2000	250	
Debentures payable, 9.75%, due 2020	544	
Equipment and other obligations, 8.9%	56	65
Commercial paper, 8.3%	50	
	1,785	968
Less current portion	(105)	(111)
	\$1,680	\$ 857

The Company's noncancelable long-term leases generally include options to purchase at fair value and to extend the terms. Capital leases have been discounted at rates which average 8.5% and are collateralized by assets with a net book value of \$540 million at December 31, 1990.

Minimum commitments, exclusive of executory costs borne by the Company, are:

(In Millions)	Capital Leases	Operating Leases
1991	\$ 146	\$ 37
1992	142	28
1993	129	22
1994	105	19
1995	92	18
1996 - 2008	414	123
Total	1,028	\$247
Less interest portion	(322)	
Present value	\$ 706	

Rent expense excluding car hire was \$33 million in 1990, \$27 million in 1989, and \$29 million in 1988.

The Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission in April 1990 for \$1.25 billion of debt securities. During 1990, the Company sold \$250 million principal amount of 9 3/4% Notes and \$550 million principal amount of 9 3/4% Debentures. In November

Notes to
Consolidated
Financial
Statements
(continued)

1990, the Company established a \$450 million Medium Term Note Program under the shelf registration; no notes have been issued as of December 31, 1990.

Equipment and other obligations mature in 1991 through 2013 and are collateralized by assets with a net book value of \$111 million at December 31, 1990. Maturities of long-term debt other than capital leases and commercial paper are \$20 million in 1991, \$33 million in 1992, \$92 million in 1993, \$47 million in 1994, \$23 million in 1995 and \$814 million in the aggregate from 1996 through 2020.

The Company maintains a \$300 million uncollateralized revolving credit facility with a group of banks under which no borrowings were outstanding at December 31, 1990. The credit facility, which expires in 1995, is currently used to support the Company's commercial paper and would require interest to be paid on borrowings at rates based on various defined short-term market rates and an annual maximum fee of .1% of the facility amount. The credit facility contains, among other conditions, restrictive covenants relating to leverage ratio, debt, and consolidated tangible net worth.

Interest payments were \$144 million in 1990, \$78 million in 1989, and \$80 million in 1988.

6. Income Taxes

The provisions for income taxes are composed of the following:

(In Millions)	1990	1989	1988
Current			
Federal	\$ 59	\$ 62	\$ 96
State	1	3	2
	60	65	98
Deferred			
Federal	117	79	124
State	21	15	28
	138	94	152
Special income tax obligation			
Federal	(52)	(65)	(57)
State	(7)	(9)	(8)
	(59)	(74)	(65)
	\$139	\$ 85	\$185

In conjunction with the public sale in 1987 of the 85% of the Company's common stock owned by the U.S. Government, federal legislation was enacted which resulted in a reduction of the tax basis of certain of the Company's assets, particularly property and equipment, thereby substantially decreasing tax depreciation deductions and increasing future federal income tax payments. Also, net operating loss and investment tax credit carryforwards were cancelled. As a result of the sale-related transactions, a special income tax obligation was recorded in 1987 based on an estimated effective federal and state income tax rate of 37.0%.

Federal and state income tax payments were \$39 million in 1990, \$109 million in 1989, and \$90 million in 1988.

The tax effects of each source of deferred income taxes and special income tax obligation are as follows:

(In Millions)	1990	1989	1988
Deferred taxes			
Tax depreciation over book	\$127	\$ 91	\$ 96
Other property transactions	70	127	101
Casualty and other accruals	(41)	(145)	(66)
Alternative minimum tax	(28)		10
Other	10	21	11
	\$138	\$ 94	\$152
Special income tax obligation			
Reduced tax basis depreciation	(33)	(35)	(34)
Other property transactions	(26)	(39)	(34)
Other			3
	\$(59)	\$(74)	\$(65)

Deferred income taxes for 1989 include an \$87 million reduction related to the special charge (Note 9).

Reconciliations of the U.S. statutory tax rates with the effective tax rates follow:

	1990	1989	1988
Statutory tax rate	34.0%	34.0%	34.0%
State income taxes, net of federal benefit	2.5	2.5	3.1
Other	(.5)	(.1)	.6
Effective tax rate	36.0%	36.4%	37.7%

Statements of Financial Accounting Standards related to "Accounting for Income Taxes" require adoption in 1992. Management believes that such change in accounting will not have a material effect on the Company's financial statements, if income tax rates do not change.

7. Employee Benefits

The Company and certain subsidiaries maintain defined benefit pension plans and defined contribution 401(k) savings plans. The pension plans are noncontributory for all non-union employees and generally contributory for participating union employees. Pension benefits are based primarily on credited years of service and the level of compensation near retirement. Funding is based on the minimum amount required by the Employee Retirement Income Security Act of 1974.

Pension credits include the following components:

(In Millions)	1990	1989	1988
Service cost - benefits earned during the period	\$ 5	\$ 8	\$ 6
Interest cost on projected benefit obligation	42	38	37
Return on plan assets			
- actual	(1)	(160)	(101)
- deferred	(71)	93	43
Net amortization and deferral	(18)	(17)	(20)
	\$ (43)	\$ (38)	\$ (35)

The funded status of the pension plans and the amounts reflected in the balance sheets are as follows:

(In Millions)	1990	1989
Accumulated benefit obligation (\$462 million vested, each year)	\$ 465	\$ 466
Market value of plan assets	837	898
Projected benefit obligation	(525)	(547)
Plan assets in excess of projected benefit obligation	312	351
Unrecognized prior service cost	23	26
Unrecognized transition net asset	(218)	(238)
Unrecognized net gain	(38)	(97)
Net prepaid pension cost	\$ 79	\$ 42

The assumed weighted average discount rate used in 1990 and 1989 is 8.25%, and the rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation as of December 31, 1990 and 1989 is 6.0%. The expected long-term rates of return on plan assets (primarily equity securities) in 1990 and 1989 is 9.0%.

The employee reduction program adopted in 1989 provided for certain non-union employees to elect voluntary retirement with enhanced pension benefits. The accumulated and projected benefit obligations include \$79 million related to the enhanced benefits. The cost of the employee reduction program was part of the special charge and included a curtailment gain of \$7 million resulting primarily from abated future compensation assumptions.

In March 1990, the Company amended its 401(k) savings plan to include the Non-union ESOP and to increase its matching contributions under the plan from 50% of employee contributions for the first 6% of a participating employee's base pay to 100% in the form of ESOP stock. Savings plan expense, which in 1990 includes Non-union ESOP expense, was \$4 million in 1990, and \$5 million in 1989 and 1988.

In connection with the Non-union ESOP, the Company issued 4,989,781 of the authorized 7.5 million shares of its ESOP Stock to the Non-union ESOP in exchange for a 20 year promissory note with interest at 9.55% from the Non-union ESOP in the principal amount of \$288 million. In addition, unearned ESOP compensation of \$288 million was recognized as a charge to stockholders' equity coincident

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CONSOLIDATED RAIL CORPORATION TARIFF CR 8001-D

9TH REVISED PAGE 148

SECTION 6
RECIPROCAL SWITCHING (Except as Noted)

INDIANAPOLIS, IN

ITEM	BETWEEN			AND JUNCTION WITH
	NAME	ADDRESS	DISTRICT LOCATION	CSXT, INRD
				PER CAR
	AAA Warehouse-----	801 South Emerson-----	CR	\$ 390.00
	ADM Milling-----	1300 Bethel Ave-----	CR	(117) \$ 390.00 (63)(117)(117) \$8692.00 (88) \$ 209.00
	Allison Gas Turbine----- Anderson Box Co., Inc.----- Ashland Chemical----- Butler Paper----- Caito Foods----- Capitol City Metals----- Carter Lee Lumber-----	2355 South Tibbs----- 4557 W Bradbury----- 8315 E 33rd Street----- 1911 Stout Field----- 3120 N Post Road----- 2210 Oliver Avenue----- 1621 West Wash St-----		
	Central Soya-----	1160 W 18th St-----	CR	(117) \$ 390.00 (63)(117)(117) \$8692.00 (88) \$ 209.00
	Central States Warehouse----- Chrysler Indianapolis Foundry----- Citizens Gas Coke Utility----- (143) Citizens Gas Coke Utility----- Connor Corporation-----	3019 Roosevelt----- 1100 South Tibbs Ave----- + Cancel----- Prospect----- 3500 E. 20th St-----	CR	\$ 390.00
17715 (Cont'd)	Countrymark Cooperative----- Countrymark Cooperative-----	2435 Kentucky Ave----- 1901 S Sherman Dr-----	CR	(117) \$ 390.00 (63)(117)(117) \$8692.00 (88) \$ 209.00
	Creative Expressions Group----- D A Lubricant----- Eli Lilly----- Eli Lilly----- Ford Indianapolis----- Gene Conreux----- General Alum Chemical----- General Alum Chemical----- GM CLCO Indianapolis (Aparta)(Note 1)----- GM CLCO Indianapolis----- Grocers Supply----- A (1) Hausman Corporation----- Heritage Environmental Service (Note 1)----- (12) Heritage Environmental Service----- Hill and Griffith-----	3500 North Arlington----- 1331 W 29th St----- Stock Yard Plant #1----- Stock Yard Plant #2----- 6900 English Ave----- Cancel----- 1508 S Keystone----- Speedway, IN----- 201 S Harding----- 340 White River Pkwy----- 4310 Stout Field North Drive----- 2899 Arthington Blvd----- Pearson Ave., Beech Grove----- 7901 W Morris St-----	CR	\$ 390.00

NOTE 1 - Not open to Reciprocal Switching.
(1) - EFFECTIVE July 19, 1997.

For explanation of other abbreviations and reference marks, see concluding page(s) of this tariff.

ISSUED JULY 18, 1997

EFFECTIVE AUGUST 8, 1997
(Except as Noted)

ISSUED

CONSOLIDATED RAIL CORPORATION, 2001 MARKET STREET - ZSC, P.O. BOX 41423, PHILADELPHIA, PA 19101-1423

SECTION 6
 RECIPROCAL SWITCHING (Except as Noted)

BUFFALO, NY

ITEM	INDUSTRIES AND FACILITIES LOCATED IN THE BUFFALO, NY SWITCHING-LIMITS AS DESCRIBED IN ITEM 7035	CR SWITCHING ZONE	AND JUNCTION WITH
			BPRR, CN, CSXT, NS (NOTE 1) PER CAR
17185	ADM Milling Co.....	1	
	Altman, Lester.....	1	\$450.00
	American Axle Manufacturing East Delavan St.....	1	\$275.00 (NOTE 2)
	Tonawanda Forge, Kenmore Rd.....	2	
	American Brass Co.....	▲ Cancel	\$300.00 (NOTE 5) (Expires December 31, 1997)
	Armor Box Inc.....	1	
	Ashland Chemical Co.....	2	
<p>NOTE 1 - Carload freight traffic arriving at or departing from Buffalo, NY over CPRS via routes that do not pass through Niagara Falls, NY may be handled by CONRAIL in switch service to or from industries listed in this item, subject to the provisions of an agreement between CPRS and CONRAIL.</p> <p>NOTE 2 - Applies only on Scrap Paper (STCC 40 241), interchanged with CN.</p> <p>NOTE 5 - Except as otherwise provided: applies only on railway freight cars moving on own wheels (STCC's 37 422 05; 37 422 13; 37 422 1; 37 422 33; 37 422 63; 37 422 93; 37 422 99).</p>			
(CONT'D ON NEXT PAGE)			

For explanation of other abbreviations and reference marks, see concluding page(s) of this tariff.

ISSUED AUGUST 18, 1997

EFFECTIVE AUGUST 19, 1997

ISSUED BY
 CONSOLIDATED RAIL CORPORATION, 2001 MARKET STREET - 23C, P.O. BOX 41423, PHILADELPHIA, PA 19101-1423

CONSOLIDATED RAIL CORPORATION TARIFF CR 8001-D

20TH REVISED PAGE 109

SECTION 6
RECIPROCAL SWITCHING (Except as Noted)

BUFFALO, NY

ITEM	INDUSTRIES AND FACILITIES LOCATED IN THE BUFFALO, NY SWITCHING-LIMITS AS DESCRIBED IN ITEM 7035	CR SWITCHING ZONE	AND JUNCTION WITH
			BPRR, CN, CSXT, NS (NOTE 1) PER CAR
17185 (Cont'd)	Battenfeld American Inc.-----	1	
	Benlin Warehouse-----	1	
	Bentway Distribution Service-----	1	
	Bison Laboratories-----	1	
	BOC Gases-----	1	\$450.00
	Brock, J. C.-----	φ Cancel	
	Buffalo China, Inc.-----	1	\$275.00 (NOTE 2)
	Buffalo Color Corp.-----	1	
	Buffalo Evening News-----	1	\$300.00 (NOTE 5) (Expires December 31, 1997)
	Buffalo Merchandise Distributors-----	2	
	Buff Tech-----	1	
	Canadian American Packaging-----	1	
	Chapin & Fagin-----	1	
	Chem. Central-----	2	
	Chudy Paper Co.-----	1	
	Co Steel Recycling-----	1	
	Conagra-----	1	
Crown Lumber-----	1		

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NOTE 2 - Applies only on Scrap Paper (STCC 40 241), interchanged with CN.
NOTE 5 - Except as otherwise provided, applies only on railway freight cars moving on own wheels (STCC's 37 422 05; 37 422 13; 37 422 17; 37 422 33; 37 422 63; 37 422 93; 37 422 99).

(CONT'D ON NEXT PAGE)

For explanation of other abbreviations and reference marks, see concluding page(s) of this tariff.

ISSUED SEPTEMBER 30, 1997

EFFECTIVE OCTOBER 21, 1997

ISSUED BY
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SECTION 6
RECIPROCAL SWITCHING (Except as Noted)

BUFFALO, NY

ITEM	INDUSTRIES AND FACILITIES LOCATED IN THE BUFFALO, NY SWITCHING-LIMITS AS DESCRIBED IN ITEM 7035	CR SWITCHING ZONE	AND JUNCTION WITH
			BPRR, CN, CSXT, NS (NOTE 1) PER CAR
17185 (Cont'd)	DeCarlo & Sons-----	1	
	Deltacraft Paper Co., Inc.-----	1	
	Domtar Fibre Products-----	1	
	Dunlop Tire Co. p.-----	2	\$450.00
	Dupont, E. I.-----	2	
	Eastern Railway Supply-----	1	
	Ebenezer Railcar Service-----	1	\$275.00 (NOTE 2)
	Eighty-Four Lumber, Tonawanda-----	2	
	FMC Corp.-----	2	\$300.00 (NOTE 5) (Expires December 31, 1997)
	Federal Bakers Supply-----	1	
	Frontier Warehousing-----	2	
	General Electric-----	2	
	General Mills, Inc.-----	1	
	Georgia Pacific-----		
	Depew-----	◆ Cancel	
	Tonawanda-----	◆ Cancel	
	Gibraltar Steel Corp.-----	1	
GM PT Tonawanda Engine-----	2		
Great Lakes Paper Fibres-----	1		

NOTE 1 - Carload freight traffic arriving at or departing from Buffalo, NY over CPRS via routes that do not pass through Niagara Falls, NY may be handled by CONRAIL in switch service to or from industries listed in this item, subject to the provisions of an agreement between CPRS and CONRAIL.
NOTE 2 - Applies only on Scrap Paper (STCC 40 241), interchanged with CN.
NOTE 5 - Except as otherwise provided, applies only on railway freight cars moving on own wheels (STCC's 37 422 05; 37 422 13; 37 422 17; 37 422 33; 37 422 63; 37 422 93; 37 422 99).

(CONT'D ON NEXT PAGE)

For explanation of other abbreviations and reference marks, see concluding page(s) of this tariff.

ISSUED AUGUST 18, 1997

EFFECTIVE SEPTEMBER 8, 1997

ISSUED BY
CONSOLIDATED RAIL CORPORATION, 2001 MARKET STREET - 23C, P.O. BOX 41423, PHILADELPHIA, PA 19101-1423

CONSOLIDATED RAIL CORPORATION TARIFF CR 8001-D

20TH REVISED PAGE 110

SECTION 6
RECIPROCAL SWITCHING (Except as Noted)

BUFFALO, NY

ITEM	INDUSTRIES AND FACILITIES LOCATED IN THE BUFFALO, NY SWITCHING-LIMITS AS DESCRIBED IN ITEM 7035	CR SWITCHING ZONE	AND JUNCTION WITH
			BPRR, CN, CSXT, NS (NOTE 1) PER CAR
17185 (Cont'd)	Independent Cement Corp.-----	1	↓ \$450.00 \$275.00 (NOTE 2) \$300.00 (NOTE 5) (Expires December 31, 1997)
	Interstate Brands Corp.-----	1	
	Laub Warehouse-----	1	
	Linde (See Union Carbide)-----	---	

NOTE 1 - Carload freight traffic arriving at or departing from Buffalo, NY over CPRS via routes that do not pass through Niagara Falls, NY may be handled by CONRAIL in switch service to or from industries listed in this item, subject to the provisions of an agreement between CPRS and CONRAIL.

NOTE 2 - Applies only on Scrap Paper (STCC 40 241), interchanged with CN.

NOTE 5 - Except as otherwise provided, applies only on railway freight cars moving on own wheels (STCC's 37 422 05; 37 422 13; 37 422 17; 37 422 33; 37 422 63; 37 422 93; 37 422 99).

(CONT'D ON NEXT PAGE)

For explanation of other abbreviations and reference marks, see concluding page(s) of this tariff.

ISSUED JULY 18, 1997

EFFECTIVE JULY 19, 1997

ISSUED BY
CONSOLIDATED RAIL CORPORATION, 2001 MARKET STREET - 23C, P.O. BOX 41423, PHILADELPHIA, PA 19101-1423

SECTION 6
RECIPROCAL SWITCHING (Except as Noted)

BUFFALO, NY

ITEM	INDUSTRIES AND FACILITIES LOCATED IN THE BUFFALO, NY SWITCHING-LIMITS AS DESCRIBED IN ITEM 7035	CR SWITCHING ZONE	AND JUNCTION WITH
			BPRR, CN, CSXT, NS (NOTE 1) PER CAR
17185 (Cont'd)	Martin Fireproofing Co.-----	2	\$450.00
	Monroe Palburn-----	1	
	Nabisco Brands-----	1	\$275.00 (NOTE 2)
	Niagara Mohawk Power Tonawanda (Harriet) (NOTE 4)-----	2	
	West Seneca-----	1	\$300.00 (NOTE 5) (Expires December 31, 1997)
	NoCo Energy-----	2	
	North Shore Recycling Fibres, 60 Clyde Avenue-----	1	
	Ocello-----	2	
	▲ Outokumpu American Brass-----	2	

NOTE 1 - Carload freight traffic arriving at or departing from Buffalo, NY over CPRS via routes that do not pass through Niagara Falls, NY may be handled by CONRAIL in switch service to or from industries listed in this item, subject to the provisions of an agreement between CPRS and CONRAIL.

NOTE 2 - Applies only on Scrap Paper (STCC 40 241), interchanged with CN.

NOTE 4 - On shipments of Coal or Coke, the Direct Product of Coal, Reciprocal Switching charges to industries located at Harriet, NY on the Monacant Branch, North of North Buffalo Junction, will apply only when shipments are interchanged with CN at Black Rock, NY.

NOTE 5 - Except as otherwise provided, applies only on railway freight cars moving on own wheels (STCC's 37 422 05; 37 422 13; 37 422 17; 37 422 33; 37 422 63; 37 422 93; 37 422 99).

(CONT'D ON NEXT PAGE)

For explanation of other abbreviations and reference marks, see concluding page(s) of this tariff.

ISSUED AUGUST 18, 1997

EFFECTIVE AUGUST 19, 1997

ISSUED BY
CONSOLIDATED RAIL CORPORATION, 2001 MARKET STREET - 23C, P.O. BOX 41423, PHILADELPHIA, PA 19101-1423

CONSOLIDATED RAIL CORPORATION TARIFF CR 8001-D

16TH REVISED PAGE 112

SECTION 6
RECIPROCAL SWITCHING (Except as Noted)

BUFFALO, NY

ITEM	INDUSTRIES AND FACILITIES LOCATED IN THE BUFFALO, NY SWITCHING-LIMITS AS DESCRIBED IN ITEM 7035	CR SWITCHING ZONE	AND JUNCTION WITH
			BPRR, CN, CSXT, NS (NOTE 1) PER CAR
17185 (Cont'd)	Plywood Plastics-----	2	
	Pratt & Lambert-----		
	Cheektowaga-----	1	↓ \$450.00
	Black Rock-----	2	
	Praxair, Inc.-----	2	
	Protective Closure-----	2	\$275.00 (NOTE 2)
	PVS Chemicals-----	1	
	Quebecor Printing-----	1	\$300.00 (NOTE 5)(Expires December 31, 1997)
	RR Salvage-----	1	
	Rich Tank Farm-----	1	
	Safety Kleen Oil Services-----	1	
Scheible Son, R. D.-----	1		
Sonwil Distribution Center-----	1		

NOTE 1 - Carload freight traffic arriving at or departing from Buffalo, NY over CPRS via routes that do not pass through Niagara Falls, NY may be handled by CONRAIL in switch service to or from industries listed in this item, subject to the provisions of an agreement between CPRS and CONRAIL.

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ISSUED JULY 18, 1997

EFFECTIVE JULY 19, 1997

ISSUED BY
CONSOLIDATED RAIL CORPORATION, 2001 MARKET STREET - 23C, P.O. BOX 41423, PHILADELPHIA, PA 19101-1423

CONSOLIDATED RAIL CORPORATION TARIFF CR 8001-D

20TH REVISED PAGE 112-A

SECTION 6
RECIPROCAL SWITCHING (except as Noted)

BUFFALO, NY

ITEM	BETWEEN		AND JUNCTION WITH
	INDUSTRIES AND FACILITIES LOCATED IN THE BUFFALO, NY SWITCHING-LIMITS AS DESCRIBED IN ITEM 7035	CR SWITCHING ZONE	BPRR, CH, CSXT, NS (NOTE 1) PER CAR
17185 (Cont'd)	Taratino Foods-----	2	\$450.00
	Tenneco Packaging, Inc.-----	2	
	Terminal of Commerce Warehouse-----	2	
	Tonawanda Coke Corp. (NOTE 4)-----	1	
	United Refining Co.-----	2	\$275.00 (NOTE 2)
	U. S. Recycling Industries-----	1	\$300.00 (NOTE 5)(Expires December 31, 1997)
	US Sugar-----	1	
	Δ Zhargus Environmental, Inc.-----	2	

NOTE 1 - Carload freight traffic arriving at or departing from Buffalo, NY over CPRS via routes that do not pass through Niagara Falls, NY may be handled by CONRAIL in switch service to or from industries listed in this item, subject to the provisions of an agreement between CPRS and CONRAIL.

NOTE 2 - Applies only on Scrap Paper (STCC 40 241), interchanged with CH.

NOTE 4 - Applicable only on:
A. Outbound shipments of Coal Tar; and
B. Outbound shipments of Coke, the Direct Product of Coal, when delivered in interchange to CH at Buffalo (Black Rock), NY.


NOTE 5 - Except as otherwise provided, applies only on railway freight cars moving on own wheels (STCC's 37 422 05; 37 422 13; 37 422 17; 37 422 33; 37 422 63; 37 422 93; 37 422 99).

For explanation of other abbreviations and reference marks, see concluding page(s) of this tariff.

ISSUED SEPTEMBER 30, 1997

EFFECTIVE OCTOBER 1, 1997

ISSUED BY
CONSOLIDATED RAIL CORPORATION, 2001 MARKET STREET - 23C, P.O. BOX 41423, PHILADELPHIA, PA 19101-1423


D. S. S.

CORPORATE HISTORY
OF THE
LOUISVILLE & NASHVILLE
RAILROAD COMPANY

AND
ROADS IN ITS SYSTEM

BY
EDWARD W. HINES
GENERAL SOLICITOR

PRESS OF
JOHN P. MORTON & COMPANY
LOUISVILLE, KENTUCKY

P R E F A C E

This book is intended to give the main features of the charters under which the various roads forming a part of the system of the LOUISVILLE & NASHVILLE RAILROAD COMPANY have been constructed, and also of the charters under which those roads are now operated, together with a reference to the volumes or records where those charters may be found, and a history of the title to each road, including abstracts of judicial proceedings under which changes of title have taken place. The charters, contracts, mortgages, and deeds themselves are not included, but are referred to by numbers, and may be found by those numbers in the office of the Secretary of the Louisville & Nashville Railroad Company. There are two series of numbers, one for contracts, charters, and mortgages, referred to as contract numbers, and the other for deeds, referred to as deed numbers. Tables showing the bonded indebtedness of the Company and the security therefor, and also the date and amount of each increase of the capital stock of the Company, appear in the Appendix.

MAY 1, 1905.

in effect for twenty-five years from that date, and thereafter until abrogated by six months' notice in writing from either of the parties to the other. (Contract 5025.)

By contract of date April 20, 1903, between the same parties, the Virginia & Southwestern Railway Company granted to the Louisville & Nashville Railroad Company the right to use in common with it also that part of its railway between its junction with the Cumberland Valley Division of the Louisville & Nashville Railroad Company and its junction with the Pigeon Creek Railway, a distance of about 1,381 feet. That contract provides that the Louisville & Nashville Railroad Company is to haul no traffic over the road described except such as is connected with the operations of the Imboden Coke Company, and either comes from, or is carried to, points on or via the road of the Louisville & Nashville Railroad Company beyond the junction of the roads of the parties to the contract. The contract by its terms took effect August 1, 1903, and is to continue in effect for ten years from that date, and thereafter until abrogated by six months' notice in writing from either of the parties to the other. (Contract 6786.)

NASHVILLE, CHATTANOOGA & ST. LOUIS RAILWAY.

Aulon, Tennessee, to South Memphis, Tennessee.....5.46 miles.

By contract of date September 12, 1900, the Nashville, Chattanooga & St. Louis Railway granted to the Louisville & Nashville Railroad Company the right to use jointly with it that part of its Paducah & Memphis Division extending from Aulon, Tennessee, to its terminus in Broadway, Memphis, Tennessee, a distance of 5.46 miles,

described in the contract as 5.44 miles. By its terms the contract was to go into operation on October 1, 1900, and remain in effect for ninety-nine years from that date, and thereafter until terminated by six months' notice from either party to the other. (Contract 5154, Part 1.) For a history of the Nashville, Chattanooga & St. Louis Railway see page 314 of this book.

BALTIMORE & OHIO SOUTHWESTERN RAILWAY.

Track at East St. Louis, Illinois11 mile.

By contract of date January 17, 1898, the Baltimore & Ohio Southwestern Railway Company granted to the Louisville & Nashville Railroad Company the right to use in common with it certain portions of its track at East St. Louis described therein, the contract to continue in force until the expiration of six months after notice by either party to the other of its intention to terminate the same at the expiration of that time. (Contract 4472.)

TERMINAL RAILROAD ASSOCIATION OF ST. LOUIS.

Relay Depot, East St. Louis, Illinois, to Union Station, St. Louis, Missouri 3.84 miles.

For the purpose of facilitating the handling of freight and passenger traffic between and in the cities of St. Louis, Missouri, and East St. Louis, Illinois, there was constructed in 1874 a railway bridge across the Mississippi River between said cities, commonly known as the Eads Bridge, which bridge subsequently became and now is the property of the St. Louis Bridge Company. Con-

PART III.

LINES OPERATED UNDER SEPARATE ORGANIZATIONS, IN WHICH THE LOUISVILLE & NASHVILLE RAILROAD COMPANY OWNS A MAJORITY OF THE CAPITAL STOCK, OR IS INTERESTED AS JOINT OWNER OR LESSEE.

*THE NASHVILLE, CHATTANOOGA & ST. LOUIS RAILWAY.

The Louisville & Nashville Railroad Company controls this road through the ownership of \$7,177,600 out of a total of \$10,000,000 of its outstanding capital stock. Control was acquired by purchase of majority of stock January 20, 1880. Of the 71,776 shares of stock owned by the Louisville & Nashville Railroad Company, 55,015 shares are deposited with the Central Trust Company of New York, as trustee under the Unified Mortgage of June 2, 1890.

"The Nashville & Chattanooga Railroad Company" was chartered by act of the General Assembly of the State of Tennessee approved December 11, 1845 (Acts 1845-6, Chapter 1), for the purpose of constructing a railroad from Nashville to Chattanooga, a distance of 151 miles. The first board of directors was elected January 24, 1848. Previous to that time the corporation had been managed by a Board of Commissioners. The road was completed from Nashville to Chattanooga, and trains commenced running, in February, 1854.

*The history of the Nashville, Chattanooga & St. Louis Railway was prepared by Hon. J. D. B. DeBow, Assistant General Counsel of that company, whose valuable Legal History of the system, heretofore published, is referred to for a full statement of the charter powers of the various companies whose roads form a part of the system.

The corporate name was changed to the Nashville, Chattanooga & St. Louis Railway on May 30, 1873, by a decree of the Chancery Court at Nashville under the Acts of Tennessee, 1870-1, Chapter 54, page 63. (See Minute Book X, page 220-2 of said court.)

The original charter was amended by the Acts of Tennessee, 1847-8, Chapter 70, allowing the directors instead of the stockholders to make by-laws; by the Acts of 1857-8, Chapter 8, so as to authorize the company to lease the Winchester & Alabama Railroad, and the branch to Fayetteville, or any other railroad connecting with the Nashville & Chattanooga Railroad; by Acts of 1849-50, Chapter 266, allowing the city of Charleston to appoint two citizens to represent its stock as directors, and the Georgia Railroad & Banking Company to appoint one director to represent its stock; by the Acts of 1868-9 Chapter 2, Section 4, so that every stockholder should be entitled to one vote for each share of stock.

The value of the shares of stock was originally \$25. By the Acts of Tennessee, 1889, Chapter 102, all corporations of Tennessee were allowed to make a share of stock \$100 or less, and issue certificates therefor, and consequently corporations that had previously issued shares of stock for \$25 were allowed to call them in, and combine four of said shares and issue a certificate for \$100 in lieu thereof. Under this act the Nashville, Chattanooga & St. Louis Railway issued new certificates for \$100 each, as provided above, in lieu of the original, as per resolution of the board of directors of said company, adopted May 30, 1889. The amount of capital stock issued when the road was completed was \$2,319,328.98. In 1868 the capital stock was \$1,976,434.64. In 1870, to settle claims

of the United States, there were issued \$1,000,000 of stock. In 1873 the Nashville & Northwestern Railroad was purchased, and the stock increased to \$6,486,049.44. On June 30, 1891, at the annual meeting of the stockholders, the capital stock of the company was increased to \$10,000,000, which it remains at present.

In 1873, \$6,800,000 of first mortgage 7 per cent bonds were authorized, covering the line from Nashville to Chattanooga, Tennessee, 151.15 miles, and from Nashville, Tennessee, to Hickman, Kentucky, 169.06 miles, from Wartrace to Shelbyville, Tennessee, 8 miles, and from Bridgeport, Alabama, to Jasper, Tennessee, 12 miles, of which \$4,375,000 were issued, \$1,425,000 held to take up underlying 6 per cent bonds of the Nashville & Chattanooga Railroad Company, endorsed by the State, and \$1,000,000 4 per cent bonds issued to the United States Government.

Subsequently \$1,425,000 were issued as the endorsed bonds matured, and \$500,000 in lieu of \$500,000 of 4 per cent bonds issued to the United States, making a total issue under this mortgage of \$6,300,000.

In 1870 there were issued to the United States, in settlement of a claim, \$1,000,000 of 4 per cent bonds. These were retired by an issue of \$500,000 first mortgage 7 per cent bonds in 1881, and \$500,000 first consolidated mortgage 5 per cent bonds in 1891.

In the purchase of the Duck River Valley Narrow Gauge Railroad the Nashville, Chattanooga & St. Louis Railway assumed payment of \$250,000 of its first mortgage bonds, which were retired in 1888.

In July, 1887, there were issued \$130,000 first mortgage 6 per cent bonds on an extension known as the Bon

Air Branch, from Sparta to the Bon Air coal fields in Tennessee, a distance of 6½ miles. These bonds were redeemable after ten years, and those outstanding were called and paid in 1901, and the mortgage canceled.

Other bonds were issued as follows:

Jasper Branch 8 per cent thirty year bonds, issued in 1877, extension from Jasper to Victoria, Tennessee, 7½ miles ...	\$90,000
Of these bonds \$15,000 were taken up in 1904, leaving outstanding	75,000
McMinnville & Manchester and Winchester & Alabama Railroads, bonds, 6 per cent, issued in 1877, from Tullahoma to Sparta, Tennessee, 60.58 miles; from Decherd to Fayetteville, Tennessee, 38.78 miles, and from Elora, Tennessee, to Huntsville, Alabama, 26.81 miles	750,000
Tennessee & Pacific Railroad (Lebanon Branch), bonds, 6 per cent, issued in 1877, on line from Nashville to Lebanon, Tennessee, 29.20 miles	300,000
Duck River Valley Narrow Gauge Railroad, second mortgage bonds, 6 per cent, issued in 1879, on line from Columbia to Fayetteville, Tennessee, 47.92 miles	140,000
Of which \$118,000 have been paid, leaving outstanding, due in 1909	22,000
Jasper Branch 6 per cent bonds, issued in 1883, on extension from Victoria to Inman, Tennessee, 5½ miles, and from Victoria to Dunlap, Tennessee, 18.31 miles	371,000
Centreville Branch 6 per cent forty year bonds, issued in 1883, on line from Dickson, Tennessee, to Lewis County line, 47 miles (reduced by straightening to 45.71 miles), due January, 1923	376,000
Tracy City Branch 6 per cent bonds, issued in 1887, on line from Cowan to Tracy City, Tennessee, 20 miles, originally \$600,000, due in installments of \$20,000 per year, beginning January, 1892, until January, 1917, when the remainder, \$100,000, matures; amount now outstanding	326,000
(Thirteen having been exchanged for first consolidated mortgage bonds.)	

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(202) 429-8092

October 3, 1997

BY MESSENGER

Christopher A. Mills, Esquire
Slover & Loftus
1224 17th Street, N.W.
Washington, D.C. 20036

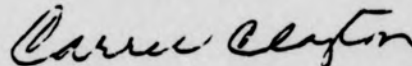
**Re: STB Finance Docket No. 33388
CSX Corporation and CSX Transportation, Inc.,
Norfolk Southern Corporation and Norfolk Southern
Railway Company -- Control and Operating Leases/
Agreements -- Conrail, Inc. and Consolidated Rail
Corporation**

Dear Mr. Mills:

Pursuant to my September 26 proposal and your reply letter of September 29, CSX agreed to furnish answers to written questions from the Four Cities in lieu of presenting individuals for desposition as noticed. Enclosed herein are the responses prepared by Mr. Orrison's staff to Four Cities' questions furnished to us on September 29, 1997.

Best regards.

Sincerely,



Carolyn D. Clayton

Enclosure

RESPONSE TO FOUR CITIES' QUESTIONS FOR CSX

1. With respect to the CSXT (former B&O) line between Willow Creek, IN and Rock Island Junction, IL via Pine Junction, Indiana Harbor, Whiting and Colehour Junction, please provide the following information:

- a. To what extent (i.e., between what mileposts or control points) does CSXT own or otherwise control its own line, as opposed to operating over CRC or another rail carrier via trackage rights?
- b. With respect to any portion of this line over which CSXT operates via trackage rights, describe the entity that controls (dispatches) CSXT's operations over such portion today and any changes in the dispatching/control arrangements that are expected to occur as a result of the control transaction.
- c. What is the maximum permissible operating speed for CSXT trains operating over this line between (i) Willow Creek and Pine Junction; (ii) Pine Junction and Colehour Junction; and (iii) Colehour Junction and Rock Island Junction?

RESPONSE:

1. a. Garrett Subdivision:

Willow Creek	MP BI 236.9 - Pine	MP BI 248.8
Pine	MP BIA 248.8 - Buffington	MP BIA 249.4

Lake Subdivision:

Buffington	MP BIA 249.4 - Indiana Harbor	MP BIA 251.3
Indiana Harbor	MP BIA 251.3 - Hick	MP BIA 251.9
Hick	MP BIA 251.9 - Whiting	MP BIA 254.5
Whiting	MP BIA 254.5 - END TRACK	MP BIA 257.6

Note: ConRail rules in effect between Buffington and Hick

Trains enroute Rock Island operate via ConRail Buffington MP CP 501, Hick CP 502 (CP 447), Rock Island CP 455, not the Lake Subdivision

b. Willow Creek-Curtis-Pine CSX Dispatcher, Jacksonville
 Pine-Bufferington B&O CT Dispatcher, Chicago
 Lake Subdivision, Hick B&O CT Dispatcher, Chicago
 to End Track MP BIA
 257.6

* ConRail Buffington ConRail Dispatcher,
 CP 502, Hick CP 502 Dearborn
 (CP447), Rock Island
 Island CP 455

* Control will change from ConRail Dearborn to NS
 Dispatcher

c. Willow Creek-Pine	Psgr	79	Frt	60
Pine-Bufferington-End Track		25		25
ConRail-Buff to Hick		70		50
Hick to CP 505		55		50
CP 505 to CP 509		45		40

2. Does CSXT plan to construct a connection between the present CRC (former Pennsylvania RR) line and the existing LHB and/or CRC lines at Tolleston, IN if the transaction is consummated? If so, what is the expected timing of this construction project?

RESPONSE:

Yes, CSX plans to rehabilitate Diamond North to Clark Jct and turnout west to Ivanhoe, to be completed prior to Merger Day One.

3. By the third post-acquisition year, what improvements, if any, does CSXT expect to make to the present CRC line between (a) Willow Creek and Tolleston and (b) Tolleston and Gibson crossing, IN?

RESPONSE:

None, currently it is ConRail 40 MPH and signaled in both directions.

4. With respect to the CSXT line between Pine Junction and Calumet Park, IL, please provide the following information with respect to each of the line segments between Pine Junction and East Chicago Yard, between East Chicago Yard and State Line Tower, and between State Line Tower and Calumet Park:

- a. Furnish the average number of (i) local and (ii) through train movements that were operated by CSXT and any other rail carrier during 1995.
- b. State whether there was either an increase or a decrease in the average number of daily (i) local and (ii) through train movements in 1996.
- c. How many main tracks exist?
- d. What is the maximum permissible train operating speed?
- e. What kind of signal and traffic control systems exist?
- f. Do any other rail carrier(s) presently have operating rights over any portion of this line? If so, explain who has such rights and what they are used for.
- g. Has CSX received any complaints since January 1, 1995 with respect to stopped trains and/or blockages of rail-highway grade crossings of this line? If so, describe the number and general nature of such complaints and who provided them (e.g., individuals, government agencies, emergency service providers, highway transit operators).
- h. By the third post-acquisition year, what improvements, if any, does CSXT expect to make to this line?

RESPONSE:

- a. 10,000 including 1440 locals and 720 NS.

- b. In 1996 there was an increase in through trains; no increase in locals.
- c. Two.
- d. Pine-East Chicago 25 MPH
East Chicago-State Line 25 MPH
State Line-Calumet Park 20 MPH
- e. D251 (Signaled with current of traffic) and D255-259 (interlocking)
- f. NS, connection from old Nickel Plate Line to Wabash and Interchange with B&O CT at East Chicago.
- g. None.
- h. Upgrade Speed to 40 MPH and install TCS (Signaled in both directions).

5. After the transaction is consummated, will CSXT have any ownership interest in, or operating rights over, either (a) the EJE line (or right-of-way) between Dunes, IN and a connection with EJE's Ivanhoe-Gary Line just west of Pine Junction, or (b) the NS (former Wabash) line (or right-of-way) between Dunes and a connection with EJE in the vicinity of Pine Junction?

RESPONSE:

- a. No ownership, possible rights from EJE crossing PRR line north of Clark road (Dunes) to US Steel.
- b. No.

6. If the answer is "yes" with respect to either part (a) or part (b) of question 5, please describe CSX's expectations with respect to improvements to and/or future operations on such line(s) after the transaction is consummated.

RESPONSE:

Install a crossover between former PRR Tolleston lines and the EJE at the Dunes allowing coal and coke deliveries to US Steel using CSX crews.

7. Is there presently a connection between the IHB and NS or CRC at the location of the crossing of NS and CRC/IHB between Gibson Yard and the Illinois/Indiana state line?

a. If the answer to this question is "no," did CSX investigate the possibility of constructing such a connection as part of the development of its Operating Plan or in the development of the agreements with NS that led to the filing of the Application in its present form?

b. If the answer to subpart (a) above is "yes," why was this alternative rejected?

c. Describe any physical impediments that exist with respect to the construction of such a connection.

RESPONSE:

No.

a. No.

b. Not applicable.

c. Was not reviewed.

8. Is there presently a connection between CSXT and the IHB at or in the vicinity of State Line Tower? If the answer is "no," does CSXT have any plans or expectations with respect to construction of such a connection after the transaction is consummated?

RESPONSE:

a. No.

b. No.

Attorney Client Work Product

Appendix 1 - Market Distribution of MGA Coals - 1996

Utility Company Plant	EFM Mine 84	CONSOL Saley	CONSOL Blacksville	CONSOL Lovelidge	Cyprus Amax Emerald	Peabody Federal 2	Total
Allegheny Power System various	0	0	46,860	51,950	0	743,400	842,210
Atlantic Electric England	0	0	23,560	7,530	0	18,790	49,880
Baltimore Gas & Electric Crane	0	28,000	147,000	44,000	0	250,000	469,000
CINergy Beckjord	0	0	0	0	0	92,500	92,500
Fast Bend	0	0	0	0	0	421,500	421,500
Miami Fort	0	0	0	0	0	226,700	226,700
Zimmer	0	0	0	0	0	38,200	38,200
Cleveland Elec. Illuminating Eastlake	* 566,000	572,000	0	0	289,000	106,000	1,533,000
Consumers Power Cobb	* 0	49,200	0	0	0	0	49,200
Delmarva Power & Light Indian River	353,780	29,560	0	0	0	0	383,340
Detroit Edison Harbor Beach	* 6,000	4,000	0	0	0	0	10,000
Marysville	* 0	11,000	0	0	0	0	11,000
Monroe	540,000	1,244,000	0	0	0	0	1,784,000
St. Clair	* 0	0	0	102,000	0	111,000	213,000
Trenton Channel	0	78,000	0	0	0	0	78,000
Duquesne Light Cheswick/Eirama	546,000	1,337,000	0	102,000	0	111,000	2,096,000
East Kentucky Power Spunkoak	0	0	53,000	0	302,000	0	355,000
Holyoke Water Power Mount Tom	* 35,220	0	0	0	189,830	0	225,050
Metropolitan Edison Portland	0	15,600	579,400	0	0	0	595,000
Titus	22,000	460,300	0	0	0	0	482,300
New York State E&G Goudey	22,000	475,900	579,400	0	0	0	1,077,300
Greenidge	33,500	38,000	6,600	14,700	0	162,100	254,900
Knigh	116,000	22,900	0	19,500	0	114,500	272,900
Miliken	* 0	226,900	986,500	321,200	0	47,500	1,582,100
Niagara Mohawk Power Dunkirk	0	73,200	619,600	0	0	0	692,800
Huntley	149,500	361,000	1,612,700	355,400	0	324,100	2,802,700
Ohio Edison Sammis	* 0	333,500	203,200	182,600	0	0	719,300
Ohio Valley Electric Kyger Creek	* 0	1,235,800	0	9,200	0	0	1,245,000
PECO Energy Cromby	0	1,569,300	203,200	191,800	0	0	1,964,300
Eddystone	0	323,100	0	0	0	0	323,100
Pennsylvania Power & Light Brunner Island	0	525,000	0	0	0	0	525,000
Martins Creek	199,000	7,000	0	6,000	177,000	3,000	392,000
Montour	533,000	18,000	0	28,000	538,000	20,000	1,337,000
Pennsylvania Power Mansfield	832,000	25,000	0	34,000	815,000	23,000	1,729,000
Pub. Ser. New Hampshire Memmick	0	1,251,000	0	0	1,001,000	26,000	2,278,000
Schiller	90,000	246,000	0	0	11,000	301,000	648,000
Rochester Gas & Electric Russell	0	59,000	0	0	62,000	0	121,000
Tenn. Valley Authority Cumberland	90,000	1,556,000	0	0	1,074,000	327,000	3,047,000
Wisconsin Electric Oak Creek	0	0	0	0	51,000	0	51,000
Pt. Washington	0	795,600	25,100	0	0	0	820,700
Valley	0	0	0	0	0	0	0
Total - FERC 423 data	2,632,150	9,828,792	3,168,830	934,890	2,871,360	3,205,350	22,641,372
Ontario Hydro* various	180,000	700,000	0	200,000	0	400,000	1,480,000
Industrial coal various	* 204,850	817,139	150,440	440,015	216,516	310,433	2,139,393
Export* Baltimore	0	4,730,089	140,730	1,499,095	142,124	651,817	7,163,835
Total - Other Markets	394,850	6,247,208	291,170	2,139,110	358,640	1,362,250	10,793,228
TOTAL-Demand	3,027,000	16,076,000	3,460,000	3,074,000	3,230,000	4,567,600	33,434,600

* Estimated Source: FERC Form 423 data

Work Paper #1
 Market For MGA Coals, 1996

Customers
 To Be Served Exclusively By NS

Customer Destination	Coal Receipts Tons
Baltimore G & E Crane	469,000
Delmarva P & L Indian River 1-3	383,340
Metropolitan Edison Titus	595,000
Portland	<u>482,300</u>
	1,077,300
New York State E & G Goudey	254,900
Greenidge	272,900
Milliken	<u>692,800</u>
	1,220,600
Pennsylvania P & L Brunner Island	2,278,000
Martins Creek	648,000
Montour	<u>121,000</u>
	3,047,000
Pennsylvania Electric Conemaugh	51,000
PECO Energy Cromby	392,000
Industrial customers estimated *	601,000
Total	7,241,240

* figures are estimated

Source: FERC 423 data, and
 Fieldston Company documents

Work Paper #2
Market For MGA Coals, 1996

Customers
To Be Served Exclusively By CSX

Customer Destination	Coal Receipts Tons
Cleveland Electric III. Eastlake	1,533,000
New York State E & G Kintigh	1,582,100
Niagara Mohawk Power Dunkirk	719,300
Huntley	<u>1,245,000</u>
	1,964,300
Rochester G & E Beebee/Russell	596,900
Industrial customers estimated*	988,000
Total	6,664,300

* figures are estimated

Source: FERC 423 data, and
Fieldston Company documents

Work Paper #3
Market For MGA Coals, 1996

Customers
Served Exclusively By CSX Today
With Conrail Origin MGA Coal

Customer Destination	Coal Receipts Tons
Detroit Edison St. Clair	213,000
Monongahela Power Pleasants	743,400
Total	956,400

* figures are estimated

Source: FERC 423 data, and
Fieldston Company documents

The corporate name was changed to the Nashville, Chattanooga & St. Louis Railway on May 30, 1873, by a decree of the Chancery Court at Nashville under the Acts of Tennessee, 1870-1, Chapter 54, page 63. (See Minute Book X, page 220-2 of said court.)

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The value of the shares of stock was originally \$25. By the Acts of Tennessee, 1889, Chapter 102, all corporations of Tennessee were allowed to make a share of stock \$100 or less, and issue certificates therefor, and consequently corporations that had previously issued shares of stock for \$25 were allowed to call them in, and combine four of said shares and issue a certificate for \$100 in lieu thereof. Under this act the Nashville, Chattanooga & St. Louis Railway issued new certificates for \$100 each, as provided above, in lieu of the original, as per resolution of the board of directors of said company, adopted May 30, 1889. The amount of capital stock issued when the road was completed was \$2,319,328.98. In 1868 the capital stock was \$1,976,434.64. In 1870, to settle claims

of the United States, there were issued \$1,000,000 of stock. In 1873 the Nashville & Northwestern Railroad was purchased, and the stock increased to \$6,486,049.44. On June 30, 1891, at the annual meeting of the stockholders, the capital stock of the company was increased to \$10,000,000, which it remains at present.

In 1873, \$6,800,000 of first mortgage 7 per cent bonds were authorized, covering the line from Nashville to Chattanooga, Tennessee, 151.15 miles, and from Nashville, Tennessee, to Hickman, Kentucky, 169.06 miles, from Wartrace to Shelbyville, Tennessee, 8 miles, and from Bridgeport, Alabama, to Jasper, Tennessee, 12 miles, of which \$4,375,000 were issued, \$1,425,000 held to take up underlying 6 per cent bonds of the Nashville & Chattanooga Railroad Company, endorsed by the State, and \$1,000,000 4 per cent bonds issued to the United States Government.

Subsequently \$1,425,000 were issued as the endorsed bonds matured, and \$500,000 in lieu of \$500,000 of 4 per cent bonds issued to the United States, making a total issue under this mortgage of \$6,300,000.

In 1870 there were issued to the United States, in settlement of a claim, \$1,000,000 of 4 per cent bonds. These were retired by an issue of \$500,000 first mortgage 7 per cent bonds in 1881, and \$500,000 first consolidated mortgage 5 per cent bonds in 1891.

In the purchase of the Duck River Valley Narrow Gauge Railroad the Nashville, Chattanooga & St. Louis Railway assumed payment of \$250,000 of its first mortgage bonds, which were retired in 1888.

In July, 1887, there were issued \$130,000 first mortgage 6 per cent bonds on an extension known as the Bon

Air Branch, from Sparta to the Bon Air coal fields in Tennessee, a distance of 6½ miles. These bonds were redeemable after ten years, and those outstanding were called and paid in 1901, and the mortgage canceled.

Other bonds were issued as follows:

Jasper Branch 8 per cent thirty year bonds, issued in 1877, extension from Jasper to Victoria, Tennessee, 7½ miles . . .	\$90,000
Of these bonds \$15,000 were taken up in 1904, leaving outstanding	75,000
McMinnville & Manchester and Winchester & Alabama Railroads, bonds, 6 per cent, issued in 1877, from Tullahoma to Sparta, Tennessee, 60.58 miles; from Decherd to Fayetteville, Tennessee, 38.78 miles, and from Elora, Tennessee, to Huntsville, Alabama, 26.81 miles	750,000
Tennessee & Pacific Railroad (Lebanon Branch), bonds, 6 per cent, issued in 1877, on line from Nashville to Lebanon, Tennessee, 29.20 miles	300,000
Duck River Valley Narrow Gauge Railroad, second mortgage bonds, 6 per cent, issued in 1879, on line from Columbia to Fayetteville, Tennessee, 47.92 miles	140,000
Of which \$118,000 have been paid, leaving outstanding, due in 1909	22,000
Jasper Branch 6 per cent bonds, issued in 1883, on extension from Victoria to Inman, Tennessee, 5½ miles, and from Victoria to Dunlap, Tennessee, 18.31 miles	371,000
Centreville Branch 6 per cent forty year bonds, issued in 1883, on line from Dickson, Tennessee, to Lewis County line, 47 miles (reduced by straightening to 45.71 miles), due January, 1923	876,000
Tracy City Branch 6 per cent bonds, issued in 1887, on line from Cowan to Tracy City, Tennessee, 20 miles, originally \$600,000, due in installments of \$20,000 per year, beginning January, 1892, until January, 1917, when the remainder, \$100,000, matures; amount now outstanding	325,000
(Thirteen having been exchanged for first consolidated mortgage bonds.)	

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October 3, 1997

BY MESSENGER

Christopher A. Mills, Esquire
Slover & Loftus
1224 17th Street, N.W.
Washington, D.C. 20036

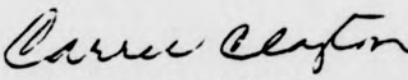
**Re: STB Finance Docket No. 33388
CSX Corporation and CSX Transportation, Inc.,
Norfolk Southern Corporation and Norfolk Southern
Railway Company -- Control and Operating Leases/
Agreements -- Conrail, Inc. and Consolidated Rail
Corporation**

Dear Mr. Mills:

Pursuant to my September 26 proposal and your reply letter of September 29, CSX agreed to furnish answers to written questions from the Four Cities in lieu of presenting individuals for desposition as noticed. Enclosed herein are the responses prepared by Mr. Orrison's staff to Four Cities' questions furnished to us on September 29, 1997.

Best regards.

Sincerely,


Carolyn D. Clayton

Enclosure

RESPONSE TO FOUR CITIES' QUESTIONS FOR CSX

1. With respect to the CSXT (former B&O) line between Willow Creek, IN and Rock Island Junction, IL via Pine Junction, Indiana Harbor, Whiting and Colehour Junction, please provide the following information:

- a. To what extent (i.e., between what mileposts or control points) does CSXT own or otherwise control its own line, as opposed to operating over CRC or another rail carrier via trackage rights?
- b. With respect to any portion of this line over which CSXT operates via trackage rights, describe the entity that controls (dispatches) CSXT's operations over such portion today and any changes in the dispatching/control arrangements that are expected to occur as a result of the control transaction.
- c. What is the maximum permissible operating speed for CSXT trains operating over this line between (i) Willow Creek and Pine Junction; (ii) Pine Junction and Colehour Junction; and (iii) Colehour Junction and Rock Island Junction?

RESPONSE:

1. a. Garrett Subdivision:

Willow Creek	MP BI 236.9 - Pine	MP BI 248.8
Pine	MP BIA 248.8 - Buffington	MP BIA 249.4

Lake Subdivision:

Buffington	MP BIA 249.4 - Indiana Harbor	MP BIA 251.3
Indiana Harbor	MP BIA 251.3 - Hick	MP BIA 251.9
Hick	MP BIA 251.9 - Whiting	MP BIA 254.5
Whiting	MP BIA 254.5 - END TRACK	MP BIA 257.6

Note: ConRail rules in effect between Buffington and Hick

Trains enroute Rock Island operate via ConRail Buffington MP CP 501, Hick CP 502 (CP 447), Rock Island CP 455, not the Lake Subdivision

- b. Willow Creek-Curtis-Pine CSX Dispatcher, Jacksonville
 Pine-Buffington B&O CT Dispatcher, Chicago
 Lake Subdivision, Hick B&O CT Dispatcher, Chicago
 to End Track MP BIA
 257.6
- * ConRail Buffington ConRail Dispatcher,
 CP 502, Hick CP 502 Dearborn
 (CP447), Rock Island
 Island CP 455
- * Control will change from ConRail Dearborn to NS
 Dispatcher

c. Willow Creek-Pine	Psg	79	Frt	60
Pine-Buffington-End Track		25		25
ConRail-Buff to Hick		70		50
Hick to CP 505		55		50
CP 505 to CP 509		45		40

2. Does CSXT plan to construct a connection between the present CRC (former Pennsylvania RR) line and the existing IHB and/or CRC lines at Tolleston, IN if the transaction is consummated? If so, what is the expected timing of this construction project?

RESPONSE:

Yes, CSX plans to rehabilitate Diamond North to Clark Jct and turnout west to Ivanhoe, to be completed prior to Merger Day One.

3. By the third post-acquisition year, what improvements, if any, does CSXT expect to make to the present CRC line between (a) Willow Creek and Tolleston and (b) Tolleston and Gibson crossing, IN?

RESPONSE:

None, currently it is ConRail 40 MPH and signaled in both directions.

4. With respect to the CSXT line between Pine Junction and Calumet Park, IL, please provide the following information with respect to each of the line segments between Pine Junction and East Chicago Yard, between East Chicago Yard and State Line Tower, and between State Line Tower and Calumet Park:

- a. Furnish the average number of (i) local and (ii) through train movements that were operated by CSXT and any other rail carrier during 1995.
- b. State whether there was either an increase or a decrease in the average number of daily (i) local and (ii) through train movements in 1996.
- c. How many main tracks exist?
- d. What is the maximum permissible train operating speed?
- e. What kind of signal and traffic control systems exist?
- f. Do any other rail carrier(s) presently have operating rights over any portion of this line? If so, explain who has such rights and what they are used for.
- g. Has CSX received any complaints since January 1, 1995 with respect to stopped trains and/or blockages of rail-highway grade crossings of this line? If so, describe the number and general nature of such complaints and who provided them (e.g., individuals, government agencies, emergency service providers, highway transit operators).
- h. By the third post-acquisition year, what improvements, if any, does CSXT expect to make to this line?

RESPONSE:

- a. 10,000 including 1440 locals and 720 NS.

- b. In 1996 there was an increase in through trains; no increase in locals.
- c. Two.
- d.

Pine-East Chicago	25 MPH
East Chicago-State Line	25 MPH
State Line-Calumet Park	20 MPH
- e. D251 (Signaled with current of traffic) and D255-259 (interlocking)
- f. NS, connection from old Nickel Plate Line to Wabash and Interchange with B&O CT at East Chicago.
- g. None.
- h. Upgrade Speed to 40 MPH and install TCS (Signaled in both directions).

5. After the transaction is consummated, will CSXT have any ownership interest in, or operating rights over, either (a) the EJE line (or right-of-way) between Dunes, IN and a connection with EJE's Ivanhoe-Gary Line just west of Pine Junction, or (b) the NS (former Wabash) line (or right-of-way) between Dunes and a connection with EJE in the vicinity of Pine Junction?

RESPONSE:

- a. No ownership, possible rights from EJE crossing PRR line north of Clark road (Dunes) to US Steel.
- b. No.

6. If the answer is "yes" with respect to either part (a) or part (b) of question 5, please describe CSX's expectations with respect to improvements to and/or future operations on such line(s) after the transaction is consummated.

RESPONSE:

Install a crossover between former PRR Tolleston lines and the EJE at the Dunes allowing coal and coke deliveries to US Steel using CSX crews.

7. Is there presently a connection between the IHB and NS or CRC at the location of the crossing of NS and CRC/IHB between Gibson Yard and the Illinois/Indiana state line?

a. If the answer to this question is "no," did CSX investigate the possibility of constructing such a connection as part of the development of its Operating Plan or in the development of the agreements with NS that led to the filing of the Application in its present form?

b. If the answer to subpart (a) above is "yes," why was this alternative rejected?

c. Describe any physical impediments that exist with respect to the construction of such a connection.

RESPONSE:

No.

a. No.

b. Not applicable.

c. Was not reviewed.

8. Is there presently a connection between CSXT and the IHB at or in the vicinity of State Line Tower? If the answer is "no," does CSXT have any plans or expectations with respect to construction of such a connection after the transaction is consummated?

RESPONSE:

a. No.

b. No.

Attorney Client Work Product

Appendix 1 - Market Distribution of MGA Coals - 1996

Utility Company Plant	EFM Mine 84	CONSOL Bailey	CONSOL Blacksville	CONSOL Lovedge	Cyprus Amax Emerald	Peabody Federal 2	Total
Allegheny Power System various	0	0	46,860	51,950	0	743,400	842,210
Atlantic Electric England	0	0	23,560	7,530	0	18,790	49,880
Baltimore Gas & Electric Crane	0	28,000	147,000	44,000	0	250,000	469,000
CInergy Beckjord	0	0	0	0	0	92,500	92,500
East Bend	0	0	0	0	0	421,500	421,500
Miami Fort	0	0	0	0	0	226,700	226,700
Zimmer	0	0	0	0	0	38,200	38,200
Cleveland Elec. Illuminating Eastlake	566,000	572,000	0	0	289,000	106,000	1,533,000
Consumers Power Cobb	0	49,200	0	0	0	0	49,200
Delmarva Power & Light Indian River	353,780	29,560	0	0	0	0	383,340
Detroit Edison Harbor Beach	6,000	4,000	0	0	0	0	10,000
Marysville	0	11,000	0	0	0	0	11,000
Monroe	540,000	1,244,000	0	0	0	0	1,784,000
St. Clair	0	0	0	102,000	0	111,000	213,000
Trenton Channel	0	78,000	0	0	0	0	78,000
Duquesne Light Cheswick/Eirama	0	0	53,000	0	302,000	0	355,000
East Kentucky Power Spunkock	0	126,000	0	0	0	0	126,000
Holyoke Water Power Mount Tom	35,220	0	0	0	189,830	0	225,050
Metropolitan Edison Portland	0	15,600	579,400	0	0	0	595,000
Titus	22,000	460,300	0	0	0	0	482,300
New York State E&G Goudy	33,500	38,000	6,500	14,700	0	162,100	254,900
Greenidge	116,000	22,900	0	19,500	0	114,500	272,900
Kintigh	0	226,900	986,500	321,200	0	47,500	1,582,100
Miliken	0	73,200	619,600	0	0	0	692,800
Nagara Mohawk Power Dunkirk	0	333,500	203,200	182,600	0	0	719,300
Huntley	0	1,235,800	0	2,200	0	0	1,245,000
Ohio Edison Sammis	0	323,100	0	0	0	0	323,100
Ohio Valley Electric Kyger Creek	0	525,000	0	0	0	0	525,000
PECO Energy Cromby	199,000	7,000	0	6,000	177,000	3,000	392,000
Eddystone	633,000	18,000	0	28,000	638,000	20,000	1,337,000
Pennsylvania Power & Light Brunner Island	0	1,251,000	0	0	1,001,000	26,000	2,278,000
Martins Creek	90,000	246,000	0	0	11,000	301,000	648,000
Montour	0	59,000	0	0	62,000	0	121,000
Pennsylvania Electric Conemaugh	0	1,556,000	0	0	1,074,000	327,000	3,047,000
Pennsylvania Power Mansfield	0	795,600	25,100	0	0	0	820,700
Pub. Ser. New Hampshire Memmick	37,650	527,210	9,350	20,210	150,530	238,460	983,410
Schiller	0	92,322	0	0	0	0	92,322
Rochester Gas & Electric Russell	37,650	619,532	9,350	20,210	150,530	238,460	1,075,732
Tenn. Valley Authority Cumberland	0	0	405,060	0	0	0	405,060
Wisconsin Electric Oak Creek	0	518,300	0	0	0	0	518,300
Pt. Washington	0	291,800	0	0	0	0	291,800
Valley	0	505,900	0	0	0	0	505,900
	0	1,316,000	0	0	0	0	1,316,000
Total - FERC 423 data	2,632,150	9,628,792	3,168,830	934,890	2,871,360	3,205,350	22,641,372
Ontario Hydro* various	190,000	700,000	0	230,000	0	400,000	1,490,000
Industrial coal* various	204,850	817,139	150,440	440,015	216,516	310,433	2,139,393
Export* Baltimore	0	4,730,089	140,730	1,499,095	142,124	651,817	7,163,835
Total - Other Markets	394,850	6,247,208	291,170	2,139,110	358,640	1,362,250	10,793,228
TOTAL Demand	3,027,000	16,076,000	3,460,000	3,074,000	3,230,000	4,567,600	33,434,600

* Estimated Source: FERC Form 423 data

Work Paper #1
 Market For MGA Coals, 1996

Customers
 To Be Served Exclusively By NS

Customer Destination	Coal Receipts Tons
Baltimore G & E Crane	469,000
Delmarva P & L Indian River 1-3	383,340
Metropolitan Edison Titus	595,000
Portland	<u>482,300</u>
	1,077,300
New York State E & G Goudey	254,900
Greenidge	272,900
Milliken	<u>692,800</u>
	1,220,600
Pennsylvania P & L Brunner Island	2,278,000
Martins Creek	648,000
Montour	<u>121,000</u>
	3,047,000
Pennsylvania Electric Conemaugh	51,000
PECO Energy Cromby	392,000
Industrial customers estimated*	601,000
Total	7,241,240

* figures are estimated

Source: FERC 423 data, and
 Fieldston Company documents

Work Paper #2
Market For MGA Coals, 1996

Customers
To Be Served Exclusively By CSX

Customer Destination	Coal Receipts Tons
Cleveland Electric III. Eastlake	1,533,000
New York State E & G Kintigh	1,582,100
Niagara Mohawk Power Dunkirk	719,300
Huntley	<u>1,245,000</u>
	1,964,300
Rochester G & E Beebee/Russell	596,900
Industrial customers estimated*	988,000
Total	6,664,300

* figures are estimated

Source: FERC 423 data, and
Fieldston Company documents

Work Paper #3
Market For MGA Coals, 1996

Customers
Served Exclusively By CSX Today
With Conrail Origin MGA Coal

Customer Destination	Coal Receipts Tons
Detroit Edison St. Clair	213,000
Monongahela Power Pleasants	743,400
Total	956,400

* figures are estimated

Source: FERC 423 data, and
Fieldston Company documents

Work Paper #4
Market For MGA Coals, 1996

Customers
To Be Served Jointly By CSX & NS

Customer Destination	Coal Receipts Tons
Atlantic Electric England	49,880
Detroit Edison Trenton Channel	78,000
PECO Energy Eddystone	1,337,000
Total	1,464,880

Source: FERC 423 data, and
Fieldston Company documents

Work Paper #5
Market For MGA Coals, 1996

Customers
To Be Served By Independent Joint
Rail Delivery

Customer Destination	Coal Receipts Tons
Detroit Edison Monroe	1,784,000
Holyoke Water Power Mount Tom	225,050
Pub. Ser. New Hampshire Merrimack	983,410
Schiller	<u>92,322</u>
	1,075,732
Wisconsin Electric Oak Creek	518,300
Total	3,603,082

Source: FERC 423 data, and
Fieldston Company documents

Work Paper #6
 Market For MGA Coals, 1996

Customers
 To Be Served By CSX & NS
 At Terminals On Great Lakes

Customer Destination	Coal Receipts Tons
Consumers Power Cobb	49,200
Detroit Edison Harbor Beach	10,000
Marysville	<u>11,000</u>
	21,000
Wisconsin Electric Port Washington Valley	291,800
	<u>505,900</u>
	797,700
Ontario Hydro estimated*	1,490,000
Industrial customers estimated*	550,000
Total	2,907,900

* figures are estimated

Source: FERC 423 data, and
 Fieldston Company documents

Work Paper #7

Market For MGA Coals, 1996

Customers

To Be Served By CSX and NS

Via Terminals on the Inland Rivers

Customer Destination	Coal Receipts Tons
CINergy	
Beckjord	92,500
East Bend	421,500
Miami Fort	226,700
Zimmer	<u>38,200</u>
	778,900
Duquesne Light	
Cheswick/Elrama	355,000
East Kentucky Power	
Spurlock	126,000
Monongahela Power	
Fort Martin	98,810
Ohio Edison	
Sammis	323,100
Ohio Valley Electric	
Kyger Creek	525,000
Pennsylvania Power	
Mansfield	820,700
Tennessee Valley Auth.	
Cumberland	405,060
Total	3,432,570

Source: FERC 423 data, and
Fieldston Company documents

EFM-P-040

EXHIBIT "I"

INDIANAPOLIS, INDIANA - SWITCH LIST

**Citizens Gas Coke Utility
Countrymark Cooperative
Chrysler Indianapolis Foundry
Illinois Cereal Mills
National Starch Chemical
ADM Milling
Ford Indianapolis
General Motors Corp., Allison Div.
GM CLCD Indianapolis (scrap)
AAA Warehouse
Allison Gas Turbine
Anderson Box Company
Ashland Chemical
Borinstein, A
Bunzl Building Material
Butler Paper
Caito & Mascari
Capitol City Metals
Carter Lee Lumber
Central Soya
Central States Warehouse
Conner Corporation
D A Lubricants
Electric Steel Castings
Eli Lilly
Gene Conreaux
General Aluminum
Grocers Supply
Hausman Steel Corporation
Heritage Env. Service Morris St.
Hirschman, J.C.
Hoosier Wood Preservers
Indianapolis Auto Shredding**

Indianapolis Newspaper
Indianapolis Power & Light
Interstate Warehousing, Inc.
Kerr McGee Chemical
Max Katz Bag Co., Inc.
Merchandise Warehouse
Merico
Metal Services Supply
Midamerica Extrusions
Monarch Beverage
Monsey Products Co.
Navistar International
Olin Brass
Pakway Container Corp.
Paper Arts
Paper Manufacturing
Quaker Oats
Queens Group Industries
Quemetco, Inc.
Reilly Industries
Schuchman Metals
Sequoia Supply, Inc.
Sexton Co., John
Snyder Services
Southeastern Supply
St Clair Warehouse
Stone Container
Thomson Consumer Electronics
Trans City Warehouse
Ulrich Chemical
Van Water Rogers
Weyerhaeuser
Willamette Industries

Coal-Fired Power Plants With Water Access

Waterway/ Utility	Plant	State	Milepost	Unloading Capacity (Tons/Hr)	Docks
Detroit River					
Detroit Edison Co.	Connors Creek (Inactive)	MI		2,500	Toledo
	River Rouge	MI		1,800	Toledo
	Trenton Channel	MI		2,500	Toledo, Sandusky
Escambia River					
Gulf Power Co.	Crist	FL	22.0	800	Ohio R., New OrL., Mobile
Green River					
Big Rivers Electric Corp.	Green, Robert	KY	41.2	800	
	Reid/Henderson 2	KY	41.2	800	
	Wilson, D.B.	KY	74.0	NA	
Tennessee Valley Auth.	Paradise	KY	99.5	4,000	Kanipe, Green River
Gulf of Mexico					
Florida Power Corp.	Crystal River	FL		650	IMT
Tampa Electric Co.	Big Bend	FL		4,000	Electro-Coal, Cora
	Gannon	FL		3,000	Electro-Coal, Cleancoal
Gulfport/Biloxi Riv.					
Mississippi Power Co.	Watson, Jack	MS	74.3	600	Empire Dock (OH 896.0)
Illinois River					
Central Illinois Lt. Co.	Edwards, E.D.	IL	154.2	350	Jefferson Riverport, TTI
Central Illinois PSC	Meredosia	IL	70.8	500	Cahokia Marine Svc.

Highlights of International Paper

International Paper is the world's premier paper and forest products company. We have developed a diverse array of products that distinguish International Paper in world markets. International Paper's broad product line includes forest products, printing papers, industrial and consumer packaging, specialty products, and distribution services.

Other Facts

- Fortune 100 Company.
- 1996 Annual Sales of \$21 Billion.
- Over 80,000 Employees Worldwide.
- Operating in 33 States, with Markets in more than 130 Countries and Facilities in 31 Nations.
- Largest Private Land Owner in the US.

[Back to Front Page](#)

BEFORE THE
DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

FHWA Docket No. MC-97-
*Federal Motor Carrier Safety Regulations;
Responsibility for Roadworthiness of Equipment
Used in Intermodal Transportation*

JOINT PETITION REQUESTING ADOPTION OF RULES
REQUIRING PARTY TENDERING EQUIPMENT TO
BE USED IN INTERMODAL TRANSPORTATION BE REQUIRED
TO ENSURE ROADWORTHINESS AND COMPLIANCE OF SUCH EQUIPMENT
WITH FMCSRS PRIOR TO TENDERING EQUIPMENT TO MOTOR CARRIER

submitted on behalf of

AMERICAN TRUCKING ASSOCIATIONS, INC.
&
ATA INTERMODAL CONFERENCE

The American Trucking Associations, Inc. and the ATA Intermodal Conference (collectively "Petitioners") submit the following Joint Petition pursuant to part 389.31 of Title 49, Code of Federal Regulations. Petitioners request that FHWA adopt the following rules requiring the party which tenders or interchanges a trailer, container, chassis, or other piece of motor carrier equipment for use on the public highways be responsible for ensuring that the tendered or interchanged equipment is roadworthy and complies with all provisions of the Federal Motor Carrier Safety Regulations ("FMCSRs")

Petitioners request that Title 49 of the Code of Federal Regulations be amended as follows. Additions are double-underlined and explanatory statements follow each revised section:

Section 396.1 Scope.

General--Every motor carrier (and for this part any

party who is tendering or interchanging a trailer, chassis, or container to a motor carrier, its officers, drivers, agents, representatives, and employees directly concerned with the inspection or maintenance of motor vehicles shall comply and be conversant with the rules of this part.

[Explanation: This amendment requires parties which tender or interchange trailers or chassis to a motor carrier to observe the safety regulations of this section. (Conforming amendments to Part 396 may be necessary.)]

Section 396.7 Unsafe operations forbidden.

(a) General. A motor vehicle shall not be operated in such a condition as to likely cause an accident or a breakdown of the vehicle.

(b) Intermodal. No person shall tender or interchange a trailer, chassis, or container in violation of section (a) to a motor carrier.

(c) No motor carrier shall certify or otherwise guarantee to any person tendering or interchanging any trailer, chassis, or container to a motor carrier that such trailer, chassis, or container complies with this Part unless the person tendering or interchanging the trailer, chassis, or container has provided the motor carrier with adequate equipment, time, and facilities to make a full inspection and necessary repairs to the trailer, chassis, or container prior to the tendering or interchange of the trailer, chassis, or container.

(d) Exemption. Any motor vehicle

[Explanation: This amendment broadens the prohibition against unsafe commercial motor vehicle operation to those parties which own or control equipment tendered/interchanged to motor carriers. It also forbids motor carriers to certify that equipment tendered/interchanged to them is roadworthy unless they have actual knowledge gained through a full and adequate inspection.]

Section 396.9 Inspection of motor vehicles in operation.

(a) Personnel authorized to perform inspections. Every special agent of the FHWA (as defined in appendix B to this subchapter) is authorized to enter upon and perform inspections of motor carrier's vehicles in operation and any trailer, chassis, or container at an intermodal terminal which is intended to be tendered or interchanged to a motor carrier for use on the highways.

[Explanation: This amendment allows inspection of equipment at an intermodal terminal before it is tendered/interchanged to a motor carrier for highway use.]

Section 390.37 Violation and Penalty.

Any person who violates the rules set forth in this

subchapter or part 325 of subchapter A may be subject to civil or criminal penalties. When a motor carrier has been tendered a trailer, chassis, or container that does not meet the standards set forth in Part 393 in violation of section 396.1 of this subchapter, the motor carrier tendered or interchanged such a vehicle shall not be liable for civil or criminal penalties under this subchapter.

[Explanation: This amendment provides that a motor carrier tendered equipment in violation of section 396.1 shall not be held liable for defects in such equipment of which it is unaware and has not had an opportunity to correct.]

As noted in more detail herein, these Petitioners believe that these new rules are necessary for effective and efficient implementation of the FMCSRs. The proposed rules would avoid unnecessary disruptions to the free flow of transportation, while enhancing safety on the highways by reducing the number of unsafe commercial motor vehicles.

I. IDENTIFICATION OF PETITIONERS

The American Trucking Associations, Inc. ("ATA") is the national trade association of the trucking industry. Through its 51 affiliated state trucking associations, located in every state and the District of Columbia, 15 affiliated conferences, and 4,500 direct members, ATA represents over 35,000 motor carriers of every type and class in the country. A growing number of ATA's member carriers either specialize in providing intermodal transportation or utilize such transportation when it provides the best means available for serving their customers.

The ATA Intermodal Conference is the only organization exclusively promoting and protecting the interests of the intermodal truck operator on a national basis. The Conference's

membership is made up of long and short haul trucking firms actively engaged in the highway transportation of intermodal freight and non-trucking associates having an interest in promoting intermodalism.

These Petitioners have been active for many years in promoting highway safety initiatives. ATA was a strong and early supporter of initiatives such as the Motor Carrier Safety Assistance Program, increased field inspections of commercial motor vehicles, the Commercial Driver's License, and the radar detector ban. The ATA Intermodal Conference has worked for safer vehicles within intermodal transportation. Most recently, the Conference successfully worked for the passage of the Intermodal Safe Container Transportation Amendments Act of 1996 which will reduce the number of overweight vehicles on the highways.

II. THE SECRETARY HAS JURISDICTION

The Secretary has ample authority under existing statutes to implement the proposed rules.

The Secretary's mandate is to, among other things, prescribe regulations to ensure that "commercial motor vehicles" are "maintained, equipped, loaded, and operated safely." 49 U.S.C. § 31136(a). Accordingly, the Secretary has authority to regulate both the vehicles and the persons owning and operating the vehicles. The equipment at issue here -- trailers, chassis, containers -- falls within the definition of "commercial motor vehicle" -- "a self-propelled or towed vehicle used on the highways in interstate commerce to transport property" 49 U.S.C. §

31132(1). Trailers, chassis, and containers are clearly an integral part of such vehicles.

The Secretary also has jurisdiction over "employers" and "employees" as they are "engaged in a business affecting interstate commerce that owns or leases a commercial motor vehicle in connection with that business" and "directly affects commercial motor vehicle safety in the course of employment." 49 U.S.C. §§ 31132(2)(A) and (3)(A). The railroads, ocean carriers, and pier operators who own or control trailers and chassis affect safety by tendering this equipment to motor carriers, and thus fall under the Secretary's jurisdiction.

These definitions in no way exclude equipment or employers/employees at terminals from FHWA's jurisdiction. While trailers and chassis at a terminal are not "on the highways" -- see the definition of "commercial motor vehicle" above -- such equipment is clearly intended for and used on the highways, giving FHWA jurisdiction. FHWA already exercises jurisdiction over occurrences not on the highway, but at terminals. For example, a vehicle used within a terminal, but also on the highways, is nevertheless subject to the FMCSRs. *Regulatory Guidance for the Federal Motor Carrier Safety Regulations*, 58 Fed. Reg. 60,745 (1993). Further, the damage or destruction of a vehicle at a terminal was a reportable accident under former Part 394 - Recording and Reporting of Accidents; in fact, an accident of certain vehicles operated exclusively in the confines of a terminal was still a reportable accident. See U.S. DOT Transportation Safety Institute, Interpretations of Part 394 at 7-32 and 7-33.

While these examples involve motor carrier, not intermodal terminals, the Secretary's jurisdiction is over the equipment -- the "commercial motor vehicle" -- whether on the highway or in a terminal.

Finally, jurisdiction over highway equipment at terminals is entirely consistent with and necessary to achieve the purpose of the law -- "promot[ing] the safe operation of commercial motor vehicles." 49 U.S.C. § 31131.

III. MOTOR CARRIERS HAVE RESPONSIBILITY AND LIABILITY BUT NOT OPPORTUNITY OR CAPABILITY TO MAINTAIN INTERMODAL EQUIPMENT

Current FHWA regulations place sole responsibility for the roadworthiness of vehicles used in intermodal transportation on the motor carrier involved. The FHWA rules place no responsibility on the owner or operator of the vehicles that tenders the equipment to motor carriers for highway use for the roadworthiness of its equipment. Because motor carriers do not have the opportunity or capability to maintain the roadworthiness of the vehicles, the result is vehicles not in compliance with the FMCSR's and needless disruption in the flow of freight.

While rapid growth in intermodalism has yielded tremendous efficiencies in transportation, it has also resulted in this anomalous situation in which motor carriers are responsible for equipment they do not control. The current regulations hold a motor carrier responsible for the inspection, repair, and maintenance of "all motor vehicles subject to its control." 49 CFR § 396.3. Yet this is an outmoded notion in this intermodal age in

which the equipment is under another party's control prior to its actual operation on the highway.

The motor carrier -- or more precisely, the driver -- usually does not have the ability or opportunity to do a full and adequate inspection of each piece of intermodal equipment to ensure the equipment's roadworthiness or compliance with the FMCSRs when accepting intermodal equipment at a port or railhead. The facility and equipment is under the control of the party tendering the equipment to the motor carrier.

In most cases the carrier's driver has arrived at the yard with instructions to pick up a particular container and chassis or trailer. The equipment is owned or leased by the railroad, steamship line or other party tendering/interchanging it to the motor carrier. If a safety defect in the equipment is not immediately obvious to the truck driver, he/she has neither the time nor facilities to conduct a more in-depth inspection. The standard interchange agreement adopted by most equipment providers, the Uniform Intermodal Interchange and Facilities Access Agreement ("UIIA"), specifically states that the "[p]rovider makes no express nor implied warranty as to the fitness of the equipment." See Attachment 1. Further, the typical equipment provider addendum to the UIIA requires the driver to warrant that the equipment is "roadworthy." See Attachment 2.

However, even if a defect is detected, the driver is seldom in a position to make or insist upon corrections. The driver's choice is to take the equipment as offered, spend the additional time at the point of interchange to have the equipment repaired, or leave

empty and lose a haul.

While many intermodal vehicles are well-maintained, Petitioners have compiled both statistical and anecdotal evidence from motor carriers testifying to the seriousness and urgency of the problem of unroadworthy equipment. A recent survey of intermodal drivers found that the roadworthiness of tendered equipment is one of their most significant concerns. ATA Intermodal Conference, 1996 Intermodal Terminal Survey at 14. Carriers have related incidents involving tendered equipment in which:

- a trailer collapsed ("broke in half") during transit due to a faulty repair undetectable to a driver;
- tires separated from a trailer during transit because of loose lug nuts; and
- faulty brakes and defective locking mechanisms fastening containers to chassis resulted in serious risks.

Attached to this Petition are two statements from motor carriers which testify to the real dilemma drivers face under the current regulations. See Attachments 3 and 4.

IV. THE PARTY TENDERING THE EQUIPMENT TO A MOTOR CARRIER FOR HIGHWAY USE SHOULD BE REQUIRED TO ENSURE THE EQUIPMENT'S ROADABILITY AND COMPLIANCE WITH FMCSRs.

Petitioners request the FHWA to revise the FMCSRs so as to put responsibility for ensuring the roadworthiness of all intermodal equipment prior to releasing the equipment to a motor carrier for highway use. The adoption of the proposed rules would (1) require the party operating the intermodal facility at which the equipment is stored and interchanged to perform inspections and effect repairs; and (2) provide the motor carriers with a stronger argument for refusing unsafe equipment, thus achieving the purpose

of the FMCSRs -- to keep unsafe vehicles off of the highways.

Once the vehicle is on the highway, the motor carrier assumes both criminal and civil liability for operating the equipment. While Petitioners are not proposing to eliminate the motor carrier's responsibility to comply with the FMCSRs, by imposing requirements on the owners, lessees, or others who tender/interchange the intermodal equipment to motor carriers, FHWA would be in a position to enforce the safety requirements on the equipment prior to its being put on the highway.

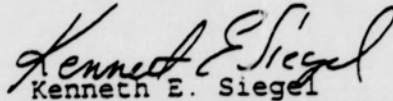
It should be the responsibility of the party tendering intermodal equipment to a motor carrier for use on the highway to ensure that the equipment is both roadworthy and in compliance with all FMCSRs. The tendering party has both the opportunity and the facilities to perform the inspection and needed repairs prior to releasing the equipment to a motor carrier for highway use.

The proposed rules only recognize the common sense notion that the party which is in control of the equipment prior to its highway use and which is in a position to adequately inspect and maintain the equipment should be responsible for performing these functions. If the proposed rules are implemented the result will be better maintained and safer vehicles on the highway. The rules would also contribute to a more efficient transportation system that recognizes the new realities of intermodalism.

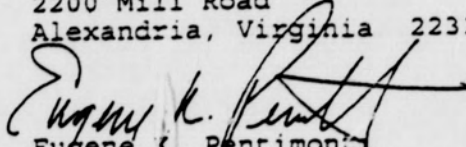
CONCLUSION

For all the above reasons, these Petitioners respectfully request that the agency acts to immediately adopt the new rules proposed above.

Respectfully submitted,



Kenneth E. Siegel
AMERICAN TRUCKING ASSOCIATIONS, INC.
Deputy General Counsel
2200 Mill Road
Alexandria, Virginia 22314-4677



Eugene K. Pentimonti
ATA INTERMODAL CONFERENCE
President
2200 Mill Road
Alexandria, Virginia 22314-4677

Developed By:

Effective: February 1, 1996

The Intermodal Interchange
Executive Committee

**UNIFORM
INTERMODAL
INTERCHANGE
AND
FACILITIES ACCESS
AGREEMENT
(U I I A)**

Administered By:

The Intermodal Association of North America
7501 Greenway Center Drive, Suite 720
Greenbelt, Maryland 20770-3514

Phone: (301) 474-8700

Fax: (301) 982-3414 or (301)982-4815

ATTACHMENT 1

ATA-F-00290

Carrier will be responsible to Provider for the charges, as may be described in Provider's Addendum hereto, in the event Motor Carrier fails to remove Equipment during the free time provided in the Addendum.

2. Equipment Condition

- a. Equipment controlled by Provider shall have a valid FHWA inspection sticker. Provider will reinspect and recertify the Equipment, at Motor Carrier's request, if the existing inspection will expire during the Addendum free time period of the Motor Carrier's use.
- b. Motor Carrier will reinspect and recertify the Equipment if the existing inspection will expire prior to the Motor Carrier's return of the Equipment to the Provider.
- c. Motor Carrier will return the Equipment to the Provider in the same condition, reasonable Wear and Tear excepted.

(1) In any disputes arising in connection with classification of Wear and Tear, the Association of American Railroads TOFC/COFC Interchange Rules, Sections B, G, and F, shall be the controlling document.

3. Receipts

- a. At the time of Interchange, the Parties or their agents shall execute an Equipment Interchange Receipt which shall describe the Equipment and any defects observable thereon at the time of Interchange. Each Party shall be entitled to make notations upon such EIR concerning the condition of the Equipment at the time of Interchange.
- b. Each Party shall receive a copy of the Equipment Interchange Receipt at the time of Interchange.

4. Restrictions Upon Equipment Use

Absent contrary Agreement between the Parties, Motor Carrier shall use the Equipment only for the purposes for which it was interchanged and shall promptly return it to the location at which it was received.

5. Condition of Equipment

a. Lost, Stolen, or Destroyed Equipment

- (1) In the event the Equipment is lost, stolen from, badly damaged or destroyed by Motor Carrier, the method of settlement shall be the remaining usable life as reflected on the Equipment owner's or Provider's books.
- (2) In the event Motor Carrier is compelled to compensate Provider for loss or damage to Equipment due to the acts of third parties, Provider will assign to Motor Carrier its rights against such third party upon receiving payment in full from Motor Carrier.

b. Damage to Equipment

- (1) Motor Carrier shall pay to Provider the reasonable and customary costs of the repair of damages done to Equipment during Motor Carrier's possession.
- (2) Where the reasonable and customary cost to repair exceeds the casualty loss value as determined in section III 5 a (1) hereof, the Motor Carrier shall be obligated only for the lesser sum.

c. Tires

- (1) Repair of damage to tires during Motor Carrier's possession is the sole responsibility of Motor Carrier.
- (2) Repair of tires unrelated to damage occurring during Motor Carrier's possession is the sole responsibility of the Provider.

d. Disposal of Dunnage

Motor Carrier shall return Equipment with all dunnage, bracing, contaminants and debris removed and the floor swept.

6. WARRANTY

PROVIDER MAKES NO EXPRESS NOR IMPLIED WARRANTY AS TO THE FITNESS OF THE EQUIPMENT.

**ADDENDUM TO THE UNIFORM INTERMODAL
INTERCHANGE AND FACILITIES ACCESS AGREEMENT**

This Addendum to the Uniform Intermodal Interchange and Facilities Access Agreement (UIIA) is made and entered into by and between **THE ATCHISON, TOPEKA, AND SANTA FE RAILWAY COMPANY**, a Delaware Corporation, and **BURLINGTON NORTHERN RAILROAD COMPANY**, a Delaware Corporation, hereinafter collectively referred to as "BNSF", and the undersigned motor carrier, hereinafter referred to as "Motor Carrier".

I. NOTIFICATION AND FREE TIME

- A. Free Time Commences
See III. DESTINATION STORAGE, A. Free Time Commences.
- B. Amount of Free Time
See III, DESTINATION STORAGE, B. Amount of Free Time
- C. Weekends
Weekends are not considered free
- D. Holidays
Holidays are not considered free
- E. Unroadworthy Equipment
Equipment is considered roadworthy when the Motor Carrier has executed the standard Interchange Receipt and Inspection Report. In the event Motor Carrier and BNSF have signed a Checkpoint Bypass Letter of Agreement, a BNSF Express Lane Pass will be executed in lieu of an Interchange Receipt and Inspection Report. The parties shall be bound by the Terms and Conditions of the Interchange Receipt and Inspection Report, as well as the notations made, or the Checkpoint Bypass Letter of Agreement.
- F. Interchange of Equipment
BNSF and Motor Carrier may be subscribers to the TOFC/COFC Interchange Rules adopted by the Association of American Railroads during part or all of the period this Addendum is in effect. In that event, where provisions in this Addendum conflict with any of the said Interchange Rules, the provisions of this Addendum shall prevail over such Interchange Rules and shall govern the relationship of the parties to this Addendum.

Motor Carrier shall be responsible for the safe and timely return of trailers to BNSF or until delivered to another rail carrier as specified in this Addendum, ordinary wear and tear excepted. Motor Carrier agrees not to interchange trailers obtained from BNSF with third parties, other than rail carriers.

Motor Carrier shall not interchange trailers, either loaded or empty, to another rail carrier when removed from El Paso, Phoenix or any terminal in California. If this occurs, Motor Carrier will be assessed a surcharge as set forth in Exhibit A to this Addendum.

Motor Carrier shall be responsible for the safe and timely return of containers and/or chassis to BNSF origin terminal and shall not interchange containers and/or chassis to another rail carrier or

-1-

ATTACHMENT 2

ATA P-0029

Farruggio's

1419 Radcliffe Street, Bristol, PA 19007 • (215) 788-5596 • FAX (215) 788-3068

March 13, 1997

Federal Highway Administration
Washington, D.C.

Dear Sir:

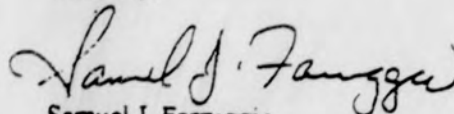
I am writing to express the support of Farruggio's Express, Inc. for putting the responsibility for roadworthiness of intermodal equipment on the parties that provide it.

I am the President of Farruggio's Express Inc. and have been involved in the trucking business for twenty-five years. Drivers for our company pick up trailers and chassis from many railyards and piers in Pennsylvania, New Jersey, Maryland, Delaware, New York and Virginia. Very often equipment tendered to our drivers at these terminals turns out not to be fit for the road. Further, our drivers are not given a real opportunity to inspect the equipment before it goes out on the road.

As an example of the problems we encounter, I have attached a copy of a citation one of our drivers received approximately 50 miles from a terminal. As you will see, the officer found four of ten brakes on the trailer were out of adjustment. However, it is virtually impossible for four brakes to go bad after 50 miles unless they were already bad before the trailer left the yard.

The only solution to this problem is to put the responsibility for roadworthy equipment on those who can provide it. Therefore, I strongly support the effort to change the rules to make this possible.

Sincerely,



Samuel J. Farruggio
President

SJF:js

ATTACHMENT 3

ATA-P-00293



PENNSYLVANIA DEPARTMENT OF TRANSPORTATION
 MOTOR CARRIER SAFETY ASSISTANCE PROGRAM
 DRIVER/VEHICLE COMPLIANCE REPORT

REPORT NUMBER

PA 244197

INSPECTOR: 0634 INSPECTION DATE: 12/18/96 START TIME: 1113 END TIME: 1221 LOCATION: 480033 LEVEL: 1
 DOT NUMBER: ICC NUMBER: 32481 PUC NUMBER: ACTIVITY: SITE TYPE: 2

NAME OF MOTOR CARRIER: FARUGGIOS BRISTOL AND PHILA AUTO

STREET ADDRESS: 1417 RADCLIFFE ST

CITY: BRISTOL STATE: PA ZIP: 19007

SHIPPER NAME: JAMES RIVER CORP SHIPPING PAPER NUMBER:

ORIGIN CITY: JACKSONVILLE STATE: FL UN/NA # CARGO TANK #

DESTINATION CITY: EASTON STATE: PA A CODE B C D E F G H I J K L M N O P Q R S T U V W X Y Z

COMMODITIES: Empty Hazard Coal Tires/Waste Automobiles

Livestock Food General Freight Metals/Products Compressed Cargo
 A - Explosives A E - Flammable Solids J - Other M - Radioactive Materials O - Oils R - Hazardous Waste
 B - Explosives B F - Flammable Gas K - Paper A N - Organic Peroxide P - Oils S - Hazardous Waste
 C - Explosives C G - Nonflammable Gas L - Paper B O - Inorganic Peroxide Q - Oils T - Hazardous Waste
 D - Flammable Liquid H - Corrosives M - Combustible Liquid P - Oils A, B or C U - Other V - Hazardous Waste

DRIVERS LAST NAME: WINGER DRIVERS FIRST NAME: GEORGE MI: L ENDORSEMENTS: P, T, X

DRIVERS LICENSE NUMBER: 12389450 STATE: PA DATE OF BIRTH: 01/08/43 CLASS: A

VEHICLE IDENTIFICATION	TYPE	MAKE	LICENSE NUMBER	STATE	COMPANY NUMBER
1	TT	MACK	AB71944	PA	465
2	ST	OSAKO	Y10644	ME	
3					
4					

TYPE CODE: TR - STRAIGHT TRUCK TT - TRUCK TRACTOR ST - SEMI TRAILER PT - POLE TRAILER FT - FULL TRAILER DC - DOLLY CONVERTER BU - BUS OT - OTHER

UNIT STATION NUMBER STICKER NUMBER ISSUE DATE ODOMETER
 UNIT STATION NUMBER STICKER NUMBER ISSUE DATE PA REGISTERED VEHICLES ONLY

EXISTING ISSUED UNIT DECAL NUMBER COLOR OMS
 EXISTING ISSUED UNIT DECAL NUMBER COLOR OMS CVSA DECALS

FIELD A FIELD B FIELD C FIELD D FIELD E

NO VIOLATIONS: INSPECTORS SIGNATURE: _____ VIOLATIONS SHOWN ON PAGE 2:

MOTOR CARRIER COPY

ATA-P-00294

STB

FD-33388

ID-184826

12-15-97

D

60/60

1. Original Date Issued 03-2-03		TRAFFIC CITATION / SUMMONS		2. State Number PA 337	
3. Name of Municipal District Office 224 NAZARETH PIKE SUITE 100A BETHLEHEM PA 18017					
4. Driver's License N/A					
5. Description of Vehicle FERRUGINO'S BUSINESS + PHILA AUTO EXPRESS INC					
10. Destination Address (Street-City-State Zip Code) 1419 RADCLIFF ST BETHLEHEM PA 19007					
11. Reg. No. AB71944	12. Reg. Yr. 97	13. State PA	14. Make MAZDA	15. Year Model TT	16. Color RED
17. Reg. No. V10644	18. Reg. Yr. 97	19. State PA	20. Make ISHIKAWA	21. Year Model TRC	22. Color WHITE
23. Owner/Leasee or Control Name & Address <input checked="" type="checkbox"/> Name of Owner/Leasee <input type="checkbox"/> Not Provided					
24. Check <input type="checkbox"/> Maryland Speed Limit <input type="checkbox"/> State Sign & Yield Sign <input type="checkbox"/> Wrong Vehicle at Site <input type="checkbox"/> Operation of Vehicle without Official Certificate of Inspection <input type="checkbox"/> Driving while Operating Through a Suspended or Revoked <input type="checkbox"/> Other			25. VEHICLE CODE TITLE 75 27. SEC. NO. 4107 (D)(2) 28. CODE 10000 29. EMISSIONS PERCENTAGE 1000 30. GAS 3000 31. COSTS 2500 32. J.C.P. 1.50 33. TOTAL DUE \$166.00		
26. Nature of Offense <input type="checkbox"/> Exceeding _____ MPH Allowed _____ MPH <input type="checkbox"/> Road <input type="checkbox"/> District <input type="checkbox"/> ADP <input type="checkbox"/> Operating vehicle with expired registration <input type="checkbox"/> Operating vehicle without valid license <input type="checkbox"/> Operating vehicle with suspended/revoked license <input type="checkbox"/> Operating Unregistered Vehicle Vehicle of No. Code 231.452a Act of 07S 296.301					
28. Description of Offense INSPECTION OF PAID ROAD MAINTENANCE					
29. Description of Offense UNLAWFUL DELIMITED MOVEMENT OF A COMMERCIAL VEHICLE WITH EXCEEDED OF TOWING GRADES AT PLANT BY YOUR ADJUSTMENT LIMIT					
34. Location AT ST 27					
37. Date 03/02/03	38. City BETHLEHEM	39. State PA	40. Zip 18017	41. Date Issued 03/02/03	42. Date 03/02/03
43. Signature of Officer T.P. [Signature] PA PSP 01600					
44. THIS CITATION HAS BEEN ISSUED / FILED BY A MEMBER OF THE PENNSYLVANIA STATE POLICE, HARRISBURG, PA 17110					
45. Officer's Name T.P. [Signature]					
46. Station Code 1113 WEN NORTHAMPTON					
47. Station Name 1113 WEN NORTHAMPTON					
48. Station Address 1113 WEN NORTHAMPTON					
49. Station Phone 717-261-1113					
50. Station Fax 717-261-1113					
51. Station Email 1113@pa.gov					
52. Station Website www.pa.gov					
53. Station Hours 24 HOURS					
54. Station Type STATION					
55. Station Status ACTIVE					
56. Station Notes PA 244197					

NOTICE
 If you plead guilty or are found guilty, you may be assessed against your other's record. Accumulation of 11 or more points will result in the suspension of your driving privileges. Also, your driving privileges WILL BE SUSPENDED if you plead guilty or are found guilty of certain offenses under the Vehicle Code, including but not limited to, driving while operating through a suspended or revoked, riding an motorcycle, fleeing or obstructing in such order, driving without lights in such circumstances or event, excessive inventory damage to official vehicles or property, failure to stop for school bus with flashing lights, or obstructing operations related to events regulated to be licensed.

SP 7-0017A
 AOPC 408-CB (Rev. 0/01)
DEFENDANT F0125493-4

ATA-P-00296

**EMPIRE
TRUCK LINES INC.**

P.O. Box 15235
Houston, Texas 77220-5235
(713) 672-7403

March 13, 1997

Federal Highway Administration
400 Seventh Street, S.W.
Washington, D.C. 20590

To Whom It May Concern:

Here is a copy of a roadside inspection by a Texas Trooper. As an Intermodal carrier this is a prime example of what our industry is up against.

As the Safety Director for Empire Truck Lines, Inc. and with more than 30 years experience in trucking industry, I am very aware of the problems with equipment that our drivers pick up from steamship companies. Our drivers try very hard to make sure that the equipment is roadworthy and safe. But without the time or tools to do an adequate inspection. our drivers routinely receive equipment that is not roadworthy.

Then they get citations like the one I've included. In this case the Texas Trooper found that the chassis had slack adjuster problems. These were existing problems with the equipment not easily detectable by the driver. The problems certainly didn't occur on the road since the driver was only 90 miles from the terminal when the inspection was done. This is just one of many cases in which we were responsible for problems with somebody else's equipment.

Something has got to be done to make steamship companies accountable for their equipment instead of pushing it back at trucking companies who are trying to operate as safely as possible. Thank You

Sincerely

Whom Box
Director of Safety

ATTACHMENT 4

ATA-P-0029

DRIVER'S COPY

TEXAS DEPARTMENT OF PUBLIC SAFETY
LICENSE AND WEIGHT

LD-3 (Rev. 1/86)

ARREST TRK.
 COM. VEH.
 CRIMINAL ARREST

N715826

CDL: MAZ. M.V. 18 PASS. BUS INTERSTATE INTRASTATE
 OVER 25,000 S.S.#: 7031-01-2366

LEVEL OF INSPECTION (1-5)
 DRIVER/VEHICLE INSPECTION
INSPECTION ACTIVITIES: AC DS SW TE

DATE: 01-10-97 TIME: 0106 A.M. COUNTY: 8111 HWY: 64257 M.P.R. 1187
LESSEE/VC: Empire Truck Lines, Inc. DATE: 11-9-92
ADD/CITY/ST/ZIP: 10043 Wallisville Rd. Houston TX 77029 ICCB: 153666
OWNER: _____ STATE: _____
ADD/CITY/ST/ZIP: 5516 Conete Houston TX 77017
OPERATOR: _____ DOB: 11-11-65 RACE/SEX: W/M
ADD/CITY/ST/ZIP: 9522 Wadsworth 4129 Houston TX 77036
D.L.#: A141 06777011 STATE: TX MEDICAL CARD: 17-27-78

LOAD DISP: 0 00 00 86
RG. WT. 80,000
PERMIT #

#	TYPE	MAKE	CO. #	PLATE #	STATE
1	TR	KW	977	P508KS	TX
2	ST	Summit	13083	HP566158	OK
3					
4					

VIOLATIONS CHARGED: 1 MCGA 396-3A1 Push Rod out of Adjustment ALL GED SPEED: _____
2 _____ SPEED LIMIT: _____

WARNING: _____
I HEREBY PROMISE TO APPEAR AT THE TIME AND PLACE DESIGNATED IN THIS NOTICE.
SIGNATURE: [Signature] THIS IS NOT A PLEA OF GUILTY

SHIPPING #: 53656 CONSIGNOR: [Signature] CONSIGNEE: Homeport
COMMODITY: 404 tires & wheels ORIGIN: Weatherford, TX DESTINATION: Houston, TX

1-4	5-8	9-12 (PG 10)	CODE	AD7	HW7	PLACARDS REQUIRED	AXLE 1	AXLE 2	AXLE 3	AXLE 4	AXLE 5	AXLE 6	AXLE 7	AXLE 8
1-4	5-8	9-12		Y	N	Y	1	2	2	2	2			
1-4	5-8	9-12		Y	N	Y	3	2	2	2	2			

SEAL #S REMOVED: _____ DEPT. SEAL #, INSTALLED: _____ CVSA DECAL-TT: _____ CVSA DECAL-ST: _____ CVSA DECAL-ST: _____

TICKET ISSUED	VIOLATION IDENTIFICATION NUMBER	UNIT NO.	OUT/SVS	DCS DSP	VIOLATIONS DISCOVERED
	319631A11	1	2	+	Push Rod out of Adjustment 4-11
	319631A11	1	2	+	Push Rod out of Adjustment 4-18
X	319631A11	1	2	+	Push Rod out of Adjustment 5-11
	319631A11	1	2	+	Push Rod out of Adjustment 5-18
	319631A11	1	1	+	Push Rod out of Adjustment 2-10
	319631A11	1	1	+	Push Rod out of Adjustment 3-10
	31913701	1			loose 54 wheel bolt 1-99 1/11

SEE CONTINUATION SHEET YES/NO TROOPER REFERRAL ID: 7560
VEHICLE Purchased or otherwise acquired in VCS Article 6875d I hereby declare vehicles with license numbers by an "X" in the Out of Service column of this report Out of Service. The parties shall remain the out of service notices required to track vehicles in question until such time as the vehicle is returned with proper tags and the vehicle has been returned to the reporting condition.

TROOPER COMMENTS: _____

REPORT PREPARED BY: Ronnie Appewhite A. SERVICE/ID/REGION/AREA: LX621946C B. TIME COMPLETED: 01:45 AM PM COPY RECEIVED BY: [Signature]

ATA-P-00296

A service of the *LaGrange Daily News*

INTERNATIONAL PAPER COMPANY - 105 Pegasus Parkway

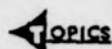
Employees: 25

International Paper Company in LaGrange makes metal edged aluminum foil and plastic wrap folding cartons.



International Paper is the world's largest forest product company. Product lines include paper, paperboard, packaging and lumber, complemented by related specialty products and an extensive distribution system. The company operates nearly 500 facilities throughout the Americas, Europe and Asia on behalf of customers in 130 nations. International Paper owns or manages more than six million acres of timberlands in the United States, making us one of the nation's largest private landowners. The company employs more than 80,000 people with annual sales in excess of \$20 billion.

In the next five years International Paper will continue its aggressive growth strategy through expansion of existing product lines, development of new product lines and acquisition of other companies.



IL CC 2
MO DOT NS 8001
MT PSC NS 8001

NY DOT NS 8001
PA PUC NS 8001

VA SCC NS 8001
WV PSC NS 8001

DCO NS 8001



NORFOLK SOUTHERN RAILWAY COMPANY

TARIFF NS 8001

(For Cancellation, see Page 2)

LOCAL, JOINT AND PROPORTIONAL TARIFF
PUBLISHING
SWITCHING AND TRANSFER CHARGES:
ABSORPTION OF SWITCHING AND TRANSFER CHARGES
AT STATIONS
NAMED HEREIN

This Tariff is also applicable on Intrastate Traffic.

SWITCHING TARIFF

Governed by Classification and by Exceptions as provided in Item 5.

ISSUED December 7, 1990

EFFECTIVE January 1, 1991

Issued by

W. C. POWELL, Sr. Director
MARKETING SERVICES-NORFOLK SOUTHERN CORPORATION
8 North Jefferson Street
Roanoke, VA 24042

JCS-650-JAH/GRL
(Filed with AL, GA, KY, MS
MD, NC, SC, TN)

Auth: D-8001
01

ENRS P 000461

TARIFF NS 8001

SECTION 1
 RECIPROCAL AND INTERMEDIATE SWITCHING

ITEM	STATION	INTERCHANGE WITH CONNECTIONS	SWITCHING CHARGES (In dollars per car, unless otherwise indicated)
1180	ATLANTA, GA	CSXT.....	\$250.00
1200	AUGUSTA, GA	CSXT.....	\$250.00
1210	AVON LAKE, OH	CR (So. Lorain, OH)	\$390.00 (See Notes 1, 2 and 3)

EXPLANATION OF NOTES

- NOTE 1 - Charge will only apply on motor vehicles loaded in bi-level and tri-level cars switched between interchange tracks with CR at South Lorain, OH and Ford Motor Co./Nissan Motor Corp. Ohio Truck Plant (loading/unloading facility) at Avon Lake, OH.
- NOTE 2 - Charge will only apply on shipments originating at Wayne, MI or Metuchen (Edison), NJ or on shipments destined to Ford, MA, Newark (Doremus Ave), NJ or Selkirk, NY.
- NOTE 3 - On Nissan Motor Corp. traffic only, charge will be \$434.00 per car, charge includes motor vehicle loading fee.

1220	BESSEMER, AL	BS..... CSXT.....	\$175.00 \$250.00
1240	BIRMINGHAM, AL	BN..... BS..... CSXT.....	\$175.00 \$175.00 \$250.00
1250	BISHOP, KY (FAYETTE CO)	CSXT.....	\$250.00
1290	BLOOMINGTON, IL	CR..... SSWN.....	\$390.00 \$207.00
1300	BOYCE, TN	CSXT.....	\$250.00
1380	BUCYRUS, OH	CR (Interchange at Marion, OH)	\$390.00
1400	BUFFALO, NY	ALL EXCEPT (See Note 1) CR (See Note 2) CSXT (See Note 1)	\$156.00 R \$459.00 \$250.00
	INTERMEDIATE SWITCHING	\$ 98.00

EXPLANATION OF NOTES

- NOTE 1 - NS Motor Vehicle Facility open only on automobiles from Halifax, NS when received from CN-GTE at station 14005.
- NOTE 2 - NS Motor Vehicle Facility open only on automobiles from Edison assembly plant at Metuchen, NJ when received from CR.

R - Reduction.

ISSUED May 2, 1997

EFFECTIVE May 5, 1997

ISSUED BY
 J. H. HUDDLESTON, MANAGER
 PRICING SERVICES - NORFOLK SOUTHERN CORPORATION
 110 Franklin Road, S.E.
 Roanoke, VA 24042-0047

ENRS P 000476

BEFORE THE
SURFACE TRANSPORTATION BOARD



AUG 12 1997

DOCKET NO. AB-227 (SUB-NO. 10X)

WHEELING & LAKE ERIE RAILWAY COMPANY
-- ABANDONMENT EXEMPTION --
IN STARK COUNTY, OHIO

AUG 12 1997

PETITION FOR EXEMPTION OF
WHEELING & LAKE ERIE RAILWAY COMPANY

FEE RECEIVED

AUG 14 1997

EXPEDITED CONSIDERATION REQUESTED

SURFACE
TRANSPORTATION BOARD

William A. Callison
Vice President Law
Wheeling & Lake Erie Railway
Company
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ATTORNEYS FOR WHEELING & LAKE ERIE
RAILWAY COMPANY

Dated: August 11, 1997

BEFORE THE
SURFACE TRANSPORTATION BOARD

DOCKET NO. AB-227 (SUB-NO. 10X)

WHEELING & LAKE ERIE RAILWAY COMPANY
-- ABANDONMENT EXEMPTION --
IN STARK COUNTY, OHIO

PETITION FOR EXEMPTION OF
WHEELING & LAKE ERIE RAILWAY COMPANY

Pursuant to 49 U.S.C. § 10502 and the regulations of the Surface Transportation Board (the "Board") at 49 C.F.R. § 1121, Wheeling & Lake Erie Railway Company ("W&LE") hereby petitions the Board for an exemption from the prior approval requirements of 49 U.S.C. § 10903 to abandon its line of railroad known as the "Massillon Branch" extending between milepost 22.05 at Run Junction near Navarre, Ohio and the end of track at milepost 16.40 near Massillon, Ohio, a distance of approximately 5.65 miles in Stark County, Ohio. A map showing the location of the line to be abandoned is attached to this Petition as Exhibit A. A draft Federal Register notice of this Petition in the form prescribed by 49 C.F.R. § 1152.60(c) is attached hereto as Exhibit B. For the reasons set forth below, W&LE requests that the Board expedite its consideration of this Petition and issue its decision to be effective by November 1, 1997.

As shown below, the Massillon Branch has been embargoed since October of 1995 due to track conditions and would require significant repair and rehabilitation to be returned to service. There is no reasonable prospect for the development of sufficient

rail traffic to allow profitable operations on the line in the future. The only shipper to utilize the Massillon Branch in the last several years is also served by Consolidated Rail Corporation ("Conrail"), has access to service from a third rail carrier, and has chosen to utilize Conrail and motor carriers to meet its shipping needs. That shipper has been contacted by W&LE and has indicated that it does not oppose the proposed abandonment. A copy of this Petition has been served on that shipper.

EXPEDITED CONSIDERATION REQUESTED

W&LE respectfully requests that the Board give this petition expedited consideration and grant the requested abandonment exemption to be effective by November 1, 1997 or as soon thereafter as practicable. As explained below, the nearly \$130,000 cash from salvage of the track materials on this line is vital to W&LE's short-term viability. W&LE's financial condition has deteriorated sharply since last fall, due in largest part to lost revenue from a protracted 10-month strike at W&LE's largest customer, Wheeling-Pittsburgh Steel Corporation. It now appears that the Wheeling-Pitt strike will end shortly (a tentative agreement has been reached between Wheeling-Pitt and its unions), and W&LE is hopeful that traffic levels will eventually return to historical levels. In the short term, however, Wheeling-Pitt's resumption of production will further squeeze W&LE financially, as the railroad incurs substantial additional operating expenses for which the corresponding freight revenue will not be received for several months. The proceeds from salvage of the

Massillon Branch are critical to W&LE's viability during this "lag" period.

W&LE notes that no traffic has moved over the Massillon Branch for nearly 22 months, and that by October the line would qualify for the out-of-service class exemption codified at 49 C.F.R. § 1152.50. Use of the class exemption procedure, however, would preclude the abandonment from becoming effective any earlier than December 9, 1997. W&LE is thus filing this petition for exemption -- and paying the higher filing fee -- in the hope that a decision can be issued and effective earlier than would be the case under the class exemption procedure.

Particularly given the out-of-service status of the Massillon Branch, the availability of multiple rail and motor carrier options to the sole former shipper on the line, and that shipper's indication that it does not oppose abandonment, W&LE respectfully suggests that expedited handling would be reasonable and appropriate. Accordingly, W&LE requests that the Board expedite its consideration of this exemption petition and issue its decision to be effective by November 1, 1997 or as soon thereafter as practicable.

I. IDENTIFICATION OF PETITIONER

Petitioner W&LE is a Class II common carrier by rail which owns or operates approximately 850 miles of rail line in the states of Ohio, Pennsylvania, West Virginia and Maryland. W&LE's principal routes extend from Connellsville and Pittsburgh, Pennsylvania to Bellevue, Ohio; from Brewster and Canton, Ohio to Cleveland, Ohio; and from Mogadore and Akron, Ohio to Carey,

Ohio. W&LE also operates over CSX Transportation, Inc. between Connellsville and Hagerstown, Maryland pursuant to trackage rights.

W&LE began operations in May, 1990 after acquiring its core rail lines from Norfolk and Western Railway Company ("N&W"). See Wheeling Acquisition Corporation -- Acquisition and Operation Exemption -- Lines of Norfolk and Western Railway Company, Finance Docket No. 31591 (ICC served May 7, 1990 and December 28, 1990). W&LE's rail lines include most of the rail lines of a former N&W subsidiary of the same name. That subsidiary was merged into N&W in 1988.

The complete name and address of petitioner W&LE is:

Wheeling & Lake Erie Railway Company
100 East First Street
Brewster, OH 44613.

II. DESCRIPTION OF LINE TO BE ABANDONED

W&LE's Massillon Branch is a single-track, stub-ended branch line which extends approximately 5.65 miles northwest into Massillon, Ohio from a connection with W&LE's Brewster-Cleveland main line at Run Junction near Navarre, Ohio. The line includes the station of Massillon at approximately milepost 16, and traverses United States Postal Service ZIP codes 44647, 44618, 44662 and 44616. The Massillon Branch is the remaining segment of a longer branch line which at the time of W&LE's creation in 1990 extended to Dalton, Ohio. W&LE abandoned the line between Massillon and Dalton in 1995. Wheeling & Lake Erie Railway Company -- Abandonment Exemption -- In Stark and Wayne Counties, Ohio, Docket No. AB-227 (Sub-No. 4X) (ICC served April 19, 1994).

The Massillon Branch is in generally poor condition. The track is equipped predominantly with 90-pound rail rolled in 1926. There are also approximately 18 lengths of 110-pound rail rolled in 1943. Ties are in fair to poor condition, while ballast and the three bridges on the line are in fair condition. The line was embargoed due to poor track conditions on October 20, 1995, and no service has been provided over the line since that time. Prior to its embargo the Massillon Branch was classified as FRA excepted track. W&LE estimates that the cost to rehabilitate the Massillon Branch to minimum FRA Class 1 standards in order to restore service would be \$250,000. Abandonment would eliminate the need for W&LE to make this expenditure and permit W&LE to realize the net liquidation value of the line, which W&LE estimates to be approximately \$128,000.

The width of the Massillon Branch right-of-way varies from 60 feet to 150-200 feet, depending on the location. Pursuant to 49 C.F.R. § 1152.60(d), W&LE states that, based on information in its possession, the Massillon Branch does not contain federally granted rights-of-way. Any relevant documentation on this subject in W&LE's possession will be made available promptly to those requesting it.

At the time of the embargo of the Massillon Branch on October 20, 1995, the sole shipper on the line was Republic Engineered Steel at Massillon. Gross revenue from Republic's traffic on the Massillon Branch amounted to \$30,492 in 1994 and \$46,751 in 1995. No traffic of any kind has moved on the

Massillon Branch in the last 21 months. Since the line is a stub-ended branch, no overhead traffic was handled on the line.

Republic's plant at Massillon also is served by Consolidated Rail Corporation ("Conrail"). Prior to W&LE's embargo of the Massillon Branch, Republic used Conrail, W&LE and trucks for its shipments. In 1995, Republic advised W&LE that it had entered into a transportation contract with Conrail in which Republic committed to route substantially all of its rail traffic via Conrail. Since the Massillon Branch was embargoed approximately 21 months ago, all of Republic's inbound and outbound shipments have moved by Conrail or truck.

Following abandonment of the Massillon Branch, direct rail service from Conrail will continue to be available to Republic. In addition, the R.J. Corman Railroad Company/Cleveland Line ("Corman") is adjacent to Republic's plant. Rail service from Corman, a Class III shortline which connects with W&LE, Conrail and CSX Transportation, Inc., would be available to Republic if the former switch connection between Corman's line and Republic's industry tracks was reinstalled. Rail service from W&LE also will continue to be available via loading tracks at W&LE's Neomodal intermodal terminal at Navarre, Ohio, approximately 5 miles from Republic's facility.

III. JURISDICTION AND STATUTORY STANDARDS

The Board has jurisdiction over the proposed abandonment of W&LE's Massillon Branch pursuant to 49 U.S.C. § 10903. Generally, a common carrier by rail must obtain authority from the Board under Section 10903 before abandoning a

line of railroad. However, 49 U.S.C. § 10502 requires the Board to exempt a person, transaction or service from the statutory and regulatory requirements otherwise applicable to a rail carrier when the Board determines that: (1) application of those requirements is not necessary to carry out the rail transportation policy 49 U.S.C. § 10101; and (2) either (a) the transaction is of limited scope or (b) regulation is not needed to protect shippers from an abuse of market power.

IV. CRITERIA OF 49 U.S.C. § 10502

A. Detailed Scrutiny Under 49 U.S.C. § 10903 Is Not Necessary To Carry Out The Rail Transportation Policy Of 49 U.S.C. § 10101.

Granting W&LE an exemption to abandon the Massillon Branch will promote the goals articulated in the national Rail Transportation Policy, 49 U.S.C. § 10101. For example, by permitting W&LE to avoid the expense of retaining and maintaining a line which generated limited traffic and revenue before its embargo and which now requires substantial rehabilitation, exemption will encourage the honest and effective management of railroads and promote the development of an economically sound and efficient transportation system. 49 U.S.C. §§ 10101(3), (4), (5) and (9). W&LE estimates that rehabilitation of the Massillon Branch to minimum FRA Class 1 standards in order to restore service to Republic would cost \$250,000 and require W&LE to forego over \$125,000 in net liquidation value. W&LE is simply not in a position to expend such resources on an unneeded rail line. Indeed, at the current cost of capital of 11.9%, Railroad Cost of Capital -- 1996, Ex Parte No. 558 (STB served July 16,

1997), the expected return on the required investment alone (without consideration of W&LE's operating costs) would be \$45,000 -- an amount equal to or greater than the total gross revenue generated by the Massillon Branch in the years before Republic rerouted all of its rail traffic to Conrail. There is no reasonable likelihood that the Massillon Branch could be operated profitably, and no justification under the criteria of Section 10101 to burden W&LE with retention of the line.

The rail transportation policy also provides that the Board should minimize the need for federal regulatory control over the rail transportation system, expedite regulatory decisions and reduce barriers to exit. 49 U.S.C. §§ 10101(2), (7), and (15). The statutory exemption procedure of Section 10502 obviates the need for the expensive and time-consuming processes attendant to a proceeding under Section 10903, including the costs of preparing an application. Reliance on the adequate and expeditious exemption procedure herein would minimize Board regulation of this transaction and reduce the regulatory burden on W&LE.

None of the other rail transportation policy criteria will be adversely affected. No rail service of any kind has been provided on the Massillon Branch since October, 1995. The only previously active shipper on the Massillon Branch, Republic, has used Conrail and motor carriers for all of its shipments during the last 21 months and has no apparent further need for rail service from W&LE. Republic has been advised of the proposed abandonment and has indicated that it does not object.

Alternative rail and motor carrier service is available to all potential shippers in the area.

B. The Transaction Is Of Limited Scope.

The transaction for which exemption is sought consists solely of the abandonment of an embargoed rail line totaling 5.65 miles in a single county in one state. No rail service has been provided on the Massillon Branch for 21 months, and the only previous shipper on the line has numerous alternative transportation options. There are no reasonable prospects for future rail traffic on the Massillon Branch, particularly given that no traffic besides that of Republic has moved over the line for at least several years. The proposed abandonment clearly is of limited scope.

C. Regulation Is Not Necessary To Protect Shippers From An Abuse Of Market Power.

Since this transaction is of limited scope, W&LE does not need to demonstrate that regulation is unnecessary to protect shippers from abuse of market power. 49 U.S.C. § 10502(a)(2). Even so, it is clear that this transaction will not and cannot subject shippers to any market power abuse.

Republic, the only previously active shipper on the Massillon Branch, now receives all of its transportation service from another rail carrier and motor carriers, and has done so for nearly two years. Furthermore, Republic has access to service from yet a third rail carrier. W&LE has contacted Republic regarding abandonment of the line, and Republic has indicated that it would not oppose the proposed abandonment. Accordingly,

regulation by the Board of this abandonment is not necessary to protect any shipper from an abuse of market power.

V. LEVEL OF LABOR PROTECTION TO BE IMPOSED

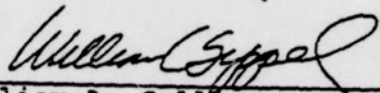
W&LE does not anticipate any adverse impact on employment levels as a result of this proposed abandonment. No operations or maintenance have been conducted on the Massillon Branch for the last 21 months. W&LE agrees that the appropriate level of employee protection to be imposed on this abandonment is that established in Oregon Short Line R. Co. -- Abandonment -- Goshen, 360 I.C.C. 91 (1979).

VI. ENVIRONMENTAL REPORT

In accordance with the requirements of 49 C.F.R. § 1105.7(a), 1105.8(a) and 1121.3(a), an Environmental/Historic Report is attached as Exhibit C to this Petition.

WHEREFORE, W&LE respectfully requests that the Board exempt from the prior approval requirements of 49 U.S.C. § 10903 the abandonment of W&LE's Massillon Branch between milepost 22.05 at Run Junction near Navarre and milepost 16.40 near Massillon in Stark County, Ohio.

Respectfully submitted,

By: 
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(330) 767-3401

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(312) 616-1800

ATTORNEYS FOR WHEELING & LAKE ERIE
RAILWAY COMPANY

Dated: August 11, 1997

POOR'S
MANUAL
1889.

AMERICAN BANK NOTE CO.

100 NASSAU ST.
NEW YORK

PRINTING AND LITHOGRAPHING,
AND ALL KINDS OF BOOKS,
PAMPHLETS, CARDS,
STOCK CERTIFICATES,
TICKETS, MAPS, COLLECTIBLES, ETC.

The following extracts from the report of the Board of Directors for 1888 are appended as of interest in connection with the preceding historical sketch of the Illinois Central Railroad Company:

"LINES IN SOUTHERN STATES.

"The satisfactory income derived from your investments south of the Ohio River has been increased by the acquisition of the Mississippi and Tennessee Railroad, which, as set forth in the annual report for 1886, obviated the necessity of constructing a new road to Memphis, and has greatly strengthened your system. Since the Chicago, St. Louis and New Orleans Railroad was leased in 1882 for a guarantee of the interest on its \$18,000,000 bonds at a dividend of four per cent. upon its capital of \$10,000,000, expenditures have been made on the Yazoo & Mississippi Valley Railroad, and on the Canton, Aberdeen and Nashville Railroad, aggregating \$4,197,424.58. More purchases of shares and bonds of the Mississippi & Tennessee Railroad Company were made during the last year, and the entire investment in that property is \$2,906,213.62, from which there was received during the past year a net income of \$77,791.87. Since the first of January, 1889, the Mississippi and Tennessee Railroad Company has been consolidated with the Chicago, St. Louis & New Orleans Railroad Company, and will hereafter be known as the Memphis Division. It will be leased to the Illinois Central for the remainder of the term of the lease of the Chicago, St. Louis & New Orleans, that is until the year A. D. 1932, for an annual rental of not less than \$130,000, nor more than \$140,000, and arrangements have been perfected whereby the entire investment made in the Mississippi & Tennessee Railroad will immediately be turned into cash. This lease is on terms more favorable to your company than that of the Chicago, St. Louis & New Orleans Railroad, for which there was guaranteed a rental equivalent to nearly forty per cent. of the gross earnings. The gross earnings of the Mississippi and Tennessee Railroad Company in 1888 were \$476,025.63, of which \$140,000 are less than thirty per cent. As those earnings have for many years averaged about half a million of dollars, there is no doubt that, in its present improved physical condition, the railroad will yield an annual return greater than the maximum rental.

"CHICAGO, MADISON & NORTHERN RAILROAD.

"Trains began to run regularly in August last on the Chicago, Madison & Northern Railroad from a point in the city limits of Chicago to Freeport, Madison & Dodgeville. The earnings have, however, been expended on the road, and not included in those of the Illinois Central. On January 1, 1889, that railroad was turned over to the Illinois Central, and the earnings will hereafter be included in the reports of your company. Owing to the large outlay necessary to secure suitable facilities in Rockford, to the high price of land in and about Chicago, and to requirements of the various municipal authorities with regard to highway crossings and viaducts, and to the cost of errors made by engineers, the cost of this railway has surpassed the estimates. While the cost may reach for thousand dollars per mile, it is less than that of any other railroad which has purchased an independent tract into the City of Chicago during the past ten years. That part lying between Chicago and Freeport has been constructed across the drainage of a rolling country, with grades not exceeding one-half of one per cent. (26.4 feet per mile), and with a minimum of curvature. Valuable ground has been purchased in Rockford. Land in Freeport, Wisconsin, commodious shops thereon, has been secured, and a large round-house and other buildings erected thereon. The construction of this railway gives to your company a direct line of its own from Freeport into Chicago, over which the large tonnage from Iowa and the North Division is now promptly carried without allowing \$250,000 per annum to another corporation for a service on 120 miles of its railroad. The distance from Freeport and all points west of it to Chicago is shortened by nearly twenty miles. During the coming year further expenditures will be made on the Chicago, Madison & Northern Railroad to an amount not exceeding six hundred thousand dollars, which will complete these 230 miles of railroad.

"RANTOUL RAILROAD.

"The alteration of the Rantoul Railroad from a narrow to the standard gauge, has entailed a further outlay chiefly for steel rails and for ties, of \$43,071.79. It is estimated that the expenditure of \$50,000 during the coming year will complete the rebuilding of that railroad.

"DUNLEITH & DUBUQUE BRIDGE COMPANY.

"Early in the year your Directors purchased all the shares in the Dunleith & Dubuque Bridge Company, then owned by the Illinois Central. With the Bridge Company a contract had been made in 1867 whereby the Illinois Central Railroad Company and the Dubuque & Sioux City Railroad Company bound themselves, perpetually, to use the bridge and to pay for the right to run their trains over it, rates of toll, which amounted in the year 1886 to \$163,392.15, and in 1887 to \$163,122.88. Contracts have been made between the Bridge Company and the Chicago, St. Paul & Kansas City and the Chicago, Burlington & Northern Railroad Companies, where the latter companies pay for the use of the bridge, \$48,000 per annum, and a proportionate share of the expense of operating it. The dividends from the shares of the Bridge Company have been satisfactory.

"RELATIONS WITH OTHER CORPORATIONS.

"Contracts were also made with the Chicago, St. Paul & Kansas City Railroad Company for the use by the Company of fourteen miles of the Illinois Central track between East Dubuque and Portage Curve, at a rental of \$15,000 per annum and a proportionate share of the expenses, with a stipulation that in case the Illinois Central should build or acquire a double track between these points, the lessee shall have the use of it on the payment of three per cent. upon its appraised value. In 1886 the Chicago, Burlington & Northern Railroad Company entered upon land of the Illinois Central between East Dubuque and Portage Curve, and began proceedings at law to condemn about one-half of your company's right of way between those points, and laid tracks thereon, the Iowa courts sustaining its right to do so under the Illinois statutes; the supreme court of the State, however, overruled this decision, decreeing that the judgment of the court below should be reversed and the cause remanded with directions to that Court to dismiss the petition as to the parts of the right of way of the appellant longitudinal sought to be condemned, which has been done. A contract has been made with the Chicago, Burlington & Northern Railroad Company whereby, upon the payment of \$175,000, the Illinois Central is to receive the thirty miles of road which were built by the Chicago, Burlington & Northern Company, including 2½ miles built on land not owned by the Illinois Central; and the Chicago, Burlington & Northern Railroad Company is to lease the right to run its trains over the double track railway, so formed, at the fixed rental of \$23,000 and its proportion of maintenance beginning on March 1, 1889. This will enable your company to furnish to the Chicago, St. Paul & Kansas City Railway Company the use of a double track between these points, and thereby secure an enhanced rental.

"The Illinois Company has no contracts with any persons, or corporations, operating fast-freight, steamboat, or steamship lines, or ferries; nor has it any contracts with bridge companies, except the Dunleith & Dubuque Bridge Company, which it controls. All contracts with express companies are terminable within a year, and those with the Western Union Telegraph Company, and the Pullman Palace Car Company, are subject to revision at short intervals, and are terminable at the option of this Company within three or four years, with the exception of contracts with the Western Union Telegraph Company for business in Illinois, which run until 1890. The last named were made in consequence of a previous, perpetual and exclusive contract, entered into by

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HISTORICAL DEVELOPMENT

of the

LOUISVILLE & NASHVILLE

RAILROAD SYSTEM

W. R. COLE

LOUISVILLE & NASHVILLE RAILROAD CO.
OFFICE OF THE PRESIDENT
LOUISVILLE, KY.

HISTORICAL DEVELOPMENT
OF THE
LOUISVILLE AND NASHVILLE RAILROAD SYSTEM.

—*—
INTRODUCTORY NOTE.

This history has been written with the purpose of recording, chronologically, the main features of the development of the railroad system operated by, and under the name of, the Louisville and Nashville Railroad Company as it existed on June 30, 1917. It is based on data obtained from the annual reports and other records of the Company, supplemented to some extent by information taken from Poor's Manuals as to the history of independent railroads prior to their acquisition by the Louisville and Nashville Railroad Company. No attempt has been made to deal with matters of finance or details of operations, but there has been covered the building and development of the original lines forming the nucleus of the present system; the visions, the hopes and the aspirations of the projectors, as well as difficulties, financial storms, etc., successfully weathered; including, also, a picture of the competitive and connecting transportation systems in existence during the early days of the Company, and the traffic and travel hoped to be gained and developed by the new road. Step by step, the history shows the acquisition of independent railroads and the building of new lines to be added to the system, the reasons why they were acquired or built, and a brief prior history of the acquired roads. The history does not attempt to show the development of terminals, either by construction, or through trackage agreements with other carriers.

JOSEPH G. KERB,
Assistant to Vice-President, Traffic,
Louisville & Nashville Railroad Company.

January 1, 1926.

While the surveys were being made between Louisville and Nashville, the chief engineer made a reconnaissance of the line extending from Memphis, Tenn., to an intersection of the proposed road at or near Bowling Green, Ky., many influential individuals in Kentucky and Tennessee having felt a deep interest in the establishment of a railroad connection between Louisville and Memphis.

Solicitations were also made about the same time to construct a branch of the new road to Lebanon, Ky.

PERIOD FROM OCTOBER, 1852, TO OCTOBER, 1855.

On October 23, 1852, the Board of Directors of the Company ordered the location and purchase of the depot grounds on Broadway between 9th and 10th Streets, extending to Kentucky Street in Louisville, Ky., in order to prepare for the operation of the first part of the road which it was proposed to construct southward from Louisville to Muldraugh's Hill, a distance of 33 miles.

The depot grounds being located, a proposal was made by C. A. Olmstead and Company, and accepted by the Company, to erect thereon machine shops and to construct locomotives, rolling stock and machinery of all kinds for the Company.

On December 18, 1852, an order was issued locating the first division of the road, commencing at the depot on Broadway in Louisville, thence in the direction of Shepherdsville, there crossing Salt River, thence continuing to the summit of Muldraugh's Hill, thence to Elizabethtown, Ky. A further order of the board was issued, locating the road from Elizabethtown so as to cross Green River at or near Munfordville, Ky., and thence to Bowling Green, Ky., a distance of about 113 miles. In the meantime, parties were kept in the field between the towns of Bowling Green, Ky., and Nashville, Tenn., to ascertain the most favorable route between these points, which resulted in making Franklin, Ky., a point on the road and thus completing the location of the entire road from Louisville to Nashville.

On April 13, 1853, a contract was let by the Louisville and Nashville Railroad Company to build the railroad according to the specifications and instructions of the chief engineer, the entire work to be completed in two and a half years from the commencement, which, by order of the board, was made the first Monday in May, 1853.

On June 18, 1853, an order was issued directing the purchase of the first iron rails, consisting of 3,000 tons, to be delivered in the months of January, February and March, 1854, with a further amount of 17,000 tons, upon a contingency indicated by the uncertainty of the money markets of the country at that time.

During this period the Louisville and Nashville Railroad Company was being solicited by citizens and counties along the line to build the proposed branch from Bowling Green, Ky., to Memphis, Tenn., there to connect with the "perpetual navigation of the Mississippi." Assistance offered by various counties in the way of stock subscriptions left little doubt of the ability of the Louisville and Nashville Railroad Company to construct said branch.

A spirit no less enterprising also sprung up in counties to the southeast of the new line, desiring a branch of the new railroad from some point south of Salt River through the counties of Nelson and Marion, in the direction of Knoxville, Tenn. Marion County, Ky., had already voted financial assistance, which, if properly seconded by Nelson County, Ky., was felt sufficient to insure the construction of a branch to Lebanon, Ky., which the President of the Louisville and Nashville Railroad Company, on October 1, 1853, said "must ultimately be extended into East Tennessee, and thence by roads completed to the Southeastern Atlantic."

Ground was broken for the construction of the Louisville and Nashville Railroad by the contractors in May, 1853, and the work of grading, masonry, bridge and railway superstructure was executed until May 1, 1854, at which time, because of pecuniary embarrassments, its suspension was ordered and the force gradually withdrawn from the various points along the line, until a total suspension took place in June, 1854.

On October 8, 1853, the Louisville and Nashville Railroad acquired, by purchase, the Bowling Green Portage Railway, which had constructed, in 1836, a railroad from Bowling Green, Ky., to the Barren River, 1.30 miles in length.

During the months of July and August, 1854, efforts were made to recommence work upon the first 30 miles south of Louisville for the purpose of completing and bringing into use that portion of the road. The project also had in view the reaching, by means of a branch road, from the terminus of the 30 miles, the towns of New Haven and Lebanon, Ky., and securing at Lebanon the trade of a large and fertile portion of the state. Work was commenced upon the line by a new contractor in September, 1854, but owing to the embarrassed condition of the treasury of the Company it was not deemed prudent to force the work with very great dispatch; however, a moderate force, suited to the finances of the Company, was steadily employed during the winter of 1854-1855, which was gradually increased in the spring of 1855. By September, 1855, most of the roadbed was ready for the reception of

the rails and bridge superstructure in readiness for erection as soon as the rails were laid.

On August 27, 1855, the track had reached a point 8 miles from Broadway in Louisville, Ky.; on September 17th, 1855, 12¼ miles had been laid, with a prospect of completing the first 30 miles by November, 1855.

At this time the Company possessed 3 locomotives, 2 passenger cars, 1 baggage car, 75 platform cars, 75 gravel cars and 2 hand cars, most of which were being used in construction work on the new line.

A number of contracts were let during the period for construction of the Lebanon Branch, and it was estimated that the branch would be completed by June, 1856.

The construction of the road during this period was proceeding very slowly and under very trying conditions, financially and otherwise. There seemed to be an impression in the public mind that the construction of the Louisville and Nashville Railroad was an undertaking far beyond the combined means of the cities at its extremities and of the cities it traversed. Troubles were had with the original contractor, resulting in a cancellation of the contract. Public confidence had been largely lost prior to the cancellation of the contract and many cities had refused to comply with the terms of their subscriptions. Severe sickness among the workers also delayed the work.

An exhaustive report made by L. L. Robinson, chief engineer, in June, 1854, as to the preliminary surveys, final location of the original road and prospective revenue of the road, contains a study of the possible sources of revenue from local and through traffic, analyzing in detail the revenue as might be expected from the transportation of products of the forests, products of agriculture, manufactures, merchandise, live stock and coal, all of which, except coal, were expected to be produced in large quantities along the line of the new road. The coal expected to be transported and used along the line between Louisville and Green River was then being supplied from the Ohio River by wagon; from Green River to Tennessee Ridge the supply was obtained from the slack water navigation of Green and Barren rivers at Bowling Green by wagon; and from Nashville to Tennessee Ridge the supply was distributed by wagons and obtained from the Cumberland River.

As to through business, the following is taken from the report of June, 1854:

“By reference to the general map of the railways of the United States herewith, and to which I invite attention, it will be

seen, that your road will have the following railway and river connections from which to draw through trade and travel.

“At your northern terminus, your road will have connections with

1st, The Ohio River (navigable both ways for many hundred miles), which may be considered as the most important of all the highways tributary to your Road.

2nd, With the Louisville and Frankfort Railroad, now in operation to Frankfort, Lexington, and Paris, 113 miles thence in progress of construction by the Maysville and other Companies, to the eastern extremity of Kentucky.

3d, With the Louisville and Covington Railroad, now in progress of construction, about 100 miles, to opposite Cincinnati.

4th, With the Louisville and Sandusky Railroad, at present in progress of construction.

5th, With the Louisville and Cleveland Straight Line Railroad also in progress of construction.

6th, With the Jefferson and Columbus Railroad, completed and in operation.

7th, With the Fort Wayne and Southern Railroad, also in progress of construction.

8th, With New Albany and Salem Railroad, completed and in operation.

“By means of these various railroads, direct communication may be had from the northern terminus of your Road, with all of the eastern, northern, and northwestern cities and states.

“At its southern terminus, your Road will have connections

9th, With the Cumberland River, navigable both ways for considerable portions of the year.

10th, With the Nashville and Chattanooga Railroad, complete and in operation.

11th, With the Tennessee and Alabama Railroad, the first portion of which will be in operation this season.

“It may not be amiss at this place, to describe also the local connections, to wit:

12th, Thirty miles from Louisville, the Lebanon Branch Road diverges, which will eventually be extended to East Tennessee, under your own or some other charter.

13th, One hundred and thirteen miles from Louisville, the Southwestern Branch diverges, which is destined to be extended to the Mississippi River, as also to form connections with, 1st, the Henderson and Nashville Railroad; 2d, with the Cumberland River; 3d, with the Nashville and Northwestern Railroad; 4th, with the Tennessee River; 5th, with the Mobile and Ohio Railroad; 6th, with the Mississippi Central Railroad; 7th, with the Mississippi River at Memphis; 8th, with the Memphis and Little

The Cincinnati Branch of the Louisville, Cincinnati & Lexington Railroad (afterwards acquired by the Louisville and Nashville Railroad in 1881), was completed and opened for business on July 1, 1869, and as an increase in business was expected from this source, and also with the completion of the bridge over the Ohio River between Newport, Ky., and Cincinnati, Ohio, then under contract, efforts were being made to secure a right of way through Louisville so as to give a satisfactory connection with the new road.

The work on the railroad bridge over the Ohio River at Louisville was progressing favorably and completion thereof expected within a year, the effect thereof, and the general condition of the Company being stated by the President in his Report to the stockholders, as follows:

“This will afford us direct and uninterrupted connection with all points north, northeast, and northwest of Louisville. The completion of this noble structure will add very largely to our facilities for business, and greatly increase our income. The rolling stock and entire property of the Company is in a better condition than at any former period. The increase of business, however, will necessarily require a large addition to our rolling stock during the ensuing year. Our depot accommodations and offices are inadequate to your wants, and will call for a considerable expenditure during the coming year to provide for the increasing business of the Company. With new and improved connections in almost every direction, now completed and soon to be completed, by judicious, faithful, and able management on our part, the revenues of the Company will continue to increase; aid will be given to the development of the country, and building of villages and cities, which will make the Louisville & Nashville Railroad all that its Stockholders should desire. The road is just entering into business life. It was opened through to Nashville for traffic in November, 1859, and is therefore less than ten years old (dated from its first through train).”

In connection with the development of through business and fast freight lines, in which work the Louisville and Nashville Railroad Company was a pioneer, the following excerpt from the same Report is of interest and value:

“The increase in the revenue from south-bound freight, both from Louisville to Nashville and via the Memphis Branch to the Southwest, is due to the increased prosperity of the country, and also to the improved facilities which are now offered for the transshipment of freight by this Company and its connecting lines. Freight is now shipped from Louisville to all points in the South

on the Atlantic coast and the Gulf without breaking bulk. The operation of the 'Fast Freight Line' between Louisville and New Orleans has been much improved since the trains of the Mississippi Central Railroad make close connections with our trains at Humboldt."

YEAR ENDING JUNE 30, 1870.

At this time, the total length of road operated was 605.3 miles, the Memphis & Ohio Railroad being continued to be operated under lease, and the Memphis, Clarksville & Louisville Railroad being operated as the agent for the receiver.

As to the Lebanon Branch, the President's Annual Report for 1869-70 stated:

"The traffic of the Lebanon Branch is gradually increasing, and when extended so as to connect with the East Tennessee & Virginia Road we may reasonably expect some return for the large expenditure made.

"By order of your Directors, George MacLeod, Esq., Chief Engineer, has made a survey and estimates for a railroad from London to Cumberland Gap, which is hereby annexed. Two routes have been surveyed—one, 55.2 miles, * * * the other is 54 miles. * * *"

The Lebanon Branch was extended and opened for business shortly after June 30, 1870, to Big Rockcastle River, 11 miles beyond Mount Vernon, Ky., thus entering the western portion of the eastern Kentucky coal fields.

As to the reason for the further development of this line, the following is taken from the same Annual Report.

"General Mahone, President of the Southside Railroad and the Virginia & Tennessee Railroad, reports that he expects soon to effect the permanent consolidation of the several companies, which will make up a line from Norfolk, Va., to Cumberland Gap. There is only about one hundred miles from Bristol to Cumberland Gap to be constructed in Virginia.

"When we shall have received satisfactory evidence that the link from Bristol to the Gap can be constructed, it will remain for you to determine what shall be done to enable us to join rails with the Virginia Railroad at Cumberland Gap, giving us an unbroken connection with the railway system of this great State, and a direct line to Norfolk."

As to the development of through business the following is also quoted:

deposits of brown hematite ore and to secure return loads for cars loaded with coal and coke from the Birmingham District, as well as other traffic. At this time, the Tennessee and Coosa Railroad, which had been purchased by the Nashville, Chattanooga and St. Louis Railway, and connecting with the Anniston and Cincinnati Railroad at Attalla, was being extended northward to a connection with the Nashville, Chattanooga and St. Louis Railway, thus furnishing a valuable connection of the newly acquired road at its northern terminus. Some years later, this line was connected up with the Huntsville Branch of the Birmingham Mineral Division.

The Company constructed during this year, for account of the Birmingham Mineral Railroad Company, the following lines:

Helena & Blocton Branch.

Tocoa to Gurnee Jct., Ala., 9.99 miles.

Red Gap Branch.

Graces to Red Gap Jct., Ala., 10.22 miles.

Dudley Branch.

3.39 miles.

An agreement was entered into with the Southern Railway, for trackage rights over its lines from Gurnee Junction to Blocton, Ala., distance 14.30 miles; from Aden to Belle Ellen No. 2, Ala., distance 6.19 miles; from Seymour to Piper, Ala., distance 3.91 miles; and from

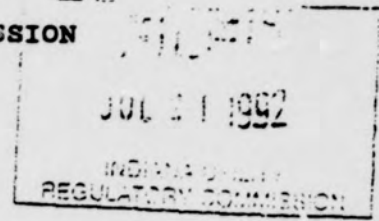
Lumberton Branch:	Gantt's Junction (Gilmore Switch) to Lumberton (Kaupp Junction), Ala., 4.77 miles, completed during fiscal year ended June 30, 1900.
O'Connor Branch:	O'Connor Junction to Skews, Ala., 3.60 miles, completed during fiscal year ended June 30, 1900. (The line from Buek to Skews, Ala., .7 miles, was abandoned September 1, 1902.)
Wewoka Branch:	Wewoka Junction to Wewoka, Ala., 1.37 miles, completed during fiscal year ended June 30, 1900.
Anniston Brown Ore Spur:	Gladden Junction to Mynatt, Ala., 2.54 miles, completed February 28, 1901.
Rock Springs Branch:	Rock Springs to Leba, Ala., 2.33 miles, completed February 28, 1901.

The Alabama Mineral R. R. Co. was operated by its own organization from January 1, 1890, to December 30, 1890, and by the Louisville and Nashville R. R. Co., as owner of entire capital stock until September 29, 1903, when the property, etc., was conveyed to the Louisville and Nashville R. R. Co. and operated as the Alabama Mineral Division.

That portion of the Alabama Mineral Division extending from Shelby to Columbiana, Ala., 5.84 miles, known as the Shelby Iron Company's Standard Gauge R. R., was constructed by the Shelby Iron Company, chartered under special Act of Alabama February 4, 1858. No data is available as to date of construction or operation prior to September 9, 1890, when the property, etc., were sold to M. H. Smith, Trustee, who, on April 16, 1898, sold it to the Louisville Property Company. The property was operated from September, 1890, to December 31, 1891, by the Alabama Mineral R. R. Co. and by the Louisville and Nashville R. R. as part of the Alabama Mineral R. R. until February 1, 1908, when it was conveyed to the Louisville and Nashville R. R. corporation.

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION



IN RE THE MATTER OF THE PETITION OF)
INDIANAPOLIS POWER & LIGHT COMPANY)
FOR REVIEW AND APPROVAL OF ITS)
ENVIRONMENTAL COMPLIANCE PLAN AND THE)
COSTS AND EXPENSES ASSOCIATED THEREWITH)
PURSUANT TO IND. CODE § 8-1-27-1)
et seq., FOR APPROVAL TO TREAT COSTS)
EXPENDED FOR THE DEVELOPMENT AND)
IMPLEMENTATION OF ITS ENVIRONMENTAL)
COMPLIANCE PLANS AS QUALIFIED)
POLLUTION CONTROL PROPERTY UNDER)
IND. CODE § 8-1-2-6.6, AND FOR APPROVAL)
OF RATEMAKING TREATMENT THEREFOR.)

CAUSE NO. 39437

PETITIONER'S SUBMISSION OF PREFILED
TESTIMONY AND EXHIBITS

VOLUME II

- (1) Petitioner's Exhibit JEH -- consisting of the testimony of John E. Haselden, including Exhibits JEH-1 through JEH-4, inclusive.
- (2) Petitioner's Exhibit WFF -- consisting of the testimony of William F. Frazier, including Exhibits WFF-1 through WFF-7, inclusive.

3 IPL's generating stations were designed for Illinois Basin bituminous coal.
4 Technical assessments of the impacts of the various types of coals on boiler
5 performance is addressed in witness Youmans' testimony. In general, the
6 conclusions reached are that lignite and subbituminous coals are not suitable
7 for the boilers but bituminous coals from Western State., the Illinois Basin,
8 and Appalachia can be utilized.

9 **Q12. Please describe how the low coals from the various regions would be transported to
10 IPL generating stations.**

11 (a) IPL does not have any generating stations located on navigable rivers and
12 therefore cannot avail itself of low cost barge transportation. All of the IPL
13 generating stations affected by the CAAA are served by railroads (Indiana
14 Southern Railroad and The Indiana Rail Road). Neither of these railroads
15 extend to the other coal producing regions although they connect with some
16 railroads that do. Subbituminous coal from the Powder River Basin or
17 bituminous Western coal would need to pass over a minimum of three
18 railroad lines. Coal from Appalachia would need to pass over at least two
19 railroad lines. These multi-line hauls are inherently less efficient and more
20 costly than single-line hauls other utilities might have access to. This situation
21 places IPL at a cost disadvantage compared to some other utilities' evaluation
22 of fuel switching to coals from other regions. Petitioner's Exhibit JEH-1

John E. Haselden -- 8

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Q32. Why were producers in other coal producing regions not sent the RFP?

(a) It was decided prior to issuing the RFP that subbituminous coal was not suitable for the boilers in question and was therefore not included in the RFP. Technical assessments of the impact of various types and quality of coals on boiler performance are addressed in Mr. J.J. Youmans' testimony. Bituminous western coal was found to not offer any advantages because of the poor transportation logistics. Appalachian sources were also not specifically solicited because it was expected that Illinois Basin sources would be more numerous and competitively priced than has turned out to be the case. However, a number of producers in Appalachia did respond to the RFP and the best proposals were used in the forecasts.

Q33. Please describe the results of the solicitation relative to Illinois Basin supplies.

(a) Based on the proposals received, the availability of compliance and low sulfur coal in the Illinois Basin is much less than expected. Of the 17 mines listed in Table 3-4 of the EVA report (see Petitioner's Exhibit JEH-2, page 1), only seven were represented in proposals and four of those could not meet specifications for sulfur or chlorine. This left three potential suppliers of which only one is an existing mine. Proposals were received from two

John E. Haselden -- 24



INDIANAPOLIS POWER & LIGHT COMPANY

Indianapolis Power & Light Company is in the process of evaluating its plan for compliance with the Clean Air Act. Initial studies indicated an early scrubbing strategy was the most economical alternative. However, additional review and analysis has caused us to look at fuel switching as a potentially viable alternative. We, therefore, are requesting low sulfur coal proposals which support two competing compliance strategies. The first proposal should address the five-year Phase I period during which IPL would fuel switch Petersburg unit #1 and either Petersburg unit #2 or E. W. Stout Station. This 1.5 million tons per year proposal would not extend beyond five years because scrubbers would be installed for Phase II compliance. The second proposal should address a strategy of fuel switching only Petersburg unit #1. This proposal calls for 700,000 tons per year for twenty years. Please submit proposals for both alternatives.

Ter.:

Proposal 1 - August 1, 1994 through September 30, 1999

Proposal 2 - August 1, 1994 through September 30, 2015

Annual Quantity:

Proposal 1 - 1,500,000 tons +/- 15%

Proposal 2 - 700,000 tons +/- 15%

Delivery Mode: (to be arranged by Buyer)

Proposals 1 & 2 - Petersburg = Conrail or truck

- E. W. Stout = Indiana Railroad or truck

Quality:

Proposals 1 & 2 - Sulfur dioxide maximum of 1.6#/mmBtu

- Heat content minimum of 11,000 Btu/lb.

- Proposals for more or less than 1.6# SO₂/mmBtu will be evaluated relative to their impact on emission allowances. Agreements will contain penalty provisions for SO₂ deviation in addition to premium/penalty provisions for Btu deviations.

- AFT (H=W reducing) 2150° F minimum

INDIANAPOLIS POWER & LIGHT COMPANY
ENVIRONMENTAL COMPLIANCE PROCEEDING

JAMES J. YOUMANS
PROJECT ENGINEER
STONE & WEBSTER ENGINEERING CORPORATION

DIRECT TESTIMONY
ON
TECHNICAL DETAILS, COMPLIANCE OPTIONS
COST ESTIMATES AND IMPLEMENTATION SCHEDULE

SPONSORING
PETITIONER'S EXHIBITS JJY-1 THROUGH JJY-8

PRE-FILING DATE: FRIDAY, JULY 31, 1992
PUBLIC HEARING DATE: WEDNESDAY, OCTOBER 21, 1992

James J. Youmans

Testimony Abstract

The estimated cost of IPL's Plan is reasonable. Wet limestone scrubber technology is the best FGD process for Petersburg Units 1 and 2. The selected scrubbers have an SO₂ removal capability which exceeds the requirements for Petersburg Units 1 and 2 for both Phase I and Phase II of the CAAA. This means additional SO₂ emission allowances may be conserved. Switching to subbituminous coal from the Powder River Basin affects many plant systems to the point of requiring major modifications, and is likely to result in a unit derate due to slagging and furnace sizing issues. The cost of compliance using gas co-firing is not competitive with other compliance plans for IPL.

The implementation schedule for IPL's Plan includes Commission approval by May, 1993, the date by which the release for fabrication of the scrubber must be given to achieve the January 1, 1996 commercial operation date. Field work for the project is scheduled to start on May 1, 1993. The scrubber vendor construction is to start May 1, 1994 and is expected to be physically complete by July 15, 1995. A period for testing is necessary to achieve commercial operation by January 1, 1996.

2 components exposed to the ash. The melting point of ash affects the
3 furnace sizing requirements to meet a given rating, the number of boiler
4 cleaning devices (sootblowers) required and the lateral spacing of the
5 boiler tubes to prevent plugging and subsequent damage to the boiler.
6 The chemical constituents of ash affect the potential for deposit buildup
7 in the furnace (Slagging), deposit buildup in the back pass of the boiler
8 (fouling) and the propensity for wear (pulverizer and coal transport lines)
9 and erosion (boiler tubes).

10 Sulfur

11
12 SO₂ emissions levels vary directly with the sulfur content of the coal and
13 affect electrostatic precipitator (ESP) performance by changing the
14 electrical resistivity of the ash. An ESP is a pollution control device that
15 removes ash (smoke) from stack gas. The ESP operates by imparting an
16 electrical charge to the ash particles which are then attracted to a
17 collection plate of opposite charge. The electrical characteristics of the
18 ash from low sulfur fuels make them harder to collect.

19
20 **Q29: Please describe the nature of the operating problems caused by a switch to a lower**
21 **sulfur coal.**

22 (a) The severity of operating problems caused by a switch to low sulfur coal, is a
23 function of the margins that exist within boiler systems, and the source(s) of the
24 low sulfur coal.

2 Generally, a number of Eastern and Midwestern low sulfur coals have
3 characteristics that are similar to the high sulfur Midwestern coals. These
4 similarities mean that switching between these fuels can often be accomplished
5 with minimum operating problems. The major impact is likely to be reduced ESP
6 collection efficiency, due to the increase in ash resistivity and reduced pulverizer
7 performance due to the coal being harder to grind.

8 Switching to Subituminous coals, including those from the Powder River Basin
9 in Wyoming and Montana, impacts boiler systems much more significantly. The
10 Heating value of these coals can be 30 percent lower and the moisture content
11 two to three times greater than for the midwestern coal. Also, the fuel is very
12 dusty and prone to spontaneous combustion. Finally the ash characteristics
13 increase the potential for slagging and fouling in the boiler.

14
15 The high moisture content can result in a 3 - 4 percent reduction in boiler
16 efficiency. Also, the high moisture usually results in insufficient air temperature
17 to maintain adequate pulverizer outlet temperature. For a given output, more coal
18 is required because of the lower heating value. Often the capacity of the
19 pulverizer system and ash handling system is not sufficient to handle the increased
20 flow.

21
22 The slagging potential of the ash tends to increase with subituminous coals and
23 the ash mass flow could be higher and the melting temperatures lower. These
24 factors can cause problems in a small furnace designed for Eastern or Midwestern

2 fuels by coating the furnace walls with slag, increasing steam temperature and
3 plugging ash handling equipment. The ash from subbituminous coals is also more
4 prone to fouling, which is a tendency to stick to boiler tubes in the convection
5 section of a boiler. Increased slagging and fouling often limit the load at which
6 a boiler will run continuously with these fuels.

7 The coal storage and coal handling facilities often require significant modification
8 because of increased coal volume, dustiness and fire potential of subbituminous
9 coals.

10
11 **Q30: Mr. Youmans, can you identify Petitioner's Exhibit No. JJY-1?**

12 (a) Yes.; This is an illustration, prepared by SWEC's Fuel Specialist, that depicts the
13 typical effect of coal rank on relative furnace size, based on constant heat input.
14 This illustration shows why a boiler load limitation is sometimes incurred with
15 fuel switching. It is very difficult (and usually economically impossible) to
16 increase the furnace size of an existing boiler. Therefore, fuel input must be
17 reduced if a lower rank coal is to be burned successfully in a boiler designed for
18 a better coal.

19
20 **Q31: Please describe Petitioner's Exhibit JJY-2.**

21 (a) This exhibit shows the power plant components most affected by fuel switching.
22

3 Q32: As a part of the analysis SWEC conducted of the IPL generating units, did SWEC
4 consider the effects of different coal on the components and system listed on
5 Petitioner's Exhibit No. JJY-2?

6 (a) Yes; during the preliminary screening analysis the effect of six possible candidate
7 coal supplies on these systems was considered. During the system-wide
8 evaluation, a more detailed study of these systems was done for three different
9 coals.

10 Q33: For the screening analysis, what modifications did SWEC consider for the IPL
11 plants?

12 (a) Petitioner's Exhibit JJY-3 shows a table of modifications required for each fuel
13 considered.

14 Q34: What conclusions do you draw from this exhibit?

15 (a) For each of the coals considered as possible candidates for coal switching, the
16 preliminary technical screening analysis resulted in a projected scope of
17 modifications to the plants. Because of the similarity between the existing coal
18 supplies and the Illinois Basin Medium and Low Sulfur coals, minimum impact
19 to the plant resulted. Conversely, switching to subbituminous coal from the
20 Powder River Basin affects all plant systems to the point of requiring major
21 modifications, and is likely to result in a unit derate due to slagging and furnace
22 sizing issues.

23
24 Q35: What is meant by "Natural Gas Co-firing" as a means of SO₂ compliance?