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(Sub 57)

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ORIGINAL

BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388

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



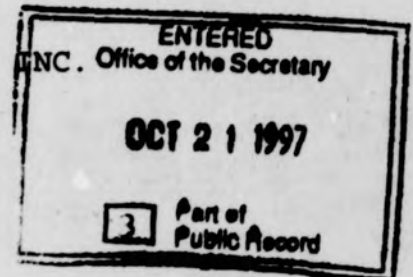
ESHR-4

Finance Docket No 33388 (Sub-No. 57)

EASTERN SHORE RAILROAD, INC.
-- TRACKAGE RIGHTS EXEMPTION --
LINES OF PENNSYLVANIA LINES LLC

182883

COMMENTS OF EASTERN SHORE RAILROAD,



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Railroad, Inc.

Dated: October 21, 1997

BEFORE THE
SURFACE TRANSPORTATION BOARD

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Introduction

In a Decision served July 23, 1997, the Surface Transportation Board accepted for consideration the primary application and related filings (hereinafter, these related filings will be referred to as the "Application") submitted by CSX Corporation ("CSXC"), CSX Transportation, Inc. ("CSXT"),²

¹ ESHR had previously reserved a "Sub-No." docket designation in anticipation of filing a responsive application. Since it has since elected not to file a responsive application, ESHR understands that it is no longer necessary for it to refer to Sub-No. 57 or to the trackage rights caption that accompanies it.

CSXC and CSXT will be referred to collectively as "CSX."

Norfolk Southern Corporation ("NSC"), Norfolk Southern Railway Company ("NSR"),³ Conrail Inc. ("CRR"), and Consolidated Rail Corporation ("CRC")⁴ (collectively "Applicants") for Board approval and authorization under 49 U.S.C. §§ 11321-25 for, as is relevant here -- (1) the acquisition by CSX and NS of control of Conrail; and (2) the division of assets of Conrail by and between CSX and NS.⁵

In its Decision served on July 23rd, the Board confirmed the procedural deadlines for this proceeding. As pertinent here, the Board has required that all parties wishing to offer comments, protests, and requests for protective conditions, and any other opposition evidence and argument must make such filing(s) by October 21, 1997. In keeping with the Board's procedural schedule, the Eastern Shore Railroad, Inc. ("ESHR"), a class III shortline railroad headquartered in Cape Charles, VA, hereby submits its comments in connection with the above-docketed Application.⁶

NSC and NSR will be referred to collectively as "NS."

⁴ CRR and CRC are referred to collectively as either "CR" or "Conrail."

⁵ Hereinafter, the series of transactions proposed in Applicants' primary application and related supplements shall be referred to as the "Transaction."

⁶ On August 22, 1997, ESHR filed, as "ESHR-2" a Description of Anticipated Responsive Application to -- (1) preserve competitive rail service to shippers located along the southern end of the Delmarva Peninsula, and (2) ensure for mid-Atlantic shippers a competitive corridor between the northeastern U.S. and the greater Norfolk, Virginia vicinity. ESHR also filed on August 22nd a Notice of Appearance for Robert A. Wimbish (ESHR's designated Washington counsel), and a "Rebuttal of

Comments

Earlier in the course of this proceeding, ESHR had determined that it might be necessary to protect its interests and its shippers' interests by preparing and filing a responsive application. It has since elected not to go forward with such a filing.

Within the past few weeks, ESHR representatives have met with officials from NS to discuss the potential traffic diversions that the Application indicated ESHR would suffer post-Transaction. At those meetings, NS represented that -- contrary to the expert testimony contained in NS's portion of the Application -- it foresaw no instances where NS would attempt to divert away from ESHR any traffic ESHR currently handles. NS therefore could not foresee any ESHR revenue losses (post-Transaction) that would be attributable to NS activity. Indeed, ESHR representatives came away from the meeting with a sense of renewed commitment from NS to pursue and develop with ESHR new business opportunities after consummation of the Transaction.⁷

Presumption of 'Significant' Transaction in Connection with Anticipated Responsive Application" (ESHR-3).

⁷ In a letter from Bill Schafer, Director of Strategic Planning for Norfolk Southern, to George R. Conner of the Virginia Department of Rail and Public Transportation, Mr Schafer stated:

Norfolk Southern has established strong partnership with its shortlines. It is not our policy to establish transloading facilities for the purpose of attracting traffic that otherwise originates or terminates on shortline-railroads.

As we discussed in our meeting in Norfolk on October 7, the traffic diversions from the Eastern

CSX has been holding meetings with representatives of the Commonwealth of Virginia regarding aspects of the proposed Transaction, and CSX has arranged for a similar meeting with ESHR in an effort to address and resolve ESHR's traffic and revenue-related concerns. While ESHR is encouraged by such positive developments, it is disappointed by the tardiness of CSX's responses to frequent ESHR inquiries. ESHR hopes that CSX's recent commitment to meet and potentially resolve ESHR matters signifies an effort by CSX to act responsibly toward those carriers who, like ESHR, are or may be affected by the Transaction.

For the reasons presented above, ESHR has elected not to submit a responsive application in this proceeding. Although ESHR is still concerned about its future economic well-being in the event the Transaction is consummated, it is now hopeful that NS and CSX will work with ESHR -- as NS informally pledged to do and as CSX now appears it may finally be ready to do -- to ensure that ESHR's essential rail services will be preserved. ESHR has

Shore Railroad (ESHR) shown in Volume 29 of the Application are probably overstated. Most of the traffic identified for diversion originated or terminated in the Norfolk area, and it would make sense for this traffic to continue to be routed via the ESHR. NS will continue to work with ESHR to identify business opportunities that will benefit us both.

Norfolk Southern's shortline marketing group in Roanoke has been working regularly with shortlines in Conrail territory on rate, interchange and service issues. This group will also assist Virginia shortlines with similar issues.

no further comments to submit at this time, but it wishes to remain a party of record in order that it may continue to review and assess developments in this proceeding.

Respectfully submitted,

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Attorneys for the Eastern Shore
Railroad, Inc.

Dated: October 21, 1997

CERTIFICATE OF SERVICE

I hereby certify that I have this 21st day of October, 1997, served copies of the foregoing document upon the Primary Applicants, ALJ Jacob Leventhal, and all parties of record by means of U.S. mail, first class postage prepaid, or by means of more expeditious delivery.

Robert A. Wimbish

Robert A. Wimbish