

SURFACE TRANSPORTATION BOARD ISSUES DECISION INITIATING 3-YEAR REVIEW OF BUFFALO-AREA RAIL RATES, SWITCHING FEES FOLLOWING IMPLEMENTATION OF "CSX-NS-CONRAIL" MERGER

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has issued a decision initiating a proceeding to conduct a three-year study of Buffalo, New York-area rail rates and switching fees [FOOTNOTE 1: "Switching" is a practice whereby Railroad A, which does not physically serve a particular point, can obtain access to traffic there by using Railroad B, which does serve that point. Railroad B, which physically provides the service, then "switches," or transfers, the traffic to Railroad A at a point where both interchange. A fee is charged for such switching.] (Buffalo Rate Study).

Background. In a decision issued in July 1998, the Board approved, subject to certain conditions, the acquisition of control of Conrail [FOOTNOTE 2: Conrail Inc. and Consolidated Rail Corporation.] by CSX [FOOTNOTE 3: CSX Corporation and CSX Transportation, Inc.] and NS [FOOTNOTE 4: Norfolk Southern Corporation and Norfolk Southern Railway Company.], and the division of the assets of Conrail by and between CSX and NS. Prior to this, rail service in the Buffalo area was dominated by Conrail. The Board then determined that, while the method it had approved for the division of Conrail's Buffalo-area assets--with the largest share going to CSX--would not create direct two-railroad service for all shippers in the Buffalo area, it would greatly improve local competition, because applicants' original merger plan, as enhanced by a number of procompetitive conditions imposed by the Board, would significantly reduce Buffalo-area switching fees and create a much stronger "second railroad" presence than had been the case previously. As a precautionary measure, the Board also imposed a condition that called for a three-year study of rail rates in the Buffalo area following the division of Conrail's assets. That division occurred on June 1, 1999.

Today's Decision. In the decision issued today, the Board announced that it was initiating a proceeding to conduct the Buffalo Rate Study. The Study will begin with a review of Buffalo-area rail rates and switching fees during the first six months following the June 1, 1999 integration of Conrail into CSX and NS. The first full-year review will be conducted in the summer of 2000.

The Board is requiring that CSX and NS submit, by **January 14, 2000**, information sufficient to enable the Board to determine if the railroads are complying with all the switching conditions imposed by the Board in the Buffalo area and to determine the trend in rates for rail movements into and out of the Buffalo area. The Board is also requesting, by **February 14, 2000**, comments from shippers and their representatives, from other railroads, and from other interested parties, seeking views and evidence concerning trends in Buffalo-area rail rates and information as to whether local businesses and other railroads have available the switching rates to which they are entitled. CSX and NS replies to comments are due by **February 29, 2000**.

The Board also announced that persons interested in being on the service list (a list of official participants) for the Buffalo Rate Study proceeding, STB Finance Docket No. 33388 (Sub-No. 90), and in receiving copies of CSX and NS filings in that proceeding, must send written notification to the Board, and copies to the representatives of CSX and NS. While persons who were "parties of record" in the original "Conrail" merger proceeding, STB Finance Docket No. 33388, will be issued with today's decision, they will not automatically be placed on the service list as parties of record in the Buffalo Rate Study proceeding.

The Board's public notice of the Buffalo Rate Study proceeding 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 [Buffalo Rate Study]*, Decision No. 1, STB Finance Docket No. 33388 (Sub-No. 90), was issued today, December 15, 1999, and will be published in the *Federal Register* on December 20,

1999.

A printed copy of today's decision is available for a fee by contacting: **D.C. News & Data, Inc., Room 210, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 463-8112.** Today's decision is also available for viewing and downloading via the Board's website at **www.stb.dot.gov**.

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