

SURFACE TRANSPORTATION BOARD ISSUES DECISION INITIATING "CONRAIL MERGER" GENERAL OVERSIGHT PROCEEDING, REQUESTING COMMENTS ON PROGRESS OF IMPLEMENTATION OF THE TRANSACTION

Surface Transportation Board (Board) Chairman Linda J. Morgan announced today that the Board has issued a decision initiating a "Conrail merger" general oversight proceeding and requesting comments from interested persons on the progress of the implementation of the transaction and the workings of the various conditions imposed upon the transaction by the Board.

Background. In a decision issued in July 1998, 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 assets by and between CSX and NS. The Board-imposed conditions included a five-year, general oversight condition imposed to allow the Board to assess the progress of the Conrail transaction's implementation and the workings of other Board-imposed conditions. The Board retained jurisdiction to impose additional conditions and/or take other action if, and to the extent, the Board determined it necessary to address harms caused by the Conrail transaction. In its July 1998 decision, the Board specifically indicated that, under its general oversight condition, the Board would monitor implementation of the transaction and the workings of its conditions to: ensure CSX's and NS's adherence to the various representations they made on the record during the course of the Conrail merger proceeding;[FOOTNOTE 4: *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.] examine impacts involving the relationship of shortline railroads to their Class I (larger railroad) connections and to other Class I railroads; assess impacts within the Chicago switching district; review the effect of the acquisition premium on the Board's rate reasonableness jurisdictional threshold and on revenue adequacy determinations; monitor transaction-related impacts on Amtrak passenger operations and regional rail passenger operations; and monitor environmental-mitigating conditions.

Today's Decision. In the decision issued today, the Board announced that it is: initiating a Conrail general oversight proceeding to implement its general oversight condition; requiring CSX and NS to file progress reports on the Conrail transaction, and to make certain data available to interested persons; and requesting comments from interested persons on the progress of Conrail-transaction implementation and the workings of the various conditions imposed. The Board's decision establishes a schedule for initiating the first annual oversight one year after June 1, 1999, the date that CSX and NS effectuated the division of Conrail.

Service List. Any person wanting to be on the service list (list of official participants) for the general oversight proceeding, and to receive copies of CSX's and NS's filings relating to the proceeding, must send written notification to the Board and copies of such notification to CSX's and NS's representatives. Written notice to the Board should be addressed to:

Attn: STB Finance Docket No. 33388 (Sub-No. 91)

**Case Control Unit
Office of the Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001**

Written notice to CSX's and NS's representatives should be addressed to: Dennis G. Lyons, Esq., Arnold & Porter, 555

12th Street, N.W., Washington, DC 20004-1202 (representing CSX); and Richard A. Allen, Esq., Zuckert, Scoutt & Rasenberger, LLP, 888 17th Street, N.W., Washington, DC 20006-3939 (representing NS).

Progress Reports. CSX and NS must file progress reports by **June 1, 2000** containing in-depth analyses of their implementation of the Conrail transaction and of the workings of the various Board-imposed conditions.

Comments By Interested Persons and Replies. Interested persons may file comments, by **July 14, 2000**, on the progress of implementation of the Conrail transaction and the workings of the various Board-imposed conditions. Comments may be directed to any relevant matters, except as clarified below regarding operational monitoring matters and Buffalo Rate Study matters. Replies to comments may be submitted by **August 3, 2000**.

Operational Monitoring. In its July 1998 decision, the Board imposed, in addition to the five-year, general oversight condition, a separate operational monitoring condition. In today's decision, the Board noted that matters concerning operational monitoring will not be addressed in the general oversight proceeding. The Board added that parties should bring any ongoing matters concerning operational monitoring or individual shipper service issues directly to the attention of:

**Director
Office of Compliance and Enforcement
Surface Transportation Board
1925 K Street, N.W., Suite 780
Washington, DC 20423-0001**

Buffalo Rate Study. By its decision issued on December 15, 1999,[FOOTNOTE 5: Decision No. 1 in STB Finance Docket No. 33388 (Sub-No. 90), also published in the *Federal Register* on December 20, 1999. See also Surface Transportation Board "News" release No. 99-54 issued December 15, 1999.], the Board initiated a three-year Buffalo Rate Study--also separate from general oversight--to examine linehaul and switching rates for rail movements into and out of the Buffalo, New York, area. In today's decision, the Board noted that pleadings concerning the trend in rates for rail movements into and out of the Buffalo area, and the Board-imposed conditions related to switching in the Buffalo area, should be submitted in the Buffalo Rate Study proceeding according to the procedural schedule applicable to that proceeding.[FOOTNOTE 6: See Decision No. 2 issued December 28, 1999 in STB Finance Docket No. 33388 (Sub-No. 90), also published in the *Federal Register* on January 4, 2000, revising the procedural schedule originally issued in Decision No. 1.] Other Buffalo-related matters specifically regarding the progress of implementation of the Conrail transaction and the workings of the various merger conditions should be submitted in the general oversight proceeding according to the procedural schedule indicated in today's decision.

Paper Copies; Electronic Copies. Each person filing documents in the general oversight proceeding should submit an original and 25 copies of each document to:

Attn: STB Finance Docket No. 33388 (Sub-No. 91)

**Case Control Unit
Office of the Secretary
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423-0001**

Each person also should submit, in addition to an original and 25 copies of each paper document filed with the Board, an

electronic copy of each paper document. The electronic copy should be on a 3.5-inch IBM-compatible floppy diskette or compact disc. Textual materials must be in, or convertible by and into, WordPerfect 7.0. Spreadsheets must be in some version of Lotus, Excel, or Quattro Pro. Parties may individually seek a waiver from the electronic filing requirement.

The Board issued its 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 (General Oversight)*, STB Finance Docket No. 33388 (Sub-No. 91) (Decision No. 1). It will be published in the *Federal Register* on February 14, 2000.

A printed copy of today's decision is available for a fee by contacting: **Da-To-Da Office Solutions, Room 210, 1925 K Street, N.W., Washington, DC 20006, telephone (202) 289-4357**. The decision is also available for viewing and downloading via the Board's website at **www.stb.dot.gov**.

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