

SURFACE TRANSPORTATION BOARD ISSUES DECISIONS COMPLETING 1ST PHASE OF ITS 3-YR. REVIEW OF BUFFALO-AREA RATES & SWITCHING FEES & ASSESSING BUFFALO-AREA INFRASTRUCTURE FOLLOWING "CONRAIL MERGER"

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has issued two decisions addressing Buffalo, New York-area railroad issues. The first decision completes the first annual round of the Board's 3-year study of Buffalo-area rail rates and switching fees (Buffalo Rate Study). The Buffalo Rate Study was imposed by the Board as a condition to its 1998 approval of the "Conrail merger." The second decision addresses Buffalo-area rail infrastructure issues (Buffalo Area Infrastructure) following the merger.

Background. In its July 1998 decision, the Board approved, subject to certain conditions, the acquisition of control of Conrail[FOOTNOTE 1: Conrail Inc. and Consolidated Rail Corporation.] by CSX[FOOTNOTE 2: CSX Corporation and CSX Transportation, Inc.] and NS[FOOTNOTE 3: Norfolk Southern Corporation and Norfolk Southern Railway Company.], and the division of Conrail's assets between CSX and NS. Prior to the merger, Conrail had dominated Buffalo-area rail service. The Board 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, the merger, as conditioned by the Board, would improve local competition significantly. As a precautionary measure, the Board also imposed a condition calling for a 3-year study of rail rates in the Buffalo area following the June 1, 1999 division of Conrail's assets implementing the merger transaction.

In an earlier decision in the Buffalo Rate Study proceeding,[FOOTNOTE 4: The Board initiated 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]*, STB Finance Docket No. 33388 (Sub-No. 90), Decision No. 1, issued to the public on December 15, 1999, and published in the December 20, 1999 *Federal Register* at 64 FR 71188.] the Board required CSX and NS to submit information sufficient to enable the Board to determine if the railroads are in compliance with all Board-imposed switching conditions in the Buffalo area and to determine the trend in rates for rail movements into and out of the Buffalo area. The Board also sought comments and evidence from shippers and their representatives, from other railroads, and from other interested parties 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.

As the merger implementation process continued, the Board initiated the Buffalo Area Infrastructure proceeding[FOOTNOTE 5: *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 Area Infrastructure]*, STB Finance Docket No. 33388 (Sub-No. 93), issued to the public on June 9, 2000.] to examine railroad infrastructure issues related to the Buffalo area. The Board directed CSX and NS to meet with shippers, railroads, and governmental and local interests in the Buffalo area to assess existing rail infrastructure and to develop proposals for related improvements for the area. CSX and NS also were directed to report to the Board on the results of their meetings and on suggestions for improving Buffalo-area rail infrastructure.

Today's Decisions. In the Buffalo Rate Study decision issued today, the Board announced that it had completed the first annual round of that proceeding. The Board found that rail line haul rates on traffic transported by CSX and NS to and from the Buffalo area in the first full year following the June 1, 1999 integration of Conrail into CSX and NS have, on the whole, declined relative to rates for comparable movements in the prior year. The Board also found CSX and NS to be in compliance with all Board-imposed conditions related to switching in the Buffalo area.

The Board found that CSX and NS have developed a reasonable methodology enabling them to use rail waybill data to calculate year-to-year rate changes for those rail line haul movements to and from the Buffalo area occurring in both the year immediately preceding and following the June 1, 1999 division of Conrail's assets. The Board noted that CSX, NS, and the United States Department of Transportation have appropriately applied this methodology to show that rail line haul rates on traffic transported by CSX and NS to and from the Buffalo area have, on average, decreased in relation to rates for comparable movements in the prior year. In reaching its decision, the Board found that criticisms of the methodology made by certain parties were not valid and that requests for expanded or modified data were unnecessary and beyond the intended scope of the study.

In the Buffalo Area Infrastructure decision issued today, the Board assessed the joint, comprehensive report on Buffalo-area rail infrastructure issues filed by CSX and NS, and the comments of various interested parties relative to these issues. The Board found that both CSX and NS have invested substantial amounts on infrastructure to improve rail service in the immediate Buffalo area and in the rail network connected to it. The Board also found that CSX and NS have worked closely with local groups and business interests to identify additional projects involving upgrades in capital improvements and to take appropriate actions. The Board commended CSX and NS for their efforts and urged them to continue these efforts in the future. The Board also urged CSX and NS to continue cooperating with the Canadian Pacific and Canadian National railroads to improve the movement of international traffic through Buffalo, and with Canadian National in finding an alternative to the current congestion at CP Draw (a heavily used, CSX-controlled Buffalo River rail drawbridge). Finally, the Board discontinued the Buffalo Area Infrastructure proceeding but directed CSX and NS to provide updates on Buffalo-area rail infrastructure issues as part of their respective annual progress reports in the Conrail general oversight proceeding.[FOOTNOTE 6: In the case entitled *CSX Corporation and CSX Transportation, Inc., Norfolk Southern Corporation and Norfolk Southern Railway Company--Control and Operating Lease/Agreements--Conrail Inc. and Consolidated Rail Corporation (General Oversight)*, STB Finance Docket No. 33388 (Sub-No. 91), Decision No. 5, issued to the public today, February 2, 2001. See "Surface Transportation Board News" release No. 01-4, also issued today.]

The Board issued its Buffalo Rate Study decision today 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)*, STB Finance Docket No. 33388 (Sub-No. 90), Decision No. 6. The Board issued its Buffalo Area Infrastructure decision today 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 Area Infrastructure)*, STB Finance Docket No. 33388 (Sub-No. 93).

Printed copies of today's Buffalo Rate Study and Buffalo Area Infrastructure decisions are available for a fee (there is a separate fee for each decision) by contacting **D~To-D~ Office Solutions, Room 405, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 466-5530**. Today's decisions also are available for viewing and downloading via the Board's Website at <http://www.stb.dot.gov> [STOP]