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Congress of the United States

House of Representatives

Washington, D.C. 20515-3230

JACK QUINN
30TH DISTRICT, NEW YORK

COMMITTEES:

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CHAIRMAN, STEEL CAUCUS EXECUTIVE COMMITTEE

September 14, 2001

The Honorable Linda J. Morgan
Chairman
Surface Transportation Board
1925 K Street, N.W.
Washington, D.C. 20423-0001

OFFICE OF
CHAIRMAN MORGAN

2001 SEP 17 P 2:09

RECEIVED
SURFACE TRANSPORTATION
BOARD

**Re: Finance Docket No. 33388; CSX Corp. and CSX Transp., Inc.,
Norfolk Southern Corp. and Norfolk Southern Ry. Co. – Control and
Operating Leases/Agreements – Conrail Inc. and Consol. Rail Corp.**

Dear Chairman Morgan:

The Railroad Subcommittee of the House of Representatives Committee on Transportation and Infrastructure has worked diligently to compile comprehensive information requested during our hearing on July 16, 2001, regarding Norfolk Southern's proposed closure of the Hollidaysburg, PA car shops.

Most recently, I forwarded a copy of responses by Mr. David Goode, Chairman, President and CEO of Norfolk Southern, to questions asked by Members of the Committee at the hearing. I am now forwarding additional information provided by Mr. Thomas Lutton, President of the Transport Workers Union Local 2017, to the Board for its consideration.

Thank you for your attention to this matter, and if you need any additional information, please do not hesitate to contact me.

Sincerely,

Jack Quinn, M.C.
Chairman
Subcommittee on Railroads

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GEORGE E. LEITZ
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TRANSPORT WORKERS UNION OF AMERICA

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GARY MASLANKA
CHARLES MONEYPENNY
International Representatives

September 7, 2001

The Honorable Jack Quinn
Chairman, Subcommittee on Railroads
2448 Rayburn Building
Washington, D.C. 20515-3230

Dear Congressman Quinn:

Enclosed you will find two hard copies of TWU Local 2017 President, Thomas Lutton's August 27, 2001 letter which was faxed to your office that date.

Mr. Lutton's letter is in response to additional information provided to the Subcommittee by Norfolk Southern.

I have also forwarded a copy of this letter to the Railroad Subcommittee office.

Again, thanking you for your consideration in these critical matters concerning Hollidaysburg Car Shop.

Sincerely yours,

Gary E. Maslanka
International Representative

GEM:fa
opeiu-153

cf: Sonny Hall
John Czuczman
File-HCSRRSC9701



TRANSPORT WORKERS UNION OF AMERICA

LOCAL UNION No. 2017 — AFL-CIO

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August 27, 2001

The Honorable Jack Quinn
Chairman, Subcommittee on Railroads
Committee on Transportation and Infrastructure
United States House of Representatives
Washington, D.C. 20515-3230

Via Fax & U.S. Mail

Dear Congressman Quinn,

This is in reference to the July 16, 2001 Railroad Subcommittee hearing concerning Hollidaysburg Car Shop. In particular, a response to additional information submitted to the Subcommittee by Norfolk Southern CEO David Goode.

I have had the opportunity to review this information which appeared on the Board's (STB) web site this past Wednesday (8/22/01). After reviewing this information I find it necessary to respond for the purpose of clarifying various responses of Norfolk Southern, as follows:

(1) Norfolk Southern's Assertions That Its Operation Of The Shops Was Based On Erroneous Assumptions About The Workload Of The Shops

In his statement to the Subcommittee, Mr. Goode again attempted to justify the closing of the HCS as being based on unrealized expectations. As pointed out to the Subcommittee during the July 16, 2001 hearing, and in filings before the Surface Transportation Board, production at Hollidaysburg today does not substantially differ from what it was when NS made its commitments based on available information. Inasmuch, for NS to now assert that these commitments were premised on erroneous assumptions about production at the shops is simply not true.

Page Two (2) / 8-27-01
The Honorable Jack Quinn
RE: Hollidaysburg Car Shop

In fact, to further demonstrate that NS was quite well versed in the history of Hollidaysburg Car Shops I am providing a copy of a recent declaration by C. David Vittur, General Manager Mechanical Maintenance-Car for Norfolk Southern. (**Attachment 1**) This declaration is an exhibit in Norfolk Southern's pre-hearing brief in an arbitration scheduled concerning protective arrangements for employees at Hollidaysburg.

As pointed out by Mr. Vittur, who was a key player from NS' mechanical department in NS' planning for the " Conrail Transaction ", NS knew the history of Hollidaysburg Car Shop, and knew its level of production at the time NS made its commitments to retain, invest in and expand the shops. The current circumstances at the Hollidaysburg Car Shop reflects a trend and are not a surprise. I point out paragraphs 11/12 of Mr. Vittur's declaration which outline NS' knowledge of Hollidaysburg dating back to the inception of Conrail in 1976.

I would also like to point out that Mr. Vittur recognizes that repair work is cyclical (paragraph 9), a factor which we have repeatedly pointed out, and that members of the Subcommittee recognize, as stated during the hearing. This further supports our position that current numbers will increase during economic recovery and when customer needs and demands change, as they will. In view of this reality, there is no basis for NS' attempt to abandon operations at Hollidaysburg after a mere two years of operation.

(2) Investment In Hollidaysburg

Norfolk Southern's response does not accurately reflect the exchange which took place during the July 16, 2001 hearing between Congressman Oberstar and NSR CEO David Goode. To further explain this point, outlined below is an accurate account of the exchange between Congressman Oberstar and David Goode during the hearing:

Mr. Oberstar: But at the time you assured the Surface Transportation Board that, not only would you keep those shops open, but you would invest some \$ 4 million to upgrade and to attract new repair. Did you make those -- that \$ 4 million investment ?

Mr. Goode: We made -- we haven't made all of the -- I looked this morning -- we made something north of \$ 3 million has been made so far in that.

Mr. Oberstar: And what did that include ? What types of ?

Mr. Goode: It involved a number of improvements in the machinery in the shop -- some material-handling improvements, a number of environmental and -- investments that were made.

As outlined in this exchange, Congressman Oberstar's question was clear and to the point concerning Norfolk Southern's commitment to invest \$ 4 million in Hollidaysburg. NSR CEO David Goode's response was, that they had made some \$ 3 million of that investment, including machinery and material handling improvements. However, that is not the truth, as NS now admits by stating there was no direct relationship between the supposed \$ 3 million investment and the promised \$ 4 million investment.

With respect to investments at Hollidaysburg, NS has referenced Conrail and NS investments, and it is unclear what investments were made by NS, and what investments were made by Conrail. This demonstrates further, the evasive nature of NS' response, clearly aimed at avoiding the core issue and question posed by the Subcommittee.

It must also be pointed out that it wasn't until after the organizations testimony, during which time it was pointed out that the Board's (STB) decision 186 outlined NS' admission that the investment was not made, and the Subcommittee's follow-up on this matter, that NS is now attempting to explain what was clearly incorrect, and obviously self-serving information offered by NSR-CEO David Goode in response to Congressman Oberstar's question.

It is also interesting to note that NS is now, for the first time, conveniently asserting that this investment of \$ 4 million was not scheduled until year 2002.

(3) NS Response – Claims to Redirection of Work

With respect to insourcing work, again Norfolk Southern's assertions do not bear all the facts. As referenced during the hearing, and provided to the Subcommittee subsequently, Mr. Letcher's declaration outlined numerous insourcing orders, both approved and pending. Although NS references its July 27, 2001 filing with the Board (STB), wherein it sets out to discredit Mr. Letcher's declaration, they do not mention that a response to this filing was made by the petitioners.

Included in this August 01, 2001 response was a second declaration from Mr. Letcher which addressed, among other information, the joint verified statement of NS managers D.L. Veron and M. A. Ricciardi. In this declaration Mr. Letcher explains that his initial declaration was taken out of context by Veron and Ricciardi. Mr. Letcher goes on to explain that his initial declaration, in large part, was intended to demonstrate that there was additional insourcing work available, which could have been performed in year 2000, further increasing profits at the shop.

Moreover, Norfolk Southern's allegations that insourcing work is not available are simply not true. In fact, since the announced closing of the shop, we have been advised that a number of the insourcing orders earmarked for the shops, have yet to be done, and that there is difficulty in finding shops to perform this work.

In addition, within just the last two weeks I was personally advised that an offer was made to Hollidaysburg, by GATX for an insourcing order to build 200 new freight cars, again, which would have produced a substantial profit for the shop. At a time when NS has, not once, but twice announced the closing of the shop, and is attempting to do just that, to receive an insourcing order offer for the building of 200 new freight cars speaks volumes to the value of this shop, and Norfolk Southern's ability to operate these shops at a profit.

Contrary to what NS alleges, there were orders which were turned away, and as demonstrated by the most recent offer, there is work available for the shop.

Again with respect to the question concerning re-directing work away from Hollidaysburg, in particular CSX work. NS asserts that because of the pending closing of the facility, CSX and NS agreed that CSX would no longer have to send repair work to Hollidaysburg. Again, NS has evaded the question which arises from the hearing. As I personally stated during the hearing, NS literally moved several hundred CSX cars out of the yard at Hollidaysburg shortly after its announced closing of the shop in February. These cars were scheduled in to the shops for repair with preliminary preparations already being made for their repair.

Finally, I note that NS' responses on " requested studies " and " operating comparisons " which state an inability to compare stand alone profitability of the HCS to stand alone profitability of other NS shops call into question the legitimacy of its claims of unusual large operating losses at Hollidaysburg.

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The Honorable Jack Quinn
RE: Hollidaysburg Car Shop

The foregoing responses to additional information provided by Norfolk Southern are not intended to address all of the inconsistencies and inaccuracies entailed in NS' information. However, I believe it highlights what we view as a continuing pattern of inconsistencies in NS' information which seriously undermine Norfolk Southern's credibility concerning facts relating to Hollidaysburg Car Shop.

I provide this information for the Subcommittees review and consideration, as it explains further, facts relative to questions which arose during the July 16, 2001 hearing.

Thanking you again, for your consideration in these critical matters concerning Hollidaysburg Car Shop.

Sincerely Yours,



Thomas Lutton
President TWU Local 2017

Attachments /1/

C. David Vittur Declaration (5 Pages)

CC: S. Hall
J. Czuczman
G. Maslanka
File

August 27, 2001
Subcommittee on Railroads

ATTACHMENT 1

Declaration of C. David Vittur
General Manager Mechanical Maintenance – Car
Norfolk Southern Corporation

UNITED STATES OF AMERICA

ARBITRATION PURSUANT TO ART. I, § 3 OF THE GENERAL
 IMPLEMENTING AGREEMENT DATED OCTOBER 16, 1998 AND
 ARTICLE I, § 4 OF THE NEW YORK DOCK PROTECTIVE CONDITIONS

NORFOLK SOUTHERN RAILWAY)
 COMPANY)

and)

BROTHERHOOD RAILWAY CARMEN)
 DIVISION-TCU)

Before Richard Mittenthal
 Neutral Referee

DECLARATION OF C.DAVE VITTUR

C. DAVE VITTUR hereby deposes and says:

1. I am General Manager Mechanical Maintenance-Car for the Norfolk Southern Railway Company (ANSR). My business address is 185 Spring Street, SW, Atlanta, Georgia 30303. I am making this Statement in support of the position of NSR in this arbitration proceeding with the Brotherhood Railway Carmen Division-TCU (ABRC).

2. I have held my current position with NSR since February 16, 2001. In this position I am responsible for Mechanical Department repair functions in all of the NSR car shops and running repairs performed in train yards throughout the Norfolk Southern system. I am also responsible for the overall management of Hollidaysburg Car Shops in Hollidaysburg, Pennsylvania. Prior to holding this position, I was General Manager Northern Region, responsible for all mechanical functions on this region of NSR which incorporates the former Consolidated Rail Corporation (Conrail) property acquired by NSR. I hired with the railroad in March of 1970 and have been employed in mechanical department management positions ever since.

3. In my current position, I am responsible for the general management of NSR's Mechanical Department car repair operations. I am responsible for, among other things, the operation of the car shops in Hollidaysburg, Pennsylvania; Decatur, Illinois; Bellevue and Columbus, Ohio; Linwood, North Carolina and Macon, Georgia. All of these facilities are managed by the Mechanical Department of NSR. I have had a central role in the planning and implementation of the transfer of freight car repair work that is the subject of this arbitration.

4. On June 1, 1999, pursuant to STB authorization, NSR commenced operations over its respective portions of the former Conrail system, which includes the Hollidaysburg Car Shops (HCS) in Hollidaysburg, Pennsylvania. Since June 1, 1999, NSR has taken many steps to realize the operational efficiencies that were intended by the railroads and by the Surface Transportation Board (STB) in approving the Conrail transaction. A variety of shop and mechanical facility operations were consolidated soon after the acquisition of control, and the Carriers and the shopcraft unions, including BRC, expressly recognized in their 1998 implementing agreements that future consolidations would be undertaken.

5. Nearly all employees at the HCS perform a wide variety of car repair work. In fact, most of NSR's program car repair work is currently performed there. Program car repair work involves light, medium or heavy car repairs to a specific group or lot of freight cars. Other Mechanical facilities on NSR, such as those in Decatur, Bellevue and Columbus, Linwood and Macon also repair freight cars and perform some program car repair work, but on a limited basis, because they are not currently staffed as are the HCS. Program car repair work at these points occurs on a smaller scale rather than in the very structured manner common at the HCS. The employees at the HCS also perform business for other railroads and companies. Building, repairing or modifying freight cars for these other companies is known as "insourcing."

6. The current car repair operations at the HCS include the repair and/or modification (in whole or in part) of system freight car truck components; the freight car body itself (including exterior and interior floors, walls, roofs and doors) and the replacement of draft gears, couplers and cushioning devices to name just a few. Additionally freight cars damaged in train wrecks are repaired at the HCS and repairs are made to the braking systems on all types of freight cars.

7. General freight car repairs are also done to some freight cars at the HCS. For example, some general repairs have consisted of car renumbering; reprogramming Automatic Equipment Identification (AEI) tags; cleaning equipment and repairs to safety appliances on the car body. Employees at the HCS have also performed major and minor repairs on coil gondola troughs, hood repairs and covered hopper outlet repairs.

8. Work as described above is dependent in large part on the funding available to finance each project; the demands placed on the Company by its customers who will use the equipment; and the

scheduling necessary to program cars through the shop. These demands fluctuate as the Company's business fluctuates. For instance, during periods of heavy automotive traffic, auto parts cars may be programmed into the shop on short notice while less urgent projects are deferred.

9. NSR is persuaded that changing economic conditions and excess capacity throughout the freight car repair industry have reduced its workload to the extent it cannot support continued operations at the HCS. The NSR freight car fleet has declined from approximately 114,000 cars in 2000 to about 11,000 cars in 2001; we are undertaking a further reduction of 12,000 cars by 2002.

10. The HCS are the largest shops on NSR. In fact they are among the largest in the world. They consist of over three quarters of a million square feet of enclosed shop and car production space sitting on over 360 acres of land. The building housing the shops is over one-half mile long and at points it is nearly 330 feet wide. The building contains four main tracks over 3,000 feet long, 12 overhead cranes, and 3 paint and blast facilities. Up to 3,500 rail cars can be stored at the shops at any one time and approximately 275 shopcraft employees currently work at the facility.

11. From the date Conrail assumed control of the shops on April 1, 1976, until Asplit date - June 1, 1999 - when NSR acquired the shops, over 132,000 cars were repaired and over 5,700 cars were constructed at the shops. Over time, Conrail's use of the shops dwindled as Conrail's freight car fleet (almost 200,000 cars in 1976) decreased as more shippers and leasing companies began to buy and maintain their own fleet of freight cars. Consequently, the need for Conrail to own and maintain a large fleet of freight cars was no longer necessary. When NSR and CSX acquired control of Conrail in 1999, the total freight cars in the Conrail fleet had declined to 51,000. This same trend has continued since NSR acquired use of the shops on June 1, 1999.

12. There is no question that the HCS are huge or that they have the capability to perform many different car repair functions. However the HCS' size and diminished output -- it continues to operate at less than one third of its capacity -- has caused its overhead costs to soar. Insourcing work might have absorbed this capacity but, despite its best efforts, NSR has been unable to develop enough of such work. A recent NSR study undertaken for an STB filing concluded, on a conservative basis, the shops lost approximately \$7 million last year.

13. Ultimately, NSR was forced to the conclusion that it

could no longer continue to perform car repair work at the HCS. Having reached that conclusion, NSR then determined that performing car repair at smaller, geographically dispersed locations would generate efficiencies in performing car repair into the future. Accordingly, NSR intends to transfer all of the car repair work on NSR owned freight cars and associated work from the HCS to NSR's mechanical facilities at Decatur, Bellevue, Columbus, Linwood and Macon. No insourcing work will be transferred from the HCS to any of the receiving locations.

14. The transfer will make use of the excess car repair capacity at the receiving locations and, by eliminating the fixed costs associated with the underutilized, oversized HCS, will produce greater efficiencies and reduce costs. Transferring the work from the HCS will also reduce the inefficiencies that come with having car repair performed at a central site, often at a geographic location removed from the cars in need of repair. The five locations to which the HCS work will be transferred are dispersed across the NSR system and are located in key customer corridors. Transferring work to these several locations will permit freight cars to be sent to the closest repair point for repairs, which will decrease transit time and associated expenses. Transferring the work to these several locations will also permit NSR to better handle smaller car repair programs quicker and more efficiently.

15. While each receiving location can perform a wide variety of car repair functions, the HCS work will be transferred to the geographic locations where it can best be performed. Freight cars sent to these points for repairs will immediately experience greatly reduced turnaround time. Repairs to auto boxcars will mostly be done at Decatur and Bellevue. Gondolas and coil steel cars can be adequately repaired at Columbus or Bellevue and Decatur. Covered hoppers and boxcar maintenance can be performed at Decatur; however, excess capacity is also available at Columbus and Bellevue. The operation at Linwood is better suited for the repair of sliding door boxcars. The facility at Macon is ideally suited to perform boxcar and covered hopper repairs. Painting, as necessary, may be performed at each of the receiving locations.

16. All of the jobs held by HCS carmen on regular assignments performing the work that is to be transferred (the 221 jobs in existence as of February 21, 2001, less any that are vacated prior to the work transfer) will be abolished. NSR plans to establish 115 carman positions at the receiving facilities as follows:

56 - Bellevue, Ohio

08 - Columbus, Ohio
46 - Decatur, Illinois
02 - Linwood, North Carolina
03 - Macon, Georgia

Should more than 115 employees desire to transfer, NSR will establish additional positions, on a proportional basis, so that every HCS employee who is willing to relocate will have a job.

Pursuant to 28 U.S.C. § 1746, I state under penalty of perjury that the foregoing is true and correct to the best of my knowledge, information, and belief. Executed on the 10th day of August, 2001.

C. Dave Vittur

C. DAVE VITTUR

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SERIALIZED FILED
AUG 23 2001
FBI - MEMPHIS