CRICINAL

HOUSE OF REPRESENTATIVES COMMONWEALTH OF PENNSYLVANIA TRANSPORTATION COMMITTEE

IN RE: UNFULFILLED COMMITMENTS BY NORFOLK SOUTHERN RAILROAD

PENN STATE ALTOONA
DOWNTOWN CONFERENCE CENTER
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ALTOONA, PENNSYLVANIA

THURSDAY, APRIL 12, 2001, 10:05 A.M.

BEFORE:

HON. RICHARD A. GEIST, CHAIRMAN

HON. DICK HESS

HON. JOSEPH PETRARCA

HON. JESS STAIRS

HON. DAVID LEVDANSKY

HON. JERRY STERN

HON. LARRY SATHER

ALSO PRESENT:

PAUL PARSELLS SUE SIDNEY LYN BENKA-DAVIES JASON WAGNER

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CHAIRMAN GEIST: On behalf of the House Transportation Committee, I would like to welcome everyone to this hearing.

And, at this time, I would like to make an announcement for those testifying, those at the front, all the mics are hot, so that at all times they're on.

We would like to thank our friends from PCN here today to broadcast this live statewide. It's going into every cable network in the state; and we certainly appreciate that service that they provide, so that we can get the information that we want to get out concerning Norfolk Southern to the public.

At this time, I would like to introduce the folks that are here already. We know we have others that are coming.

I'll start at my far left. As I introduce them, they're free to make a few brief remarks. Our representative from Huntington County and former member of the State Transportation Commission, Larry Sather.

REPRESENTATIVE SATHER: Thank you, Mr.

Chairman. First off, I'm delighted to be here.

Sorry we have to be here for this particular reason,

but I would not have missed this opportunity.

I share with Chairman Geist that I have a commitment that I have to end, too, at noontime in speaking to another group. But we are very concerned with the economy of this area and the job losses that are occurring.

I made a statement about the closure of C-Cor and the impact that it will have on the area.

Many of my people who work at the shops here and have throughout history, this is railroading that runs deep.

why this is taking place after all the excitement of the day and the fact that we had to work towards -- we had a steel work force. We have a superior operation department that is here.

We need some answers and would like to have them soon. Thank you.

CHAIRMAN GEIST: To his right,
Representative Jerry Stern. The Hollidaysburg car
shops are in his district; and Jerry is another
long-time member of the House, Jerry Stern.

REPRESENTATIVE STERN: Thank you,

Chairman Geist. I appreciate being here today. I represent the 80th Legislative District which

entails a portion of Bedford County as well as Blair County.

As Chairman Geist indicated the Hollidaysburg car shops are in my legislative district, and I'm presenting testimony later on this morning.

So thank you, Mr. Chairman, for the opportunity to be here with you today to share some thoughts and comments about the recent announcement of Norfolk Southern.

CHAIRMAN GEIST: Beside me to my left is Jason Wagner, and a great guy from Altoona, I might say, and on the staff with the Transportation Committee.

To my right, a senior member from Bedford County, long, long time House member and member of the Transportation Committee, Dick.

REPRESENTATIVE HESS: Thank you, Rick.

It's a pleasure to be here this morning. Just a few brief comments. I'm hoping through this testimony this morning that we can get some answers.

There are a number of people from my district that work up in Hollidaysburg and Representative Stern's district. Hopefully, that some of the answers that we'll get here today will

be able to clear up some of the problems.

I hope that Norfolk Southern is serious in what they're going to tell us here today. Thank you very much. I'm proud to be here.

CHAIRMAN GEIST: And to Dick's right is Sue Sidney from my staff. To her right, representing the House Democrats, is Paul Parsells. And, Paul, would you like to say something?

MR. PARSELLS: I'm happy to be here, Mr. Chairman, and we look forward to the testimony.

CHAIRMAN GEIST: To his right is Lyn
Benka-Davies. She's a legislative research analyst
with the House Democrats, and our committee is a
very, very bipartisan committee.

And we believe that there's no Republican or no Democrat when it comes to transportation, and so we run that committee this way and we've been doing it for years.

This morning, we're gathered here in the first of two hearings and we may have another one to draw information out; more of a follow-up to the original hearings that this Committee had when Norfolk Southern took over Conrail.

At the very beginning, for those who want to go back a while, the takeover was a hostile

takeover at one time.

And that was when CSX and Conrail were in love, and Norfolk Southern came in as a hostile takeover. And all of the sudden, Conrail fell in love with Norfolk Southern and we have what we have today.

During that time, with the help of our legal counsel, Dick Wilson, who is with us here today, we went out and took testimony from short line railroad shippers, rail labor and everybody else who we thought would be affected by the merger both positive and negatively.

We collected a tremendous amount of information from the top brass of Norfolk Southern.

I learned more about railroad efficiency than I ever wanted to learn in all that. I really learned that Norfolk Southern could run a railroad much better than Conrail; and that Norfolk Southern would be able to take over Conrail and take a million trucks off the road and do a lot of other things that they made comments to Pennsylvania.

We all know that Class One railroads in America, since staggers, have had a really moving history. Part of that history is also a history of lost business.

For instance, since staggers and the 38 percent gain in traffic that the railroads at Class One's have attracted, while at the same time the trucking industry has had a 150 percent increase.

So the railroads know that they have problems. We know that we have problems. And when Norfolk Southern made those promises to this Committee, we put those committee promises in writing.

We submitted those promises to the Surface Transportation Board, not only for Hollidaysburg and Juniata, but for the State of Pennsylvania.

Those promises were incorporated in that legal agreement that we're going to be talking about today. And I hope that we have revealing testimony, because the impact of what Norfolk Southern is doing to this Committee is terrible.

I think that my words would ring hollow right now if I were to go on any more. All I'm going to do is stand on a soapbox and pound my chest and beat on things.

What I would like to do is open our hearings with some film clips that our staff put together. They tell the story better than anything.

As soon as that film is done, we'll go into testimony. Those of us up front will move until we run the tape.

(Videotapes were played.)

CHAIRMAN GEIST: At this time, I would like to introduce Joe Petraca who has joined us from Western Pennsylvania.

From the video presentations, we think they tell a story a lot more than we could have if we had testimony and it was before this Committee. In the soap opera, As the Railroad Turns, we have gone from being seduced and abandoned with promises that were unbelievable to where we are today.

And how did we get there? What's going on? And what's the official position of Norfolk Southern?

This morning we have with us General Richard Timmonds. And before I say anything about Norfolk Southern, let me say something about the General personally.

He's a straight-arrow. He tells it like it is. He's the first Norfolk official that I know of that said we're in trouble. When they were running the railroad on time, he came before our Committee and told us like it is. They still kept

him and didn't fire him so something is okay.

This is a guy who commands thousands and thousands of men, and people have trusted their sons and daughters to serve under him. And I find him to be a very honorable and straight-up guy. And I want to make sure we separate the Norfolk Southern Company from the General personally.

He was not a part of that promise group and he never came before this Committee and made commitments that we know of that weren't true.

At this time, I would like to present General Richard Timmonds.

MR. TIMMONS: Sounds like we're on. Working? Good morning, Mr. Chairman, other distinguished members of the Committee, local officials, and others with interest in Norfolk Southern and its operations in the Commonwealth.

I thank you for the opportunity today to present information that I believe will be most useful to you as you review the past performance of Norfolk Southern since the Conrail acquisition in June 1999.

I would much rather have met this body of distinguished legislators and staff personnel under more favorable circumstances.

I truly regret, as does the company, that the reason for these hearings is the decision Norfolk Southern made to close the car shops here at Hollidaysburg.

From my perspective, this is still a constructive forum for a useful two-way dialogue concerning the current Norfolk Southern situation as it has evolved over the past 22 months.

Let me begin by saying that I have three observations to make this morning. And with your permission, Mr. Chairman, I would like to elaborate on each.

These observations in summary are, first:
The information processed underlying Norfolk
Southern/Conrail acquisition in 1999. Secondly, the
ongoing Norfolk Southern strategies to address our
current economic and service challenges. And,
lastly, Norfolk Southern's investment in the
Commonwealth of Pennsylvania over the past two years
and the general contributions to state organizations
and institutions that we generally describe as our
good neighbor initiatives.

Permit me at this time to comment on each of these, in turn, and then I'll be pleased to address any questions you may have concerning what I

have provided in this testimony or other matters that you believe are important for us to discuss.

In relation to the first point, our railroad and the Conrail acquisition process, let me point out several details that are not well understood, that have a direct bearing how we at Norfolk Southern approach the acquisition and develop the high expectations we promoted in our comments and testimony to state and federal officials.

The basis for the traffic study in 1995, that was the most recent data available on Conrail's operations, and that data was used to make projections and calculations on what Norfolk Southern could expect to realize from a revenue and operating standpoint once the acquisition had occurred.

The application to the Surface

Transportation Board in Washington for the

acquisition of Conrail actually was submitted in

1997. The control date was in August of 1998.

That was the technical date that Norfolk Southern and CSX were to legally take control of their portions of the Conrail system. As all of us know, the acquisition was realized and executed in

June 1999, which was the ceremony that you saw a few moments ago on the VCR tape.

Many of the shippers that use the Conrail system did not commit and award contracts for traffic until just before the June 1999 split date. The split date refers to the division of the Conrail system between NS and CSX in a 58 to 42 percent ratio.

Now, even though nearly everyone involved in the railroad industry was aware of the upcoming Norfolk Southern CSX transaction, shippers opted to bargain for the best deal and wait for the last minute to commit one way or the other.

This is normal and fairly understandable. The consequence of this, however, was Norfolk Southern and CSX were both faced with vastly different service requirements and operating plans, most notably in the shared assets area, and had to modify the plans right up to the last minute.

These last-minute adjustments were not the result of poor data or inaccurate or exaggerated benefits projections, but clearly as a result of unanticipated customer decisions at the last minute.

The same time during this period of uncertainty, both railroads were vigorously

competing for business, locking in contracts without any fuel adjustments and moving quickly based upon the prevailing record-setting national economic trends of growth and prosperity that the nation had been experiencing since 1993.

From the period 1997 through 1999, railroad analysts, our service design personnel, marketing teams, transportation departments of the railroad and Wall Street were all optimistic about the future growth and great economic potential of this new northeastern franchise.

we spent two years working to get the foundation in place. And based on everything that we thought we knew, we were confident of the outcomes and our successes.

When asked, we were enthusiastic and confident about the future of our new system and believed we had the numbers to support that optimism.

we promoted it strongly, believed what we said and backed that aggressiveness up with dollars when we paid dearly for our Conrail system; approximately 58 percent of \$10 billion. No one to my knowledge had other than the highest expectations for our new system and our future prosperity as

reflected by the U.S. economy in 1998 and 1999.

Now, between the time that the 1995
Conrail data base was used as the baseline and the year 2000, the number of interesting and unpredictable economic developments occurred in our commodities departments, all of which strongly compelled modifications in our operating plans and traffic patterns as a result of new customers, plant sitings, shifts in production decided upon by customers, and significant changes in world and domestic markets.

Four quick samples, steel: Between 1995 and last year, six steel mills on the NS system closed and 12 new ones opened. Chemicals: Between 1997 and last year, 12 chemical production facilities closed and 16 facilities opened or expanded operations. Export coal: Dramatic changes in the world market for coal and curtailed significant amounts of coal shipped via NS, with last year's total dumpings at exactly 10 million tons less than the Conrail base year of 1995.

Intermodal: Following in the Conrail split date, NS handled approximately 5,500 loads per week for APL, the largest steamship stack train operated. Less than six months later, APL was

purchased by Neptune Orient Lines. And it entered into a long-term contract that resulted in the shift of its traffic from NS to CSX, essentially stripping NS of 20 percent of its total intermodal business; yet NS, which could scarcely have projected Conrail consolidation application, this purchase aggressively sought and won replacement business, actually handled more intermodal loads than it had before that the movement pattern and supporting train services in this business changed dramatically.

These examples bring home the reality of our constantly changing business requirements that obviously demand new investment capital and a reconfigured service offerings in order to capitalize on the opportunities and meet the needs and demands of the changing marketplace.

Coupled with these dynamic conditions, the current U.S. economic downturn over the past eight months, has hit the railroad industry hard for Norfolk Southern.

For Norfolk Southern, this has been very measurable and the implications are clear. For example, diesel fuel prices have increased significantly in the past year from \$.75 a gallon to

\$1.12.

This is a 47 percent increase in one year. No one in 1997 or '98 could have foreseen this dramatic increase or calculated the cost of the railroad.

Our car loadings are a direct reflection of the economy. Coal, down 2.2 percent; agriculture, down 2 percent; metals and construction, down 11 percent; chemicals, down 4 percent; paper products, down 7 percent; automotive, down 10. Only intermodal increased 6 percent; overall decline 61,000 carloads in a single year.

The impacts on our revenues are clear and the requirements to address these problems are obvious. But I must reemphasize the point that our plans and commitments and statements prior to coming to Pennsylvania were made in good faith and with the best information available at the time.

No company consciously makes investments that are going to result in economic losses and failures. Norfolk Southern has experienced a significant economic downturn that was a true surprise. We made forecasts that turned out to be exaggerated and that cannot now be sustained in this current economic environment.

This is the truth of the matter, while unfortunately, this reality underlines the reasons of the ongoing corporate restructuring that's been under way for the last year at Norfolk Southern.

All in this room are well aware of the Conrail acquisition in Pennsylvania went very, very poorly for the first six to eight months.

Our now well-known computer problems produced an escalating series of very serious congestion, lost cars, misrouting, locomotive and crew availability problems that took months to correct. All of that is behind us now and the overall records speak for itself.

By the Spring of 2000, less than a year after the acquisition the railroad was back in full operation and rapidly improving each week. The Surface Transportation Board mandatory weekly report this week reflects Norfolk Southern train speeds at 22.3, dwell times 23.7 hours, and cars on line at 240,000.

These are dramatic improvements from a year ago and vastly different numbers from Summer/Fall 1999. The Norfolk Southern railroad system in Pennsylvania today is fluid, flexible and maintains capacity and is safe and being upgraded as

we speak as the summer construction season is now under way throughout the state.

But this is just a start. Our aim is to grow the business; improve the system and preserve what we have built over the past two years. As many of you are aware, we have few options in this regard.

Our stock has declined 60 percent in two years. Our debt with Conrail with the Conrail acquisition remains at 7 billion. Car loadings are down as our overall revenues.

we have difficult and serious work before us. We are committed to seeing that through to a successful conclusion.

This leads me to observation No. 2, the Norfolk Southern strategy to address these challenges and service issues that we are experiencing today, and incidentally so are the major railroads in the United States.

so NS has embarked on a corporate restructuring campaign that has reduced the management force by 20 percent. We will reduce the work force by 1,000 to 2,000 employees this year.

we'll dispose of 12,000 cars; eliminate 4,000 miles of 22,000 mile system, divest ourselves

in underutilized facilities; sell real estate, mineral and timber rights; redesign Norfolk Southern service networks with the assistance of multi-modal applied systems analysts, and use outside analysts to evaluate the organizational structure and operations in the corporation to make changes as appropriate.

We have already cut the dividend this year by 70 percent, which is unprecedented, the first time ever that Norfolk Southern has reduced the dividend. Unquestionably, the focus must be on service.

We'll do that with technical innovations, internal reorganization, partnering with other railroad systems across the United States, develop operating plans and investments in this system, driven by computer analysis, and continue to focus on operating a safe and reliable railroad.

If we are not able to sucessfully reshape the railroad and make it more reliable, customer-friendly, service-oriented and adaptable to the dynamics of the marketplace, the company at large will be at serious risk and the 5500 employees of the company in Pennsylvania will be in jeopardy.

We seriously regret closing the
Hollidaysburg car shops. We did not come to
Pennsylvania to struggle with service, labor and
business problems.

We fought hard to be part of a historic rail network with a renowned labor force, and it was anticipated to be wonderful blending north, south and east and west freight rail system.

We still believe in the viability of that concept and that system and are working hard to make it a reality. And finally, the last observation I would like to make is that of the Norfolk Southern commitments to the Commonwealth over the past two years. Let me break this out by broad category. Bear with me, this is just a laundry list.

Investments to support increased traffic, \$79.8 million; investments to improve service and operating efficiency, \$34 million; investments in public and environmental improvements, overall \$30.7 to the Commonwealth and \$389,000 to Altoona; fiber optic investments, 52.2 million overall, \$17 million to the Altoona area; basic railway infrastructure, 109.4 million; investment shops and mechanical facilities, 17.3 million; \$16 million to the Altoona and Hollidaysburg shops; miscellaneous railroad

investments, \$17.4; \$179,000 to Altoona, shared asset capital investments, \$1.7 million.

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Some of the highlights include: with the Bethlehem Steel Corporation to establish the \$12 million intermodal freight terminal. We're close to a \$15 million intermodal terminal contract with Philadelphia at the Philadelphia Naval Business Center: \$6 million for the City of Philadelphia to advance the redevelopment of the Naval Ship Yard currently in the works; \$500,000 on track expansions for new industries; \$330,000 on track expansions for a steel importing firm at the U.S. Steel Fearless works; \$3 million for a coal unloading facility at the Homer City power plant; \$5.8 million Batchway loading system at the Bailey Mine at Waynesboro and \$28 million to the rail lines to the Keystone Power Plant; \$31 million for the Rutherford Yard intermodal hub in Harrisburg; \$6.9 million for the Conway Yard near Pittsburgh; \$6.8 million for signal upgrades on the Harrisburg to Philadelphia line; \$4.9 million for the northern region headquarters in Harrisburg; \$4.2 in Harrisburg for new track connections and signals; \$2.2 million for new connections in the Bethlehem yards; \$1.2 million for refueling facility improvements in Harrisburg; \$8

million for general shop improvements across the Commonwealth; \$52 million invested for fiber optic cable along with Pennsylvania right-of-ways.

It goes without further elaboration that many of these and others projects similar to them have very important implications for safety, environment, power generation and communications for the citizens of the Commonwealth.

overall, \$342.8 million invested to date in Pennsylvania with another \$30 million proposed. I am not aware of any other state in the Norfolk Southern system of 22 states that's received this level of investment, draw such a broad spectrum of our activities. And this is an unprecedented level of investment.

As new neighbors to any of you, we have strived to be good neighbors. Many organizations throughout the state have asked for contributions. We have tried to step up to those requests.

The Norfolk Southern Foundation has donated \$144,700 to communities throughout Pennsylvania, and \$42,500 to Blair County alone. We have contributed \$15,000 to independent colleges and universities across the state; and \$10,700 as matching gifts to Pennsylvania organizations.

Community frustrations in and around Chambersburg and Erie, Pennsylvania due to main line tracks running through the center of the town have been relocated at a cost to Norfolk Southern of \$8 million.

We have cooperatively engaged in serious discussions across the Commonwealth on commuter rail issues such as the Harrisburg Corridor One, Schuylkill Valley Metro, Pittsburgh Expressway and other exploratory initiatives that could prove beneficial to the citizens of the Commonwealth in years to come if the details of federal and state regulations, as well as financing, can be reconciled.

As many on this Commerce Committee are aware, Pennsylvania has more regional and shoreline railroads than any state in the nation, approximately 60. We have strong partnerships with many of these railroads who are providing services, economic development and employment opportunities to numerous communities throughout the state.

Our chairman, Mr. David Dugal, led the American railroad industry in establishing a cooperative railroad agreement with short lines to facilitate their operations, growth and revenues.

Mr. Chairman, and members of the Committee, our history of investment and commitment to the Commonwealth of Pennsylvania is clear and a matter of record.

You may not agree with where we have invested our money and what our priorities have been. These have been business decisions tied to our obligations to stockholders and the future health and well being of Norfolk Southern.

We made it clear when we arrived in Pennsylvania that we are here for long term. Our investments and business decisions were tied to that long-term view.

We are still committed to improve service across the state, growth of revenue and cooperation with officials, communities and our business partners.

My sincere thanks to you, sir, for your coherence in hearing me out this morning. I now stand ready to answer any questions or comments that you may have for me. Thank you very much.

CHAIRMAN GEIST: Thank you very much,

General. We could probably be here all day, but

there are a couple questions. The first one is:

The heart of the Norfolk system, David Goode's quote

about Hollidaysburg and Juniata. How can any railroad run when you cut the heart out?

MR. TIMMONS: Let me answer that by saying that the 22 state system is a large system. There are many critical facilities and components throughout the system.

Altoona, at the time Mr. Goode made those comments, the fact that he was here with Mr. Shuster and others, I think it is evidence that he believed what he said and was sincere in his belief, the railroads in Pennsylvania would prove to be very, very beneficial.

As it turned out, we had serious economic difficulties. While those comments were made in good faith at the time, economic changes, operational considerations and revenue-driven decisions have been unfortunate for the Hollidaysburg car shops.

I don't believe he meant to mislead anybody when he said the heart of the system was here. He said that in good faith. Other factors have intervened.

CHAIRMAN GEIST: Let's talk about economic development for a minute. Norfolk Southern took over from Conrail at the time when we were

working with Conrail to put together the industrial park north of the 8th Street bridge in Juniata.

why has Norfolk Southern decided not to go ahead with that project? Where's all the economic development Norfolk Southern promised this community after the railroad was in place? I haven't seen anything.

MR. TIMMONS: Across the state, the industrial development initiatives have been significant. Major corporations, as well as lesser corporations, have benefited from our industrial development expenditures.

The specific reasons for the lack of development of the facility here in Juniata is principally made by industrial development personnel that did not believe that the economic return on that investment from a railroad standpoint warranted that kind of investment.

That's very simply the long and short of it.

CHAIRMAN GEIST: At this time, I'm going to let the other members of the Committee. I would like to introduce David Levdansky from the Pinnamont Valley area to our Committee and start with Larry.

REPRESENTATIVE LEVDANSKY: I'll pass on

this. 1 2 CHAIRMAN GEIST: Okay. Jerry Stern. Not at this time, 3 REPRESENTATIVE STERN: Mr. Chairman. 4 5 CHATRMAN GETST: David. REPRESENTATIVE LEVDANSKY: 6 No. 7 CHAIRMAN GEIST: Dick. 8 REPRESENTATIVE HESS: General, in your 9 testimony, you mentioned that the fall off of 10 services that you would be offering, carrying coal, 11 chemicals, paper, etc. What do you contribute that 12 to? Was that something that Norfolk Southern did 13 that they went elsewhere for these services? MR. TIMMONS: Well, sir, I believe that 14 15 those numbers in the past year reflect a significant 16 downturn in the U.S. economy. In regards to coal, 17 export coal has been declining for a decade. 18 Norfolk Southern relied very heavily on export coal 19 in the past. 20 we've had to adjust the way we do 21 business and the revenues that we have generated in the past, as a result of this declining business. 22 23 There are other overseas coal suppliers that have eroded our markets. We're struggling to 24 25 get some of these back. There is some indication

that we're making some progress.

We are very optimistic that coal in general will start to make a comeback with the significant energy concerns across the country. As it relates to steel, the industrial industry that's been in decline for the best part of 30 years, export steel, high cost of steel. And just yesterday, LTV one of the larger steel companies in the U.S., declared bankruptcy.

We are a principal steel hauler. We've felt that incrementally over the years. These are clear factors and are the reflection of the downturning economy.

more question. I refer back to several, several months ago. The date escapes me.

We had a meeting in Harrisburg, I was present and Chairman Geist was present, and we alluded to the very poor service you were offering to your customers. Would that not be some of the problems that you lost some of the services, they went elsewhere?

I know there's been a downturn in the coal. I know there's been a downturn in the steel. That just didn't happen the last year.

MR. TIMMONS: The service issues clearly caused a shipper flight from Norfolk Southern as well as CSX. From the time period, summer 1999 to probably late spring, early summer of 2000, we believe that all of that flight has been recovered and some.

If you look at the actual car loading numbers, they're very helpful. In the short run, your observation has probably got merit, although the economy was strong at that point in time and we were still loaded with cars to move, lumber to move, steel as best as it was at the time, I think, to move, agriculture was still good.

The downturn, the numbers that I reflected are the downturn about the last eight to nine months. And so I don't think -- I don't think service is the issue any longer.

The railroad is open and fluid. They are plenty of improvements to be made. There's no question about that. We can always improve service. Part of the initiatives of restructuring is to try to refocus very, very seriously on better service.

And we are paying many, many dollars to outside analysts to come in and help us decide how to run the railroad smarter and more efficiently.

1 REPRESENTATIVE HESS: Thank you. 2 REPRESENTATIVE PETRACA: Thank you for 3 being here. A couple quick questions. How many jobs are going to be affected by this closure? 4 MR. TIMMONS: Hollidaysburg, 330. 5 REPRESENTATIVE PETRACA: Does the company 6 7 have any plan to try to do something for these 8 workers in terms of offer them anything else in other locations? 9 10 MR. TIMMONS: Yes. 11 REPRESENTATIVE PETRACA: That is the plan 12 then? 13 MR. TIMMONS: The plan is to offer all 14 these people opportunities at other locations. 15 REPRESENTATIVE PETRACA: Okav. Thank 16 you. 17 CHAIRMAN GEIST: General, thank you very 18 much. The question was asked, do you have copies of 19 your testimony? 20 MR. TIMMONS: I do. 21 CHAIRMAN GEIST: Please give Jason those 22 copies so we can include them as part of the record. 23 We will be having another hearing on the 26th. And 24 on the 26th, we're going to get into a lot of the 25 other issues concerning Norfolk Southern and broken

promises to the state.

The action that was brought before the Surface Transportation Board and the action of this Committee when we placed those covenants in there that you talk about, they're not just promises.

They're legal agreements. And I think that we feel that they're binding agreements. And I know we can't talk about the case I know that you can't talk about the case and other people can't.

But I think that the Chairman's remarks and your remarks clearly point out the fact that Norfolk Southern would have to close the headquarters before they would close the Hollidaysburg based upon the agreements.

We need to get on with the hearing today. We want to thank you very much. And I'm sure that the General will be available afterwards if anyone wants to talk to him. The press is here, I know they want to talk to them.

We'll just go down. I want to thank you for coming.

Next is the Honorable Jerry Stern. The Conrail shops are in Jerry's district. I know he had a press conference yesterday and probably will enlighten us with a lot of information now. Jerry.

1 Joining him is Randy Manning, Councilman from 2 Hollidaysburg. Where is the mayor? REPRESENTATIVE STERN: He's with us. 3 4 CHAIRMAN GEIST: All right. REPRESENTATIVE STERN: Thank you. Mr. 5 As you indicated, sitting next to me is 6 Chairman. 7 Randy Manning who is the President of Hollidaysburg 8 Borough Council. He'll be joining in the 9 presentation and testimony as well after my remarks. 10 Also, Mayor James Shoemaker is here representing 11 Hollidaysburg Borough. 12 I would like to thank you, the Chairman 13 of the House Transportation Committee, my colleague, 14 Rick Geist, for holding this hearing today and 15 allowing the members of the Transportation Committee 16 an opportunity to hear testimony about major rail 17 consolidations and the impact they have on 18 surrounding communities. 19 My testimony is focussed on Hollidaysburg 20 Car Shops and the time preceding the Norfolk 21 Southern Corporation and the CSX Corporation acquired control of Conrail before the Federal 22 23 Service Transportation Board, now known as Decision 24 No. 89.

Prior to the announcement on June 23,

25

1997, when CSX and Norfolk Southern asked the Federal Service Transportation Board to approve their acquisition of Conrail, the rail industry was doing just fine under Conrail. Yes, Conrail had some difficult times, but they managed to overcome economic and industrial slumps to remain competitive and strong.

There are 320 plus positions that are in jeopardy. They are more than numbers. They are people, hard-working individuals, who have dedicated their lives to an industry, a corporation, and a way of life.

Is this the attitude of corporate America

-- to make deals and then renege on operating plans
to get what you want? It wasn't long ago this
country and in many places in our area when a
handshake on an agreement was a person's word.

For what it's worth, do we weigh the meaning of what we say? Is our word only valid during the period of time in which it is useful to accomplish our goal? I think not.

Even the founder of Pennsylvania, William Penn, once said, "Integrity is a great and commendable virtue. A man of integrity is a true man, a bold man, a steady man; and he is to be

trusted and relied upon.

Recent news articles have touched on plant closings, relocations and the number of jobs that have been lost.

Corporate America is shuffling dollar figures and consequently boardroom decisions are being made during the changing and fluctuating stock market conditions.

The numbers, however, are not only about net earnings and the going price per share, but the true numbers reflect on the workers who are, indeed, very real.

Each number given with every plant closing or corporation downsizing announcement reflects a face, a home, a family, and a strong skilled work ethic.

Let me illustrate one example to this Committee about an individual who is affected by this announcement. Denny Appleman, Sr. -- is he here with us today?

He has been employed at the Hollidaysburg Car Shops for 32 years. Penn Central hired him in 1969. Denny, who is now in his 50's, is a life-long resident of Blair County. He has a wife of 33 years, and three grown children who also reside in

my legislative district.

Denny, Sr., is not the only one in his family who is affected by this announcement. His son, Denny, Jr., started working for Norfolk Southern four years ago. He's concerned about the outcome of these proceedings.

As an employee, Denny had depended upon Norfolk Southern to keep their word. He felt they were committed to making our area prosperous. He hoped they would continue to enhance the work force.

Norfolk Southern made these commitments and then turned their backs on their workers. From now on, every time you hear a figure mentioned with regard to plant closings or corporate downsizing, think of Denny.

employees and elected officials, during the period of merger proposals, who listened to the promises made by Norfolk Southern, but now forgotten, I say, "A man is only as good as his word." And, "A corporation is only as good as its word."

We are all reminded of the remarks by

Norfolk Southern through their web site and in the

testimony before the Federal Surface Transportation

Board. Also, testimony presented to this Committee

on May 15, 1997, details of various measures Norfolk Southern will undertake to increase market share and to increase every segment of business in which Norfolk Southern is now engaged.

This Committee has in its possession various print material and media presented to the Chairman for press releases. Sworn statements have characterized the Hollidaysburg shops as excellent and that Norfolk Southern Rail would invest in the shops and maximize utilization of the in-sourcing.

Also, it was also stated that the operating plan would include not only these shops in the way they're now used, but in seeking ways to find additional business for them.

Any decision or final order handed down by the Surface Transportation Board in this matter will be ultimately decided upon petition before the Board in Washington, D.C.

As a policy maker for the Commonwealth and as the elected State Representative of the 80th District representing Blair and Bedford counties, my voice will be heard.

I serve on the House Appropriations

Committee, and stand willing to work in unison with
this committee, its Chairman, Representative Geist,

Senator Robert Jubelirer and our federal and local elected officials for the benefit of our constituents and our region.

Norfolk Southern's corporate image and logo, the thoroughbred horse, reminded me of a story I once heard. An elderly farmer, who was out riding, was thrown from his horse, breaking his leg.

He was a long way out and in a lot of pain, so the situation looked pretty grim. Then the horse grabbed the man's belt in his teeth and dragged him to the shade of a nearby tree. He made the farmer as comfortable as he could, then he galloped off to get help.

The man discussed the incident later, with a friend who was very impressed, praising the horse's intelligence. "He's not so smart," said the old farmer. "he came back with a veterinarian."

I feel our situation in Blair and Bedford County and the Commonwealth is similar to this story.

We have taken a ride with a corporate partner only to be thrown to the side, with the recent announcement of the closing of the Hollidaysburg shops.

Norfolk Southern made commitments. Just

as the veterinarian may have been the remedy for what ailed the horse, the old farmer felt little condolence from the little relief the horse provided.

We feel the same today in Blair County. We are hurting, and, yes, it is personal to every person who has received notification from Norfolk Southern. We will continue to do the right thing and honor our commitments, expecting nothing less from Norfolk Southern.

The demands that I make as a state legislator are very simple. Keep your promises to the Hollidaysburg Car Shops, the Altoona Shops, your employees and to the Commonwealth.

Thank you, Chairman Geist, for allowing me the opportunity to testify today and sit with you on the Transportation Committee as you conduct this informational hearing concerning the recent announcement by Norfolk Southern and the proposed impact it will have on our area. At this time, I would turn the microphone over to Randy Manning.

MR. MANNING: Excuse me. Thank you,

Jerry. First of all, on behalf of the Borough, we
would like to thank Jerry Stern for giving us this
part of the time and thank the Committee for coming

here to our area allowing us to offer some testimony.

I presented you with a written text. I would really like to speak with you in a more open fashion. As the General pointed out, there are 320 jobs that are going to be lost in the Hollidaysburg shops.

These men and women have worked in our area and in our borough and supported our schools, paid their taxes and have been a major part of our borough.

These are very, very important people.

One local official has pointed out that for every dollar lost through wages, there's four dollars lost in our borough.

Ladies and gentlemen, that's a major impact, but the average salary of our borough -- or the average salary of the employee working at Norfolk Southern meets an average of \$50,000. That's \$16 million that's going to be lost in our borough.

That's a lot of money. We implore you to do whatever you can to reverse this decision and keep these people employed in our area.

Norfolk Southern does not pay any real

estate tax, but the workers pay a local tax. They pay sales tax and occupational privilege tax that they give us. For every worker, \$4,500 will be lost to our borough. That is a lot of money. We cannot afford it.

We, in the Borough of Hollidaysburg and Hollidaysburg Borough Council and the Mayor, ask you to do whatever you can to reverse this decision and let's keep the jobs that are here there.

The Hollidaysburg Area School District and the Hollidaysburg Borough has worked together to develop a Keystone Opportunity Expansion Zone. This is important.

The governor approved the zone in the last few weeks. With this zone being approved, we are trying our very best to work with Norfolk Southern to keep jobs there or to seek new business that will look at that site for employment.

Many of you come from other areas. I ask you, since Norfolk Southern is the largest employer in our borough, the largest, how would you feel if you went home tonight knowing the largest employer in your borough was going to leave?

I ask you with that message to take it back and resolve the issue with Norfolk Southern and

the borough of Hollidaysburg. Thank you, Jerry, and 1 2 thank you, Committee. 3 CHAIRMAN GEIST: Thank you very much. Any questions for anyone? Thank you very much. 4 Next on the list is Dr. Frank Meloy, 5 6 Chairman of the Board of Logan Township Supervisors, 7 and, also Assistant Superintendent of Altoona Area 8 School District. And, also, Logan Township Diane 9 Melon is back here. 10 MR. MELOY: I would like to start by 11 thanking Representative Geist and the House 12 Transportation Committee for conducting this 13 hearing. 14 My name is Frank Meloy, and I am the 15 Chairman of the Logan Township Board of Supervisors. 16 I also am an Assistant Superintendent in the Altoona 17 Area School District. 18 Logan Township has a population of 12,400 19 people and encompasses 52 square miles of land. 20 The Township is the second most populated 21 municipality in Blair County, and most of our land 22 surrounds the City of Altoona. 23 Logan Township was established as a 24 municipality in 1850. The history of the township

very much parallels the history of the railroad in

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our area.

The Pennsylvania General Assembly in 1846 approved the Pennsylvania Railroad to build a railroad between Harrisburg and Pittsburgh.

The world famous Horseshoe Curve is located in Logan Township as is a large portion of the car shops in Juniata.

In fact, the Pennsylvania Railroad, in order to better deal with the politics of the area, had the Pennsylvania Legislature cut the bottom half off Antis Township and the northern portion of Allegheny Township to form their own township, and they named it after one of the earlier settlers, John Logan. Thus, Logan Township owes its very existence to the railroad.

At one time, the railroad was the major employer in our area. Now, our economy is diversified; however, the announcement by Norfolk Southern that they were closing the Hollidaysburg Car Shops was devastating news.

The railroad in this area is not a part of our area's history, but it is a vital part of our local economy. The loss of Norfolk Southern jobs not only means a loss of tax revenue to Logan Township and other municipalities, but it will also

have a domino effect on our local economy.

The major source of revenue for our township is the wage tax. With a loss of jobs at Hollidaysburg, Logan Township will lose approximately \$30,000 in wage taxes.

Now, this may not seem like a huge sum of money, but it will have a domino effect in that when these unemployed workers stop buying cars and going to restaurants and buying some of the commodities that are available at the retail and service centers located in our township, other people will be losing jobs and this further unemployment will result in loss of tax revenues and also further loss of dollars from our economy.

when Norfolk Southern announced they had bought out Conrail and would be the new operators of the railroad, they made promises to our citizens and to their employees. I remember the effort our Altoona Area School District put forth to welcome Norfolk Southern to our area.

Our band went to the Blair County Airport to help celebrate the arrival of the president of the company, David Goode. One of our elementary schools put on railroad caps.

I brought a picture of this. Over 500

students went up to the school yard. Wearing their little railroad caps, they formed the letters "N" "S".

Our entire area rolled out the red carpet to welcome Norfolk Southern. The payback is that Norfolk Southern gave pink slips to our fellow citizens and neighbors.

As an elected official and a citizen, I too want to know why. Why is Norfolk Southern abandoning our area? Why would the President of Norfolk Southern announce to the then Conrail employees that not only would they always have a place in their company, but their children and their children's children would also?

what is the future of the Juniata locomotive shops? We need to know answers. We deserve that treatment. I would urge you as our State Representatives to do all that you can do to preserve the railroad jobs for our citizens.

If it takes using legal means, please use all of the legal means available. If it means using diplomacy, please be great diplomats to convince Norfolk Southern that this is a railroad town and the displays shown in our new Railroaders Museum are not someone's fantasy, but they tell the true real

life history of this entire area.

I thank you for this opportunity to present this testimony, and I pray that you would be successful in saving jobs for our citizens. Thank you.

CHAIRMAN GEIST: Thank you very much.

Any questions from anyone? Thank you very much.

Next on is Steve Phillips. He's a retired Norfolk Southern stockholder, life member of the UTU, United Transportation Union.

And, Steve, you're on.

MR. PHILLIPS: Thank you, Mr. Chairman, and your Committee. I appreciate being here. To save a little time, I had an article -- I had an article that was in the paper. If everybody had read it, I don't think we want to go over it again. I can pass it to each one, a copy.

Let me start by saying as many of you are well aware, I am retired from the train and engine service after 47 years in the industry and over 30 years as a union officer in the United Transportation Union.

I'm also the last employee in our area and in checking with NS UTU home office, the last that they know of that worked and fired steam

engines. I was fortunate to be in the glory days of our industry and the lean and gloomy days.

I went through a number of mergers naturally down the line. When I first started, the railroad companies owned their own locomotives, car fleet. Now, you see a plaque owned by Wells Fargo or Chase Manhattan, Mellon Bank or whatever.

At that time, we owned hotels in New York City, oil lines, gas lines. Every merger we lost an oil line or hotel that went by the wayside.

Miner thoughts of the subject with

Norfolk Southern is after I got my stock report, I

got a \$.06 share dividend. You know, this has to be
the greatest train robbery ever.

These people wear no masks or carry no guns or not a shot was fired. When they awarded them a hefty 36 percent bonus after losing money, after losing business, Jessie James and the Dalton boys look like hikers.

As a stockholder, I'm sure other stockholders feel the same way as I do, we were cheated out of millions of dollars by their actions. They got 36 percent over -- which is over one third of the wages and I got \$.06 a share.

when I look at the miserable performance

and loss of business, I see red. This bonus was unmerited and undeserved. Remember when NS was fighting over the takeover of Conrail, one of the broken promises was to take trucks off our overcrowded highways. What happened?

The next time a semi blows by you on the highway, notice the placard on the rear of the truck, drivers wanted. Norfolk Southern is one of the best friends the trucking industry ever had.

Checking today's stock report, Norfolk

Southern is somewhere like \$17.52 and CSX is \$34.

It's about twice -- they're worth twice what Norfolk is.

The reason I bring this up is you know CSX declined a bonus, even though their stock is \$34 and the dividends were a \$1.20 a share. They declined the bonus because they didn't meet their earnings.

Now, this is in sharp contrast to what the people at Norfolk did. Our stock fell 35 percent. The profits were off 22 percent. And Norfolk has cut over three thousand jobs and they want to eliminate another two thousand, plus abandoning another four thousand miles of track.

I suppose the position is you could go

along with the ones in our area, they will use this 1 2 to pay for their next bonus. You know, I read an 3 article in the paper the other day about utilities 4 in California, the one that went broke. They declared bankruptcy. Right before they declared 5 bankruptcy, they gave six thousand bonuses out to 6 themselves and most of the employees. 8 I wonder with this 36 percent bonus, is Norfolk going to take the dive like they are? 9 That's about all I have. 10 11 CHAIRMAN GEIST: Thank you. Any 12 questions? Thank you very much. 13 Next on the list is John Eichelberger who 14 is a Blair County Commissioner, Republican party 15 chairman and Blair County also. 16 MR. EICHELBERGER: Good morning. 17 CHAIRMAN GEIST: Morning. 18 MR. EICHELBERGER: I want to thank you

MR. EICHELBERGER: I want to thank you for this opportunity to address your committee. I welcome you to Blair County and thank you for your attention to the important issue of jobs in our community.

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On May 15, 1999, I offered testimony to you concerning the pending takeover of our local Conrail operations by Norfolk Southern. At that

time locally, the promise of a bright future for our shops was being peddled to the workers and the general public by those controlling the deal with the willing assistance of some of the local media.

Anyone, such as Representative Geist or a County Commissioner, who posed a question about any facet of the merger was criticized. David R. Goode, Norfolk Southern Chairman, President and CEO; John W. Snow, CSX's Chairman, U.S. Representative Bud Shuster and Senator Robert Jubelirer flew into our county airport on March 17, 1997, and were greeted by a local high school marching band, some invited local officials, economic development leaders, about 75 Conrail workers, and the media and members of the general public.

The program that followed and the tours of the Juniata Locomotive Shop and the Hollidaysburg Car Shop were all orchestrated media extravaganzas which attempted to convince the Conrail employees and the general public and the local officials that Norfolk Southern was here to stay.

This salespitch convinced some of the media and the railroad union leadership that our Congressman Bud Shuster had total control of the situation and because of this control, our shops

would be protected.

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In the ensuing days, the Altoona Mirror wrote many articles explaining the benefits of the Norfolk Southern takeover. A March 18, 1997, Altoona Mirror editorial summarized the recent shops tour as follows -- I quote: But perhaps the most reassuring thing that came out of Monday's tour was a demonstration of who's really in charge. We're lucky it is Congressman Shuster. While both railroads have to be concerned about pleasing or appeasing a host of state and federal officials, including Governor Tom Ridge and U.S. Senator Arlen Specter, Shuster is clearly the man with the clout.

That was obvious from the willingness of the railroad chairman to travel to Blair County, their public comments at the Altoona-Blair County Airport and their deference to Shuster. Whatever the Congressman wanted, he got. All of this points to good news for our area.

The railroad union leaders, headed by Tom Lutton, contributed to this message, with growth and prosperity, with complimentary and optimistic letter to the editor published on Sunday, April 13, 1997, which was concluded with, and I quote, "Once again, Bud, thank you."

Just 21 months into Norfolk Southern operation, the closure of the Hollidaysburg Car Shop was announced. The promise and commitments from David Goode, Bud Shuster and Bob Jubelirer and Tom Lutton are proven worthless.

Rarely, have we seen misrepresentations of this magnitude with such impact on our community. It is difficult for me to believe that any major business could advance an operational plan, so precariously written that circumstances in this brief period would dictate a change from expansion to closure.

It is also difficult for me to believe that any review of the operational plans by the U.S. House Transportation and Infrastructure Committee and the Surface Transportation Board would not reveal faulty planning of this nature.

Therefore, the credibility of those in control of the deal must come into question. Local leaders cannot make sound decisions for the future if the information presented to them today is unreliable, especially if the source of the information lacks credibility.

Our fears now extend to the Juniata Locomotive shop located in Altoona. Similar promises have been voiced by those in control, but many of the rank and file workers see no evidence of a long-term commitment by Norfolk Southern.

Obviously, a lack of credibility now exists.

The three local taxing bodies placed the Hollidaysburg Car Shop in our Keystone Opportunity Expansion Zone in anticipation of a possible closure. If nothing can be done to save the existing shop, hopefully another business can be secured at that location.

This Committee's perspective is important. You are a welcome, objective and reasoned voice concerning a critical issue clouded with mistrust. To make matters worse, the overall economy is experiencing significant downturn. Your insight and assistance with Norfolk Southern's announced closure is greatly appreciated.

Thank you again for visiting our area and spending your valuable time on issues vitally important to us in Blair County.

CHAIRMAN GEIST: Any questions? John, I would like to take this opportunity to introduce Representative Jess Stairs. Jess is one of the deans of the House of Representatives and a valuable member of this Committee. And Representative Hess,

our senior member to my right, has requested a five-minute recess.

At this time, we'll take a five-minute recess and return with Wayne Hippo.

(Break.)

CHAIRMAN GEIST: Okay. If we could reconvene. We have one announcement to make. The copies are for media only. And we know we have a limited supply so if everyone can comply with that, we would appreciate that.

At this time, I would like to call to the stand C. Wayne Hippo, Councilman of Altoona, and economic development specialist.

MR. HIPPO: Thank you, Rick, members of the Committee. It is, indeed an honor to have the opportunity to address this Committee on a subject that is so crucial to the livelihood of thousands of local families -- the future of Norfolk Southern Railroad in Blair County.

I want to personally thank the members of the Transportation Committee who have come to Altoona today to conduct this hearing, and I urge their continued attention to this subject on your return to Harrisburg.

While I expect that much of this

testimony you hear today will involve the circumstances surrounding the closing of the Hollidaysburg Sam Rea shops, I want to use the time I've been allotted this morning to focus attention on the other primary facility of Norfolk Southern and Blair County, the Juniata shops located in the City of Altoona.

While I certainly support any effort to keep the Sam Rea shops open and viable, I would also ask that the Committee not lose sight of the fact that Norfolk Southern employs approximately 1100 people at the Juniata Rail Car Facility in Altoona.

It is my sincere hope that some guarantees can be produced from Norfolk Southern as to their commitment to the continued operation and growth of this facility.

Using the same mathematical calculations that are being used to assess the economic effect of the closing of Sam Rea shops to assess the impact at the Juniata facility, the numbers would be even more frightening than what this community currently faces with the closing of the Hollidaysburg facility.

If 1100 jobs would be lost in the City of Altoona with the closing of the Juniata shops, and we used the same wage estimate of \$39,000 average

annual salary that is being used with the Sam Rea shops, the annual economic impact would amount to \$42.900.

Applying the ripple effect multiplier to this calculation to account for the impact that such a loss would have throughout the Blair County economy, and the number becomes a staggering \$171,600,000.

If I may suggest, there are several ways that can be explored as part of the effort to keep open the Sam Rea shops and help obtain a long-term commitment to the Juniata shops. One: Norfolk Southern participates in some shared assets with CSX.

These shared assets were a significant factor during the merger discussions that took place three years ago.

Is there any possibility that the Juniata and Hollidaysburg shops can be utilized in this arena and be an asset for both companies? In other words, can the local shops be part of a joint venture with CSX?

Second: Section 29 tax credits associated with this venture are expiring. The expiration of these tax credits will add to the

Norfolk Southern tax burden. I would ask the Committee to explore if there's anything that can be done to overcome that negative impact.

Third: Early retirement and special severance packages were offered to non-agreement employees.

The Committee should find out what, if anything, will be done for employees covered by a collective bargaining agreement.

The financial documents indicate that Norfolk Southern took a charge for workforce reduction of about \$30 million after tax in 2000. What portion of that \$30 million is going to be spent on the unionized employees?

I provided your Chairman with an internet copy of a February 7, 2001 press release of Norfolk Southern in which the company states its promotion of economic growth with industrial development initiatives.

The press release announcement trumpets that in the past 10 years, Norfolk's economic development department has participated in the creation of nearly 57,000 jobs in its service territory, but little, if any, of that effort has centered in Blair County.

It is clear from the press release that

Norfolk is making efforts in many parts of its

system, but it should be equally clear that part of

the effort needs to be directed in Blair County.

Altoona is a city steeped in railroad heritage. I am a fifth generation Altoonan and the first generation in my family not to work for the railroad.

The efforts of the past 15 to 20 years to diversify the local economy are taking hold and having a positive effect. And the City and entire Blair County community still heavily relies on the operation of strong railroad facilities for our economic vitality.

I would ask the Committee to consider all possible efforts to bring Norfolk back to the table for the Hollidaysburg facility, but also remember that we have 1100 jobs in the City of Altoona that we have to consider at risk as well.

Thank you for the time to testify this morning. I'll certainly attempt to answer any questions you have on this topic.

CHAIRMAN GEIST: Anyone have any questions? Thank you very much. I would also suggest, I'm sure a lot of people out here do, if

you go on the internet and do the global searches and information searches on the Norfolk Southern, especially their announcements to the financial investment community, and there's some awfully interesting reading out there.

Well, next up, I think, this is probably what we've been waiting for all day. We're going to get into the meat and the heart of things right here. I would like at this time to introduce Ray McMullen, General Chairman of the International Association of Machinists and Aerospace Workers, and he can introduce who is with him. And it's all yours, Frank.

MR. McMULLEN: Thank you. Gentlemen and ladies. With me is legal counsel, it's Dan Orfield. And the attorney has no intent to speak unless asked questions so -- first off, I would like to say that I did give you a written testimony there but, at the adherence of speakers today, I'll probably add a little bit extra to it.

To start out with, I would like to tell you I was born and raised in Juniata, Pennsylvania, Altoona, Pennsylvania; second generation railroad. I worked in the railroad shops for 22 years. I've been a general chairman for going on 10 years now.

And I would just like to say that I really appreciate the opportunity to come here before you and give this testimony.

My responsibilities as a General Chairman include representing employees of Norfolk Southern Corporation who are employed machinists at the former Conrail facilities taken over by Norfolk Southern in 1999, when it along with CSXT Transportation acquired the assets of Conrail.

Prior to this acquisition, Conrail employed approximately 900 machinists represented by the IAM. After the Conrail splitup, about 800 of those machinists went to work for Norfolk Southern. Sixteen of those still work at the Hollidaysburg holiday Car Shop.

Incidentally, you should know NS abolished 21 machinist jobs at the Hollidaysburg wheel shop in January and is now closing the wheel shop. That will result in the loss of an additional ten machinist jobs here and considerably more jobs when the employees in all the other crafts that work there are considered.

In addition, Norfolk Southern recently announced that it will be subcontracting additional machinists work at the Juniata locomotive shop,

resulting in a loss of at least 15 more jobs as the work leaves the state.

In order to acquire Conrail, Norfolk

Southern and CSX had to obtain the approval of the

United States Surface Transportation Board.

In the course of obtaining that approval, NS made many representations to the IAM and the other labor unions who represented former Conrail employees, as well as to the communities and governmental representatives in Pennsylvania about the future of the Conrail facilities in this state after NS took over.

In particular, NS said this about the Hollidaysburg shop, I quote: "After the consolidation, the Conrail shop at Hollidaysburg will absorb most car program work, program car repair operations at Macedonia, Ohio; Decatur, IL, and Williamson, WV will be eliminated.

The company will actively pursue and insourcing opportunities in order to utilize fully its shop capacity, particularly in the Altoona/Hollidaysburg area.

Insourcing in this context, the practice of using company employees and facilities to perform maintenance, equipment rebuilds, and rehabilitation

and/or component work for outside customers.

Initially, NS's major insourcing customer for cars and locomotives will be CSX, for its portion of the Conrail fleet."

NS explained, "Because CSX will use approximately 42 percent of the formal Conrail car and locomotive fleets, the transaction agreement provides for the terms which CSX will be one of NS's insourcing customers," and that the Hollidaysburg Car Shop will be a prime location for doing that work, because it has particular strengths that will make insourcing more competitive and marketable.

In addition, NS told the STB in 1997, it will undertake \$4 million in facility improvements at the shop if it was permitted to acquire it.

NS made these representations in the operational plan and labor impact statements that it filed with the STB, both which were sworn to by high-ranking officers of the railroad. NS said nothing in its filings with STB about closing the Hollidaysburg Car Shop.

Today we know NS does not intend to live up to its promises. It has for the second time announced it intends to close the Car Shop. As far as we can tell, few, if any, of these four million

dollars were ever spent on capital improvements.

In its decision granting NS and CSX the authority to undertake the acquisition, the STB said they must adhere to all of the representations that they made during the course of this proceeding, whether or not such representations are referenced in the decision.

It said further that it intended "to monitor the implementation of the transaction, including but by no means limiting to the following matters: The applicants adherence to the various representations made during the course of this proceeding."

As you know, the IAM and other rail labor organizations have joined with the Commonwealth of Pennsylvania to petition the STB to do just that. We simply do not believe that a private corporation, that relied on the representation that it made to Governor Ridge and other state and local authorities so that Pennsylvania would not oppose the STB granting it the authority to acquire Conrail, should be allowed to turn its back on the workers, now that Conrail no longer exists.

Had the railroad been honest and up front, I have no doubt that the Commonwealth of

Pennsylvania and STB would have scrutinized the railroad's operating plans far more closely. But NS held back and deceived us all. Frankly, the whole sequence of events smells worse than a four-year-old Easter egg.

The railroad will tell you no employees are going to be hurt by the closing of the shop, because they will either be offered jobs at other NS facilities in other states or they will receive income protection under the agreements that the railroad negotiated with the union as a condition of obtaining STB approval.

But statutory income protection obviously doesn't tell the whole story. What NS won't talk about is the devastating effect that the shutdown will have on their families and the surrounding communities.

what they don't tell you is that their only real commitment is maximize their profits and that keeping members of this community, good, productive citizens of this state, working will not stand in the way.

I'm here to tell you the IAM is prepared to do everything in its power to prevent NS from walking away from commitments it made to the federal

government, the state government, and the loyal former employees of Conrail to keep the Hollidaysburg Car Shop open and operating.

On behalf of the IAM and the working men and women we represent, thank you for not shrinking at this challenge and thank you for the opportunity to present our views on this very important issue of corporate honestly and civic responsibility.

I would also like to add to that, that I listened to the various speakers here, and the gentleman who is not present right there, he asked a question of the Norfolk Southern representative about all those 300 some people would be offered employment at other locations.

The gentleman from Norfolk Southern, if I'm correct, answered they would be. I think that that gentleman is incorrect, and in response to that Norfolk Southern is not offering employment to all the people that are being affected out there.

I can only speak for the number of the machinists craft, but of the 17 that will be left out there on September 1, when they expect the Car Shop to close, they are only offering eight positions in other locations throughout the system.

So the other craftmen, I speak to whom of

those people will not be offered employment, I know not all 300 some employees will be offered employment. Also, in relationship to that, I'm in negotiations with Norfolk Southern on the handling of those people and the transferring of those people if they elect to go.

And NS in no way is offering us an enhancement to take care of that. They're offering us bare bones, what we refer to the industry bare bones, the New York dock or anything other than --

CHAIRMAN GEIST: Before that -- excuse me for interrupting -- would you explain Norfolk didn't -- go into the shorthand language that for our audience -- in a language they would understand, please.

MR. McMULLEN: What New York dock, is it was an employee protection benefit plan that was thrown out to the mergers of the railroads that came into effect. We had the Washington Protection Agreement.

Anyway, we ended up, as Rick said -- I'll try to do the short version -- we ended up with New York dock protection which guarantees an employee his wages throughout the six years he's been adversely affected.

Okay. That's if he had six years service. If he had less than that, he's only guaranteed for how many years of service he has.

That's where the big fallacy comes in that people think, well, would you -- here a guy has six years protection, okay, but what happens is the railroads figure outweighs to circumvent the quaranteed benefits that these people should have.

And a perfect example of it is if -- just like now, if these people, they offered eight people employment someplace else. If the guy elects and says, wait a minute, I don't want to go there, I don't want to uproot my family, I was born here; he's 50 years old -- 52 years old or whatever, which most of these people who are going to be affected are in that age bracket, they say, well, you know, I got 25, 26 years service. I'm not going to go. You know, well, then he loses that if he doesn't go. It's not guaranteed.

So there's another way they get around it, a perfect example. And I notified Norfolk Southern, like I mentioned to you, they said about closing the Hollidaysburg shop back in February, we moved 21 machinists from Hollidaysburg to Juniata, all right, we did not have any influx of work as far

as locomotive work in Juniata.

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So we increased the work force by 25, but we didn't increase the work load. Now, in May, okay, we're going to abolish the remaining 10 jobs at Hollidaysburg in the wheel shop, move those to Juniata. So there's still no influx of work.

As a matter of fact, there's going to be a decrease in work because, as I mentioned in my presentation, there they have served notice where they intend on subcontracting out work that involves 15 more machinists, which involves the actual refinishing and the air break component parts for the car shops.

So what I'm trying to claim here is we have more people going down there, you're going to have an influx of work. They're subcontracting out work.

What happens is now down three months from now, a year from now when we have a furlough of people, they're going to say, it was because economic conditions or some other reason, those people then will not be entitled to New York dock.

You can't show a nexus, what they refer to as New York dock, which means a connection between what happened to them and really it happened

out here because they'd rather work out here.

So you have to be able to prove it; and the railroads are very, very experienced in circumventing New York dock protection.

And you would hear from labor, you need the guarantee if a guy don't want to go, the guy should get what is due to him. I mean, I don't think there's too many people that just want to uproot and move. I think that's about the short of it.

CHAIRMAN GEIST: All right. I'm going to

-- he threw these out, these are softballs. They

fill in the gaps. Because you go in A to B and to N

and everyone understands that in this room.

But explain insourcing, explain what
Norfolk Southern does at both Juniata and in
Hollidaysburg with their own stuff and stuff they
bring in to work. I mean, you alluded to that just
a little bit. Amplify that.

MR. McMULLEN: Insourcing under Conrail,
Conrail started the insourcing and that's when I was
still working in the shop. Some people might -despite that, I was working. But, anyway, when I
was still working in the shop, I was the local
representative. And at that time, we had real good

real good labor management relations, okay.

It didn't start out that way with Conrail. I'll be honest with you. In the end, the early 80's, we started having real good rapport with management and it all started from the top down.

Anyway, we set up teams, okay, and we analyzed the different aspects of the Juniata shops and Hollidaysburg shops, and we devised a way to start going out and getting business from other industry.

And what we came up with is what we call insourcing. We go out and we bid on jobs. We also -- in this bid, we give a warranty. It's just like being in a business, which we are.

I mean, we set up the whole thing, a profit, a warranty, and a bid process. We had a real good team of people who went out into the field who were experienced in that end of it, and they did the bidding.

And it was a success -- it was a real good success. Norfolk Southern took over.

Especially at the Hollidaysburg shop, this team we ended up with only one guy on the team to my knowledge that was going out to try to get work for the Hollidaysburg shop. Insourcing for

Hollidaysburg has really dried up. They did not go after it as we did under Conrail.

we made over a million dollars profit out there the other year on the insourcing. So the Hollidaysburg shop was a very profitable shop. It could be more profitable if it had a more aggressive team going out trying to get more work.

It's there. But they just won't do.

CHAIRMAN GEIST: Jimmy -- when you were out there, did you actually get along?

MR. McMULLEN: Jimmy and I got along real good. He wasn't that bad of a fellow. But, this -- end up on that then, the speech that the Norfolk Southern gave or his presentation, whatever you want to call it, I would like to say that, you know, they touched on the subject about promises.

And if you see that Altoona is on -- the only place they really did make any promises to the other part of the system on the 22 states they didn't make no promises like they did to the people in Altoona.

So with that, you know, I think that they made a commitment, as we all talk here today, and promises. I think we should hold them to it.

And the other thing I would like to

comment on, I appreciate the Transportation

Committee being here, Mr. Geist in particular, but I also like the idea, we here are all trying to work together as one and we're not, you know, bipartisan. We're not putting one political party against another political party.

And I really appreciate that. And I think there was one speaker here today that was trying to elude to that fact. But I won't get into that. I really, really appreciate what you guys are doing and we need all the help you can give us. I appreciate that.

CHAIRMAN GEIST: Thank you. Questions?

MR. LEVDANSKY: Yes.

CHAIRMAN GEIST: Use both microphones.

MR. LEVDANSKY: Yes. I would have asked this question to the Norfolk Southern representative but he's not here. We didn't have the benefit of reviewing his testimony until afterwards, but --

MR. MCMULLEN: He left right afterwards, too.

MR. LEVDANSKY: So you're the most logical person I could ask this to. I thought maybe the closing of these -- of this facility would have been due to a dramatic downturn in revenues and

tonnage shipped.

understand plant closings and what happens with, you know, when business gets lost and everything. I just looked at his testimony, and he talked about lost ships and metals, chemical and coal and intermodal. And on the other hand, I look at his testimony, there's gains, too.

and coal, Norfolk Southern in this time frame has experienced a net increase of \$26 million in revenue. Okay. And that increased then on the intermodal. They lost business. They worked aggressively to replace it.

I guess I'm a little perplexed and a little confused. I thought maybe the closing of this facility was due to a loss -- outright loss of business; revenues are way down, sales are off until they have to close the facility. You can understand that. But the numbers don't show that. So why did they close it?

MR. McMULLEN: That's what we would like to know, too. But in my -- and my brother representative from the TWU, I feel certain when he gets here, he could get into more money factors at

the Hollidaysburg shop than I can on the car side.

But they're profitable. That's what we can't

understand. That shop out there is making a profit.

I'm not talking about peanuts. I'm talking about

millions of dollars that it is making now.

The potential would be there to make more than that. All right, perfect example, machinists, the P turns, we do that for locomotives out there. They're going to stop doing that all together. Once they move that wheel shop out of there, that's \$250,000 a year they make profit off of that.

We have talked to them about it. The local representatives have talked to them about it. They don't want to hear it. TWU and I feel certain they're going to give you better statistics on the car side, how much money you take off repair of the cars, the machinists out there, basically, repair of the wheels and access for the cars.

But then Juniata, we do the air brakes for the cars. It is -- it's really mind boggling to try to understand if you have a profitable piece of your business why you want to do away with it. When they're saying -- there's talk saying the dividend is not there, it just does not make sense.

MR. LEVDANSKY: Make representations to

the community, make representations to the Surface Transportation Board before the approval of the divesture of the Conrail, even their own numbers don't show a tremendous dropoff in total revenue.

This -- there's something going on. I don't understand.

MR. MCMULLEN: Us in the railroad industry, we feel it's piss poor management. They don't know what the hell they're doing. And we tell you that the people up north know how to run a railroad. Okay.

And that is another thing. NS, when they take over or took over, they came in, they didn't want to hear anything from former Conrail people how to run a railroad. All right.

We tried to express to them about how the relationship was before labor and management but that also went -- not only between I, as the union representative, that was between the managers and the guy on the floor, the shop guy working.

They had a good rapport with the managers. If he was a having a problem, we worked it out, I mean, and they don't want to hear that. It's their way or no way. I mean, it's that simple. I believe that's what got them into the trouble they

got in. 1 2 MR. LEVDANSKY: Thank you. CHAIRMAN GEIST: Chris? 3 Thank you, Chairman Geist. 4 MR. STAIRS: Just a question. And you know I'm from Westmoreland 5 6 County and, of course, Conrail went through Greensburg and Latrobe, now it's Norfolk Southern. 7 And right south of us in Collegeville, it's CSX. 8 We're affected indirectly, like you're really 9 10 affected with some of the closings. 11 As I recall, a couple years ago, I lose 12 track of the time, but we got these promises that 13 they were going to be very fair and there would be a 14 little extra bonus for this part of their system. 15 And I thought, boy, this is too good to be true. 16 But it sounds good to me. Let's go for that. 17 Now, in the couple years that have 18 happened since then, did they come to you maybe a 19 couple months ago or a little bit and say we're 20 running into a little bit of problem, we think we want to back down or what can we do to compensate? 21 22 I mean, if they had -- they made a 23 promise which obviously they did, but it's very 24 significant, it's very obvious they can't deny it.

was there any kind of discussion, hey, things are a

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little bit tight now, we need a little bit of wiggle room on this?

Is this kind of all of a sudden they hit us? What happened?

MR. MCMULLEN: Well, as I stated before, under Conrail, we may have had that type of rapport. Norfolk Southern doesn't operate like that. Any time, you know, something is going to happen is when they hit it with you. They don't talk to you.

They have their mind made up. They have an arrogant attitude. They're top managers. That's the way they run a railroad. And just like the notice, the letter they sent me on subcontracting, you don't know they're going to do that until they hit you with it.

Under Conrail, if they had a problem with a product, they felt it was not profitable with us doing it, they would get a hold of the local representative and we would go down to the shop floor and talk to the guys; and say, hey, we're having a problem. They're not making enough profit on that. What can we do to make it more profit?

And for this company, we would work it out. We work it out right then and there. With this company, you don't do it. You don't do it

until it hits you between the eyes with it and trying to salvage it.

They already had their mind made up when they're going to do it. If you listen to the presentation the Norfolk Southern guy gave, he said they have an outside company they own.

They hired this outsider analyst to come in and try to tell them how to run the company. If you look at the presentation, I'm positive he said that.

So if you -- anybody knows, if you have a company, why do you want someone who is not a railroader to try to come in and tell you how to straighten out your affairs. That's what they do.

The only way I can see out of it is for them to start at the top with better management.

MR. STAIRS: It's sad. Obviously, I mean I'm a person that I like to sit down when there's a difference and work things out, whether it's labor and management or whatever the differences may be.

It's unfortunate that this deteriorated to the fact that tomorrow, this is the way it is, so take the lumps and forget about it.

I would hope Chairman Geist and the Committee and others -- I hope it's not too late

that we can sit down and discuss things and work things out.

If it is too late, I hope not. But I'm sure Rick will make every effort to make sure the two parties, whether they put them in the room or go away and settle the differences, I hope we can still have time to do it.

MR. MCMULLEN: I hope so. We all do, too.

CHAIRMAN GEIST: Yes.

REPRESENTATIVE STERN: Thanks. Can I have a follow-up on the New York dock protection? What needs to be done to tighten up that New York dock so that it actually does benefit the employees, that it does benefit workers?

Right now, it seems like there's too many loopholes and back-door procedures that can take place before New York dock kicks in. What needs to be done to tighten that up?

MR. MCMULLEN: We need to pass legislation to change that. One of the major things is, like I just said earlier, we need it -- a guarantee whether the person moves or not, can you expect a person who has 25 to 30 years service in the railroad industry, born and raised somewhere,

1 just to pick up roots and move? 2 I mean, you have to have a guarantee 3 there that a person has a guaranteed wage. 4 other part of it is, through the years, when New 5 York dock was first put into place, through 6 arbitration, awards have been handed down that 7 really watered it down. 8 So we need to look at all that and to fix 9 all the bad decisions that have been handed down on 10 We also need the Surface Transportation Board 11 to help us out on that end, too, on the New York 12 dock. They have a big effect on it. It all 13 comes from legislation. 14 15 REPRESENTATIVE STERN: That covers a 16 period of how long? 17 MR. MCMULLEN: New York dock? 18 REPRESENTATIVE STERN: Right. 19 MR. McMULLEN: Six years is the most you 20 can get out of it. 21 REPRESENTATIVE STERN: The average 22 employee at Norfolk Southern, the Hollidaysburg Car 23 Shop, what is it, 35, 36, 42? What's the average 24 age? 25 MR. McMULLEN: We have done a profile on

1 the average age which is 50 to 51. 2 REPRESENTATIVE STERN: The example I put forth in my testimony is the average worker affected 3 4 at the Hollidaysburg shop? MR. MCMULLEN: Yeah. 5 REPRESENTATIVE STERN: Okay. Thanks, Mr. 6 7 Chairman. 8 CHAIRMAN GEIST: Okay. 9 MR. PARSELLS: I seem to recall in the 10 earlier discussions with NS. They had a base shop 11 in Norfolk or somewhere down south -- Roanoke. you seen work shifted down there? Is that shop a 12 13 union shop? 14 MR. MCMULLEN: Is it a what? 15 MR. PARSELLS: Is it a union shop? 16 MR. McMULLEN: Oh, yes, yes. The Roanoke **17** shop, I was there before. It consisted of a Car 18 Shop facility and a locomotive repair facility. 19 Since they have taken over, they have 20 closed the Car Shop down. The locomotive shop 21 joined the transition period. In our implementing 22 agreement we made, we agreed they were taking the general electric locomotives to Roanoke and all that 23 24 work associated with that and bringing to Altoona 25 all the work associated with the MP locomotives.

And so that effect -- majority of it has 1 2 been transferred. Here again, along the way they have found a way to subcontract that work out. All 3 4 right. 5 So they're always conniving as far as that shop down there, the locomotive side. Now, the 6 7 other part is shut down. That shop is probably --8 I'm just guessing -- maybe about the fourth of the 9 size of our Juniata locomotive shop. It's not a 10 very large facility at all. 11 MR. PARSELLS: Thank you. 12 CHAIRMAN GEIST: Thank you very much. 13 Next up, we're going to call on Tom Lutton from the 14 TWU, the Transportation Workers Union, to introduce 15 his guests, and these guys have been doing work locally with the International. Introduce your 16 17 guests. One of them is pretty famous. 18 MR. LUTTON: To my far left, it's Wilbur 19 Boggs. 20 CHAIRMAN GEIST: You have to speak into

both microphones. Could you start over?

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MR. LUTTON: Sure will. To my far left is our local secretary/treasurer, Wilbur Boggs. To his right is our international vice president, John Churchman. To my immediate left is Gary Maslanka,

who is our International Staff Representative and will be giving our initial speech. And, as I said, I'm Tom Lutton. I'm the local president of the transport here in Altoona.

If we can start, Gary will start.

MR. MASLANKA: Thank you. We, in the Transport Workers Union, would like to take this opportunity to thank you, Chairman Geist, and your committee for this opportunity to testify and present information during today's hearing.

Before addressing the core issue, which is the subject of this hearing, I would like to point out the following background information.

As for myself, prior to my current position with the International Union, I was actively employed in the mechanical department of the Penn Central Railroad beginning in 1974, then with Conrail in their mechanical department beginning in 1976 through 1998.

I was also a local president of the Transport Workers Union Railroad Division from 1979 through 1998. I point this out to make clear that I am intimately involved in the railroad industry in the northeastern United States, which preceded this most recent Conrail transaction which was

implemented on June 1, 1999.

Likewise, I need to point out that the Transport Workers Union of America, both the Local 2017 team and the International Union, has represented employees of Hollidaysburg dating back to the Pennsylvania Railroad and is intimately aware of and knowledgeable on the history of Hollidaysburg Car Shop.

It is with this knowledge that we preface our comments today by recognizing not only the excellent Car Shop facilities which exist at Hollidaysburg, but the dedicated work force which has been recognized time and time again for their work under Conrail that made quite substantial sacrifices to ensure Conrail's being a viable railroad, well run, and profitable railroad. It was when Norfolk Southern acquired its portion just a few years ago.

Getting into the closing, I just wanted to clarify one point, if I may. I know Tom will get into this more a little bit later. But I think Ray said -- maybe I wasn't paying close enough attention to Ray. He said a reference to insource working dried up. I would characterize that as Norfolk Southern doing their level best to dry it up. That

is not the case. There's work there. We'll get into that here further.

But we appear here today to testify about Norfolk's planned closing of Hollidaysburg Car shop. First, we must make it clear this is not an ordinary, or what may be referred to as a common, plant closing situation.

This is about a company, Norfolk

Southern, which made a rock solid commitment to

continue operations at Hollidaysburg Car Shop. This

is about a company that during an aggressive

campaign during the approval of the Conrail

transaction, literally worked the stakeholders,

including the Commonwealth of Pennsylvania and the

employees of Hollidaysburg, making repeated -- not

one, but repeated commitments, assurances and

promises that subsequent to approval of the

transaction, Norfolk Southern would continue

operations at Hollidaysburg and promote employment

there.

It must also be made clear that continued commitments to continue operations at Hollidaysburg were not conditional, contingent and time limited.

As reported in a recent article appearing in the Altoona Mirror, "There's no expiration date for the

Commonwealth of Pennsylvania."

This article also accurately reported that, "The only commitment that has a three-year tag on it was CSX would provide cars to be refurbished." Without even completing this CSX work, which was scheduled per such commitment, Norfolk Southern has turned this work away.

In fact, numerous CSX cars, which were already on the premises lined up for work, were recently switched out and transported away subsequent to Norfolk Southern's announced closing of the Hollidaysburg repair shop.

It is, as most are probably quite well aware, March 28, 2001, the Transport Workers Union of America filed a petition with the United States Department of Transportation, Surface Transportation Board. Joining with TWU signing on the petition, were all of the shop craft unions at Hollidaysburg and the Commonwealth of Pennsylvania.

We take this opportunity to thank the Commonwealth of Pennsylvania, the numerous representatives, organizations and individuals who are showing their support in other reference to ensure Norfolk Southern's unequivocal commitment to continue operations at Hollidaysburg is kept.

I guess, at this point, I would just quickly respond to Mr. Eichelberger's comments about providing work for commitments. We don't -- the Transport Workers Union, that's why we filed with the Surface Transportation Board.

a bit of background. We believe the best understanding of just how real and vigorous Norfolk Southern's commitments to Hollidaysburg were, one must know and understand Norfolk Southern's longstanding desire and aim to acquire Conrail that I'm aware didn't just happen overnight.

Norfolk Southern's campaign to acquire Conrail did not begin in 1996, and in response to CSX's proposed takeover of Conrail dates back beyond ten years prior to 1996, when Norfolk Southern pursued an aggressive campaign to acquire Conrail from the government before the Conrail Privatization Act failed.

This longstanding desire and aim of Norfolk Southern to acquire Conrail is verified by volumes of public record documents. In fact, it is referenced in Norfolk Southern's filing with the Surface Transportation Board seeking approval of the joint NS/CSX acquisition and division of Conrail.

If you look in the summary, the presentations before the STB, it's there.

With regard to Norfolk Southern's

longstanding desire to acquire Conrail, we reference
a March 5, 1997 article which appeared in the Wall
Street Journal where Norfolk Southern CEO David
Goode is quoted as saying, "He always expected to win."

Obviously, it was with this determination, and knowing what it would take to win approval of the Conrail transaction, that Norfolk Southern in a well thought out decision made its continuous commitments to continue operations at Hollidaysburg repair shop.

A few words under announcements with respect to statements in their February 21, 2001 news release announcing the planned closing of Hollidaysburg on or about September 1, 2000, we could not disagree more.

Norfolk Southern has not shown how alleged changing economic conditions have any impact on operations at the Car Shop. Likewise, Norfolk Southern has not shown, even remotely, how alleged excess capacity in the freight car repair industry reduced the work load at Hollidaysburg as claimed.

In our view, Norfolk has not shown a correlation between economic conditions and capacity issues in the industry and their planned closing of Hollidaysburg because it does not exist.

In fact, our information indicates there was ample work available, even scheduled to be performed at Hollidaysburg, including a series of CSX cars we spoke about. I'm sure Tom will allude to some of that other information when I'm completed.

But more importantly, moreover, it must be pointed out Norfolk Southern, in a lengthy aggressive campaign to win approval of the Conrail transaction, never, I am emphasizing never, stated in their continuing commitments to continue operations at Hollidaysburg, that such commitments were conditioned or dependent upon any certain economic conditions or issues relating to capacity in the freight car repair industry.

To the contrary, Norfolk stated straight forward, commitments to continue operations at Hollidaysburg not once, but repeatedly. And Mr. Levdansky just responded quickly to what you said. It's a fair question that you posed to Mr. McMullen, and, obviously, you picked up on what I picked up

on.

Earlier, the numbers came up on the higher end, we would point out we want to emphasize again we're not here to debate economics. The fact of the matter remains, these people made a solid commitment, and setting that aside, they need to live up to this commitment.

Norfolk Southern repeatedly committed to aggressively working to bring additional insourcing work to Hollidaysburg. Again, that's another part of the commitment quoted all over the place.

Again, they have broken their promise, not only their announced closing Hollidaysburg, but what they have proceeded to do with the work already identified to be performed in Hollidaysburg.

Norfolk Southern's commitments to continue operations at Hollidaysburg Car Shop were not merely a gesture or comments in passing. To the contrary, Norfolk Southern's commitments to continue operations at Hollidaysburg Car Shop were obviously well thought out and directly intended to gain approval of the Conrail transaction.

Clearly, the record in the merger proceedings leading up to the Surface Transportation Board's approval of the Conrail transaction, spells

out Norfolk Southern's solid, straightforward commitment to continue operations at Hollidaysburg.

In keeping these comments brief, it is not our intent to review numerous forms of documentation that support our position that Norfolk Southern's commitment was rock solid. Instead, we have put together a document entitled, On the Record, Norfolk Southern's Commitment to Continue at Hollidaysburg Car Shop.

It's kind of important at the bottom, it says the real story, the truth, nothing but the truth. They made a rock solid commitment, they have to live up to.

And, Chairman Geist, members of the Committee, although we fully realize that you are quite well aware of the Surface Transportation Board's Decision 89 approving the Conrail transaction, in that it is obviously critical in this situation to take this opportunity to reference it in the record of this hearing very briefly.

First, we reference the Merger Teams which became final recommendation to Finance docket 33388; in particular, No. 31 at Page 8, which reads as follows: Representations. During the course of this proceeding, applicants have made numerous

representations to the effect of certain issues will be addressed, certain services will be provided and so on.

we recommend that the Board require applicants to adhere to all these representations. Likewise, in their written decision, Decision No. 89, July 23, 1988, the Surface Transportation Board outlined numerous conditions upon which the Conrail transaction was approved.

The Decision 89, at Page 171, item 16 and 19: Applicants must comply with all the conditions imposed in this decision, whether or not such conditions are specifically referenced in these ordering paragraphs. Applicants must adhere to all the representations they made during the course of this proceeding, whether or not such representations are specifically referenced in this decision.

Lastly, we point to then, Vice Chairman Gus A. Owen's closing comments in the Board's vote which makes clear the Surface Transportation Board Commitment to enforce conditions, including holding applicants to the representations, commitments and promises during the merger proceeding.

It states, in part: Let me stress skeptics, however, that this agency intends on being

an alert watchdog we will not hesitate for a moment to exercise our authority to come back into this merger and grant competitive and/or operational relief when necessary.

I can assure you that this agency is predisposed to doing just that, without pause.

Accordingly, I will hold the applicants, NS, to their promises and commitments. Keep and fulfill them. They have made it clear. As stated clearly by the Surface Transportation Board in their Decision 89 approving the Conrail transaction, applicants must adhere to the commitments.

Inasmuch, Norfolk Southern must be compelled to adhere to its commitment to continue operations at the Hollidaysburg Car Shop.

We, in the Transportation Workers Union, are determined to see that they do. We look forward to working with your committee, the Committee of Pennsylvania, and other interested parties to ensure Norfolk Southern's commitment is kept.

In drawing our comments to a close, we again reference an 1987 article, Chairman Geist. In that article, you were quoted as saying --

CHAIRMAN GEIST: This goes back to haunt

me.

MR. MASLANKA: They're the Darth Vader of the railroad industry. They're lean. They can be overpowering. We, in the Transportation Workers Union, can relate to that statement. We certainly believe Norfolk Southern was overpowering in their quest to acquire Conrail.

However, we must not forget in large part with respect to the Commonwealth of Pennsylvania, in particular, Hollidaysburg Car Shop, Norfolk Southern's overpowering approach included a rock solid commitment to continue operations in the Commonwealth.

They must not be permitted to overpower the Commonwealth of Pennsylvania, the Surface Transportation Board, the dedicated employees of Hollidaysburg, the community, and other interested parties by getting away with breaking their commitment to continue operations at Hollidaysburg.

And, again, we thank you for this opportunity to testify here today, and look forward to working with your committee and the Commonwealth of Pennsylvania in ensuring the future of Hollidaysburg Car Shop. I'll be glad to answer any questions.

CHAIRMAN GEIST: We're about to take a

slight break to change tape. Let me amplify something you said. This committee, during all the press that was put on, decided that we were going to ask serious questions and get serious commitments from Norfolk Southern against the advice of some powerful politicians.

The documents that we presented to the Surface Transportation Board with the covenants to be put in that deal, based upon Norfolk Southern's promise to Pennsylvania. is in that document.

It's my feeling that David Goode put his office at Hollidaysburg before they could close that facility. In other words, David would have to shut down any place they didn't make a commitment first, before they would ever shut Hollidaysburg down or Juniata.

We did that because of the history lesson we learned when Norfolk and Western took over the Southern and what happened in Florida. So our committee and the chairman and I myself totally agreed with everything you said today.

Now, how do we, view us, the General Assembly of Pennsylvania, how do we make Norfolk Southern live up to that without going to Federal Court?

MR. MASLANKA: I think the first step was to file -- the Surface Transportation Board as you well know, STB, was straightforward in their commitment to enforce the conditions in this merger.

That's obviously the condition in this merger, so that was the first step. The second step is we're here today at this hearing. We appreciate you having this hearing. We won't count anything out at this point, I can tell you that.

Our international president, Sonny Hall, met personally with Congressman Jack Quinn from the 30th Congressional District who is also a -- he's the chairman of the subcommittee, Congressional House subcommittee. I personally met with Congressman Quinn yesterday.

He's in my District. We had a lengthy meeting about the situation. I will tell you that the rest of the people are well involved with this. They're looking at it very closely.

I'm here to tell you whatever it takes working with your committee and whoever else, work with us to stop these types of betrayal issues.

I mean, who is next, is the question I have? I mean, whether it would be in this community or somewhere else, we have to put our strategies

together and stop them. It's plain and simply wrong what they're doing.

I would comment also, that in the first year oversight proceedings, I'm aware that on February 2 of this year, I believe it was, the STB issued their first report or Decision 91, I believe it is.

And, you know, I would point out to you, Chairman Geist, I appreciate that. I notice that, you know, during that process, people had the opportunity to, you know, state their concerns.

You were specifically mentioned in there about commitments that were made. They didn't see, you know, that they were fouling up all commitments they had made in the state of Pennsylvania, including Hollidaysburg.

I would also point out that, it's interesting to know in their decision, in reference to CSX, as living up to their commitment, they realize it's a commitment to bring the cars over and they didn't do it.

CHAIRMAN GEIST: They didn't.

MR. MASLANKA: I understand what you're saying. What I'm saying, is they recognized that it's a commitment. So, whatever it takes, we're

here to do it.

It's the beginning of the process. You know, we, in the Transport Workers Union, will work day and night, and, you know, I would just echo some of the concerns of Mr. McMullen the machinists echoed.

They haven't talked to anybody. It's just like with the video of Governor Ridge. He didn't have the decency to let him know.

CHAIRMAN GEIST: If we can take a five minute break. I hate to interrupt. We need to change a tape. So five minutes. We'll reconvene and, John, you can get your stuff ready.

(Break.)

CHAIRMAN GEIST: If we can get everyone seated. All right. We're running behind schedule but we want to get all the information out that we can -- we only paid rent until one. They're not going to evict us.

If I could ask you fellows to speak more closely into the microphone. The people in the back are having a hard time hearing. This would be the microphone. Tom, it's all yours.

MR. LUTTON: Thank you, Rick, and thank you committee members for coming up. It's the most

critical time in our lives. I'm sure you've heard many of the speakers ahead of me saying that.

Basically in our shop, our average age is approximately 47 with the average seniority of about 25 years.

I could tell you that these people are the greatest workers in Pennsylvania. I can basically give you some information to prove that. In the year of 2000, we had done \$18 million in insource.

In the year 2001, we have completed three orders already on the insourcing side. We have two ongoing at the present time. Our insourcing committee which was basically the local people, which one of our members was part of, have gone out and got contracts for over \$30 million more insourcing.

That was to come into our shop from the period of August of this year into next year. With the announcement of the Norfolk Southern's closure of our shop, that work basically has been turned down.

Since their notification in February of this year, we have lost two more orders that we could have possibly had. We're asking you to help us save our shop.

we feel that we are self-sufficient. You say, how do you know you are self-sufficient? When we bid work into the shop, we do it at the overhead rate of work.

The overhead rate of work means that we look at cost of electricity, cost of benefits, cost of wages, all costs related to the shop and the workers in the shop.

We then bid that at that rate of pay. We then ask Norfolk Southern in the early days, what percentage of profit would you like. We were told by then Dr. Samuels, who is now with Norfolk Southern, to keep the same profit, that profit was a 4 percent profit with another 2 percent added on for guarantee, 1-year guarantee.

We've exceeded that since our days with Norfolk Southern, and we're running approximately 16 to 18 percent of profit.

This shop is highly profitable. Norfolk Southern likes to use the terms that this shop is not being used to its capacity.

You can only run a shop to its capacity with the employees that you're allowed to work with or allowed to have on the property. 19 -- I'm

sorry. In the year 2000, we had to turn away four orders simply because we didn't have enough employees to complete these orders.

Again, that leads back to their commitments, they were going to keep the shop and enhance the shop. They have totally failed to do any of the above.

I heard the Governor -- not the Governor, the General say that they have in excess of 61,000 cars in surplus or bad order. That's due to the repair and that's due to the Economics Conditions Act.

My question to the General since they could have closed down the Roanoke Car Shop, they were -- they are talking about closing the shop, where are these 61,000 cars going to be repaired when there's an economic upturn?

I wish he was here. I would like to ask him that question face-to-face. There's no reason for them to shut this shop down. This shop is profitable. This shop has good workers.

And I guess in closing, what I want to say, it's kind of related to a Christmas story.

Christmas time, I was watching the Grinch with my granddaughter.

The middle of last month, we were invited to attend the first meeting with the Norfolk and Southern about the closure. That's something we were required to do. We were making our arrangements to go down.

I was leaving the shop that day, and as I was leaving the shop, the train crews were pulling out the 200 -- or I'm sorry -- 200 coal hoppers that we were going to rebody for CSX, as well as the 125 box cars we were going to repair in the shop starting in August.

So I guess what I'm trying to say to you,
I know how the people felt when the Grinch stole
Christmas for them because that was work in our yard
already, ready to be worked on. They pulled it out.
That's going to be done at a greater cost to that
railroad. You got to understand that.

why they're making the move, they're making -- we don't have a clue why they're doing it. In closing, I want to thank you guys. I'll pass it on to John and if he has any comments he wants to make to you guys.

CHAIRMAN GEIST: John, go ahead. When you're done, we'll go to questions.

MR. CZUCZMAN: If I may, Mr. Chairman,

| thank you.

CHAIRMAN GEIST: This is the only guy that will not need a microphone.

MR. CZUCZMAN: You might be right. I'm the old head. I go back many, many years. I've gone through the Pennsylvania/New York Central merger.

I went through the Penn Central. I went through Conrail. I've been sitting on all the committees. I went through the railroad life time job security, and the Court took it away from us.

We're faced with the same problems. My concern goes no further. My concern goes for the Southern mentality. You asked about Norfolk Southern, they have a Southern mentality, they're still fighting the Civil War.

What's going to happen to our people in Altoona is they're using other means of eliminating their rights in the protection. In the New York dock, you asked the question, Representative, on the New York dock, what they're doing to our people here, that they're basing mostly on them being successful in closing the shop.

I hope to God, as I'm sitting here,
they're not. They're wrong. I hope the shop stays

the way it is. I look a little further, and I say, this, the new -- the Norfolk Southern has planted the seed already by offering a transfer. Imagine when they closed the Roanoke Car Shop, which is one of the biggest facilities bidding cars.

They didn't ask for no transfers. They furloughed them straight on out. Why? Because there was no New York dock protection involved, no protection whatsoever.

When we come to the Conrail and the Norfolk Southern and the Altoona Car Shop on the acquisition, there is provisions in the law for New York dock.

But what they did this time around was they're going to transfer 221 jobs -- 221 Altoona people's jobs to 115 positions. Some of the locations you heard have furloughed people there already.

And they expect these people in Altoona to just pick up their roots and take the 115 jobs. What happens to the 221 employees, even more, because we have people who are out sick and may come back. It could go up to maybe 250 jobs. What happens to those people if they all decline to take that transfer?

Pick up their roots and go? They lose their New York dock. That gives the Norfolk Southern another handle, another way out. None of them have to make no payments. They will give the money to the new management people. That is my concern at this meeting.

I don't know if this Committee can do anything about it. I'm sure if we had some kind of mechanism to stop them and argue this point out, which we will during our negotiations with them on this issue, I'm not about to sign no agreement whatsoever with them until I get some actual facts and guarantees, much more than they promised us because I know, you know, many men out there is not going to take this transfer.

It's unlikely they're going to take this transfer. Who the hell in this day and age is going to pick up and go to Illinois or go to Columbus, Ohio, or have one job going to North Carolina, maybe get one man going to North Carolina.

what happens when they do go there? They may get furloughed, then they have to beat their brains about New York dock protection.

So for the members of the council, you asked about New York dock, there is no such

guarantee. Gary here and my assistant here has been perfecting some claims for our members on New York dock.

We have maybe about 50 in the hopper.

Out of the 50, we maybe settled five. The rest may have to go to arbitration.

And, me, in my experience with arbitration, brother, you forget about arbitration. I have no faith in the arbitration system when it comes to the railroad whatsoever. But you have to go that route.

So I close and I thank you very much, and, Chairman Geist, and the Committee here for having these hearings. Thank you.

CHAIRMAN GEIST: Thank you very much.

All right. A couple questions. Tom, could you
please elaborate on the CSX commitments that were
made in the surface transportation agreement and the
committees on Same Rea.

MR. LUTTON: One small part of our agreement, Rick, was the CSX war was the locomotive for the Juniata and the one thousand parts for the -- in the year 2000, we had completed 350 box cars for the CSX. That was year one.

Now, these cars were broken down into

yearly increments for a year. It's going to be 333
cars per year. We had on the property, I want you
to understand, we had on the property, on the
Hollidaysburg yard, 200 coal hoppers that we were
going to strip and revise.

We had 125 box cars in our yard, and CSX already made their commitment, they brought them there.

when the notification come out, approximately two, three weeks later, they shipped the cars back down, I guess to CSX, but that's going to cost you money by doing that.

They committed to NS, by certain agreements, labor-wise, they would, absorbing the cost, something to do with the material at Sam Rae, during the break up day that CSX -- this had that -- it's going to cost them money to send them cars back to CSX to have them repaired.

CHAIRMAN GEIST: Thank you. Questions?

Jerry.

REPRESENTATIVE STERN: Getting back to the 61,000 cars that will need repaired, you indicated that someone is going to have to do this. We're talking about or what I heard this morning being discussed by the Norfolk Southern

1 | representative dealt with the issue of economics.

You've already indicated in your testimony, Gary, and Tom as well, that we can do it cheaper. We can do a better job at the Hollidaysburg car shops.

Can you elaborate on where these cars will be repaired and what that could possibly cost economically to Norfolk Southern if they have to contract out all this work?

MR. LUTTON: Cost-wise would be hard to judge unless we seen who the cars are going to go to. But as far as the history of NS has been, our history, that's been true from day one. They have a longstanding history of contracting out work sometimes at a greater cost.

The -- we're going through right now modernization down at Juniata. We're basically -- done that work since the days of PRR. What they have done to us is they brought outside contractors in.

It all boils down to, Jerry, the fact that there's an agreement, September 24, '64 agreement, an antiquated agreement that's been tried to be changed, I guess, with the union many, many times and it hasn't.

It gives them the right. There's five 1 basic steps they follow. That allows them to use 2 3 contracting and the steps that the union should 4 never overcome. 5 It is not money problems. It's generally 6 they don't have the proper supervision, things of 7 But to answer your question, that's that nature. 8 probably what they're going to do is go to the 9 outside. 10 REPRESENTATIVE STERN: You indicated in 11 the year 2000 you turned around four different orders? 12 13 MR. LUTTON: Yes, sir. 14 REPRESENTATIVE STERN: As far as 15 insourcing any work for the year 2001, you had 16 orders put in place which now have had to be 17 cancelled and turned away? 18 MR. LUTTON: Yes. 19 REPRESENTATIVE STERN: When we're talking 20 economics, that's income. That's profit. That's 21 net profit. Bottom line for Norfolk Southern. 22 That's exactly right. MR. LUTTON: 23 REPRESENTATIVE STERN: Thank you, Mr. 24 Chairman. 25 CHAIRMAN GEIST: Yes.

MR. LEVDANSKY: Both mics at the same time. Before I ask a question, I just want you to understand where I'm coming from. Okay.

I'm not from here so I don't know the

I'm not from here so I don't know the local political way of the land. That's all Greek to me. I come from a region that suffered massive steel mill closings. My other life, I probably only remember the legislature that's ever bargained a contract or organized the local union.

I understand where you're coming from.

That's kind of like from that perspective I'm

looking at.

MR. CZUCZMAN: You have the location I used to be.

MR. LEVDANSKY: Right adjacent to my district is the NS facility. I've learned a lot about railroads. I've got both CSX and Norfolk Southern going through my district.

As a southwestern Pennsylvania legislator, we're confronted with a tough authority issue here as you were here. We're looking at United Airlines acquiring U.S. Air and its public officials.

we're being asked to sign on to support that. Honestly, it's like dammed if you do, dammed

1 if you don't because if U.S. Air doesn't get 2 acquired, they're going to get bankrupt. Then we're 3 really going to have problems. 4 And United promises us that they're going 5 to maintain all commitments U.S. Air has made to the 6 Pittsburgh Airport. Any time you ask these 7 companies to sign a contract making that commitment, 8 they never do. They make all kinds of verbal assurances. 9 10 I know in your presentation here you say, you have a 11 quote here from the Pittsburgh Post Gazette. 12 Congressman Shuster says there have been strong verbal assurances that the shops will remain at 13 14 least at the current level. 15 It's a quote, you know, from Congressman 16 At the time, you mentioned that there's 17 rock solid commitments that have been made to the 18 people in this community. 19 MR. MASLANKA: Absolutely. 20 CHAIRMAN GEIST: Signed. 21 MR. CZUCZMAN: Absolutely. 22 MR. MASLANKA: Absolutely. 23 CHAIRMAN GEIST: When you have signed 24 commitments, you have something I may have seen 25 anywhere.

MR. MASLANKA: Let me respond to this.

In that packet, there's all the fact sheets. And the best choice for Pennsylvania it clearly states, Norfolk Southern is committed to operate Conrail's Hollidaysburg Car Shop and Juniata to promote employment there.

I mean, we're at a hearing today talking about these things. You look back to March 20, 1997, the Appropriations Committee in Pennsylvania, or in the federal sector as a matter of fact, held a hearing on the Conrail merger applications.

During that hearing, Senator Spector asked Chairman Goode, moving to Hollidaysburg what's going to happen here? We're in a position to give more than our share.

If you look through the documents you have there, that said the truth and nothing but the truth. That's an example of what this corporation did as far as commitment. They're in writing.

They're quoted all over the place.

what you have to remember is that's why we filed with the Surface Transportation Board, is they made it clear in their Decision 89, that one of the conditions is we're going to hold the applicants to their commitment.

1 Because, you know, there was so much 2 concern about this not being a normal -- here you 3 have two companies dividing up one company. was so many concerns. They saw fit to say, look, if 4 this is what you're saying, if you're going to make 5 6 this thing work, you have to live by those 7 commitments. I mean, if they don't enforce that, why 8 9 do we need a Surface Transportation Board? 10 Pointblank, I mean, where does this kind of stuff 11 go? 12 MR. LEVDANSKY: What's to stop -- I don't 13 mean to plead their case. What's to stop Norfolk Southern from saying, look, economics and finances, 14 15 business downturns has happened, well --16 MR. MASLANKA: I think --17 MR. LEVDANSKY: You cannot encumber our 18 ability to make business investment decisions, you 19 know, no matter what. I would presume that would be 20 -- not to make their argument for them. 21 Obviously, that's what MR. MASLANKA: 22 they were here to do, to make their argument. I made it clear from the beginning, I will not go as 23 far as that debate goes. As far as I'm concerned, 24

it's clearly revealed through the record time and

| time again.

This corporation made a commitment and we're here, we're going to do whatever it takes to make them live up to that commitment.

MR. LUTTON: Let me say concerning the issue that we're discussing, the Hollidaysburg Car Shop, its economic issue, it's a self-imposed one because they are making money. Why would you want to close something down that's making you money when it's one of the few things making money?

MR. LEVDANSKY: Maybe take the one you would have invested in there and take it somewhere else.

MR. LUTTON: The investment is there.

It's bought and paid for. We're paying everything

-- for everything else. The cost is everything from
lighting down to the wages.

That's bid-in to perform this work. What we charge the companies to do the work is a total cost to operate that shop. So it's a profit center.

MR. LEVDANSKY: When -- you know, the industrial industry, when they closed the steel mills, those mills were making money. Their productivity was at all time record highs and they still closed them.

You know what I mean? All I'm saying is business, and this may be an exception, I hope it is, okay, I hope it is. I hope you have some covenant or some restriction that's legally binding to force them to honor their commitment that they made to this community.

I've seen, unless it's an exception, basically what you need then, in order to, you know, and in my life's experience, albeit be negotiating at the table or politically, when there's -- when commitments are essentially verbal ones, even if they're public ones, and if they're not honored, then, you know, they only get honored if there's somebody or something to make sure that they get honored.

And it seems, you know, one of the previous people that testified quoted from the Altoona newspaper, seems to suggest that there was a Congressman that represented to that area that seemed to have the significant political clout to make them honor their commitment.

And when I read earlier this year that he announced his retirement, and three weeks later,

Norfolk Southern announced that they're going to

1 close this facility, states a question to somebody 2 is there any correlation between these two, or is this just -- are they any kind of events? 3 Okay. I merely ask this question. 4 Ιt seems obvious. I obviously don't have the answer. 5 I don't know. I asked that question to elicit a 6 7 response from you all. 8 MR. MASLANKA: Well, obviously there's a 9 correlation there. Let me just repeat again, you 10 know, this is David Goode being quoted. You can 11 cross Norfolk Southern to get to the truth. I don't 12 know what it takes. 13 But I can tell you that these commitments were made. And I don't -- I guess, I wouldn't 14 15 characterize them as verbal. I think they are 16 verified statements of David Goode and Michael 17 Mullen in front of the Surface Transportation Board. 18 As a matter of fact, I know there's certified 19 statements under oath. 20 I think appropriately verified statements 21 in front of the United States Appropriations 22 Committee's meeting. These people knew, as I said 23 in our written comment, these people knew dating 24 back to 1984, they wanted this piece of Conrail.

They wanted it so bad they could taste

it. This was all contrived, put together. They knew exactly what they had to say. They knew what complaints they had to make to get their way in this deal.

As David Goode stated in this article, we knew all along or however it was put, they knew what they had to say and they said it. They said it repeatedly.

I mean, they have to live up to those commitments. The Surface Transportation Board is an agency of the United States government, Department of Transportation. And they said, look, you know, you have to live up to your commitments there. And I think that's why we're here today.

We certainly appreciate your help. I mean, as I said before, these things cannot continue to help if they happened in the past. No one said anything about it. I can't speak to that. I am here to speak to the issue here at Hollidaysburg today to tell you that we won't accept this and do whatever it takes.

REPRESENTATIVE STERN: Thank you.

CHAIRMAN GEIST: Yes, sir.

MR. STAIRS: Thank you. I just have a point, maybe it's dumb. If it is, okay, then we'll

just say it's dumb and we'll go on to the next question.

To me, it seems, you know, if somebody makes you promises, and not just verbal, but written promises, and if they renege on those, I'm saying completely back out of those promises, there's probably going to be more to come. This is only the beginning.

And I, being a Pennsylvanian, I suspect other parts of our Commonwealth, CSX, or in this case, Norfolk Southern, is going to kind of back out of some of the other commitments they have made.

And, you know, I just -- I have bad vibes on this. It's more to come. Let me ask you, as the union, do you sense that if they want to get out of this Pennsylvania main line railroad business and cut back in this area, is there any possibility that the employees could go to the company and say, we'll buy you out, we'll take over the company?

This happened. There's precedent here before that the employees took over a company, or were there any other companies out there that essentially -- that Norfolk Southern is going to go south on you, figuratively speaking.

That we might come in and take over this.

I see a bright future, not in rail, but passenger service across this state. If we get, maybe there's, you know, a tie-in here, but I think there's a bright future for Pennsylvania's railroad industry.

If you want to take over the company or someone else is to take over, they were the white knights a couple years ago. They're not the white knights right now, I see. Is there any prospects or is that no possibility?

MR. CZUCZMAN: Let me respond to your first question. No, the union is not going into the business of hiring or running a railroad. No way in the world do we do that. And the second question is the few years ago, we did make an agreement with Conrail.

The members back here, in the back here, down in the railroad, did make concessions to bring in a greenbrier organization to run that shop.

They committed millions of dollars to improve that shop. And after the membership bit the bullet, our international president was scared to sell that idea to the members of 27D.

What happened, the company reneged again.

They pulled the rug from under us and they were

1 twiddling their thumbs after they saw the 2 concessions we made, enormous concessions at that time to make that shop going, they were faced with 3 the same issue. 4 The answer to all of this is somewhere 5 6 along the line, the politicians and the government 7 have got to go after the people that were lying, 8 convict them of perjury and put them in jail. 9 That's where they belong, in jail. 10 MR. MASLANKA: Fair question. Again, I'm 11 not prepared to speak to that question. Thanks to 12 Mr. Stairs, I don't want to sound repetitive here. 13 First on the hot plate is stopping a corporation who 14 just doesn't even think twice about 15 misrepresentation and whatever else. 16 MR. STAIRS: They do it once, they are 17 going to go it again. 18 MR. MASLANKA: Across the country. And 19 believe me, that message will go out with whatever 20 it takes. I mean, apparently, they, you know, have 21 done things like this in the past and no one has stepped up to the plate. It's not the case now. 22 23 I'll tell you this, as far as we're concerned, it's an all out battle of the southeast 24

people with respect to what we're doing.

We

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appreciate any help we can get from this Committee
 1
 2
     or whoever else.
 3
                MR. PARSELLS: Real quick to follow up on
 4
     Representative Stern's question. You don't know
 5
     whether CSX's car is right -- I'm trying to figure
     out where are your jobs going? Who are you sending
 6
 7
     your work to?
                MR. LUTTON: Well, we really don't know
 8
 9
     exactly.
               It was our understanding when they shipped
10
     them out, the hopper cars were going to go back down
11
     to Kentucky to have them repaired down there. The
    box cars probably would have went out to an outside
12
13
    contractor. It would be my best quess.
14
                MR. PARSELLS: Such as what, an outside
15
    contractor?
16
                MR. LUTTON: Thousands of them in the
17
    country. You know, I don't know which one. I can
18
    find out for you.
19
                MR. PARSELLS: I'm curious how they more
20
    profitably send those cars out.
21
                MR. LUTTON: That's why I was
22
    complaining.
23
                MR. PARSELLS: I heard you say that.
24
    That's what I was trying to figure out what you were
25
     saying.
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Very, very much. When this Committee was studying the merger, we had our hearings before, one of the things that came out during the course was covenants that we sent to the Surface Transportation Board which they adopted and Norfolk Southern never protested it.

The language in there is the language we wrote out of this Committee, specifically meaning Hollidaysburg and Juniata with all the other projects within Pennsylvania. That's how that language got there. It was never opposed by all their big time attorneys.

So, you know, I'm with the battle. Thank you guys very much.

Next up is a longtime friend of mine,

David Bender, from the Transportation Communication

Union. David, you're up.

MR. BENDER: Good afternoon, Chairman Geist, Committee members. I would like to thank you, Rick, for bringing your Committee up to Altoona. I would like to thank you for letting me participate today.

My testimony is going to be short and right to the point. My name is David Bender. I'm

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1
     the District Chairman of the Transportation
 2
     Communication Union that represents employees of
 3
     Norfolk Southern Railway Company.
                I work here on the NS and I live here.
 4
 5
     TCU actively participated in the STB proceedings in
 6
     the acquisition of Conrail. Norfolk Southern began
 7
     to operate the Hollidaysburg Car Shops on June 1,
8
     1999.
9
                It is now clear that Norfolk Southern
10
    will not retain the shop, in spite of what it
11
     represented to the STB in seeking approval of the
     transaction. Was it a coincidence that Congressman
12
13
     Shuster resigned in January 2001 and Norfolk
14
     Southern sprang into action February 2001?
15
                It is pretty plain that Norfolk Southern
     planned to do this, even as it was saying otherwise
16
17
     at the STB proceedings.
18
                I urge you to hold the Norfolk Southern
19
     people to their word.
20
                CHAIRMAN GEIST: Thank you. Any
21
    questions? Thank you.
22
                MR. BENDER:
                             Great.
23
                CHAIRMAN GEIST:
                                 Next up.
24
                             My fellow brother is pretty
                MR. BENDER:
     good at TCU. They did an excellent job.
25
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CHAIRMAN GEIST: Next up is the great basketball coach, now the executive director of the Blair County Chamber of Commerce, Joe Hurd.

MR. HURD: Thank you, Chairman Geist, and members of the Committee. I appreciate the opportunity to be here today as the executive director of the Blair County Chamber of Commerce.

The Blair County Chamber of Commerce is an organization representing 819 businesses. And among those businesses is the Norfolk Southern Corporation.

Although some of those that have already testified have no doubt spoken to the economic impact that Norfolk Southern's decision to close the Hollidaysburg Car Shops will have on our region, my testimony will focus on the emotional and psychological impact that such a closing is likely to have.

and interactive. As a chamber of commerce, we have had an opportunity to witness the growing number of exciting projects being undertaken in Blair County primarily due to the willingness of our businesses to get involved with one another.

when the best interests of our

communities are concerned, the financial bottom line plays a secondary role. Our businesses compete and collaborate and practically everywhere you look in this county are examples of where this collaboration has met.

Sadly, Norfolk Southern hasn't taken the opportunity to experience that community feeling. Unlike its predecessors, it has chosen not to involve itself or its people in the many meaningful efforts that have taken place here and consequently have missed out on an aspect of business interaction which may well have yielded more reasons to stay than to go.

Blair County business is consistent and loyal. Look closely at the businesses, large and small, that have not only been started here but those that have come here from elsewhere and established roots. Many of those businesses can claim more than a half century of doing business in Blair County.

For most of them, prosperity has not been a certainty. They have weathered many economic downturns, yet they have resisted the lure of relocation, because they recognized that struggling in an environment where the strong prevailing work

ethic and the willingness of other businesses to step forward and offer assistance are not characteristics that exist everywhere.

No business has weathered more adversity, consistently bounced back and served as more of a shining example of determination than the resiliency of the railroad.

No business has had a greater influence.

No business has stamped a more emphatic corporate

imprint on a city and its people. No business has

been a greater source of civic pride.

In Blair County, business is fragile.

Despite the optimism that has existed during the past decade of prosperity, recent plant closings and relocations will take a toll, both economically and psychologically. All of the businesses affected will be missed.

It is impractical to believe that the majority of the employees of those businesses can be readily absorbed by other businesses in our county. What separates those businesses from Norfolk Southern is that none of them expended even a small amount of effort to gain the confidence of its employees and its community by promising not only to stay here, but to grow its operation here as well.

what is to be gained by intentionally misleading people so willing to support them? Blair County business is strong. There may have a time, only a few decades ago that the prospect of losing the railroad may have been devastating to Blair County. The railroad has, in effect, built Blair County and established traditions here that will remain alive for generations to come.

However, Blair County's existing business resources, as well as its undeniable potential, will help it to land comfortably on its feet. Businesses have come and businesses have gone. The smart ones are the ones that have stayed.

The Blair County Chamber of Commerce encourages Norfolk Southern Corporation to do the smart thing. Not just because of what you mean to our community, but because of what our community can mean to you.

That's a promise worth keeping. Thank you.

CHAIRMAN GEIST: I have a question for you. How active is Norfolk Southern in your organization and other community organizations?

MR. HURD: Not active at all.

1 CHAIRMAN GEIST: They made some serious 2 statements in the testimony to complete the work --3 and others from Conrail would have in the fabric of 4 this community -- to the best of my knowledge, they have had little or none of that commitment met. 5 6 MR. HURD: We have made overtures to 7 Norfolk Southern to involve key people in -- even in 8 board positions; and essentially, could get no one 9 at Norfolk Southern to even return calls to indicate 10 that those offers were something they were not 11 interested in. 12 My experience with Norfolk Southern has 13 been that they have operated as a company, that for 14 a lack of a better statement I quess, didn't expect to be here very long. And, essentially, that's been 15 16 consistent with their impending departure. 17 CHAIRMAN GEIST: Thank you, Jerry. Thank 18 you very much. 19 MR. HURD: Thank you. 20 CHAIRMAN GEIST: Next up is Pat Miller, 21 Vice President of Altoona Development Corp., and for 22 those who don't know what that is, that's our 23 economic development branch for the county. Pat. Let me first state that I am 24 MR. MILLER:

basically pinch-hitting today for my boss who is

engaged in another hearing relative to another plant shut down announcement and wishes he could be here. But he's probably doing an important job at that meeting that I hope I am doing at this meeting. My name is Pat Miller. I am the Executive Vice President of Altoona-Blair County Development Corporation.

We are Blair County's Certified

Industrial/Economic Development Corporation; and in

1998, we were actually named Pennsylvania's Economic

Development Agency of the Year.

Our mission is to work as a catalyst for comprehensive economic development, an enhanced quality of life, and conservation of the environment in Blair County and throughout the entire I-99 regional corridor. As an experienced and successful economic development organization, we are well aware of the business factors influencing transportation and logistics decisions.

We're very much in tune with shifts in the national economy and two-way impact potential of business globalization. But in Altoona and Blair County, we still value our heritage. Trust is still an important word with us. We owe our existence to the Pennsylvania Railroad. They taught us how to

work.

Through five generations of craftmen, we have never forgotten that heritage. We realize that employment guarantees no longer exist, but trust and value and mutual honesty and integrity have shaped our culture in the past and are no less important for the futures of our families.

During news conferences and congressional hearings announcing and approving of the merger, Norfolk Southern leaders indicated that the Hollidaysburg car shops would be a key facility in maintaining the railroad's rolling stock and that the number of workers in the railroad's businesses in Altoona would grow.

Although we were not a direct party to the original agreement, we remained extremely, extremely disappointed at what appears to be unmet commitments regarding the Hollidaysburg facility.

Equally important, we, as a community, have concerns in moving forward. Can we do that with confidence? Can the employees of the Juniata Locomotive Repair facilities plan for a meaningful future? We request Norfolk Southern to join with us to identify the future of the Juniata Locomotive shops and sharing their strategic division for the

continued growth in that facility.

we have repeatedly expressed our desire over the past two years to work with Norfolk Southern on another vital matter -- the potential development of the underutilized classification yards north of the 8th Street Juniata Bridge in the City of Altoona and extending north into Logan Township.

Development on that site could benefit not only the community but also Norfolk Southern itself as a freight carrier. Uses could include possible intermodal operations, especially as a result of the traffic increases that are projected following the completion of Interstate 99.

It's time for Norfolk Southern to get serious about maximizing the utilization of this extremely high profile development opportunity property. We must emphasize that we are seeking assistance from Norfolk Southern in marketing the Hollidaysburg car shops, if their announcement to close those facilities is finalized.

We request and we will welcome their financial commitment, so that we may develop a first class national marketing effort and continue evaluations for maximizing alternative uses for that

facility.

we strongly urge Norfolk Southern to explore the possibility of creating a downsized version of the Hollidaysburg facility, possibly using some of the underutilized facilities at the Juniata shops along Chestnut Avenue in the City of Altoona.

This way, a base of skilled workers, especially younger family heads, could be kept in place. As the heart of our regional economy, manufacturing makes up 18 percent of Blair County employment. The average annual wage not including Norfolk Southern, for our entire manufacturing sector is \$27,500. That's only 76 percent of the average Pennsylvania wage for this sector.

But vital -- vital to a county where the average wage for all employees ranks only 46th among 67 Pennsylvania counties and where the per capita income is only \$20,482 annually. A balanced sector economy with continued expansion of our service sector is the key to our long-term stability and wage growth.

The specific wages for the employees of Norfolk Southern's car shop operations in Hollidaysburg, not included in the previous

summaries, average between \$40,000 and \$45,000 annually, and when removed from our economy means a regional loss of \$15 million in direct wages alone.

Altoona and Blair County and, for that matter, in the entire I-99 corridor is in the process of transitioning towards a new economy and information technology business activity.

we are proceeding with self-assurance -both individually and collectively. But we need
tangible support in this transition. We welcome
government support, union support and media support.

We also need a commitment of management support and resources from Norfolk Southern to continue to capitalize upon our 55 years of service and dedication to the people of Blair County.

Members of the Committee, we welcome and value your trust, your honest and your support relative to this issue. We thank you for the opportunity to voice our opinion and we appreciate your understanding of our vision.

CHAIRMAN GEIST: Thank you very much,
Pat. Any questions? Thank you.

Our last scheduled testifier is Dr. Denny Murray, Superintendent of Altoona School District. For the members of the Committee, treat him nicely.

His father is a former member of the House.

MR. MURRAY: Thank you. Chairman Geist, Members of the Transportation Committee, thank you for inviting me. I guess it's this afternoon. I have a kind of outline form that I would like to speak from. And if you'll indulge me, I would like to first talk about the school district profile and let you know a little bit about us.

We serve three municipalities; the City of Altoona, the Township of Logan, and part of the Township of Tyrone.

We are five of the 11 tax collectors for the county, the city, the Township, and the school district. So we have multiple hats that we wear.

Our budget in the school district is \$70 million a year. We are the second largest employer in the City of Altoona with 1,100 employees and the third largest employer in the County of Blair.

I don't think that's good news -- I don't think it's good news that a school district is the second largest employer in a city the size of Altoona or a third largest in the county the size of Blair. We have 8,800 students, kindergarten through 12th grade.

We operate the largest transportation

company between Pittsburgh and Harrisburg. We operate the largest restaurant between Pittsburgh and Harrisburg.

In addition to that, we provide internet television to our community through the access channel. Altoona School District has a long history of serving the railroad industry. Looking back to 1983 when the school district received a grant of \$2 million from Federal Vocational fund; \$1.3 from the Appalachian Regional Commission, and \$202,000 from Conrail, they constructed a rail training center.

This was a partnership from Conrail to train workers for the railroad industries. The building was constructed. It was never used to train the workers. Conrail changed their mind somewhere between the groundbreaking and the completion of the rail training center.

During the interim, the Ben Franklin Incubator took occupancy of this building, and presently that building serves as the bus testing center with federal grants, of course, supporting that.

So we have a history of trying to be a partner with the railroad industry. In March 1997, we turned out our students and our band to welcome

Norfolk Southern to our community. If you look at the last page in the handout, this is from the Norfolk Southern newspaper or news magazine.

David Goode is quoted as saying, "For Norfolk Southern, it's the business opportunity of a lifetime." If you go down to the third paragraph, it said, "The airport reception for the railroad executives was akin to a welcoming celebration for a champion."

Altoona Area High School band played and residents waved signs saying, Welcome to our future shops. Student color guard formed the letters NS.

The elementary -- the school students offered letters of welcome and gifts were presented.

David Goode said we expected a warm welcome. This surpasses anything we dreamed about. We did everything we could possibly do to make their initial entry into this community a meaningful experience.

If you look at our mission statement, which I don't have to read to you, one of the secondary missions of our school district is to be a partner with our community economic revitalization and development.

We have worked with the Chamber of

Commerce. We have worked with ABCD Corporation. We just recently participated in the KOAZ concept in terms of freeing areas up for development. We continue to be a partner with anyone who wants to explore economic revitalization and development.

In terms of the Norfolk Southern operation, the total earned income tax they pay to our school district, this would include the Hollidaysburg shop and the Juniata shop, would be \$161,662, a lot of money. Multiply that times two. You get the municipal share of that which comes out to \$323,325.

well, only the Hollidaysburg Car Shop at this time is closing. I think a question that another testifying individual stated, how long will it take before the Juniata shops close? That's the question mark.

The closing of the Hollidaysburg shop will affect school districts in Blair County. I took an estimate in terms of how much earned income tax would be lost by Blair County school districts. It looks like it's around \$70,000 in lost earned income tax.

The situation about the earned income tax is important because you have a payroll of about \$14

million -- \$15 million with the Hollidaysburg Car Shop, you have a trickle down effect on the total economy. And in terms of the municipal government or school districts, that will affect our business privilege tax, it will affect our mercantile tax and it will certainly have a detrimental impact on being able to meet our \$70 million budget.

And I would like to say that when you look at the total situation that we've been facing here in Blair County, I addressed this at the C-Cor closing and the Butterick closing; Huck International moving out, there's \$175,408 earned income tax lost to the school district.

You have -- couple that with the fact that the school district has been significantly cut back with the per capita tax. In two years, we lost \$168,00 in per capita tax; basic educational subsidy has been reduced over \$1 million over the last two years.

we fell below the ratio of .7 to .68. I am showing you under No. 10, what has happened in the collection of our local real estate tax. The local real estate tax essentially is flat.

It's not growing, and yet our market value is being effected because the actual market

value is recorded. But since Blair County has not had an assessment since 1958, the dollars come back to -- the actual taxes in the school district really aren't there.

We're getting penalized by the fact we have some growth in market value and getting punished because there's been no reassessment of the actual tax on the property which is significantly less than actual.

I guess to close, I would like to say if you lose a job, you can multiply it times four. And that's pretty simple multiplication. We want to make a commitment to the Committee members and certainly to our Committee if there's anything this school district can do to recruit industries, businesses or whatever, to train workers to make the rail training center available to Norfolk Southern or anybody else that might be interested in getting programs started, we are willing to do so.

We cannot let this community -- we cannot take the hit we're going to take as a result of these closings. Thank you.

CHAIRMAN GEIST: Thank you. Any questions? You have the Chairman of Education.

MR. MURRAY: That's why I was talking to

1 | him.

MR. STAIRS: A number of times Dr. Murray has spoke very well in Harrisburg on education issues and pushing the Altoona School District. And I realize education funding is tight, too, but I certainly would try to work with you and help to try to make things a little better.

I know this is a great community and great school district. But you've had some good times and bad times. We want to keep the good times rolling. We don't want to go back to the old guys days.

I know it's kind of tough. Let's stick together, whether on the Education Committee or Transportation Committee, we want to help Altoona and the other districts of Blair County because when your tax collections are down, it puts a burden on the property tax.

we don't want to talk about that right now. So it's -- if we work together, we can try to resolve the difficulties.

MR. MURRAY: You lose jobs, you lose students as well.

CHAIRMAN GEIST: Okay.

MR. LEVDANSKY: I want to follow-up as

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well and not about the NS situation here, but you made two extremely relevant points, at least in my judgment. One is the school district and municipalities have suffered a significant revenue loss and the loss of tax revenue.

The State used to distribute -- we still do, not nearly at the level we once did. I mean, that was a hole that was elected by deregulation. It's caused significant financial holes in a lot of our school districts and municipalities.

I want to urge you to continue and other superintendents and the school boards to keep reminding us in Harrisburg, there's a shortfall in revenue there that we have not helped you to recover from. Okay?

Secondly, regarding reassessments. I happen to come from a county that is going through a laborious process of reassessing. Now, in Allegheny County, I can tell you this is an unbelievably contentious issue.

You know, we probably -- probably the right thing to do -- I don't want to put words in your mouth, you can react. We ought to do at the state level, require counties to reassess periodically to require them to undertake this

process to reassess, of course, with the requirement that as reassessments go up, as assessed value goes up, it would normally bring in more revenue.

We should require that additional revenue be used to lower millages, both at school district and municipal levels. That's what we're doing in Allegheny for 2 percent net increase that you're allowed to experience.

To the extent you have a county like Allegheny or others, it does the right thing to reassess over time. You have different patterns of growth in a county, and historically some areas are underassessed and others may be overassessed.

To the extent Allegheny bites the bullet and did the reassessment, we put ourselves at a disadvantage. With all the counties around ourselves, our property taxes are lower down here. Don't move to Allegheny County if you want to get away from it come move to surrounding counties.

In order for us to do that, it's going to take a lot of leadership and support from the Gold Board Association, from the whole education communities as a whole. I just invite your reaction to that suggestion.

MR. MURRAY: I would agree. We're not

going to get reassessment -- former Commissioner

Bill Stouffer said, the only way you're going to get

reassessment is if you sue us.

We're not interested in getting into that kind of situation with the County Commissioners or others. And he said, if you look at what happened in Huntington County, everyone who voted for it is no longer a Commissioner.

So it's pretty accurate about, you know, perception there. That's why we have gone since 1958. But now we look for help. We look for help through Act 50. All right, so we get Act 50. We got a flat real estate for five years. So now we switch to earned income instead of real estate and take away from those 511's.

That would have been great. Now, with the Conrail problem, C-Cor and Butterick and everyone else, that earned income is not there. In order to go back, you have a referendum and it's just a double-edge sword whatever you do.

MR. LEVDANSKY: It's a false choice.

CHAIRMAN GEIST: Any other questions? We have one more quick presenter to be very brief and he asked to be included, Ron O'Shersky, 187, St. Michaels, PA.

MR. O'SHERSKY: Chairman Geist and 1 2 Members of the House Transportation Committee, my name is Ronald O'Shersky, and the big picture is we 3 4 have a new type of government in this country. It's beyond the left. I'm going to 5 relate that to this. This here closing of the shops 6 7 in Hollidaysburg that are proposed now -- Clinton 8 gives billions of dollars to the states and county 9 municipal railroads and bureaus, etc., townships, 10 under the guise of the environmental, spelled out 11 under the law, taking people's properties and right 12 to freedom away from them. Clinton's objective is--13 CHAIRMAN GEIST: Excuse me. Can you offer testimony as to the car shops? 14 15 MR. O'SHERSKY: I'm getting at that 16 point, if you allow me, Chairman Geist. 17 CHAIRMAN GEIST: Can you be brief? 18 MR. O'SHERSKY: Within a few minutes, I'm 19 getting to that point, if you allow me. 20 CHAIRMAN GEIST: Quickly. I'm going to 21 have to stop you. 22 MR. O'SHERSKY: Okay. I'll move quickly. 23 His operativeness, the U.S. government are at eye 24 level positions, he got his orders. Case in point, 25 Russian spy, they want this to occur. They wanted

deliberate action. He could instill fear but he has 1 2 to sleep in the country. Clinton has more power. Now, Clinton is actually stalling and has 3 a tight community here. He did it with oil, 4 5 transportation. He does it with -- he does it with 6 water. He does it with pharmaceuticals. He does it 7 with guns. Under that, he also does it --CHAIRMAN GEIST: Ron, we're going to keep 8 -- we're running very, very late. Could you submit 9 10 your testimony? 11 MR. O'SHERSKY: The issue is not closing 12 of the Car Shop under one umbrella. 13 CHAIRMAN GEIST: We're talking to Norfolk 14 Southern and you're globalization and a bunch of 15 other things. Right now, can you summarize and write your testimony please. Submit it to the 16 17 Committee. We'll be more than glad to take a look 18 at it. We'll be reconvening the 26th in Harrisburg. MR. O'SHERSKY: You heard everyone else. 19 20 Can't you give me a few? 21 CHAIRMAN GEIST: We did. 22 MR. O'SHERSKY: The big picture is not 23 the Car Shop. We have one giant corporation 24 throughout this country that's going to control all

services of products, and the government is going in

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1
     to break down into the municipalities and townships.
                Only figuratively and literally, it says
 2
     that the school districts are going to the state --
 3
 4
     going to start paying school districts what we're
 5
     going to have -- all your offices -- thank you.
 6
                CHAIRMAN GEIST: Thank you.
 7
                MR. O'SHERSKY: We have regionalization.
     We're not having any -- they're going to lose their
 8
 9
     duties. You don't have any township, any township
10
     supervisors, any township, county, councilman or any
11
     city, any --
12
                CHAIRMAN GEIST: All right.
13
                MR. O'SHERSKY: They want --
                CHAIRMAN GEIST: Time out. Time out.
14
15
     You're not speaking for this. I want to thank you
16
    very much.
                MR. O'SHERSKY: The issue is not this.
17
     It's communication.
18
19
                CHAIRMAN GEIST: I understand you're
20
     going to put your comments in writing, because right
21
     now we're going over the --
22
                MR. O'SHERSKY: I'm --
                CHAIRMAN GEIST: You're out of order.
23
24
     Thank you.
                On behalf of the Committee, I would like
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to thank everyone who presented testimony today. want to thank the audience who was here today. The presenters did an excellent job. And, at this time, we're going to recess this Committee and reconvene on the 26th in Harrisburg and would hope that we can get much more in-depth testimony as to Norfolk Southern's uncommitted promise to Pennsylvania. Thank you all very much. (The hearing was concluded at 2:02 p.m.)

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2	evidence are contained fully and accurately in the
3	notes taken by me on the within proceedings and that
4	this is a correct transcript of the same.
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