

SURFACE TRANSPORTATION BOARD ISSUES WAIVER/CLARIFICATION DECISION IN CONNECTION WITH PROPOSED "CSX-NS-CONRAIL" RAILROAD CONTROL TRANSACTION

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ISSUES WAIVER/CLARIFICATION DECISION
IN CONNECTION WITH PROPOSED "CSX-NS-CONRAIL"
RAILROAD CONTROL TRANSACTION**

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has acted upon the CSX/NS-10 waiver/clarification petition filed May 2, 1997, by applicants in connection with the proposed CSX-NS-Conrail Railroad Control Transaction. In the waiver/clarification petition, applicants sought waiver or clarification of, or related relief with respect to, certain requirements of the Board's Railroad Consolidation Procedures, and also sought exemption from certain requirements otherwise applicable to directly related construction projects and directly related abandonments. CSX Corporation and CSX Transportation, Inc., are referred to collectively as CSX. Norfolk Southern Corporation and Norfolk Southern Railway Company are referred to collectively as NS. Conrail Inc. and Consolidated Rail Corporation are referred to collectively as Conrail. CSX, NS, and Conrail are referred to collectively as applicants.

The proposed CSX-NS-Conrail Railroad Control Transaction, which is referred to as the control transaction, will be addressed by the Board in *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.

The Board approved most of the specific requests made by applicants, concerning such technical matters as: the definition of the terms "applicant" and "applicant carriers"; the submission of consolidated data by applicants; the classification of employee impact data; and the submission of Form 10-K's, Form S-4's, annual reports, and *pro forma* financial statements. The Board also approved, with one minor exception, applicants' request that they be allowed to incorporate, in the "primary application" applicable to the control transaction, all of the many incidental aspects of that transaction (for example, the transfer of most Conrail lines to new Conrail subsidiaries). The Board also confirmed that any directly related

abandonment proposals would be processed on the same schedule as the control transaction.

The Board denied, in whole or in part, several of the other requests made by applicants in the waiver/clarification petition. The Board indicated, with respect to these requests, that the specific relief sought by applicants was inappropriate.

With respect to applicants' request that they be allowed to use periods other than the year 1995 in connection with their labor impact analyses, the Board ruled that applicants would be required to use the year 1995 as the base line for setting forth the impacts of the control transaction on rail carrier employees. The Board, in rejecting applicants' request that they be allowed to use the most recently available monthly figures, noted that as between employment figures for an entire year and employment figures for a single month, the latter are more likely, not less likely, to be distorted by seasonal (or other) fluctuations. The Board did point out that applicants may supplement 1995 data with data demonstrating employment reductions in 1996 and 1997.

With respect to applicants' request that they be allowed to reflect Conrail financial information in the respective financial statements of CSX and NS, the Board, though granting the request, advised applicants that they will be expected to fully describe the post-transaction Conrail, its structure, its management, and its operations. The Board added that applicants will be expected to address the concerns raised by the Port Authority of New York and New Jersey with respect to the nature of applicants' operations in the NY/NJ Metropolitan Area, the competitive and economic effect of those operations, the investment CSX and NS anticipate making in this area, and the level of competition that this area will experience following the control transaction. The Board further advised applicants that they will be expected to fully explain the ultimate disposition of all of Conrail's assets and liabilities (including all revenues and expenses associated with those assets and liabilities), and will also be expected to fully explain how Conrail's debt is to be serviced.

The Board also acknowledged that applicants may face serious difficulties in coordinating, and avoiding duplications in, estimates of changes in key factors such as traffic flows. The Board stated, however, that, despite the difficulties, applicants will be required to submit information and data that will allow the Board to make accurate projections respecting both the benefits of the control transaction as a whole and also its competitive, environmental, financial, and labor impacts. The Board added that, if necessary, applicants may be required to supplement or clarify information and data contained in their primary application.

The Board acted upon applicants' waiver/clarification petition today, May 30, 1997, in *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, Decision No. 7.

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