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FORM 1

P R O C E E D I N G S

10:00 a.m.

1
2
3 CHAIRMAN GEIST: I think that we should get
4 underway and so, we will call the hearing to order. Let
5 me introduce the folks who are with us this morning. On
6 my left is Representative Pippy. He is our host for this
7 morning. We want to thank him very much for having us out
8 to his district. And being the rail buffs that we are
9 here, we are very concerned about the T Center and replace-
10 ment, what's going to happen with the T Center. So, we
11 think that it's very symbolic that we're in his District,
12 with that facility.

13 A long-time member of our Committee, Representa-
14 tive Sam Smith, from DuBois, Pennsylvania. Punxsutawney.

15 To my right, our counsel, Dick Wilson, who has
16 done a fantastic job on this process, from day one.

17 To his right, Representative John Maher, who is
18 the Representative, the new Representative, replacing our
19 good friend, Al Pettit, who passed away.

20 Beside him is the Democratic Chairman staff
21 member, Paul Parsells.

22 On the far right is our staff, Eric Bugaile and
23 Paul Mazzo.

24 And we want to thank everybody for coming out
25 today.

1 Under opening remarks, yesterday, there was an
2 article in the Greensburg Tribune. The headline was a very
3 erroneous headline. The story was not that bad. But we've
4 spent a tremendous amount of time going through this --
5 this briefing book (indicating) is just for today only.
6 And we've had two other hearings: one in Philadelphia and
7 one in Altoona, on the merger, acquisition. And today's
8 will be the last. We have decided, the four Committee
9 Chairmen have decided that, as a whole, to submit to the
10 STB Board and that written submittal, I believe, has been
11 signed off now by all the Chairmen and it should be filed
12 in Washington, D.C.

13 So, we want to finish up today in Pittsburgh,
14 get on the record what we need to get on the record and
15 get about the business of building railroading and making
16 sure that it is an integral part of what we do in Pennsyl-
17 vania.

18 So, that completes my remarks and our first
19 presenter, if you could use the table to our right, please,
20 we would appreciate it, is Dave Willis. Dave is the
21 Environmental Manager for the Pennsylvania Turnpike.

22 MR. WILLIS: Chairman Geist and other members
23 of the Pennsylvania House Transportation Committee, my name
24 is Dave Willis and I'm the Environmental Manager of the
25 Turnpike Commission. I'm here today to present the

1 testimony of John Martino, the Turnpike Commission's
2 Legislative Liaison. I want to thank you for the
3 opportunity to come before your Committee today with
4 testimony concerning the proposed acquisition of Conrail
5 by CSX and Norfolk Southern railroads.

6 The five-member Pennsylvania Turnpike Commission
7 was created in 1937 with powers to construct, finance,
8 operate and maintain the Pennsylvania Turnpike System.
9 Since opening in 1940 with 160 miles of road, the Turnpike
10 System has been continually growing, building and
11 expanding. Currently, the Turnpike System consists of 506
12 miles of limited access highways.

13 In the mid-80-s, the Turnpike Commission began
14 an ambitious, multi-billion dollar expansion program.
15 Authorization for these improvements came through three
16 acts of the Pennsylvania General Assembly. In 1985, the
17 General Assembly passed Act 61. This Act, the Turnpike
18 Organization, Expansion and Toll Road Conversion Act,
19 directed the Pennsylvania Turnpike Commission to construct
20 and enhance the existing Turnpike and to expand the toll
21 highway system. In 1991, Act 26 allocated 14 percent of
22 a 55 mill increase of the Oil Company Franchise Tax to the
23 Turnpike Commission which provides approximately \$40
24 million annually for the Construction of Act 61 and
25 Act 26 projects. In 1997, Act 3 provided the Commission

1 with an addition \$28 million per year for Act 61 and
2 Act 26 projects.

3 Among the projects authorized by these Acts are
4 the Mon/Fayette Expressway and the Southern Beltway
5 projects. Consisting of seven independent projects, the
6 planned improvements stretch from the West Virginia Border
7 in the South to I376 in Pittsburgh to the North, and from
8 Jefferson Borough in the East, to the Pittsburgh
9 International Airport in the West. These seven projects
10 are shown on the attached color-coded map.

11 These transportation projects will bring much
12 needed highway capacity, congestion relief, and highway
13 access improvements; will stimulate economic development
14 efforts; and will provide employment opportunities for
15 Southwestern Pennsylvania. When all these projects are
16 completed, the Commonwealth will have made a multi-billion
17 dollar investment in the economic prosperity of
18 Southwestern Pennsylvania.

19 A project critical to making the Mon/Fayette
20 Expressway a reality, and the subject of our concern here
21 today, is the proposed expressway from Route 51 in
22 Jefferson Borough to I-376 in Pittsburgh and Monroeville.
23 This highway will carry the most traffic of all the
24 proposed projects, will provide an expressway alternative
25 around the Squirrel Hill Tunnel, and will be a key component

1 of a potential beltway south of the City of Pittsburgh.
2 Currently, a Draft Environmental Impact Statement is being
3 developed and is scheduled to be circulated in the Spring
4 of 1998.

5 However, another equally important component of
6 redevelopment and economic vitality for the region is
7 efficient and effective rail service. Both highway and
8 rail facilities are needed to provide the flexibility in
9 transportation options needed for the movement of freight
10 and people in the region. We wish to start working
11 together now with the current or future owners of the
12 railroads so that we can complete this needed improvement
13 to the region's transportation network. This is our prime
14 motivation for appearing before your Committee at this
15 hearing today.

16 Construction of the Mon/Fayette Expressway from
17 PA 51 to I-376 in Pittsburgh and Monroeville will require
18 the bridging over and relocation of numerous railroad
19 tracks, signals, communications and other railroad
20 facilities. In order for the Pennsylvania Turnpike
21 Commission to proceed toward construction, we need the
22 involvement of the owners of these railroad facilities now
23 during the Environmental Impact Statement and Preliminary
24 Design phase of our project. Usually, final approvals by
25 railroad companies come at the final design stage of a

1 highway project, when very specific engineering details
2 are available. In this particular situation, the railroad
3 relocations are so substantial that some of the highway
4 alternatives may not be feasible without a total commitment
5 of cooperation by the owners of the railroad facilities.

6 Cooperation, as well as timely coordination, to
7 accommodate rail and highway needs in this severely
8 restricted, narrow corridor is paramount to the achievement
9 of our goals. Without appropriate review and approvals
10 from the railroads during this Environmental Impact
11 Statement phase, the alternative selected may be
12 invalidated, which would cause a significant delay in
13 project development and substantially increase the cost
14 of the proposed transportation improvements.

15 Our project will have direct effects on Conrail,
16 CSX and Union Railroad tracks and related facilities. Our
17 initial estimate indicates that approximately 10 miles of
18 railroad tracks belonging to Conrail, CSX and Union
19 railroads would have to be relocated. In addition,
20 numerous grade-separated crossings over existing tracks
21 and yards will need to be constructed. This construction
22 can be potentially disruptive to railroad operations if
23 not thoroughly coordinated. These railroad relocations
24 may also affect other facilities located in the railroad
25 right-of-way. I have provided copies of maps that show

1 the general locations where these relocations would be
2 required.

3 Because of the number of parties involved and
4 the complexity of the issues to be resolved, it is
5 imperative that the Pennsylvania Turnpike Commission get
6 early and full cooperation from the affected railroad
7 companies - especially Conrail, Norfolk Southern and CSX -
8 so that a mutually satisfactory resolution - on a timely
9 basis - can be achieved for both the highway and railroad
10 facilities. Immediate cooperation is needed so that the
11 Commission can proceed in a timely manner to complete the
12 Environmental Impact Statement and obtain a Record of
13 Decision for this major project. By working through these
14 issues at this time, we can develop an alignment that will
15 mutually accommodate and benefit both transportation modes
16 - highway and rail - and serve the residents and businesses
17 of the Commonwealth of Pennsylvania and our interstate
18 clients.

19 We have begun the necessary coordination with
20 Conrail, CSX and Union Railroad. We have provided
21 preliminary plans of our project to the Engineering
22 Department of each Railroad. We are concerned that the
23 pending acquisition will limit Conrail's ability and
24 willingness to work with us.

25 **Summary**

1 Allow me then to summarize the needs of the
2 Pennsylvania Turnpike Commission related to the effect of
3 the acquisition of Conrail on our plans for the Mon/Fayette
4 Expressway Project from PA 51 in Jefferson Borough to I-
5 376 in Pittsburgh and Monroeville.

6 1. We need a commitment from Conrail, CSX and
7 Norfolk Southern to coordinate, cooperate and accommodate
8 our highway. Unless we have such a commitment, our plans
9 for a multi-billion dollar investment in the Mon Valley
10 will be significantly delayed.

11 2. We need to expedite coordination with the
12 current and future owners of the railroad facilities. This
13 coordination must take place prior to completion of our
14 Draft Environmental Impact Statement so that we can be
15 assured of the feasibility of our alternatives.

16 3. We must be assured that any agreements we
17 make now with Conrail regarding relocation or reconstruc-
18 tion of their facilities will be honored by the eventual
19 owners of these facilities (CSX and Norfolk Southern.)

20 4. We need the timely review and approval of
21 our proposed plans by all appropriate railroad officials,
22 before the sale of Conrail is complete, to avoid delays
23 and attendant increased costs.

24 5. We would appreciate the support of this
25 Committee before the Surface Transportation Board (formerly

1 the Interstate Commerce Commission) to achieve the four
2 needs I have just enumerated, and to incorporate
3 appropriate conditions in any Surface Transportation Board
4 Order approving the acquisition of Conrail.

5 **Thank you, Chairman Geist, for providing the**
6 **opportunity to testify on behalf of the Pennsylvania**
7 **Turnpike Commission for this very important project that**
8 **is extremely important to the future of the City of**
9 **Pittsburgh and Southwestern Pennsylvania.**

10 **CHAIRMAN GEIST: Thank you. I have a couple of**
11 **questions. As a matter of fact, the Planning -- the South-**
12 **west Planning Commission will be the same thing. I've been**
13 **very concerned, throughout this whole process about how**
14 **we intermodally serve Pitcairn. I see Pitcairn as being**
15 **a huge moneymaker for this part of Western Pennsylvania.**
16 **And when you're going to get that many truck movements in**
17 **and out of there, we have to prepare for it. And Mayor**
18 **Murphy and I have talked about this for years and now, it**
19 **looks like reality is close at hand to being upon us. And**
20 **we have to know what's in store for you guys at the**
21 **Turnpike Commission, what we've invested to get there**
22 **and how in the heck we're going to service Pitcairn and**
23 **really make it a homerun for all of us. It's a marvelous --**
24 **it's going to be a marvelous inland port.**

25 **MR. WILLIS: I brought Ody Mackin and --**

1 CHAIRMAN GEIST: You have the power of Western
2 Pennsylvania.

3 MR. WILLIS: Mackin Engineering, who is the
4 design consultant for the environmental impact statement.

5 CHAIRMAN GEIST: Do you want to talk a little
6 bit about it, Ody? It's a very big concern of ours.

7 MR. MACKIN: The corridor that has been selected
8 and recommended, travels through the Borough of Turtle
9 Creek, which is west of the proposed Intermodal Center in
10 Pitcairn. The location of that highway is interconnected
11 with the Intermodal Center by the Tri-Borough Expressway
12 and Traffic Route 130, into Pitcairn. And we have made
13 certain design accommodations, to be able to get the truck
14 traffic from Pitcairn onto the Mon/Fayette Expressway, in
15 both a northerly and southerly direction and obviously,
16 in a westerly direction, into Pittsburgh, as well. But
17 I think that it is probably a two-mile trip, from the
18 Conrail Intermodal Center to the Mon/Fayette Expressway.
19 And I think that what we have designed into the operation,
20 will certainly be amenable to the future operation of the
21 Intermodal Center.

22 CHAIRMAN GEIST: The state is going to have a
23 tremendous infusion of capital. To say the least, the Mon
24 Valley Expressway was heavily discussed, when we put the
25 revenue package together. It was not popular with

1 Representatives over here, who voted against it. It was
2 very popular with Senator Stout. He voted for it. But
3 for those of us who see the overall picture, I would really
4 like to see this thing designed and built and built right,
5 so that we integrate rail and highway together, for a
6 change.

7 MR. MACKIN: We have discussed this directly with
8 Representative Thomas Michlovic, who represents that area.

9 CHAIRMAN GEIST: Yes.

10 MR. MACKIN: We have done the best job that we
11 could do, in an interconnection. There may be some
12 improvement of the Tri-Borough Expressway, required in the
13 area of Pitcairn, in the future, to make it even more
14 acceptable. But I think that we have provided direct
15 access and the very best direct access that we can.

16 CHAIRMAN GEIST: Okay. Any other questions from
17 the panel?

18 MR. PARSELLS: Real briefly, do you have or have
19 you been experiencing any resistance from any of the
20 railroads, on working with you?

21 MR. WILLIS: I don't know that I could charac-
22 terize it as resistance, although, typically, there's --
23 there's always a concern with the utility companies, in
24 terms of not wanting to spend a lot of their time reviewing
25 plans, until the final design plans come along. But

1 because of the nature of this project and the substantial
2 involvement with the railroads, we've been trying to get
3 that advanced. It just seems to us that Conrail is in a
4 situation, where they are maybe perhaps uneasy about
5 answering questions or making commitments, because they
6 don't know a year from now, two years from now, what the
7 situation is going to be.

8 MR. PARSELLS: When do you anticipate that you
9 will actually need firm commitment?

10 MR. WILLIS: We're hoping to have a draft environ-
11 mental impact statement out next spring/summer time frame
12 and we'd like to have those things in place before we put
13 the draft environmental impact statement out.

14 MR. PARSELLS: Thank you.

15 CHAIRMAN GEIST: Any other questions?

16 (No response.)

17 CHAIRMAN GEIST: Thank you very much.

18 Mr. Gealy Wallwork. Is that right?

19 MR. WALLWORK: Yes.

20 CHAIRMAN GEIST: Thank you.

21 MR. WALLWORK: My name is Gealy Wallwork. I am
22 a Member of the Southwestern Pennsylvania Regional Planning
23 Commission ("SPRPC"). Southwestern Pennsylvania Regional
24 Planning Commission was formed in 1962 as a forum for its
25 member constituents to reach consensus on common issues

1 involving regional development and transportation. The
2 Commission is a six county agency representing Allegheny
3 County, Armstrong County, Beaver County, Butler County,
4 Washington County and Westmoreland County. It also includes
5 the City of Pittsburgh.

6 Transportation planning has always been SPRPC's
7 primary focus. In 1972, the Commission was certified as
8 the Metropolitan Planning Organization for Southwestern
9 Pennsylvania. As such, it is responsible for the region's
10 long range transportation planning. SPRPC is also involved
11 in local government assistance, business information
12 services, airport system planning and assisting transit
13 agencies.

14 In the 1980's, as Southwestern Pennsylvania
15 experienced major economic reversals, economic development
16 became increasingly important to the region. This
17 ultimately led to the formation of the Southwestern Pennsyl-
18 vania Regional Development Council which, in 1992, was
19 named the Administrator of the Local Development District
20 by the U.S. Appalachian Regional Commission and the
21 Pennsylvania Department of Commerce.

22 In 1994 SPRPC adopted a long range transportation
23 plan for Southwestern Pennsylvania addressing issues of
24 mobility, land use and air quality through the year 2015.

25 In 1996 SPRPC conducted a comprehensive examination

1 of the freight railroad system in Southwestern
2 Pennsylvania, with particular attention to the freight
3 operating and service status of individual lines. This
4 study also sought to identify capital improvement projects
5 which would support railroad freight service and could be
6 included in the SPRPC long range transportation plan and
7 short term capital improvement programs.

8 Accordingly, SPRPC was well situated to evaluate
9 and assess the impact of this rail merger on the freight
10 transportation needs of Southwestern Pennsylvania. During
11 the last several months, representatives of Norfolk
12 Southern and SPRPC have conducted several meetings and have
13 exchanged information regarding the proposed transaction
14 and regional industrial and economic development projects.
15 As a result of this process, SPRPC has identified regional
16 facilities which will be beneficially or adversely impacted
17 by this transaction. Since CSX will continue to operate
18 its existing rail lines in Southwestern Pennsylvania, most
19 of these impacts are related to Norfolk Southern's
20 acquisition of Conrail lines in the region.

21 Southwestern Pennsylvania facilities which will
22 be most directly affected by the Norfolk Southern take-
23 over of Conrail lines are:

- 24 1. Conrail's National Account Service Center -
25 North Fayette Township, PA.

1 Conrail presently operates its National Account
2 Service Center in North Fayette Township along the Parkway
3 West.

4 Norfolk Southern operates a similar national
5 accounts center for its customers in Atlanta, GA and CSX
6 has a similar center in Jacksonville, FL. NS and CSX have
7 announced that the Conrail facility will be consolidated
8 with their own facilities in Atlanta or Jacksonville. This
9 will result in the transfer to Atlanta or Jacksonville of
10 400 Conrail employees. An additional 92 positions at the
11 Conrail center will be abolished. In addition, 31
12 management personnel will be transferred to Atlanta and
13 16 to Jacksonville.

14 2. Conway Yard, Beaver County, PA

15 At present, Conway Yard is one of the principal
16 east/west classification yards for Conrail. It will be
17 operated by Norfolk Southern under the proposed operating
18 plan. Norfolk Southern has indicated that it intends to
19 eliminate multiple blocking and classification of trains
20 in order to improve service on east/west routes. Overall,
21 traffic levels at Conway Yard are projected to decrease
22 approximately 29 percent largely as a result of CSX
23 competition. Approximately 45 agreement and 7 non-
24 agreement jobs (based on 1996 data) will be abolished at
25 Conway Yard.

1 Norfolk Southern has also announced that it intends to
2 spend approximately \$30 million for a new locomotive
3 maintenance and inspection facility at Conway Yard. In
4 addition, a new \$1.5 million freight car light maintenance
5 facility is also proposed at Conway Yard. It is essential
6 to preservation of the rail employment base in Beaver
7 County that the proposed car and locomotive maintenance
8 facilities be constructed and brought on line. SPRPC and
9 other local government development agencies stand ready
10 to work with Norfolk Southern to assist in the planning
11 and coordination of these new facilities. SPRPC would
12 encourage Norfolk Southern to explore an additional
13 regional intermodal facility in the Conway Yard area.
14 Previous work by SPRPC has shown the Beaver County area
15 to be the center for significant regional freight activity.

16 3. Norfolk Southern Regional Headquarters,
17 Pittsburgh, PA

18 Norfolk Southern has stated that in order to
19 operate Conrail's lines, it intends to establish a regional
20 headquarters in Pittsburgh. This headquarters will make
21 Pittsburgh the operational headquarters for all Conrail
22 lines operated by Norfolk Southern. The STB application,
23 however, does not indicate how many new jobs will be
24 associated with this regional headquarters. SPRPC is
25 pleased that Norfolk Southern has selected Pittsburgh for

1 its regional headquarters and again stands ready to assist
2 Norfolk Southern in the establishment of this headquarters
3 office. Here again the creation of new jobs associated
4 with this regional headquarters is essential to offset the
5 jobs lost through the elimination of the National Customer
6 Service Center.

7 4. Pitcairn Intermodal Center, Pitcairn, PA

8 Conrail's recent improvement of its intermodal facility
9 at Pitcairn Yard has not fulfilled expectations because
10 Conrail marketing objectives focused on long haul
11 intermodal movements which bypass this yard. Norfolk
12 Southern representatives have indicated that they intend
13 to concentrate more heavily on short haul intermodal moves
14 of 500 miles or less. They have identified Pitcairn Yard
15 for increased use in connection with short haul intermodal
16 traffic. SPRPC applauds Norfolk Southern's commitment to
17 the Pitcairn Yard facility and will support Norfolk
18 Southern's intermodal operations. SPRPC will help to
19 develop the Turtle Creek Valley Strategic Action Plan
20 which is being developed to foster economic development
21 through a public/private partnership capitalizing on the
22 Pitcairn double-stack intermodal transportation center.
23 SPRPC looks forward to working with the Norfolk Southern
24 Industrial Development staff as an active partner in the
25 Turtle Creek Valley Strategic Action Plan.

1 5. Joint use of and competitive access to the
2 Monongahela Railway Company

3 The Monongahela Railway Company serves coal
4 fields of Green County, Pennsylvania and Northern West
5 Virginia. It is the largest rail traffic generator in the
6 Commonwealth. Prior to 1990, the railroad was owned and
7 operated by three carriers: Conrail, CSX and P&LE.
8 Eventually, Conrail acquired the interests of P&LE and CSX
9 and most recently operated the line for its own account.
10 Norfolk Southern will acquire operating control over the
11 Monongahela Railway under the proposed operating plan and
12 has granted CSX joint use of the Monongahela Railway lines.
13 This plan re-establishes competitive rail service from the
14 Monongahela coal fields and should substantially promote
15 production in these coal fields. This is a significant
16 benefit of the proposed merger for Southwestern Pennsyl-
17 vania.

18 SPRPC has also noted that Bessemer & Lake Erie
19 Railroad Company has sought access to the Monongahela coal
20 fields through trackage rights and appropriate haulage
21 arrangements with Norfolk Southern and/or CSX. SPRPC
22 supports these efforts by Bessemer & Lake Erie inasmuch
23 as previous conditions imposed by the former ICC in
24 connection with Conrail's acquisition of 100 percent
25 control of the Monongahela Railway Company were not

1 adequate to enable B&LE to become an active competitor for
2 Monongahela coal traffic. B&LE is an effective rail
3 competitor in Southwestern Pennsylvania and has excellent
4 port facilities on Lake Erie at Conneaut Dock which would
5 greatly facilitate the marketing of Monongahela coal to
6 lake served electric utilities. Since the relief requested
7 by Bessemer merely reconfirms and seeks to implement
8 competitive access rights already recognized by the former
9 Interstate Commerce Commission, SPRPC supports the
10 imposition of meaningful competitive access conditions
11 sought by B&LE.

12 6. Regional/Short Line Railroads - Wheeling &
13 Lake Erie Railway Company and Buffalo & Pittsburgh Railroad
14 Company

15 The merger application submitted by Norfolk
16 Southern and CSX indicates that the Buffalo & Pittsburgh
17 Railroad Company will experience a loss of \$8.3 million in
18 freight revenue largely as the result of the elimination
19 of CSX overhead traffic handled by the B&P. The Wheeling
20 & Lake Erie Railway Company will experience a diversion
21 of \$1.4 million in trade revenue largely as the result of
22 Norfolk Southern rerouting traffic presently handled by
23 the Wheeling to new Conrail lines to be obtained by Norfolk
24 Southern as a result of the merger. Each of these regional
25 carriers provides essential rail service to Southwestern

1 Pennsylvania to Canadian markets via Buffalo, New York.

2 SPRPC understands that both carriers have
3 experienced financial difficulties and have conducted
4 extensive negotiations with Norfolk Southern and CSX. If
5 appropriate measures cannot be found to address the severe
6 financial impact which this merger transaction poses for
7 these regional carriers, SPRPC is extremely concerned that
8 Southwestern Pennsylvania will lose the competitive and
9 service benefits provided by these railroads to this
10 region.

11 CONCLUSION

12 On balance, SPRPC believes that the proposed
13 operation of Conrail lines by Norfolk Southern in
14 Southwestern Pennsylvania presents important benefits and
15 opportunities to this region. Pittsburgh will become a
16 major operating hub for Norfolk Southern. There is the
17 prospect for increased intermodal growth at Pitcairn Yard
18 intermodal terminal. Norfolk Southern has proposed
19 important new capital investment in equipment maintenance
20 and repair facilities at Conway Yard. Finally, competitive
21 rail service is being restored to Southwestern Pennsylvania
22 coal fields. If these proposals are implemented with
23 appropriate conditions, SPRPC believes that they offset
24 the loss of employment at Conrail's National Customer
25 Service Center and the reduction of classification activities

1 at Conway Yard.

2 The most serious problem presented by this merger
3 to our region is the threat posed to the Wheeling & Lake
4 Erie Railway and the Buffalo & Pittsburgh Railroad. If
5 the applicants and those regional carriers are unable to
6 negotiate appropriate measures to preserve the essential
7 rail services provided by these regional carriers to
8 Southwestern Pennsylvania shippers, then SPRPC strongly
9 supports the imposition of appropriate competitive access
10 trackage rights or other merger conditions which will
11 assure the continued economic viability of these regional
12 carriers and preserve the rail freight service which they
13 provide in Southwestern Pennsylvania.

14 Thank you for allowing me to present these
15 comments on behalf of the SPRPC.

16 CHAIRMAN GEIST: Thank you. That was very well
17 prepared. Did you spend a little bit of time in the rail
18 industry?

19 MR. WALLWORK: Did Sam say something? Yes. I
20 am a retired business executive and the last 10 or so years
21 of my career, I was the President and Chief Executive
22 Officer of the Arthur T. Walker Estate Corporation. And
23 it was a holding company and it held the Pittsburgh and
24 Shawmut Railroad Company, the Mount Laurel Railroad Company
25 and the Red Bank Railroad Company. And for a three-year

1 period -- the first three years of the life of the B&P
2 Railroad, we were 50-50 partners, along with Tennessee and
3 Wyoming Industries, in that railroad. But my history is
4 with my good friend, George Ellis, in the coal industry,
5 prior to that.

6 REPRESENTATIVE MAHER: I might add that I can
7 offer from personal experience that no one knows the rail
8 industry in Western Pennsylvania better than Gealy Wallwork.

9 MR. WALLWORK: I would not be so bold as to say
10 that. Thank you.

11 CHAIRMAN GEIST: Let's talk a little bit about
12 the role of the MPO here, in this whole mix. I'm very
13 concerned about the intermodalism and the planning that's
14 going to go into it, especially since the state is
15 investing so much of our liquid fuels money in Western
16 Pennsylvania right now. Have they spent a lot of time
17 talking with the planning group, the industrial development
18 group from Norfolk Southern, on their development plans?
19 Because here (indicating), there were a couple of ifs,
20 especially about the reestablishment of the Pennsylvania
21 Railroad. And I -- I'm going to live in the middle
22 division, once again and so, you know, it's just like old
23 times. We have the Pittsburgh headquarters here and the
24 testimony had a bunch of ifs. Now, what are they -- what
25 is Norfolk telling you folks now about this?

1 MR. WALLWORK: We've had, I believe that it was
2 a total of two meetings with them, plus correspondence and
3 then, the Rail Committee that we have has been meeting for
4 the last 18 months or so. I -- I think at best, we can
5 only go on the representations of what they expect to do.
6 I believe that it's too early, in their process, for them
7 to be able -- at least as business people, to be really
8 beyond the point of trying to assure the public that there
9 will be no -- no less, except in the areas that they have
10 indicated.

11 CHAIRMAN GEIST: The testimony that was given
12 to us in Philadelphia was that based upon census data for
13 both railroads, that any displaced workers would be rehired
14 by the railroad, within a period of three years. Have they
15 conveyed any of that, with the -- especially with the
16 employees of the T Center here?

17 MR. WALLWORK: Not to my knowledge. And I have
18 no idea what they have -- what kind of communications they
19 have had or if they had them. I think that Conrail, itself
20 has had communications, but people that I've talked with,
21 they've had a lot of communications and they've done a
22 fairly good job with describing how those employees will
23 be handled, at the time of the transaction. But I have
24 no idea what they have said to the local people.

25 CHAIRMAN GEIST: Now, other than the correspondence

1 that we've had and Dick's had, especially on the Conway
2 Shop, capital investments and other capital projects here
3 in Western Pennsylvania, we do know that they have put two
4 of their industrial development people in Philadelphia and
5 have named Craig Lewis as their Vice President of
6 Operations for the State of Pennsylvania.

7 We're -- we're all, I guess we'd say a little
8 bit cloudy about all of this process, but I would hope that
9 Pennsylvania gets the same letter from Norfolk Southern,
10 that the Governor of Maryland got from them. I would feel
11 much more comfortable when that happens, though. But I'm
12 sure that that will take a lot of the mystery out of this
13 process. Any questions? Sam?

14 REPRESENTATIVE SMITH: Thank you, Mr. Chairman.

15 Gealy, I certainly appreciate the fact that
16 you're here. As a matter of fact, when I saw your name
17 on the agenda, I really didn't even look to see who you
18 were speaking on -- on behalf of whom you were speaking.
19 I was thinking you were maybe here to talk a little bit
20 about the short line business and the regional railroads
21 up through our area. And I -- I'm glad that you emphasized
22 that point, as much as you did in your testimony.

23 You mentioned appropriate measures and
24 specifically, you mentioned competitive access trackage
25 rights. Are there some other specific things, you know,

1 that you could identify, you know, when you talk about
2 "appropriate measures?" Are there some other things that
3 should be considered, you know, that we could at least be
4 talking about and trying to lean on a little bit? Because
5 I'm very concerned, as you well know, what this potentially
6 means, up -- you know, getting a little bit out of the
7 Southwestern Region and up into the North Central Region.

8 MR. WALLWORK: The -- I -- I believe that if they
9 could get competitive access rights, that it would help,
10 especially the Bessemer and it could also help the Wheeling
11 and Lake Erie. The B&P is another issue. And I think you
12 understand that they are basically an overhead carrier.
13 except for the Butler and Petrolia area. And we've not
14 been able to communicate with the B&P. The only thing we
15 know from the B&P is that they are in these negotiations.

16 My own assessment of it is, this \$8.3 million
17 is -- is a disaster for the B&P. They -- they need that
18 overhead traffic, in order to keep that line in place.
19 They can truncate it and work Butler and Petrolia on this
20 end and do what they do in Buffalo Creek Yard and the
21 Buffalo end of it. But without -- with this traffic, that
22 is being diverted, I think that it is very glum for them.
23 And this is all only based on hearsay and other knowledge,
24 not anything direct.

25 The reason that we backed out of the relationship

1 with B&P originally, was that we had significant diversions
2 on the acquisition, the B&P, from CSX. We -- we had
3 concrete language there would be no diversions, but they
4 had a thousand some clerks that they could not control and
5 so, they were immediately taking the traffic by other
6 routes that they could take and the B&P ultimately was able
7 to survive with what could not be diverted. And now, it
8 appears that the bulk of that is being diverted. So, I
9 think that the B&P has -- has difficulty and I -- I can't
10 give you an answer to what might be done that would help
11 them, other than to not allow those diversions and you are
12 really entering into the free market there.

13 REPRESENTATIVE SMITH: And that's not something
14 that we can particularly control here.

15 MR. WALLWORK: No.

16 REPRESENTATIVE SMITH: Anyway, the Surface Trans-
17 portation Board might have some impact on that, I presume.
18 Is that accurate? But beyond that, that would be the only
19 government agency that would have authority or ability to
20 intervene?

21 MR. WALLWORK: Right. But I think supporting
22 the competitive access and trackage rights can be of some
23 help, in other instances.

24 There's a little thing and I don't think it will
25 change, but CSX has never turned the section of track from

1 Eidenau, which is west of Butler, to New Castle, over to
2 the B&P. The B&P has always been able to use that. And
3 that's always been for CSX's convenience, because they
4 wanted to pick up and drop off in New Castle, not at
5 Eidenau. Whether that will change now, I don't know. I
6 couldn't see that it would.

7 REPRESENTATIVE SMITH: Thank you, Gealy. Thank
8 you, Mr. Chairman.

9 REPRESENTATIVE PIPPY: Mr. Wallwork, I have a
10 couple of questions concerning the service center here in
11 North Fayette. You had mentioned that there's ultimately
12 going to be a loss of 500 jobs, 400 of those being
13 transfers. You did mention 92 that would be abolished.
14 Do you have more details on what types of jobs those 92
15 were?

16 MR. WALLWORK: I do not.

17 REPRESENTATIVE PIPPY: Okay.

18 MR. WALLWORK: That's only what has been related
19 from the Norfolk Southern.

20 REPRESENTATIVE PIPPY: From Norfolk Southern.

21 MR. WALLWORK: Right.

22 REPRESENTATIVE PIPPY: And the other question
23 was --

24 MR. WALLWORK: There were 47 other management-type
25 people, who would also be transferred.

1 REPRESENTATIVE PIPPY: All right.

2 MR. WALLWORK: But that is a net loss of 447 jobs
3 in our part of the community.

4 REPRESENTATIVE PIPPY: Exactly. The -- the
5 concern I have is the facility. Have you heard or do you
6 have information as to -- I know that we are getting a new
7 center, somewhere in Pittsburgh, that will offset some of
8 the jobs, but do you know how this facility here may be
9 used?

10 MR. WALLWORK: I -- I have no information.

11 REPRESENTATIVE PIPPY: There is no talk or
12 thought about what will happen to this?

13 MR. WALLWORK: Not to -- not to my knowledge.

14 REPRESENTATIVE PIPPY: Okay.

15 CHAIRMAN GEIST: Anything else?

16 (No response.)

17 CHAIRMAN GEIST: Thank you very much.

18 MR. WALLWORK: You're welcome.

19 CHAIRMAN GEIST: Our next presenter is, I guess
20 one of the power people of Harrisburg, he's been around
21 there forever, George Ellis, President of Pennsylvania Coal
22 Association.

23 MR. ELLIS: Good morning. My name is George
24 Ellis, and I am President of the Pennsylvania Coal Association,
25 a trade association representing producers of bituminous

1 coal in Pennsylvania.

2 PCA's 44 Producing Members are responsible for
3 75 percent of the state's annual bituminous coal output,
4 which totaled approximately 69 million tons in 1996.

5 According to DOE's latest figures, railroads are
6 the main transportation link for coal nationwide. Coal
7 constitutes some 40 percent of rail tonnage and a fourth
8 of the railroads' annual revenues.

9 Pennsylvania is no exception. During 1995, 36
10 percent (or 22 million tons) of Pennsylvania bituminous
11 coal deliveries to both in-state and out-of-state customers
12 were by rail. The vast majority of that coal went to
13 electric utility generation stations, which consumed 70
14 percent of Pennsylvania's coal production. While railroads
15 are the dominant haulers of Pennsylvania mined coal to
16 Pennsylvania utilities, Pennsylvania coal is also delivered
17 by rail to electric generation and industrial consumers
18 in 22 other states.

19 Coupled with utility deregulation, rail mergers
20 are changing forever the way coal is bought, sold and
21 transported. The proposed breakup of Conrail is no
22 different in that its outcome will realign Eastern coal
23 markets and dramatically change coal movement and rates.

24 With that, it should come as little surprise that
25 PCA member companies have a substantial interest in and

1 harbor a number of concerns about splitting Conrail between
2 Norfolk Southern and CSX.

3 Under the current deal, Norfolk Southern would
4 acquire 58 percent of Conrail's assets (\$5.9 billion),
5 while CSX (for \$4.3 billion) would acquire the remaining
6 42 percent. CSX and NS claim, which we doubt, that the
7 breakup of Conrail will provide them with savings of more
8 than \$800 million a year and an increase in annual
9 operating income of 25 percent.

10 CSX and NS are proposing to pay a substantial
11 premium to get Conrail. The \$10.2 billion price paid
12 equates to roughly \$2.76 for every dollar of Conrail
13 revenue. This is considerably more than the \$1.43 per
14 dollar of revenue the Union Pacific paid for the Southern
15 Pacific - which was a cash/stock deal whereas the CSX/NS
16 deal for Conrail is all cash.

17 It is likely that the coal industry will suffer
18 dramatically higher freight rates as CSX and NS attempt
19 to recoup this exorbitant premium from their shippers.
20 Coal, because it lacks alternatives, has traditionally paid
21 higher rail freight costs on a ton-mile basis than other
22 commodities. The coal industry is skeptical that the
23 acquisition at such a premium is justified based on the
24 supposed cost savings and revenue growth as the federal
25 State Transportation Board filing states.

1 It is therefore, not surprisingly, that nearly
2 300 applications were filed with the Senate Transportation
3 Board requesting the right to participate in the process
4 of evaluating the proposal.

5 Included in the list of those wishing to
6 participate were: regional and short-line railroads,
7 utilities, coal and other mining companies, steel,
8 plastics, and other basic industries, state and municipal
9 governments, including a coalition of governors from our
10 northeastern states, unions and members of Congress.

11 The Transportation Board has said it will reach
12 a final decision in early June of next year.

13 The proposal filed with the Transportation Board
14 is 14,810 pages long, so it is doubtful that anyone yet
15 has a thorough understanding of how the new system would
16 work.

17 Fairness, competition and cost are paramount
18 among the coal industry concerns; but equally important
19 questions turn on captive shipper access, rate structures,
20 quality of service, and new access to Pennsylvania coal
21 markets from out-of-state suppliers.

22 For Pittsburgh Seam producers on the Monongahela
23 Railroad (MGA) moving coal to Baltimore on Conrail, the
24 new merger should mean reduced transit times to the coast.
25 This is because Conrail shared its line to the east coast

1 with Amtrak, the passenger train service, thus limiting
2 the time available to move coal traffic.

3 On the other hand, CSX has an all-freight line
4 parallel to the Amtrak-Conrail line. CSX claims that
5 transit times can be reduced by 12 hours in each direction
6 because of this. On the negative side, we will not know
7 for sure how well certain joint operating agreements will
8 work until the two railroads actually begin operation.

9 The transaction gives producers of coal located
10 on the lines of the former MGA direct access to two origin
11 carriers - NS and CSX. NS gains access to most other Pa.
12 coal producers. Those Pa. producers captive to NS will
13 be placed at a competitive disadvantage to nearby competing
14 mines that will have joint access.

15 There is a risk that Conrail will merely be
16 replaced by another dominant carrier and that one railroad
17 will reach most rail users. If this happens, coal
18 operators fear a market concentration that would impede
19 a shipper's ability to obtain competitive contract rates.

20 In addition, given the broader geographic
21 dominance that will exist after the NS and CSX acquire
22 Conrail, a greater likelihood exists that the railroads
23 would have a greater ability to dictate, through the rate
24 making process, where coal is marketed. Because a
25 railroad's marketing goal is to maximize coal volumes at

1 the highest possible price, rates could be established
2 which ensure that financially weak, high cost producers
3 are given favorable rates to various destinations while
4 forcing financially strong, efficient producers into
5 secondary markets. The theory is that the efficient
6 producer will accept a secondary market because it has a
7 cost structure that would allow it to do so albeit at a
8 lower margin of profit.

9 The split may also accelerate the growth of
10 Central Appalachian coal (primarily from WV and KY mines)
11 in markets historically supplied by Pennsylvania coal
12 operators (i.e. Pa. coal-fired electric generating plants).
13 Coal mined to the south is inherently lower in sulfur and
14 can be burned as a so-called "compliance" fuel by electric
15 utilities with little or no value-added preparation. As
16 the mandates of the Clean Air Act Amendments of 1990 become
17 even more strict after 2000, this fuel option could become
18 increasingly attractive to utilities in Pennsylvania and
19 the Northeast. With that potential demand, a single rail
20 system with monopolistic pricing control and access to
21 huge, Central Appalachian low-sulfur coal reserves could
22 open a floodgate of that competing coal to Pennsylvania
23 coal markets.

24 The result would not only be devastation of the
25 state's most important indigenous energy supplier (coal,

1 much of it mined in Pennsylvania, fires 58 percent of the
2 state's electricity supply), but also for the many
3 communities for which it provides well-paid, family-
4 sustaining jobs. And the breakup could have a similar
5 effect on shipments of Pennsylvania products from other
6 economically important businesses and industries - from
7 agriculture to manufacturers.

8 This is all playing out at a time when both the
9 electric utility industry and the coal industry are in a
10 period of rapid change due to the deregulation of the
11 electric industry. Competition in electric generation will
12 place a premium on cost-effectiveness. Consequently, the
13 future for coal or any other fuel will be dictated by how
14 competitive it is. If coal remains a cost-effective fuel -
15 as it certainly is now - the coal industry will benefit
16 from competition in the electric generation market.
17 However, competition among coal-fired plants will
18 intensify, which could result in significant displacements
19 between coal-fired plants.

20 Thus, transportation costs, which already repre-
21 sent a significant portion of the cost to generate
22 electricity, and the ability to negotiate with railroads
23 for lower rates, become an even more significant component
24 in the fuel procurement equation. As utilities sell
25 electricity in a competitive, real-time market, will the

1 railroads package coal hauling services to meet utilities'
2 changing needs? Utilities may balk at fixed-volume, fixed-
3 rate, long-term commitments. But without such commitments,
4 railroads may resist the capital improvements utilities
5 expect. How can coal haulage contracts be written to
6 satisfy these seemingly conflicting concerns while
7 providing haulage rates that will continue to make locally
8 produced Pennsylvania coal attractive to its chief users -
9 Pennsylvania's electric utilities.

10 There are many who worry that the premium paid
11 by CSX and NS for Conrail cannot be recouped through
12 savings alone. They worry that with one less player in
13 the game, freight rates will increase.

14 It is hard for coal operators to believe that
15 the breakup of Conrail will accrue the "efficiencies" and
16 "cost savings" promised -- especially for coal. Why?
17 Because the debt load of any Conrail acquisition will
18 easily offset by far any potential economies of scale.

19 The coal industry may likely bear the lion's
20 share of the burden posed by a realignment, as higher rail
21 freight costs reduce the competitiveness of Pennsylvania
22 coal.

23 Another fear expressed by Pennsylvania coal
24 operators is loss of service quality and reliability with
25 a breakup. Without any real competition left behind .

1 in the wake of the deal making, quality of service may be
2 reduced. Further, it is clear that problems such as crew
3 and equipment shortages are a result of difficulties
4 experienced in merging two large and diverse railroads into
5 one.

6 There are many sections of the rail system that
7 are approaching capacity limits. As the system reaches
8 capacity, there is less and less margin for error in the
9 coordination of railroad equipment or in the coordination
10 of mining and shipping schedules.

11 In the "good old days," if a train didn't arrive
12 for a day or two, you simply made up the shipment later.
13 Today, because of the trend toward larger coal mines and
14 with the huge volumes that must be moved from many mines,
15 a missed schedule usually means lost business because high
16 system loading will not permit those volumes to be made
17 up later.

18 Even where joint operating agreements or capacity
19 limits aren't an issue, the sheer size and diversity of
20 the resulting two systems will require a very sophisticated
21 level of control over equipment utilization to ensure that
22 cars and power are available when and where they are needed.

23 This is not an imaginary concern. History
24 suggests that service problems have occurred for some time
25 after a large railroad merger. The Union Pacific suffered

1 after it took over the Chicago Northwestern, and is
2 currently providing poor service while it is digesting the
3 Southern Pacific System; it is encountering serious
4 problems with car shortages and train cycle times.
5 Shippers across a broad spectrum of industries and over
6 a broad geographic area are complaining of delays as much
7 as three weeks in pickup and delivery of freight. The
8 timing of the Conrail acquisition is particularly bad as
9 the electric utility industry is moving toward deregulation
10 and Phase II implementation of federal acid rain legisla-
11 tion. Coal cannot afford to miss a beat at this critical
12 time.

13 Concerning service reliability, the CSX is not
14 noted for its service reliability in the coal fields that
15 it currently serves. Therefore, the Monongahela Railway
16 (MGA) producers are concerned that after the takeover there
17 will be a diminishment of service as compared to the
18 excellent service currently provided by Conrail. We have
19 less of a concern about the NS.

20 Concerning equipment availability, Conrail
21 equipment will be divided with NS getting 58 percent of
22 it. Service would be adversely affected on either the NS
23 or the CSX if either railroad captures a greater percentage
24 of the business than its percentage of the Conrail equipment.

25 The issue surrounding captive coal shippers in

FORM 1

1 Clearfield County is also very urgent. Currently, 75
2 percent of coal shipped from the Clearfield Cluster, a
3 privately owned short line system in central Pennsylvania,
4 goes to power plants operated by Pennsylvania Power & Light
5 Company. In 1996, total coal shipments on the Clearfield
6 Cluster totaled 3.2 million tons. Because of Clearfield
7 coal operator proximity to PP&L's coal-fired power plants --
8 and the importance of coal industry jobs to the Clearfield
9 County region -- the Clearfield Cluster must be offered
10 competitive shipping rates in the future.

11 The Clearfield Cluster provides rail access to
12 approximately 10 percent of the land area of Pennsylvania.
13 If deprived of rail access, the Clearfield Cluster would
14 be forced to discontinue its operations, with devastating
15 impact on Clearfield County's already distressed economy
16 for years to come. Despite the fact that PP&L has assured
17 us that once final approval is given to the proposed rail
18 acquisition, Norfolk Southern will provide the utility with
19 competitive rail rates; PCA is concerned the new carrier's
20 rates for Clearfield Cluster coal to PP&L plants will be
21 fair and reasonable on a ton-mile basis compared to coal
22 from other areas.

23 The suggestion that high sulfur coal will become
24 less attractive to coal-fired utilities in the future due
25 to Clean Air Act considerations denies the fact that

1 low-cost sulfur dioxide emission allowance credits are
2 available for sale with this coal.

3 Indeed, if they remain inexpensive, emission
4 allowance credits combined with higher sulfur coal
5 shipments are a viable Clean Air Act compliance option for
6 utilities that can keep Pennsylvania coal competitive
7 during Phase II implementation after the year 2000.

8 To summarize, the future for Pennsylvania coal
9 depends on how efficiently -- and economically -- it can
10 be delivered to electric utilities and other markets.
11 Because rail freight rates are a major part of the
12 delivered price of coal, the cost of that transportation
13 is a key factor in coal sales. Only with true market
14 competition can reasonable rates for hauling coal and other
15 bulk commodities be assured.

16 In the final analysis, PCA believes that a
17 Conrail split should only take place if it includes
18 provisions that give shippers meaningful competitive
19 options. Issues such as how rates will be established,
20 competitive access to traditional markets and quality of
21 service need to be addressed and resolved before approval
22 is given to any realignment.

23 PCA urges the House of Representatives to resolve
24 to oppose the Conrail buyout until such time as CSX and
25 NS satisfactorily address those concerns.

1 PCA will continue to work with the General
2 Assembly and the Ridge Administration to assess the
3 implications for shippers and freight originators. We will
4 also closely examine related issues raised by public
5 comments as the proposal is considered by the federal
6 Surface Transportation Board.

7 PCA's ultimate objective is an assurance that
8 the proposed breakup will result in reliable, efficient
9 and competitive railroad transportation services.

10 I thank you for the opportunity to voice PCA's
11 concerns and our wish to preserve effective rail
12 transportation competition where it exists today for
13 Pennsylvania coal producers.

14 CHAIRMAN GEIST: Thank you very much, George.
15 I've got a bunch of questions for you and I want to make
16 sure that everybody else up here has the opportunity.

17 Just last week, I read in two different services
18 that three of the coal-fired generating facilities, just
19 west of us in this incline are either going to be sold or
20 put out of service. Does that reflect, in your testimony,
21 the 2000 decision, plus the increased cost in those plants?

22 MR. ELLIS: I'm not -- not familiar with the --
23 are they Pennsylvania utility companies?

24 CHAIRMAN GEIST: They -- Penelec's facilities
25 in Seward.

1 MR. ELLIS: Okay. I think that that is more the --
2 more a function of -- it's not deregulation. At this
3 point, I -- it wouldn't be a rail transportation issue.
4 Unfortunately, it's the Clean Air Act.

5 CHAIRMAN GEIST: That's a lot of money, for a
6 lot of those towns.

7 MR. ELLIS: It certainly is. But, you know, the
8 problem is with another issue, for perhaps another
9 committee or --

10 CHAIRMAN GEIST: No. You address -- you address
11 it in your testimony. You address it very clearly, on --
12 on the use of the low sulfur southern coal --

13 MR. ELLIS: That's right.

14 CHAIRMAN GEIST: -- (continuing) -- the high BTU --

15 MR. ELLIS: Right.

16 CHAIRMAN GEIST: -- (continuing) -- the good ash
17 coal, the good coke button coal, versus the 300-year supply
18 that we sit on, in my neighborhood.

19 MR. ELLIS: That's right. That's correct. And
20 it certainly will make it easier for central Appalachian
21 coal and the compliance in Pennsylvania with this. But
22 certainly, you are right. It certainly makes then the
23 utilities' decisions, on, you know, whether to -- whether
24 to keep a coal-fired power plant going. That's dependent
25 upon high sulfur Pennsylvania coal, versus, on the other

1 side of that, the ability of the plant to meet the Clean
2 Air Act. It kind of tilts that decision against Pennsyl-
3 vania coal.

4 CHAIRMAN GEIST: Let's talk about the export coal
5 market, a little bit. In the Pennsylvania coal, there
6 currently is -- it currently goes to Baltimore, not to Pier
7 124, the export market and how this can impact on that
8 coal.

9 MR. ELLIS: Well, and the problem, Mr. Geist,
10 is that you used the term, in questioning the previous
11 witness, you said that "This whole thing is cloudy."

12 CHAIRMAN GEIST: Right.

13 MR. ELLIS: And it is cloudy. This is not to
14 say that Norfolk -- Norfolk Southern and CSX are meeting
15 with the right operators, in the right regions of the state
16 and the same, right thing. Okay? Whether or not this
17 translates into the right things ultimately being had is --
18 is in doubt. I mean, what they are saying about the
19 movement to -- to Baltimore, that it will be an advantage,
20 because of the Conrail-Amtrak line, which I think they said
21 will reduce the scheduled time by 12 hours, that's what
22 we are saying.

23 CHAIRMAN GEIST: Have Pennsylvania shippers been
24 assured of rate competitiveness with shippers, say the old
25 standby customers in the south?

1 MR. ELLIS: No.

2 CHAIRMAN GEIST: Versus their new customers in
3 Pennsylvania?

4 MR. ELLIS: No.

5 CHAIRMAN GEIST: Have there been letters of
6 assurances, that rates will be competitive?

7 MR. ELLIS: No. There's been talk about that,
8 but, you know, like I said, whether or not that happens,
9 we don't know. I mean, really, for me, the only good news
10 that I've seen thus far and Gealy talked about it, was the
11 shippers on the Mon Railroad having dual -- dual service.
12 But on the other hand, there are a number of companies in
13 Southwestern Pennsylvania, 84 Mining Company comes to mind,
14 that aren't on the Mon Rail, are in that geographic area,
15 that won't have joint access, that will be captive.

16 CHAIRMAN GEIST: On the short lines that a lot
17 of your members live and die by, have they received
18 assurances on the paper walls that have been put up by the
19 two new carriers in Pennsylvania, versus agreements that
20 are already in place with Conrail?

21 MR. ELLIS: You know, it is interesting that you
22 asked me the question, because, perhaps the most important
23 short line is the Pullman McCormick short line Clearfield
24 Cluster.

25 CHAIRMAN GEIST: Isn't that amazing!

1 MR. ELLIS: And when I was putting this testimony
2 together, again, I mean, they have been given assurances,
3 verbal assurances and PP&L has been given verbal assurances
4 that they will get competitive rates. But, you know, it's
5 cloudy. They still -- you know, they are still concerned
6 about that.

7 And, you know, the problem with the Clearfield
8 County coal is that really, its only market is the PP&L
9 power plant. And that -- I mean, that -- the -- the edge
10 for that coal has always been proximity. That -- you know,
11 those rates aren't -- aren't fair or competitive. That
12 knocks three to four million tons just out of market.
13 There is no other market for that coal.

14 CHAIRMAN GEIST: That's a lot of the economy,
15 just north of my district. Around Sam's district, that's --
16 that's real money.

17 I'm not going to ask any more questions,
18 because I could probably do this all day. Let's -- any
19 other panel members?

20 REPRESENTATIVE SMITH: No, I don't have any
21 questions. I do appreciate your testimony, George and I
22 appreciate your emphasis on the importance of those short
23 lines and -- you know, in the middle section of Pennsylvania
24 and particularly the impact that this merger could have
25 on them. It's important to hear from you folks and keep

1 that kind of information -- have it on the record and
2 hopefully, we can use that to some leverage, to at least
3 get as good a deal as we can get.

4 REPRESENTATIVE PIPPY: George, I also want to
5 thank you. You mentioned earlier in your testimony,
6 concerning the rates, an increase in rates and you are
7 talking about coal now. It's important to realize and I
8 think you do, that this affects a lot of other businesses.
9 For example, the coke plant, if you are the Clairton Works.
10 Any cost of the tonnage of coal directly affects not only
11 the cost of the coke that was produced, but the chemicals,
12 by-products, the entire Mon Valley region. Our competitive-
13 ness is based upon just trying to get low cost, high
14 quality coal, through blending and other issues. But I
15 appreciate your comments and in particular, the Clean Air
16 Act and what that's going to do. It's all related.

17 MR. ELLIS: Especially here in Southwestern
18 Pennsylvania.

19 REPRESENTATIVE PIPPY: It is. Thank you very
20 much.

21 CHAIRMAN GEIST: Too bad Carol Browner can't come
22 here.

23 MR. ELLIS: Yes.

24 MR. PARSELLS: George, does PCA plan to file with
25 the STD as an organization or --

1 MR. ELLIS: Yes. I think that we're -- we --
2 we have already -- our lawyers did whatever we had to do
3 to participate in the process.

4 CHAIRMAN GEIST: Have you met with the Governor
5 and Mayor Rendell yet; on their concerns?

6 MR. ELLIS: No.

7 CHAIRMAN GEIST: Okay, George. Thank you.

8 Any other questions?

9 (No response.)

10 CHAIRMAN GEIST: Thank you very much.

11 MR. ELLIS: I appreciate your interest.

12 CHAIRMAN GEIST: Our next presenter is Paul Wargo,
13 staff of the Bureau of Rail Freight, Pennsylvania Depart-
14 ment of Transportation.

15 MR. WARGO: Good morning. I'm going to present
16 the testimony of Deputy Secretary Voras, who is ill and
17 sends her regrets that she is unable to travel today.

18 Good morning Representative Geist and other
19 members of the House Transportation Committee. Thank you
20 for the opportunity to participate in this hearing.

21 On the day CSX announced its intentions to buy
22 Conrail, the staff of the Bureau of Rail Freight, Ports
23 and Waterways began an assessment of the impact of the
24 proposal. We spoke with any segment and every segment of
25 our transportation system that could potentially be

1 affected.

2 We reached out to the shippers, shortline and
3 regional railroad operators, representatives of ports and
4 officials from the City of Philadelphia, major metropolitan
5 planning organizations throughout the state, community
6 leaders, economic development agencies, state legislators,
7 and our Congressional delegation.

8 PennDOT's Rail Freight Advisory Committee was
9 consulted and was kept well abreast of the state's
10 activities.

11 We listened to union representatives and Conrail
12 employees who feared the loss of jobs.

13 We talked to our transportation counterparts in
14 other states where two other major railroad mergers had
15 occurred: one between the Burlington Northern and Santa
16 Fe and the other involving the Union Pacific and Southern
17 Pacific railroads.

18 In March, Governor Ridge and Philadelphia Mayor
19 Ed Rendell had a meeting with the CEOs of CSX and Norfolk
20 Southern. Lines of communication were formally opened
21 between Pennsylvania and the pending new owners of
22 Conrail's freight lines. Realizing substantive issues
23 couldn't be resolved in one meeting, Governor Ridge
24 selected a small group of players to try to come to terms,
25 to reach agreement and compromise, where necessary, on the

1 key issues and concerns facing the Commonwealth.

2 And now, that the two railroads have filed an
3 operational plan with the U.S. Surface Transportation
4 Board, the Commonwealth stands ready to intercede in the
5 federal proceedings on behalf of Pennsylvania. While our
6 negotiations with Norfolk Southern were productive, I
7 believe, as does Governor Ridge, that we can achieve more.

8 On October 21st, the Commonwealth will formally
9 file its concerns with the S-T-B. In fact, I met last week
10 with the House and Senate Transportation Committees to
11 coordinate our filings. The final document will address
12 eight key issues:

13 1. **Employment** is a major concern. Current
14 employment levels and rail facilities' operations must be
15 protected to the maximum extent possible. I'm referring
16 to the railroad repair shops in Altoona and Holidaysburg,
17 the national regional customer center and regional
18 headquarters in Pittsburgh and the intermodal facilities
19 in Philadelphia, Pittsburgh, Harrisburg and Allentown.

20 In addition, Philadelphia has served as a rail
21 corporate headquarters for more than a century and consi-
22 deration must be given to an ongoing corporate presence
23 in the state's largest city.

24 Conrail has a great economic impact in our state,
25 especially, in the Philadelphia region where approximately

1 2,400 people are employed.

2 Conrail employed approximately 8,000 people in
3 Pennsylvania last year. In 1995, Conrail paid more than
4 \$31 million in state and local taxes in Pennsylvania and
5 purchased more than 439 million dollars in goods and
6 services from Pennsylvania vendors. Conrail also
7 contributed more than \$2 million to over 200 charities,
8 community groups and other deserving organizations in the
9 state in 1995. All told, Conrail's presence has mattered
10 in Pennsylvania.

11 2. Competitive access, as you well know, is
12 critical for our rail users.

13 It is imperative that all locations with access
14 currently to two carriers be maintained. For example,
15 where Conrail is currently permitting another major carrier
16 to use one of its lines, the successor owner must continue
17 to afford access to that rail line to the other major
18 carrier.

19 At least three major carriers must be granted
20 access to the Port of Philadelphia and, in the case of
21 Pittsburgh's port operations, a minimum of two major
22 railroads must be maintained.

23 The Commonwealth will need to retain two
24 competitive east-west routes and two competitive north-
25 south routes within the state.

1 Major rail carriers must provide competitive
2 access to the regional and shortline railroads. This can
3 be attained through trackage rights agreements or through
4 reciprocal switch/local access.

5 3. Passenger service is another area that should
6 be addressed with this acquisition. We are seeking a
7 commitment from the Class 1 lines to work with us on
8 expanding rail passenger service onto existing freight
9 lines where it makes sense to do so.

10 4. Transportation rates and charges must be fair
11 and competitive. If transportation efficiencies are
12 realized as a result of the acquisition, consideration must
13 be given to passing on some cost savings to the customers.
14 We have done much to keep Pennsylvania competitive in its
15 ability to retain and attract jobs. To assist in our
16 economic development effort, transportation rates must be
17 reasonable.

18 5. Recognized customer service standards and
19 good corporate citizenry are essential to ensure reliable
20 and efficient freight service. Rail users and major
21 carriers should meet on a regular basis to assess service.
22 And the railroads should commit to local and state
23 officials to properly dispose of bridges, facilities and
24 land parcels when rail lines and rail yards are abandoned.

25 6. Plans to dispose of rail lines, including

1 associated real estate and land parcels, should be made
2 known to the Commonwealth as soon as possible. Notification
3 should come at least 60 to 90 days prior to the railroad's
4 filing for abandonment.

5 The major carriers also should offer future
6 "rationalized" lines to our regional and shortline
7 railroads at a reasonable, minimum cost.

8 7. The environment is a concern to each of us.
9 We must seek assurances that the new owners will comply
10 with all federal and state environmental laws and
11 regulations in the maintenance of railroad equipment,
12 facilities and properties.

13 8. Safety, likewise, must be the haul-mark in
14 rail operations. CSX and Norfolk Southern must maintain
15 the highest safety standards for employees and the
16 operation of equipment.

17 These issues are important to us, as a department
18 of transportation, and are important to the Commonwealth,
19 as a whole. The restructuring of Conrail by Norfolk
20 Southern and CSX will determine how railroads will operate
21 well into the 21st century; not just here in Pennsylvania,
22 but across the nation.

23 While the "glory days" of railroading may be gone
24 -- the "working days" of trains are not. Pennsylvania
25 ranks first in the nation with 70 operating railroads.

1 With 5,400 miles of track, the keystone state ranks fifth
2 in track mileage. One-third of all U.S. rail traffic moves
3 through Pennsylvania.

4 Railroad employment in the state totals nearly
5 13,000 workers, the third highest in the nation.

6 These numbers tell the story of railroads' role
7 in Pennsylvania. Any plan that restructures rail freight
8 service from the Northeast to the deep South is going to
9 affect the Commonwealth...it's going to affect the other
10 railroads in the state...and it's going to affect those
11 in business and industry who rely on trains to deliver raw
12 materials or move completed products to market.

13 At the department of transportation, we are
14 working diligently to ensure that the needs of Pennsyl-
15 vania and its employees are protected. At PennDOT, we will
16 keep the lines of communications open with the General
17 Assembly and specifically the chairs of the transportation
18 committees.

19 I am available to answer any questions you might
20 have.

21 CHAIRMAN GEIST: Thank you, Paul. Since we all
22 met, what was it, last week?

23 MR. WARGO: Yes.

24 CHAIRMAN GEIST: I don't think that we have any
25 questions.

1 REPRESENTATIVE PIPPY: Just one, real quick one?

2 CHAIRMAN GEIST: Yes, go ahead.

3 REPRESENTATIVE PIPPY: One, quick question, Paul.
4 You mentioned safety. The -- what is PennDOT doing right
5 now, to make sure that during this whole process, the
6 safety of our railroad system is maintained? I have a
7 concern with, in particular, they are not putting the
8 effort into the repairs and new equipment. Is there any
9 indication of that happening?

10 MR. WARGO: There isn't any indication. Of
11 course, Conrail is still the owner of the railroad --

12 REPRESENTATIVE PIPPY: Yes.

13 MR. WARGO: -- (continuing) -- and they are still
14 the owner of the safety equipment. What we try to do right
15 now is we are very concerned with the fact that there could
16 be a lax. It's possible. We're trying to keep the lines
17 of communication open. We meet with them as often as
18 possible. And they have assured us that there cannot be
19 any letdown in safety.

20 REPRESENTATIVE PIPPY: Okay. The -- this question
21 comes from concerns, calls to my office, that they --
22 Conrail -- the fact that with everything going on, Conrail
23 may not be -- that they are not buying new -- new equip-
24 ment to repair or buy repair parts, but rather, they are
25 cannibalizing or substituting. And I just wanted to make

1 sure that the quality of safety was there.

2 MR. WARGO: If they have to buy new repair parts,
3 they will. There will be a time when they will have to
4 have their purchases approved.

5 REPRESENTATIVE PIPPY: Are we at that time yet?

6 MR. WARGO: No.

7 REPRESENTATIVE PIPPY: Okay. Thank you.

8 CHAIRMAN GEIST: Any other questions?

9 (No response.)

10 CHAIRMAN GEIST: Thank you very much.

11 Before remarks by our counsel, Dick Wilson, Dick
12 has done a fantastic job on this, far and above the call
13 of duty. If anybody out there (indicating) would like to
14 make any remarks or comments, you may.

15 FROM THE FLOOR: Yes.

16 CHAIRMAN GEIST: Your name, please?

17 FROM THE FLOOR: Charles Lococo. I represent
18 the TWU, the car mechanics from Conrail, basically, out
19 of Stubenville, Ohio, but we also represent people in West
20 Virginia and Pennsylvania. Having lived through two
21 mergers, the Penn Central and the Conrail merger, I've
22 watched the cannibalization of the railroad take place.

23 A little history, in 1960, the early '60's, when
24 the PRR and New York Central merged, there were 5500 car
25 men employed at the Pennsylvania passenger station. With

1 the onset of Conrail, the guarantee of freight or passenger
2 travel improvement and employment for these people was
3 astronomical. Today, after the devastation of Conrail and
4 two mergers, there is a total of 10 car men who live in
5 that location, with the same responsibility of rail
6 passenger safety.

7 The effects of this merger on the nation, not
8 only for the employees of Conrail and the cannibalization
9 of the railroad, we cannot continue to allow that to
10 happen. A major disaster in this country, you take the
11 war over in Desert Storm. The amount of freight that
12 Conrail moved for the military, in the amount of time was
13 unbelievable. There is no way that a rail company could
14 go -- that -- that an airplane or highway transportation
15 could move that amount of rail freight, safely and
16 economically.

17 This country cannot afford another merger, such
18 as the UPSP. Safety standards and I speak from experience,
19 again, sidelined on Conrail. Issues as far as car parts
20 to repair cars, we're cannibalizing cars now in the car
21 shop. We replace parts, safety features on cars, to get
22 them back on the road. They are not ordering new parts.
23 Rail projects that have been projected for the next two
24 to three years have ceased. They are not getting done.
25 Upgrading of the track is not being done.

1 The employees on Conrail today, everybody says
2 that they are going to be protected under the New York
3 docket. Having been a union president for over 30 years,
4 following in my father's footsteps, over the last 45 years,
5 I've seen two people. They were given New York docket
6 protection on the railroad. The lies and the untruths that
7 are being told by the people, major carriers are
8 unbelievable.

9 We stand not only to lose the 2500 people
10 employed on Conrail, that the merger says is going to
11 happen, but we've also been told by the organization and
12 I'm talking the Union organization, once the merger takes
13 place, there's no guarantee that Norfolk Southern and CSX
14 have got to take the negotiated agreements to protect these
15 people now. Our people are looking to get \$43 a day
16 maximum, for 18 months, while the President -- while the
17 CEOs of the company are walking away with a \$30 million
18 golden parachute.

19 I don't think that it is fair that people who
20 have put their blood, sweat and tears, over the last 20
21 years, building Conrail, can allow a railroad that's self-
22 sufficient, to be cut up like this.

23 CHAIRMAN GEIST: Thank you. Any questions?

24 (No response.)

25 CHAIRMAN GEIST: Is there anybody else who would

1 like to make remarks?

2 (No response.)

3 CHAIRMAN GEIST: I'd like to turn it over to
4 Dick, to do a little summation of where we have been and
5 what we are going to do. The Chairs came together, with
6 staff and the Department and we have filed with the Surface
7 Transportation Board and I'd like Dick to do a little
8 review of where we've been.

9 MR. WILSON: Thank you, Chairman Geist.

10 As -- as the Chairman has indicated, we've held
11 three hearings across the state, the last several months,
12 since the announcement of the Conrail merger. We've
13 reviewed the merger application, we've had several thousand
14 pages of testimony. I think that we probably have as good
15 an idea of what the impact of this transaction is going
16 to have on the Commonwealth, as any public body could have,
17 given the availability of the information.

18 I think, at least from my perspective as Special
19 Counsel, that we began this process somewhat relying on
20 the information of the railroads and seeing this as a
21 troublesome but generally positive development for the
22 railroad industry. I think I'd be unfair to say that as
23 we have gone through this hearing, we have had a change
24 of perspective on this transaction. We recognize that as
25 the legislative committee of a state government, we have

1 very little, from a legal standpoint that we can do. The
2 transaction is a federalized transaction and is regulated
3 by the Surface Transportation Board. The current status
4 of federal law allows us to comment and participate in that
5 merger proceeding. But quite frankly, the current
6 standards for evaluating railroad mergers are very liberal
7 and we have no illusion that our comments are going to make
8 a substantial difference or would serve as a basis for
9 having this transaction reversed. I think if you talked
10 to everybody in the railroad industry, from union
11 interests, to shipper interests, to other short line,
12 everybody has virtually concluded that it is a certainty
13 that this transaction will be approved by the Surface Trans-
14 portation Board.

15 Nonetheless, the Board doesn't have the authority
16 to impose protective conditions, as a qualifying require-
17 ment for implementing the merger and as a consequence and
18 based upon the findings that we have made, over the last
19 several months, we are going to be filing comments and
20 requests for condition with the Surface Transportation
21 Board.

22 Ultimately, our concern is that Norfolk Southern
23 and CSX pay such a premium price for Conrail and have tried
24 to justify this transaction, on the basis, that they are
25 going to divert substantial amounts of traffic from the

1 highways. Anyone who knows anything about intermodal
2 traffic understands that the margins on that traffic are
3 very thin, it's exceedingly competitive and we remain
4 convinced, as a committee, that the revenue generation
5 capability, from this intermodal diversion is possible.

6 Given that fact, Conrail and -- Norfolk Southern
7 and CSX have to find other ways to justify this acquisition
8 and pay for it. We are concerned, particularly in Pennsyl-
9 vania, that captive shippers, such as our chemical
10 companies and coal companies are going to see their rates
11 increase, wherever there are no competitive options. We
12 are also concerned that many of the public interest
13 benefits that have been promised by Norfolk Southern and
14 CSX, regarding improvements to intermodal facilities,
15 construction of new yards, improvements on lines, may not
16 happen, because, if they get squeezed for revenue, these
17 capital improvement projects will be postponed or
18 terminated.

19 Accordingly, we are going to file with the
20 Surface Transportation Board and request that they
21 condition the merger on the implementation of all of the
22 public interest benefits that Norfolk Southern and CSX have
23 proposed. The difficulty with this is that they can
24 propose these different capital improvements, but unless
25 they are made a condition of the merger, they are not

1 legally enforceable. We want to be sure that the promises
2 that they have made to the Commonwealth and to its citizens
3 are legally enforceable.

4 Additionally, we are also going to be requesting
5 that all -- that Conrail employees who have been dislocated
6 or terminated, as a result of this transaction, have a
7 first priority on rehiring, by Norfolk Southern and CSX.
8 We are also going to be requesting that Norfolk Southern
9 and CSX be required, as a condition of the merger, to place
10 and work through local employment counsels and local
11 community agencies, in the communities that were impacted
12 by this transaction, so that people who have been adversely
13 impacted, get a first shot at whatever new jobs or new
14 employment is available, within the railroad.

15 I think, in summary, our conclusion is that this
16 is an extremely high risk transaction. At the same time,
17 we recognize that simply by virtue of geography and the
18 presence of these rail lines where they are, the interests
19 of the Commonwealth and the interests of Norfolk Southern
20 and CSX in this merger are inextricably intertwined. We
21 are both in the same boat. And while we can do what we
22 can to offset the adverse impacts, we recognize that the
23 Commonwealth, CSX and Norfolk Southern are going to have
24 to work together, to try to make this merger benefit the
25 citizens of this Commonwealth. It's not a situation which

1 I think we are particularly pleased to be in, but it's one
2 in which we are going to try to exact the most protections
3 we can for the citizens of the Commonwealth, but at the
4 same time, try to work in as cooperative a fashion as we
5 can, with the railroads who serve the Commonwealth.

6 CHAIRMAN GEIST: Thank you. With that, we will
7 conclude --

8 FROM THE FLOOR: May I?

9 CHAIRMAN GEIST: Yes, sir?

10 FROM THE FLOOR: I'm sorry I'm late. I thought
11 it was going till twelve o'clock. I'm Bob O'Connor, City
12 Councilman. May I have two minutes?

13 CHAIRMAN GEIST: Sure. We'd be more than glad
14 to accommodate you.

15 MR. O'CONNOR: I apologize.

16 CHAIRMAN GEIST: If you want to just take a seat
17 at the table over there (indicating) and fire away.

18 MR. O'CONNOR: I'm here, mainly because of the
19 Mon Valley Expressway. We passed a resolution in Council,
20 about two weeks ago, which probably was -- the Mon Valley
21 Expressway has been on the table for probably 10 years in
22 the city and no decision has been made. I think it is a
23 landmark decision that we agreed, in principle, to keep
24 it on the north shore, the expressway. We think that's
25 a benefit to our community and we would now go along with

1 all -- we would be the 22nd city or municipality to agree
2 with the Mon Valley Expressway route.

3 The only details that we're concerned about and
4 I represent the Squirrel Hill, Hazelwood, Greenfield and
5 part of Oakland District. So that this whole Mon Valley
6 and the railroads go through my District. My concerns are
7 we -- again, I think I heard the tail end of your -- of
8 your comments, which is exactly what we are saying, if a
9 merger comes and the railroad would give us at least that
10 one end, a couple miles, would give us one end for the
11 highway, especially along the -- underneath the High Level
12 Bridge, if we could have the highway there, the railroad
13 could do all their railroad. Right now, there's two
14 tracks, two sets of tracks on the Homestead side and one
15 on the North Side. If -- if that was available to us, it
16 would not only be cost effective, it would be environmentally
17 much more aesthetic, environmentally safer and it looks
18 like a -- it would be a much better project for -- and much
19 -- with due consideration to any opponents of it, I think
20 it would neutralize almost any opposition, if we'd have
21 the road along the railroad.

22 Again, CSX is on both sides. And there are two
23 bridges. If it could be worked out, where they could run
24 their rail lines, at least to that section, on the
25 Homestead side and leave us for the north shore to build

1 a highway that is very badly needed for our region.

2 Again, I'm here to -- in cooperation with the
3 rails. If we could work together on any future merger,
4 that would include consideration for this north shore.

5 CHAIRMAN GEIST: Thank you very much.

6 The Committee will be meeting in Harrisburg. We
7 will be doing some work with the resolution, in the near
8 future. And this will conclude all three hearings that
9 we've had.

10 I want to thank everybody who came out and
11 participated. We have heard from such a diverse, diverse
12 field of interests here, that -- that this acquisition
13 really touches the lives of an awful lot of Pennsylvanians,
14 in a lot of different ways. It is not only an economic
15 decision, but, in reality, it's a very personal decision.
16 And the -- the -- once again, major league railroading is
17 going to have a major impact upon the people's lifestyles
18 and many families across the state.

19 So, I've been very, very pleased to have
20 tremendous support from my counterparts on the other side
21 of the aisle, on this Committee. I think that we, as one
22 look at this together. We -- we -- it is not a partisan
23 issue, at all. All four Chairmen and our staffs totally
24 agree on the process that we've gone through and that's
25 why we've filed our exceptions with the Surface Transportation

1 Board.

2 We are looking forward to this being a very
3 positive move in Pennsylvania and we hope that the
4 political engineering and the mechanical engineering that
5 go into this make it a very, very good, good deal for
6 everyone. And if we can receive assurances, as Maryland
7 has received, by letter, from the presidents of those
8 railroads, then, I think that based upon the comments we
9 have heard from both Norfolk Southern and CSX, this thing
10 could work and work very well. And now, we are just
11 awaiting that kind of word. And believe me, with the kind
12 of money that they're spending in Harrisburg and other
13 state capitols, I'm sure we are going to be hearing from
14 them very soon.

15 Thank you all for coming out.

16 -----

17 (Whereupon, at 11:36 a.m., the public meeting
18 was adjourned.)

19 -----

C E R T I F I C A T E

I hereby certify, as the stenographic reporter, that the foregoing proceedings were reported stenographically by me, and thereafter reduced to typewriting by me or under my direction; and that this transcript is a true and accurate record to the best of my ability.

COMMONWEALTH REPORTING COMPANY, INC.

BY: 
James R. Obringer

FORM 1

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