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July 31, 2001

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The Honorable Vernon A. Williams
Secretary
Surface Transportation Board
Mercury Building, Room 700
1925 K Street, N.W.
Washington, DC 20423



Re: CSX/NS-Conrail F.D. No. 33388-Norfolk Southern Hollidaysburg Car Shop

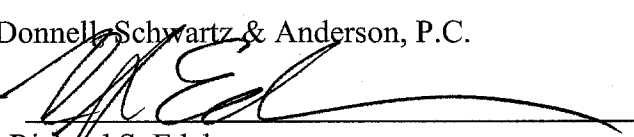
Dear Secretary Williams:

Due to an error in the production of the Unions/Pennsylvania reply to the Board's Decision No. 186, Petitioners' Exhibits 33-38 (beginning with the Declaration of Alan M. Scheer), were not bound with the reply itself as was intended, but were instead separately bound and therefore filed without a caption. This letter will confirm that Exhibits 33-38 are part of the reply. I apologize for any inconvenience this error may have caused the Board or any party to this proceeding. By this letter I am also informing all parties of this error and advising them that I will provide a replacement copy of the reply, with exhibits 33-38 bound together into the reply, to any party upon their request.

Sincerely,

O'Donnell, Schwartz & Anderson, P.C.

By

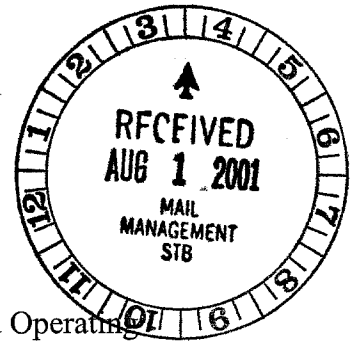

Richard S. Edelman

cc: All parties of record

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BEFORE THE
SURFACE TRANSPORTATION BOARD

Finance Docket No. 33388



CSX Corporation et al., Norfolk Southern Corp. et al.--Control and Operating
Leases/Agreements--Conrail Inc. and Consolidated Rail Corp.

JOINT PETITION OF VARIOUS UNIONS
AND THE COMMONWEALTH OF PENNSYLVANIA
FOR ENFORCEMENT OF ORDER, OR ALTERNATIVELY TO REOPEN FOR ORDER
DIRECTING COMPLIANCE WITH COMMITMENTS,
OR ALTERNATIVELY FOR RELIEF NOT OTHERWISE PROVIDED-FOR

**RESPONSE OF VARIOUS UNIONS
AND THE COMMONWEALTH OF PENNSYLVANIA TO
NORFOLK SOUTHERN CORPORATION'S REPLY
TO THEIR REPLY TO NORFOLK SOUTHERN RESPONSE TO DECISION NO. 186**

In the event that the Board allows the parties to submit additional filings in this matter, the Unions¹ and the Commonwealth of Pennsylvania ("Petitioners") provide this response to Norfolk Southern's ("NS") reply to the Petitioners' reply to NS' response to the Board's Decision No. 186 ("Petitioners' July 16 filing") concerning NS' plans to close the Hollidaysburg Car Shop ("HCS").

NS' reply (NS' July 27 filing) purports to submit additional evidence on three subjects: insourcing work that NS could have done in 2000 and would have been able to do in 2001, NS' accounting regarding the HCS, and the failed agreement on reduced rates for new hires. However, NS's additional evidence and argument on those subjects are not really relevant to the

¹ Transport Workers Union of America ("TWU") and the National Council of Firemen and Oilers/SEIU ("NCFO"), International Association of Machinists and Aerospace Workers ("IAM"), International Brotherhood of Boilermakers and Blacksmiths ("IBB") International Brotherhood of Electrical Workers ("IBEW") Sheet Metal Workers International Association ("SMWIA") and Transportation Communications International Union ("TCU") (collectively referred to herein as "Unions")

key questions before the Board, which are whether NS made representations about the HCS to which it was bound by the Board's Order in Decision No. 89, and whether the Board can enforce its own Order binding NS its representations. NS' contentions that it made good faith efforts to increase insourcing, and that the HCS is losing money as a stand-alone entity under certain accounting assumptions are irrelevant if the Board finds that NS did commit to the HCS, and that its Order binding NS to its representations may be enforced. The circumstances surrounding the rejection of the agreement for reduced rates of pay for new hires are also irrelevant to the key issues. A commitment does not become something less than a commitment merely because the subsequent circumstances of the party making the commitment turn out not to be exactly what that party expected. A party can not choose to honor only the promises that appear to be advantageous in retrospect.

Even if it is assumed that a party might in rare cases obtain relief from a commitment based on substantially changed and unforeseeable circumstances, NS has not even shown that circumstances regarding the HCS have changed substantially from 1995, the base year for NS' application; it certainly has not shown that the changes it has experienced were not foreseeable. Accordingly, even if the evidence showed that NS had experienced bad luck and unfortunate circumstances, that evidence would not be relevant to, and certainly would not be significant to, resolution of the issues before the Board.

Petitioners further submit that NS' additional arguments and evidence do not refute the points made in Petitioners' July 16 filing. Petitioners will briefly address each of the subjects discussed in NS' July 27 filing, and they respectfully refer the Board to the more detailed responses in the Second Declaration of Joseph Letcher and the Third Declaration of Thomas

Lutton that are provided along with this memorandum.²

I. INSOURCING WORK THAT NS COULD HAVE DONE IN 2000 AND WOULD HAVE BEEN ABLE TO DO IN 2001

At the outset Petitioners strongly take issue with NS' suggestion that its commitments regarding the HCS were dependent on increasing insourcing at the HCS (NS July 27 filing at 4 fn 1). These contentions are rank revisionism. The NS never said that its commitments to the HCS were dependent on increasing insourcing. The Shop was already doing insourced work and NS noted that it already had a contract to do work for CSXT; NS talked about the possibility of increased insourcing as a bonus, not as a requirement. *See* Application- Goode Statement at 16 (Vol.1 at 338), Mohan Statement at 50-51 (Vol. 3B at 62-63), Operating Plan at 253 258 (Vol. 3B at 321, 326) and the many other statements made by NS committing to retention of the HCS that have been cited by Petitioners. Moreover, Mr. Joseph Letcher showed that insourcing in 2000 actually increased by 25% over the previous year, and was at the highest level ever attained by the HCS. First Letcher Declaration ¶ 7. NS' rebuttal witnesses did not even respond to that statement by Mr. Letcher.

NS' July 27 filing takes issue with assertions by Mr. Letcher that 1) there was insourcing work that was scheduled to have been done at the HCS in 2000, and that could have been done in 2000, but that was not done in 2000, apparently because of a shortage of manpower (first Letcher Declaration ¶8) ; and 2) that there was a substantial amount of insourcing work that would have been available to the HCS for 2001 and into 2002 (first Letcher Declaration ¶¶10-11). NS

² NS claims that it has only provided additional acts and rebuttal on the three subjects described in its motion for leave to file, and that it has not addressed other issues or responded to arguments of the Petitioners (Reply at 1), but that it not true. *See* Reply at 3 fn 1, 6 fn 3, and Licate Declaration ¶6. Petitioners will also respond to the sur-rebuttal arguments presented in NS' July 27 filing.

argues that many of the projects that Mr. Letcher said were available to have been done in 2000 were not turned away but actually were done in 2001, and that there was no certainty that NS would have been successful in obtaining the work referred to by Mr. Letcher in paragraphs 10 and 11 of his first declaration. NS July 27 filing at 2-6 and Veron/Ricciardi Statement. Mr. Letcher's Second Declaration addresses these contentions in detail, but Petitioners note that NS has ignored the main points made by Mr. Letcher in each case.

With respect to the work that could have been done in 2000, Mr. Letcher asserted that there was work that was scheduled to be done in 2000, and that could have been done in 2000, but was not done because of a reduced staffing at the HCS. Letcher Declaration ¶¶8. In his Second Declaration ¶¶4, 5 and 9 Mr. Letcher has cited a number of specific projects that could have been done in 2000, but that were not begun in 2000 because of reduced staffing. Moreover, he referred to NS' own records that demonstrate that, for a number of these projects, cars were actually at the shops and available to be worked on, but were not worked on for lack of manpower. *Id.*

NS' July 27 filing (at 4) asserted that there was no shortage of manpower and no refusal by NS of HCS requests for increased staffing. However, Mr. Letcher stated that he attended various meetings where the need for additional manpower was discussed, and where it was stated that requests for more staffing were denied by NS. Second Letcher Declaration ¶¶6. Mr. Lutton similarly stated that there was a shortage of manpower at the HCS because NS had reduced forces at the HCS from 451 at Split Date to 321 in February of 2001; and that he had raised the shortage of staffing with management at the Shop and was told that NS had denied requests for additional manpower. Third Lutton Declaration ¶3.

The point of all of this is that the HCS production numbers for 2000 were lower than they

would have been had NS provided the staffing for the HCS to perform all of the work that was available to it in 2000. Accordingly, to the extent that NS has responded to the first Letcher declaration by asserting that a number of the projects discussed in paragraph 8 were deferred to 2001, NS actually confirms the key point made by Mr. Letcher.

With respect to the work that would have been available in 2001 and into 2002, NS argues that there was no certainty that the HCS would have obtained the work described by Mr. Letcher. NS argues that there were a number of cases where Mr. Letcher said that the HCS would get certain work but the customer did not respond to NS after proposals were sent out in September, October and November of 2000. Mr. Letcher has responded to NS' contentions with respect to particular projects, noted that often there is no contact with a customer until it is ready to have work begin and provided a list of over 100 bids pending at the time NS announced the closing of the HCS (Second Letcher Declaration ¶¶7- 11). Petitioners also note that NS has simply ignored the effect of its November 2000 announcement that it would close the HCS. That obviously would have a negative effect on business for 2001-2002. The announcement of the planned closing in November 2000 certainly affected the plans of potential customers who received bids from NS in September, October and November of 2000. It is just untenable for NS to deny the impact of its own actions on the business prospects of the HCS. Petitioners may not be able to prove that all of NS' prospects for business at the HCS would have turned into contracts, but the declarations of Mr. Lutton and Mr. Letcher do show that there was every reason to believe that the HCS would continue to obtain substantial amounts of insourcing work, and that it would even continue to increase insourcing as occurred in 2000.

In considering NS' July 27 filing, it should be recalled that NS' initial filing in this matter attempted to justify its plan to close the HCS by claiming that the Shop was working at only one-

third of its capacity, comparing production of over 13,000 cars in 1977 and 1978 with production of 4040 cars in 2000. First Veron Statement at 2, 3. Now, in its July 27 filing (at 3-4 fn. 1), NS cites the Record of Production chart (Second Lutton Declaration, Lutton Ex. H, Petitioners' Ex.29) in arguing that there was a substantial reduction in work at the HCS by comparing the 1995 (base year) figure of 4657 cars with a 2000 figure of 3583 cars. This plainly is not the sort of reduction that NS was relying on when it first tried to justify its plan to close the HCS. Moreover, NS has simply ignored the fact that its own reductions in forces caused production in 2000 to be lower than it could have been. Notably, NS has again failed to respond to Petitioners' showing that reduced production at the HCS was also due to NS' decision to defer maintenance on its own fleet. Second Lutton Declaration ¶5 and Lutton Ex. I. And NS has also again failed to address the fact that the Record of Production chart shows that the amount of work is somewhat cyclical, so there is nothing extreme about the numbers for 2000; in 1983 and 1984 the production numbers were 2678 and 2969 respectively, each below the production level in 2000. In essence, the evidence does not show the sort of dramatic reduction in utilization of the HCS that NS initially claimed, and that production for 2000 would have been higher, but for NS' reductions in forces at the HCS due to the need to cut costs because of the results of NS' poor implementation of the Conrail Transaction.

II. FINANCES OF THE HCS

Petitioners' July 16 filing (at 28 and fn 9) noted that NS had not even proven its claim that it lost \$7 million at the HCS, because NS merely supplied a single piece of paper with no back-up that NS claimed was self-explanatory but was not (Belvin Ex. 1), and that the calculation supplied by NS contained numerous classifications of losses that were unexplained. NS has responded with another statement from Mr. Belvin, but it provides no more substantiation or

explanation than his first statement.

The second Belvin statement explains a peculiarly complicated process of deducting certain labor costs from gains twice and adding them back in as credits. Moreover, the second Belvin Statement still leaves many aspects of Belvin Ex. 1 unexplained or under-explained. For example, Mr. Belvin has not explained how the HCS could have costs of \$3.3 million in “All other labor” for vacations, costs of attending meetings, general supervision and costs of repairing the shops themselves. Additionally, NS has not explained the item of \$6.8 million for fringe allocation for items other than “Capital, Insourcing & Billable”. The total labor costs for Capital, Insourcing and Billable, including associated fringes, was said to be \$6 million; this means that NS has associated \$6.8 million in fringe costs with the remaining \$11.3 million in labor costs.

Moreover, NS still has not explained the basis for Mr. Blevin’s original claim (Belvin Statement at 4) that by assigning all non-insourcing costs for the HCS to NS’ own fleet, NS lost the \$9.5 million on its own fleet. Nor has NS provided an accounting explanation of how \$20 million in labor produces only \$9 million in value for NS or how that calculation compares to calculations of stand alone profitability of NS’ equipment maintenance shops generally.

Finally in this regard, NS has not answered Petitioners’ most important argument in response to NS’ claims that its plan is justified by the supposed losses at the HCS—that if production of 3583 cars for 2000 produced a loss of \$7 million under Mr. Belvin’s method of accounting, even with an increase in the profit-making insourcing work, then the HCS presumably would have suffered similar losses under that method of accounting based on the production of 4657 cars in 1995, the base year used when NS committed to retain the HCS. Petitioners do not concede that NS can ignore its commitment because of the current reduction in the rate of economic growth, but they note that NS still has not shown that the current finances

of the HCS are different, much less significantly different, from the finances at the HCS when NS committed to retain the Shop.

III. THE PROPOSED REDUCED RATE AGREEMENT

NS has offered the Statement of Anthony Licate to respond to Mr. Letcher's assertion that NS backed-out of an agreement for a reduced entry rate for new hires at the HCS. Mr. Licate notes that NS withdrew from the agreement because the Brotherhood Railway Carmen declined to sign the agreement, he therefore argues that NS was not to blame for the failure of the agreement. But NS has again missed the point here. Petitioners noted that NS had backed out of the reduced rate agreement as a response to NS' assertions that it is at a competitive disadvantage with respect to other shops with lower labor costs and that it made every effort to retain the HCS. Petitioners' July 16 filing at 19. It is true that BRC would not sign the agreement when it was first negotiated March of 2000. However, it is also true that NS never said that it needed the reduced rates in order for the HCS to remain financially viable, or to remain competitive with other shops. NS never made an effort to revive the proposal before announcing that the HCS would be closed; those circumstances might have resulted in execution of the agreement. Lutton Declaration ¶¶4-5. Accordingly, Mr. Licate's statement does not refute Petitioners recitation of the circumstances surrounding negotiations on the reduced rate agreement as supporting their assertion that NS can not properly argue that its action was necessitated by a disadvantage as to labor costs and that NS did not make every effort to retain the HCS.

Finally, Petitioners note that although NS said it would address only the subjects of insourcing work in 2000 and 2001-2002, accounting at the HCS and the reduced rate agreement, NS and Mr. Licate took the opportunity to laud NS on its supposed good faith by its willingness

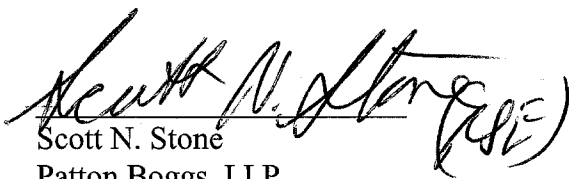
to negotiate certification of protective benefits for employees who transfer. Licate Statement ¶6, NS reply p. 6 fn.3. Petitioners had asserted that NS was not acting in good faith because it told the Board that every HCS employee would have the opportunity for continued employment with NS, but NS' *New York Dock* notices identified jobs for only half of the currently active employees. Mr. Licate said nothing to resolve this clear contradiction in NS' positions that was highlighted in Petitioners' July 16 filing. And while Mr. Licate and NS cited NS' willingness to negotiate certification for employees who transfer, NS did not respond to the Petitioners' assertion that if NS was truly acting in good faith, it would say that 1) all HCS employees as of Day One who have not resigned or retired are covered by the *New York Dock* employee protective conditions in connection with the closing of the HCS and transfer of HCS work to other locations; 2) that all those employees for whom there is no job will be protected for up to six years, and NS will not assert that their furloughs were caused by other factors; and 3) for those who transfer, if they are furloughed at a new location, or if less senior employees at a transfer location are furloughed, they will be protected for up to six years and NS will not assert that the *New York Dock* benefits are unavailable because the furloughs are due to other causes. Once again NS has made no such offer, and its supplemental argument about *New York Dock* protections does not address, and certainly does not refute, the Petitioners arguments in this regard.

CONCLUSION

NS' supplemental evidence and arguments do not refute the arguments set forth in Petitioners' Reply to NS' response to Decision No. 186, and they do nothing to advance NS' argument that it should be allowed to close the HCS, notwithstanding its many representations

that it would retain, invest in and expand the HCS. In particular, the supplemental evidence and argument offered by NS does not refute Petitioners' showing that if NS did not reduce forces, defer its own equipment maintenance and defer contract work, the Shop could work at roughly the same capacity as it had worked in the years leading up to the Conrail Transaction. The HCS may not work on 13,000 cars as it did in 1977 and 1978, as NS now claims is necessary for the Shop to survive. But the evidence supports Petitioners' assertion that the Shop can work at the level it did when NS drew up its Operating Plan and made its commitments, when NS CEO Goode toured the Shop and assured Senator Specter that based on that tour and other inspections, NS would "keep those shops and keep them operating [because] we are going to need them" (Petitioners' Ex. 6 at 49) and when Mr. Goode went to Altoona on Day One and acknowledged NS' commitments to the Shops and told Shop workers, Altoona residents and Pennsylvania officials that the railroading tradition in Altoona "means something in our business" and that he wanted "people to look back 100 years from now and say that is a tradition that has continued, and that Altoona is still the heart of railroading in the world". Petitioners' Ex. 22 at 6-7.

Respectfully submitted,



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Pennsylvania

August 1, 2001



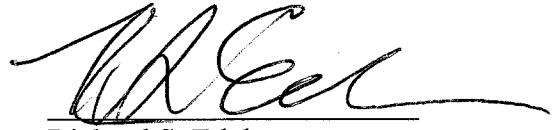
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Counsel for the Unions

CERTIFICATE OF SERVICE

I hereby certify that I have caused to be mailed copies of the foregoing
Reply of Various Unions and the Commonwealth of Pennsylvania to Norfolk Southern
Corporation's Motion for Leave to File a Reply to Their Response to Decision No. 186
by First Class Mail upon the persons listed on the current official service list in Finance Docket
No. 33388. Because of the length of the service list in this proceeding representatives of the
Applicants and as many other parties as possible were served by mail on August 1, 2001, other
parties will be served on August 2, 2001.

8/1/01
Date


Richard S. Edelman

SECOND DECLARATION OF JOSEPH LETCHER

SECOND DECLARATION OF JOSEPH H. LETCHER

1. My name is Joseph H. Letcher. I was a Carman employed for Norfolk Southern in Altoona, Pennsylvania until May 04, 2001. Additional information concerning my railroad background was provided in my previous declaration.

2. I have had the opportunity to read the Joint Verified Statement of David L. Veron and Michael Ricciardi submitted with Norfolk Southern's filing with the Surface Transportation Board on Friday July 27, 2001. I am submitting this declaration to respond to point out, at a minimum, allegations made by Mr. Veron and Mr. Ricciardi which are both misleading and incorrect.

3. First, in response to Mr. Ricciardi's statement alleging that my claims are completely wrong, with respect to work scheduled for the shops, I am quite surprised at such a statement from Mr. Ricciardi because on numerous occasions earlier this year (January / February) I listened to Mr. Ricciardi tell workers at Hollidaysburg that things were looking good, that insourcing was increasing and that there was sufficient work scheduled to keep the shops busy well into year 2002. Mr. Ricciardi's statements to workers were made when he made it a point to stop in and speak to workers at numerous mandatory safety training classes I was conducting during January and February of this year. Since I was part of the local insourcing team, and was aware of the work which was being scheduled, I never had any reason to question what Mr. Ricciardi was telling the workers.

4. As for Mr. Veron's and Mr. Ricciardi's statements alleging that I was wrong about work certain projects in Table 1 of my initial declaration not being performed. It is quite apparent that what was stated in my declaration was taken completely out of context. Mr. Veron and Mr. Ricciardi have ignored that fact that the point of paragraph No.8 of my declaration was in response to the carrier's allegations of under utilized capacity, and I stated that there was work that could have been done in 2000 but that was not done because of lack of manpower. At page 3 paragraph 8 I stated: "Outlined below is a schedule of insourcing projects which were scheduled in the shops beginning in the 4th quarter of

2000, any number of which could have begun in year 2000 had there been sufficient manpower in the shops." Although I did state jobs were ultimately turned away, which they were, as I will address later in this declaration, my primary point in paragraph 8 was, as stated, that manpower at the shops had decreased considerably since split date. Although some work discussed in paragraph 8 was ultimately done at the HCS, it was done in 2001, not in 2000, as a result, the production numbers for 2000 are lower than they would have been had NS not reduced man power.

5. I will not address each of the errors I detect in Mr. Veron's and Mr. Ricciardi's joint statement, but I will highlight several examples of inconsistent, misleading and incorrect information they provided.

A. CSX Box Car – Heavy Repair Program

At page 3, I find their allegations quite misleading and evasive of certain facts concerning work scheduled. Indeed what they point out on the daily production summary for December 2000, page 2, YTD production 350 cars is correct. However, what they do not point out is that consistent with an arrangement between NS and CSX, the 350 cars referred to represent only one increment of at least 1000 cars which were to be repaired for CSX, by NS at the Hollidaysburg Car Shops. Mr. Veron and Mr. Ricciardi ignore the fact that the daily production summaries for January 2001 through June 2001 indicate 125 CSX Box Cars, with no production completed. In fact, a substantial number of these cars were on hand at the shops and we had already inspected them in preparation for production. Then, shortly after NS' February 21, 2001 second announcement closing the shops these cars, as well as numerous other CSX hopper cars which were scheduled for repair were shipped out. In concluding on this point, my reference to CSX Box Cars had nothing to do with cars already worked, but with the continuation of the CSX Box Car project.

B. Rail Trust Covered Hopper Program

Although the production summary produced indicates 20 cars, as a member of the local insourcing team I was aware that there was going to be an additional 25 of these cars to be cut down for aggregate service.

C. Greenbrier Quad Hopper Modification

Although Mr. Veron and Mr. Ricciardi point out that the Greenbrier cars were completed in March of 2001, what they do not point out is that it was not until sometime in February 2001 that meaningful production is noted on the daily production summaries. As stated previously, and consistent with my previous declaration, paragraph 8, these cars could have been worked in year 2000 had there been sufficient manpower in the shops. Again, what Mr. Veron and Ricciardi fail to point out is that in November of 2000 the daily production summary indicates that 90, out of 100 of these cars were on hand.

D. GCCX Hood Program

With respect to the GCCX Hood program, the joint statement of Mr. Veron and Ricciardi is once again misleading. Although this project does not appear on the daily production summary until January 2001, this is misleading in that this order did not involve cars being repaired and would not appear in the cars on hand column of the daily production summaries. What they do not state is that the initial approval of this program was received in November 2000, but was temporarily delayed due to NS' announced closing of the shops at that time. Subsequent to the shop closing being cancelled at that time, this order could have commenced in year 2000, however there was not sufficient staffing at the shops. Also, Mr. Veron and Ricciardi fail to mention that there was a bid on an additional 160 hoods, which was being worked out, and was not pursued further due to the second announced closing of the shops in February.

E. Open Top Hopper Fastener Program

As stated by Mr. Veron and Ricciardi, this was an ongoing program which was not completed. However, consistent with my previous declaration, paragraph No.8, I note that this work was available during year 2000 and was not performed due to insufficient manpower. Although they state this was an ongoing project, what they do not point out is that 34 of these cars were on hand dating back to at least September 2000, and could have been worked at that time had there been sufficient manpower. They go on to state that these cars were worked to fill gaps with scheduled larger programs. Interestingly, what they do not point out is that in September and October of 2000 there were 32 of these cars scheduled, then in November there were 74 cars scheduled, but only a minimal 4 cars worked since September 2000. Again, the fact that

these cars were not only on hand, but scheduled, and not worked further indicates there were no gaps, as alleged, due to insufficient manpower in the shops.

5. Thus, contrary to the statements of Mr. Veron and Mr. Ricciardi, my original declaration and this declaration show that there was not sufficient manpower in the shops to keep up with the insourcing work being scheduled in, and that is the reason why work was sitting in the yard but was not done, and that is why the production numbers for 2000 were lower than they could have been.

6. This brings me to my next point concerning manpower levels in the shops, Mr. Ricciardi's allegation that I am wrong concerning a request for additional manpower in the shops. Contrary to what Mr. Ricciardi asserts, as a member of the local insourcing team, throughout this period of time I knew that there was not sufficient manpower in the shops to keep up with the increased insourcing work. During meetings which took place during this period of time the need for additional manpower was discussed. Consistent with my previous declaration, and contrary to what Mr. Ricciardi alleges I recall these meetings very well and that it was stated that additional manpower was requested, and refused by NS.

7. With respect to Mr. Veron and Ricciardi's statements concerning Mr. Lutton's assertions and my assertions about additional insourcing work that would have been available for work in 2001 and into 2002, as a member of the local insourcing team with knowledge of the insourcing projects which had been bid, and were being negotiated, I disagree with the statements of Mr. Veron and Mr. Ricciardi, and again find them to be incorrect and misleading.

8. For example, with respect to their statement concerning the DOD project consisting of some 2000 cars, it is misleading and incorrect for them to allege that the DOD did not contact NS with approval until just before the announced closing in February 2001. To the contrary, our local insourcing team was aware right along that the shops were going to be awarded this project and was in contact with the DOD representative on a regular basis contrary to what is alleged. In fact, the day of the announced closing of the shops in February, the first of 2000 cars were being shipped to Hollidaysburg from Conway, Pennsylvania.

9. Mr. Veron's and Mr. Ricciardi's statements concerning the GATX SP Flat insourcing project are also misleading. As can be seen by the daily production summaries beginning in September 2000, 73 of these cars were on hand, and could have been worked at that time, had there been sufficient manpower at the shops. Their allegation concerning a request to accelerate production on these cars is completely unfounded, and even if true, would not have been necessary had sufficient manpower been available in the shops in September 2000 when these 73 cars were on hand, and available to be worked. In this regard, it should be pointed out that no meaningful production on this order was commenced until November when a minimal 6 cars were completed.

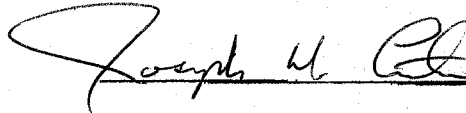
10. With respect to general prospects for additional insourcing at the shops, there were numerous other bids out, many of which were open files with the potential of being awarded. It should also be pointed out that Mr. Veron and Ricciardi make no attempt to explain that, although we had not received responses on certain bids, that does not mean they are not open or viable bids. The nature of the business does not involve definite time periods for responses to bids. At the time of the announced closing of the shops in November 2000, as indicated by the attachment to this declaration, there were

well over 100 bids out, any number of which, at any given time could have been approved, with additional work coming into the shops.

Verification

I, Joseph H. Letcher, verify that under penalty of perjury pursuant to 28 U.S.C. §1746 that I was a Carman employed by Norfolk Southern in Altoona, Pennsylvania until May 04, 2001, that I have read the foregoing document and its contents, and that the same is true and correct to the best of my knowledge and belief.

Executed July 30, 2001

A handwritten signature in cursive script, reading "Joseph H. Letcher", written over a horizontal line.

Joseph H. Letcher

INSOURCING LIST

Contract
Disco
Month
Year
Number
Order

SPW-01-00-0012	01/17/00 (E)	AK STEEL
SPW-01-00-0013	01/04/00	RAILCAR LTD
SPW-01-00-0014	01/17/00 (E)	AMECO (PERU)
SPW-02-00-0023	02/03/00 (E)	JOHN WEISS
SPW-02-00-0025	02/03/00 (E)	AMECO (MORGAN)
SPW-02-00-0026	02/03/00 (E)	ANDERSON, INC.
SPW-02-00-0027	02/03/00 (E)	GIL L. GIBBS
SPW-02-00-0032	02/04/00	MIKE PAYNE
SPW-02-00-0033	02/09/00 (E)	JUAN GUILLERMO BROISSIN ALVAREZ
SPW-02-00-0034-R1	02/11/00	T.G. SNYDER
SPW-02-00-0035	02/12/00 (E)	THOMAS MCFADDEN
SPW-02-00-0036	02/14/00 (E)	DALE BURMEISTER
SPW-02-00-0038	02/17/00 (E)	T.E. BESSELMAN
SPW-03-00-0071	03/17/00	RAIL TRUST EQUIP-50-75 OPEN TOP COAL HOPPERS
SPW-03-00-0072	03/17/00	O'TOOLE TRANSP-50-75 OPEN TOP COAL HOPPERS
SPW-03-00-0075-1	02/19/00	B&E-REBODY COAL HOPPERS AT ROANOKE
SPW-03-00-0075-2	03/22/00	TRANSTAR (TURN KEY REBODY OR REBODY KITS
SPW-03-00-0076	03/23/00	SUN OIL-WATER DAMAGED CARS -(40CARS)
SPW-04-00-0096	04/05/00	GE COIL STEEL CAR COVERS
SPW-04-00-0096-R	04/08/00	GE COIL STEEL CAR COVERS
SPW-04-00-0096-R2	04/18/00	GE COIL STEEL CAR COVERS
SPW-04-00-0097	04/06/00	REPAIRS TO GE BOX CARS
SPW-05-00-0123	05/01/00 (E)	HOWARD MCCALL-MILL GONS FOR COPPER, LEAD, STEEL & ZINC ORE
SPW-01-00-0187		RAIL TRUST-RAPID DISCHARGE AGGIE CARS
SPW-01-00-0188		ER-BUILD NEW DEPRESSED FLATS
SPW-01-00-0189		ER-BUILD NEW PINE DECKED FLATS

SPW-07-00-0221	AMECO CONVERT 50' BOX CAR TO CONTAINER CAR FOR PERU
SPW-07-00-0227	GREENBRIER CONVERT FOUR PKT HOPPER TO THREE PKT HOPPER
SPW-07-00-0228	ANDERSON CONVERT 70 TON BOX TO 100 TON
SPW-07-00-0229	ANDERSON REBODY AND CONVERT 3 PKT TO 2 PKT AGGIE
SPW-07-00-0230	GATX CONVERT COAL GON TO AGGIE
SPW-07-00-0231	GATX (FOR MONSANTO) CONVERT BULK HEAD FLAT TO BULK TANK SERVICE
SPW-07-00-0232	GATX CONVERT MED-COVERED HOPPER TO SM CH CEMENT
SPW-07-00-0233	CSXT CONVERT COAL HOPPER TO AGGIE
SPW-07-00-0234	FIRST UNION-WARRANTY REPAIR TO RAIL CARS
SPW-07-00-0235	ALTOONA PIPE & STEEL SELL & UPGRADE CR COAL PORTERS
SPW-07-00-0236	BETHLEHEM STEEL NEW COIL STEEL
SPW-07-00-0237	ANDERSONS REBODY OT HOPPER TO MILL GONS
SPW-07-00-0238	ANDERSONS CONVERT OT HOPPERS TO WHEEL CARS
SPW-07-00-0239	ANDERSONS UPGRADE COVERED HOPPERS TO 286 CUBE CARS
SPW-07-00-0240	ANDERSONS (ALL-TRANSTEK)-UPGRADE COVERED HOPPERS TO 286
SPW-07-00-0241	FIRST UNION RESTENCIL CAR NUMBERS
SPW-07-00-0242	FINGER LAKES RR-SELL REMFG CABOOSSES WITH PAINT
SPW-07-00-0243	FINGER LAKES RR-SELL REMFG CABOOSSES WITHOUT PAINT
SPW-07-00-0244	FIRST UNION/GREENBRIER RECERTIFY DOUBLE STACK
SPW-07-00-0245	GATX RR FROM LEASE HD FLATS
SPW-07-00-0246	REDECK WOOD FLOOR FLATS
SPW-07-00-0247	NATL STEEL CAR NEW COIL HOODS
SPW-07-00-0248	GATX UPGRADE ALUMINUM TUB CARS
SPW-07-00-0249	HELMS GENERAL REPAIRS
SPW-07-00-0250	CSXT GENERAL REPAIRS
SPW-07-00-0251	GATX MODIFY 45 HI SIDE GONS GCCX
SPW-07-00-0252	GATX MODIFY 20 HI SIDE GONS MHFX
SPW-07-00-0253	RAILTRUST REBODY HOPPERS 60 DEG SLOPES
SPW-07-00-0254	RAILTRUST 52.5 DEGREE SLOPE
SPW-07-00-0265	TRIPLE CROWN WHEEL SETS

SPW-03-00-0190	03/07/00	READING&NORTHERNSELL/REPAIR COAL HOPPERS
SPW-04-00-0191		GREENBRIER-MODIFY 200 HOPPERS TO TRIPS
SPW-03-00-0192	04/03/00	RBMN-REPAIR/REHAB 80 COAL HOPPERS
SPW-07-00-0193-2	07/07/00	GATX-MODIFY WOOD CHIP CARS
SPW-07-00-0194		TTX 100 TON FLAT CARS NEW PIPE SERVICE
SPW-07-00-0195		LTV-BUILD NEW ORE CARS
SPW-07-00-0196		DM&I RR 1200 NEW ORE CARS
SPW-07-00-0197		VEPCO-RD ALUMINUM COAL CARS PM
SPW-07-00-0198		RAILTRUST-REBODY & SELL PRR GONS
SPW-07-00-0199		BN-BUILD NEW 66 FT. GONDOLAS
SPW-07-00-0200		FERROMEX-AMECO-SALE OF WHEEL REPAIRS
SPW-07-00-0201	02/14/00	RAILTRUST-SALE & RECONDITION PRR COVER HOPPERS
SPW-07-00-0202		E&D RAILCAR-SALE OF RECONDITIONED CARS
SPW-07-00-0203		G&W RR-SALE OF 300 PR 36" WHEEL SETS
SPW-07-00-0204	09/01/00	GATX-MODIFY COVERED HOPPER CEMENT SERVICE
SPW-07-00-0205		GATX-APPLY LINING TO EP CARS
SPW-07-00-0206-2	03/03/00	GATX-MODIFY SP FLATS FOR CONTAINER SERVICE
SPW-07-00-0207	10/28/98	GATX-REPAIR/PAINT 15-25 CH(WWW)
SPW-07-00-0208		GATX-MODIFY 200 QUAD HOPPER TO TRIPS
SPW-07-00-0209		GATX REPAIR WRECKED FLATS
SPW-07-00-0210		GATX-BUILD 500 NEW COIL STEEL CARS
SPW-07-00-0211		GE RAIL CONVERT 75 TON BOXES TO 100 TON
SPW-07-00-0212		JOHN NICHOLS SALE OF 50-75 REHAB COAL CAR
SPW-07-00-0213		RAILTRUST- SALE OF REHAB COAL HOPPERS
SPW-07-00-0214	04/06/00	TTX BUILD NEW 68' BULK HEAD FLATS
SPW-07-00-0215	04/12/00	PROGRESS RAIL REBODY KITS COAL TO AGGIE
SPW-07-00-0216		SUN OIL-WATER DAMAGED CAR
SPW-07-00-0217		ANDERSONS SALE OF 100 TON GONDOLAS
SPW-07-00-0218	07/18/00	GE RAIL BUILD NEW 1 PC COIL STEEL HOODS
SPW-07-00-0218-R2	07/18/00	GE RAIL BUILD 300 NEW 1 PC COIL STEEL HOODS
SPW-07-00-0219		RAILTRUST BUILD NEW 52' HI SIDE
SPW-07-00-0220		RAILTRUST BUILD NEW 65' HI SIDE

SPW-07-00-0266
SPW-07-00-0274
SPW-07-00-0275

SPW-07-00-0276
SPW-07-00-0277
SPW-08-00-0282

SPW-08-00-0283
SPW-08-00-0284
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SPW-08-00-0327
SPW-08-00-0331
SPW-08-00-0332
SPW-08-00-0333

SPW-09-00-0338

SPW-09-00-0351
SPW-09-00-0354
SPW-09-00-0363
MWT-10-00-0393
MWT-10-00-0394
MWT-11-00-0396
MWT-11-00-0397
MWT-11-00-0420

GUILFORD SELL OF 50 HOPPERS
THRALL CAR - COVERED HOPPERS
SOUTHBOUND CEMENT-MODIFY CEMENT
CARS

HULCHER-TRACK PANEL SALE
RJ CORMAN -TRACK PANEL SALE
SHARED ASSETS - BUILD SHOVE
PLATFORM

BLE UPPER PATCH KIT
IEC HOLDEN-MOUNT NEW WHEEL SETS
RELIANT ENERGY SCALE TEST
COMET IND-RECOND.DRAFT GEAR
AMER.EQUIP.MISC.CAR PARTS
GATX 3-100 TON OT HOPPER REPAIR
GATX FABRICATE HOOD OT GONDOLA
GATX MODIFY/INCREASE GRL-GONDOLAS
KAROL & ASSOCI. REFURBISH CONTAINER
RELIANT ENERGY REFURBISH TEST
WEIGHT

PITT PWR & LIGHT REFURBISH TEST
WEIGHT

GATX 1-100 TON ALUMINUM HOPPER
GATX-400 DECALS
RDG BLUE MTN REPAIR 100 TON HOPPER
VA.PWR.-REPAIR 200 COAL HOPPERS
RAILTRUST REBODY AGGIES 100 CARS
ALTOONA PIPE SALE & REPAIR 175 CARS
GILFORD SALE & RPR 50 COAL CARS
RDG BLUE MTN RPR 4 CSX HOPPERS
US ARMY (DODX) TRUCK REPAIRS
GATX COVERS FOR HI SIDE GONDOLAS
VEPCO-REHAB TRUCK BOLSTER
FIRST UNION COAL COVERS
VEPO UNIT TRAIN REPAIR
TIMKEN WHEEL SETS/USED AXLES/REAR
BEARING

ANDERSONS (ALL TRANSTEK) COVERED_
HOPPER MODIFICATION

IND.DRAFT GEAR-RECOND. DRAFT GEARS
CSX COIL STEEL HOODS
CSX DRAFT SEALS
EJ&E 25 89' FLATS
EJ&E 90 60' FLATS
FIRST UNION 40 RAPID DISCHARGE CARS
JAIX LEASING MODIFY CONVER HOPPER
ANDERSONS COVERED HOPPERS

MWT-11-00-0421
MWT-11-00-0422
MWT-11-00-0432

RMDI-RAPID DISCHARGE HARDWARE
S.WILLIAMS-BULK HEAD FLATS
GREENBRIER CONVERT A END ROTARY TO
NON-ROTARY

THIRD DECLARATION OF THOMAS LUTTON

THIRD DECLARATION OF THOMAS LUTTON

1. My name is Thomas Lutton. I am a Carman employed for Norfolk Southern in Altoona, Pennsylvania, and currently hold the position of President TWU Local 2017. I previously submitted two declarations in this matter.

2. I have had the opportunity to read the Norfolk Southern's July 27, 2001 filing with the Surface Transportation Board, including the Declarations of Messrs. Veron and Ricciardi and Mr. Licate. While I will not respond to many of their statements that are in my view inconsistent, misleading or otherwise inaccurate, I will respond to certain of their allegations.

3. With respect to Mr. Ricciardi's statement alleging that no addition manpower was requested for the shops, simply put this is false. There clearly was a shortage of manpower at the Hollidaysburg Car Shop because of a substantial decrease in manpower levels at the shops since split date (6/1/99). This is illustrated by the Attachment to this declaration, a shop force statement just prior to split date (6/1/99) which indicates a force of 451 employees. In February of 2001 there were 321 employees, or 130 less employees actively employed at the shops, a quite substantial reduction. Again when considering the insourcing work which was scheduled into the shops in late 2000, this reduction in man count was obviously a concern which was discussed quite frequently. On several occasions I approached Mr. Ricciardi concerning the shortage of manpower. The response I received was that requests were made for additional manpower, and refused by Norfolk Southern.

4. With respect to Mr. Licate's statement concerning the potential new hire agreement, I think that the key points were that TWU had agreed to a reduced rate for new hires, and, even if

the initial attempt to enter such an agreement failed, it failed in March of 2000 when NS decided not to pursue the matter further. In connection with the proposed agreement for a reduced rate for new hires, NS never said that it needed the reduced rate in order for the HCS to remain financially viable or to remain competitive with other shops. As is reflected in Mr. Licate's declaration, the BRC was concerned about work flowing to the HCS from other NS shops, this was because everyone knew that NS had committed to retain the HCS. So whereas NS said it wanted to equalize rates at the two shops, BRC said it did not want to create an additional incentive for work to flow to the HCS

5. It is important to note that NS never raised the proposal again before announcing that the HCS would be closed. At no time prior to either the 1st or 2nd announced closing did Norfolk Southern representatives from Labor Relations, Mechanical or other departments approach the unions to state that there were any financial or other problems, that survival of the HCS was at stake, or that the HCS was at a competitive labor cost disadvantage with regard to other shops, and NS did not attempt to discuss further the tentative agreement TWU had accepted previously for reduced rates for new hires in the context of such claims.

Verification

I, Thomas Lutton, verify that under penalty of perjury pursuant to 29 U.S.C. §1746 that I am a Carman employed by Norfolk Southern in Altoona, Pennsylvania, and President TWU Local 2017, that I have read the foregoing document and its contents, and that the same is true and correct to the best of my knowledge and belief.

Executed July 31, 2001


Thomas Lutton