

On July 28, 1994 The Luzerne County Rail Corporation awarded the Luzerne Susquehanna Railway as their exclusive freight operator with actual freight operations commencing on August 25, 1994 over the former Pocono Northeast Railroad.

The condition of the operating facilities was in accepted track status. Accepted status is a condition of track that does not meet the required standards as outlined by the Federal Railway Administration. Although track improvements have been made in some locations, more funding is still needed to bring this under-utilized facility into an efficient property that the customer can rely and depend on. As Mr. Connolly has outlined much track repair has been performed over the past few years. Although this has improved some of our line segments, many still need to be upgraded.

Our main track connecting Pittston to Wilkes-Barre is in dire need of funding to bring this trackage into at least a Class 1 track status. This line is a major artery to our operations and is extremely important for our growth opportunities. This track allows LS to connect with Norfolk Southern at Pittston, PA and CP Rail at Hudson, PA. Without this connection our customers lose their ability to play both railroads for more competitive shipping rates.

Ashley, PA is an area that is severely under developed for freight train traffic. This trackage passes through the Old Ashley Rail Yard which has potential to provide a site for a new industrial park housing nearly 100 acres. At this location, the LCRC and LS are jointly working together with a new customer. This customer will make new jobs for the community and state while also generating additional carloadings for the railroad. This trackage continues on into the Hanover Industrial Park where we serve Rugby Building Supply. This area along with the Ashley Rail Yard properties pose to be areas that will see great industrial growth over the next few years. Again, these sites are prime development zones with existing utilities and easy access to interstate 81, the only thing lacking is a stable track structure.

Currently our heavy traffic levels are operating from Pittston, PA to Moosic, PA. This traffic makes up about 60% of our traffic revenues. The

trackage from Avoca, PA to lower Montage Road located in Moosic, PA is also operated as accepted track conditions. This trackage allows us to provide service to Lettica Corporation and Maui Cup. Three years ago the LS and LCRC re-activated approximately 10 miles of trackage that had been inactive for nearly 18 years. Brush, trees and track tie installation was performed to bring this track into a borderline Class 1 track condition. Also that same year, LS was able to secure an operating agreement from Scranton Chamber of Commerce to reactivate the abandoned Minooka Industrial Track to access Compression Polymer Group. All of this work to restore this track to a full service operation serving this customer 3 days per week was expensed by the LS Railway. Estimated expenditures to open this line was \$98,000.00.

The LS partnered with Compression Polymer to construct new trackage throughout their facility to better serve their needs and to enable LS to capture all the freight movements by serving this customer direct and moving this traffic off the highways. Today LS delivers nearly 500 shipments to this customer annually with the projections for the year 2000 to increase by 40% due to expansions nearly completed. This customer is obviously dependent and confident that we will continue to serve his needs. This partnered project required construction of 3000 lineal foot of new trackage for a total cost of \$298,000.00, of which LS provided \$150,000.00.

The LS has been fortunate to have received two rail freight grants for track maintenance projects. The first project will allow us to improve our track conditions from Avoca, PA to lower Montage Road located in Moosic, PA. Our second grant of which we were notified on Monday will allow LS to improve our trackage conditions to a safe condition from Montage Road crossing through the Minooka Industrial Tracks. These two projects, when complete will allow me to breath easier knowing that we will be able to provide the service more efficiently and most importantly more safely. The matching funds for these projects are provided by LS for an estimated cost of \$143,000.00. As you can see, The LS is investing serious monies in this railroad because we know service and commitment our existing and future customers is required to insure the continued

competitiveness in their markets.

These grants are vital to the survival of shortline operations and the communities they serve. Without them these lines would disappear; only increase truck traffic, loss of thousands of jobs, loss of industries, the list of disadvantages only continue.

I encourage you to visit our operations, ride our freight trains and see what our employees deal with trying to operate this line in a manner that provides service to these many companies that depend on rail service. The tree growth has not been addressed in 20 years. LS and LCRC as well as our customers have been chipping in their own funds to make this railroad a railroad for all to be proud of. The growth potential for this railroad is endless.

We need your support to help finalize the acquisition of this property so that new customers and existing customers can feel secure in their investments along this rail line. Knowing the railroad is going to be here will certainly make one feel better when looking to relocate an industry. New customers that we have been trying to bring to this area are cautious and will not make any commitments until the rail line purchase is complete.

I appreciate the opportunity for the time given to me today to express the need and importance of this under-utilized facility to the counties of Luzerne and Lackawanna, to the state of PA, employees, families and industries that depend on rail service.

Thank you