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FD-33388

10-22-97

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ID-STATES



MICHAEL J. BRAGMAN
MAJORITY LEADER

THE ASSEMBLY
STATE OF NEW YORK
ALBANY

Handwritten initials/signature

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October 22, 1997

Honorable Linda Morgan, Chair
Surface Transportation Board
Suite 700
1925 K Street, N.W.
Washington, D.C. 20423-0001

Re: Finance Docket No. 33388

Dear Chairwoman Morgan:

The purchase and division of Conrail's assets between CSX Corporation and Norfolk Southern Corporation will have a major impact on the economy of New York State.

I have several concerns regarding this matter that I would like you to consider, but before I outline these items, I would like to provide you with some background information. Before I assumed the duties of Majority Leader of the New York State Assembly, I served as Chair of the State Assembly Transportation Committee and the Co-Chair of the New York State Task Force on Critical Transportation Choices.

As one who has been involved with rail issues for many years, I am aware of the significant structural changes which have taken place in the industry and other broad factors that are the driving force behind this merger. The acquisition of Conrail comes after a decade of dramatic and fundamental changes in rail service in the United States. As you know, deregulation did not authorize government to abdicate its antitrust responsibility or to fail to take actions to preserve competition. To the extent that mergers can enable railroads to improve service and reduce costs without concomitant anti-competitive effects, those mergers should be encouraged.

On its surface, the breakup of Conrail between both CSX and Norfolk Southern and the proposed routes into New York suggest competition. New York State will now have two Class I railroads instead of the one. Conrail had dominated rail transportation in New York State with more than 90 percent of the Class I mileage in the state. The merger brings promise of improved shipping rates and service options.

My natural tendency would be to support this merger. However, the State of New York must ensure certain goals are achieved including: protecting jobs and granting competitive access to the regional and shortline operators (including reciprocal switching). In this regard, the Board should consider the following:

First, one of the highest priorities must be to protect the working men and women of Conrail. This merger must not cost New York working families their livelihoods. In this regard, I would note

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that the New York Dock Agreement provides the Interstate Commerce Commission the authority to impose labor-protective conditions on a transaction to safeguard the interests of adversely affected railroad employees.

I have been contacted by railroad employees who are concerned that this merger will result in job loss. The application submitted by the carriers clearly indicates that "in order for the expanded CSX system to realize the benefits and efficiencies afforded by the Operating Plan, a significant rearrangement of the districts for the train and engine, maintenance of way, signal, clerical, mechanical and other employees will be necessary. The Operating Plan also requires a repositioning of the combined workforce." The application further states that "these changes are necessary in order that the deployment of labor corresponds with the new and more efficient operations of the expanded CSX system." I am concerned with the possible displacement of families that could occur.

Second, it is my understanding that CSX and Norfolk Southern have agreed to reciprocal switching in the Metropolitan New York City area. With reasonable rates, this agreement should provide competitive service by guaranteeing competition. Unfortunately, a fee structure has not been discussed for Upstate New York. To protect the economic well being of the companies that are currently rail customers in this region and the shortlines which service many of the upstate communities. It is imperative that reciprocal switching be provided in each of the large upstate cities.

Third, we ought not lose sight of the economic potential of trade with Canada. In this regard, the Board should encourage the formation of rail corridors between New York and Canada, both north/south and east/west, that will allow access to the two major Canadian carriers and promote expanded trade within and through New York State.

Finally, with two viable railroads operating in New York, now is the opportunity to seek commitments on high speed passenger rail. Many of the nation's freight railroads have held the position that high speed passenger rail and freight traffic do not mix. The State of New York leads the nation in mass transit and high speed rail development is a logical next step that the State has been pursuing.

I am also interested in the impact of expanded freight traffic on New York's mass transit system and inter-city rail passenger service, its passengers, and safety including the dispatching of trains. In planning the division of Conrail's assets, transit and passenger opportunities must not be ignored but sought. Very little would be accomplished if passengers were forced back onto the highways.

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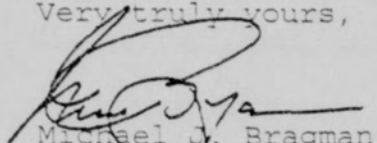
The State of New York has made progress in strengthening its economy and positioning itself for real prosperity in the 21st Century. Competition between rail carriers is absolutely critical to protecting shippers, especially small shippers, from price increases.

There is no doubt that this merger of railroads can provide economic advantages to New York, its citizens and its businesses. However, the state must insist that certain actions are taken to ensure that all parties will benefit. I request that the Surface Transportation Board review each of these issues in making its ruling.

Thank you for considering my opinion on this matter.

Best wishes.

Very truly yours,



Michael J. Bragman
Majority Leader

MJB:ro

cc: Rodney Slater
Honorable David Gantt
Honorable Sam Hoyt
Interested Individuals

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October 8, 1997

Mr. Vernon A. Williams, Secretary
Surface Transportation Board
STB Finance Docket No. 33388
1925 K Street NW
Washington, DC 20423-0001

Re: 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, STB Finance Docket No 33388 201 Constitution Avenue NW, Washington, DC 20423

My name is Thomas A. Collard, Vice President of the Southern Railroad Company of New Jersey (SRNJ), a shortline carrier headquartered in Willingboro, NJ.

The SRNJ serves Atlantic, Camden, Cumberland, Gloucester, and Salem Counties in New Jersey and transports a significant quantity of sand and stone, building materials, raw materials for glass and flooring tile manufacture, agricultural chemicals, produce, and other products. The industries we serve employ about 1,000 people in Southern New Jersey.

The SRNJ conditionally supports the proposal of CSX and NS in their plan for the acquisition of Conrail. We believe that their plan for the acquisition of Conrail will ensure renewed rail competition in New Jersey and we believe that it will create new options for us and our customers.

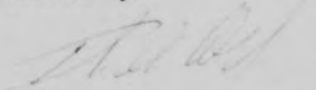
Our conditional support is based on the assumption that we and a neighboring shortline, the Winchester and Western (WW) will be allowed unrestricted interchange of traffic at Vineland, NJ. At the current time, the WW has trackage rights over Conrail to connect with the SRNJ. However, the right to interchange cars is restricted to empty equipment only. In the loaded direction, Conrail insists on handling the cars as an intermediate switch carrier between Millville and Vineland at a rate of \$100/car. There is a market for sand originating on the WW for use at asphalt and redi-mix concrete plants served by the SRNJ. We estimate that we could handle about 1000 carloads each year. With 100-ton equipment, this would result in 4000 loaded and 4000 empty truck movements removed from local highways annually. Unfortunately, these are short distance movements, which can not be competitively priced if Conrail receives \$1.00/ton.

I have discussed the need for a direct SRNJ/WW interchange with both the CSX and NS and anticipate no real objection from them. The benefits to the community and shortlines are significant and can be incurred at cost to either of the acquiring railroads.

If the SRNJ is to continue to grow and prosper, we need a strong revenue base to reach our local constituencies as well as those beyond our immediate service area. We think the CSX/NS plan before the STB does this and we, therefore, support it with the understanding that our Vineland interchange request will be met as expeditiously as possible upon the completion of this transaction.

I, Thomas A. Collard, declare under penalty of perjury that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this verified statement, executed on October 8, 1997.

Sincerely,



Thomas A. Collard
Vice President

cc:

Greg E. Summy, General Attorney
Norfolk Southern Corporation
Three Commercial Place
Norfolk, VA 23510-9241

P. Michael Giftos, Sr. VP and General Counsel
CSX Transportation, Inc.
500 Water Street
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Manager - Ports, Terminals, and Freight Services
New Jersey Department of Transportation
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